

PJSC “Bank “Saint Petersburg” Group

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

30 June 2016

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Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders and Supervisory Board

PJSC "Bank "Saint Petersburg" Group

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Bank "Saint Petersburg" (hereinafter referred to as the "Bank") and its subsidiaries (hereinafter together referred to as the "Group") as at 30 June 2016, 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.

Audited entity: PJSC "Bank Saint Petersburg".

Registered by the Central Bank of 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 Duties of the Russian Federation, Registration No. 1027800000140. Certificate series 78 No. 003196015.

Address of the audited entity: 64A, Malookhtinskij 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. 011.635.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628. Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000604.



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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 2016 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"

24 August 2016
Moscow, Russian Federation

PJSC "Bank "Saint Petersburg" Group
Condensed Consolidated Interim Statement of Financial Position as at 30 June 2016

<i>(in thousands of Russian Roubles)</i>	Note	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents		60 960 946	36 558 917
Mandatory reserve deposits with the Central Bank of the Russian Federation		2 551 775	2 388 138
Trading securities	6	14 699 395	13 193 472
Securities pledged under sale and repurchase agreements and loaned	7	87 560 536	70 314 051
Reverse sale and repurchase agreements	8	24 089 832	15 220 590
Derivative financial assets		4 225 316	4 974 795
Due from banks		4 192 053	35 122 584
Loans and advances to customers	9	327 948 171	335 302 100
Investment securities available-for-sale	10	24 116 827	27 849 192
Prepaid income tax		449	412 959
Deferred tax asset		1 060	449
Investment property		5 635 779	3 162 532
Premises, equipment and intangible assets		14 445 998	14 476 946
Other assets		2 028 670	2 564 992
Long-term assets held-for- sale		2 118 179	992 859
TOTAL ASSETS		574 574 986	562 534 576
LIABILITIES			
Due to banks		153 511 424	135 833 080
Customer accounts	11	331 833 506	325 961 928
Derivative financial liabilities		363 960	498 661
Bonds issued	12	16 301 467	19 200 016
Other debt securities issued		7 397 812	17 441 146
Other borrowed funds	13	2 694 522	2 642 299
Income tax liability		459 067	-
Deferred tax liability		1 092 146	2 809 073
Other liabilities		1 809 510	1 364 889
TOTAL LIABILITIES		515 463 414	505 751 092
EQUITY			
Share capital	14	3 721 734	3 721 734
Share premium	14	21 393 878	21 393 878
Revaluation reserve of premises		3 820 496	3 820 496
Revaluation reserve for investment securities available-for-sale		2 317 747	1 596 286
Retained earnings		27 857 717	26 251 090
TOTAL EQUITY		59 111 572	56 783 484
TOTAL LIABILITIES AND EQUITY		574 574 986	562 534 576

Approved for issue and signed on behalf of the Management Board on 24 August 2016.

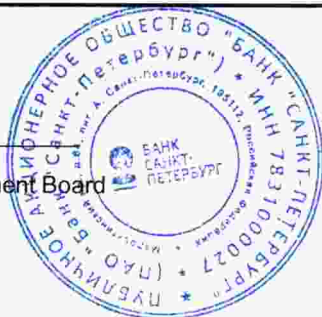
A.V. Savelyev
Chairman of the Management Board

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 2016

<i>(in thousands of Russian Roubles)</i>	Note	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Interest income	16	26 001 120	24 888 205
Interest expense	16	(15 620 280)	(16 648 286)
Net interest income		10 380 840	8 239 919
Provision for loan impairment		(6 131 320)	(5 593 918)
Net interest income after provision for loan impairment		4 249 520	2 646 001
Net gains (losses) from trading securities		370 795	(193 177)
Net gains from investment securities available-for-sale		578 254	290 613
Net gains (losses) from trading in foreign currencies		8 690 752	(170 269)
Net losses from foreign exchange translations		(3 920 443)	(214 197)
Net (losses) gains from derivatives		(3 210 957)	2 596 844
Fee and commission income		2 768 626	2 191 193
Fee and commission expense		(472 848)	(327 668)
Impairment allowance for long-term assets held-for-sale		(348 018)	-
Impairment allowance for credit related commitments		(443 371)	(5 552)
Other net operating income		155 331	164 740
Administrative and other operating expenses:			
- staff costs		(2 693 046)	(2 404 660)
- costs related to premises and equipment		(812 310)	(606 325)
- other administrative and operating expenses		(2 488 998)	(1 948 039)
Profit before tax		2 423 287	2 019 504
Income tax expense		(427 480)	(451 867)
Profit for the period		1 995 807	1 567 637
Other comprehensive income			
<i>Items of comprehensive income that are or will be reclassified subsequently to profit or loss:</i>			
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal		(578 254)	(183 142)
Net result from revaluation of investment securities available-for-sale		1 480 081	2 342 623
Deferred income tax recognized in equity related to components of other comprehensive income		(180 366)	(432 047)
Other comprehensive income for the period after tax	15	721 461	1 727 434
Total comprehensive income for the period		2 717 268	3 295 071
Basic and diluted earnings per share (in Russian Roubles per share)	17	4,54	3,65

A.V. Savelyev
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 2016

<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
Balance as at 1 January 2015		3 696 674	21 393 878	3 901 555	(433 894)	22 736 128	51 294 341
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 premises (unaudited)		-	-	(81 059)	-	81 059	-
Total comprehensive income for the six-month period ended 30 June 2015 (unaudited)		-	-	(81 059)	1 727 434	1 648 696	3 295 071
Sale of treasury shares (unaudited)		24 549	-	-	-	705 339	729 888
Dividends declared (unaudited)		-	-	-	-	(887 842)	(887 842)
- ordinary shares	18	-	-	-	-	(887 842)	(887 842)
- preference shares	18	-	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2015 (unaudited)		3 721 223	21 393 878	3 820 496	1 293 540	24 200 110	54 429 247
Balance as at 1 January 2016		3 721 734	21 393 878	3 820 496	1 596 286	26 251 090	56 783 484
Other comprehensive income recognized directly in equity (unaudited)	15	-	-	-	721 461	-	721 461
Profit for the period (unaudited)		-	-	-	-	1 995 807	1 995 807
Total comprehensive income for the six-month period ended 30 June 2016 (unaudited)		-	-	-	721 461	1 995 807	2 717 268
Acquisition and sale of treasury shares (unaudited)		-	-	-	-	72 344	72 344
Dividends declared (unaudited)		-	-	-	-	(459 313)	(459 313)
- ordinary shares	18	-	-	-	-	(459 313)	(459 313)
- preference shares	18	-	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2016 (unaudited)		3 721 734	21 393 878	3 820 496	2 317 747	27 857 717	59 111 572

A.V. Savelyev
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 2016

<i>(In thousands of Russian Roubles)</i>		Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
	Note		
Cash flows from operating activities			
Interest received on loans and correspondent accounts		19 839 449	20 356 449
Interest received on securities		5 245 610	2 948 077
Interest received on amounts receivable under reverse repurchase agreements		558 470	1 500 503
Interest paid on due to banks		(6 127 334)	(5 663 597)
Interest paid on customer accounts		(9 474 088)	(8 275 243)
Interest paid on other debt securities issued		(546 457)	(286 913)
Net payments from securities trading		(648 996)	(380 354)
Net receipts (payments) from trading in foreign currencies		8 690 752	(170 269)
Net (payments) receipts from transactions with derivatives		(2 596 179)	5 449 533
Fee and commissions received		2 736 408	2 210 598
Fee and commissions paid		(472 848)	(327 668)
Other operating income received		156 930	157 598
Staff costs		(2 705 735)	(2 237 847)
Premises and equipment costs		(251 124)	(281 032)
Administrative and other operating expenses		(2 471 384)	(1 964 720)
Income tax paid		(1 453 806)	(1 283 162)
Cash flows from operating activities before changes in operating assets and liabilities		10 479 668	11 751 953
Changes in operating assets and liabilities			
Net (increase) decrease in mandatory reserve deposits with the Central Bank of the Russian Federation		(163 637)	36 510
Net increase in trading securities		(21 143 079)	(5 641 272)
Net increase in amounts receivable under reverse repurchase agreements		(8 874 092)	(3 671 080)
Net decrease in due from banks		30 552 563	4 839 194
Net increase in loans and advances to customers		(10 503 898)	(553 508)
Net decrease in other assets		504 869	1 370 512
Net increase in due to banks		20 513 790	19 294 510
Net increase (decrease) in customer accounts		17 785 378	(7 249 531)
Net decrease in other debt securities issued		(8 687 455)	(356 255)
Net increase (decrease) in other liabilities		90 318	(1 114 302)
Net cash received from operating activities		30 554 425	18 706 731
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(867 926)	(233 589)
Proceeds from disposal of premises and equipment and intangible assets		1 149	159 648
Net increase of investment securities available-for-sale		(2 060 585)	(23 732 077)
Net receipts from disposal of investment securities available-for-sale		578 254	275 222
Proceeds from sale of investment property		-	8 554
Dividends received		1 501	5 715
Net cash used in investing activities		(2 347 607)	(23 516 527)

PJSC "Bank "Saint Petersburg" Group
Condensed Consolidated Interim Statement of Cash Flows for the six-month period
ended 30 June 2016

<i>(In thousands of Russian Roubles)</i>			
	Note	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Cash flows from financing activities			
Acquisition of treasury shares		(580 202)	-
Sale of treasury shares		652 546	729 888
Receipt of other borrowed funds		377 013	-
Repayment of other borrowed funds		(206 841)	(2 662 507)
Redemption of bonds issued		(632 968)	(1 332 592)
Interest paid on bonds issued		(901 739)	(1 130 719)
Interest paid on other borrowed funds		(61 660)	(138 717)
Dividends paid	18	(459 412)	(1 950)
Net cash used in financing activities		(1 813 263)	(4 536 597)
Effects of exchange rate changes on cash and cash equivalents		(1 991 526)	(1 415 418)
Net increase (decrease) in cash and cash equivalents		24 402 029	(10 761 811)
Cash and cash equivalents at the beginning of the period		36 558 917	57 240 622
Cash and cash equivalents at the end of the period		60 960 946	46 478 811


A.V. Savelyev
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 2016 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 2016, Mr. A.V. Savelyev and management of the Bank control 53.2% of the ordinary shares of the Bank (31 December 2015: 53.2%) including: 23.7% of the ordinary shares are controlled by Mr. A.V. Savelyev (31 December 2015: 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 2015: 29.5% were controlled by management of the Bank, including 28.7% of the ordinary shares are controlled by LLC "Management Company "Vernye Druzya"). In the company LLC "Management Company "Vernye Druzya", companies "NOROYIA ASSETS LIMITED", "ZERILOD HOLDINGS LIMITED" and the company "CARISTAS LIMITED" each owns 26.6% 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".

The remaining ordinary shares of the Bank are owned as follows: 8.9% of the ordinary shares are owned by the East Capital Group (31 December 2015: 9.0%), 5.5% of the ordinary shares are owned by the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT ("EBRD") (31 December 2015: 5.5%).

The remaining 32.4% of the ordinary shares are widely held (31 December 2015: 32.3%).

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 2016, the Bank had 4 branches within the Russian Federation: 3 branches are located in the North-West region of Russia, 1 branch is in Moscow, and 54 outlets (31 December 2015: 4 branches within the Russian Federation: 3 branches are located in the North-West region of Russia, 1 branch is in Moscow, and 53 outlets).

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

Events connected with the Referendum on exit of the Great Britain from the EU, downward trends of return on state bonds of G7 countries, recovery of oil prices, relative relief for developing economies together with exchange rates stabilization represent natural stage of global economy and financial markets development. In the first half of the year, global challenges for world economy were considered to be quickly met due to mitigation of monetary policy by leading Central Banks. After the critical phase of the crisis of developing economies in 2014-2015, by the middle of 2016 perspectives of revival and even growth were planned, GDP targets and exchange rates estimates were raised.

2 Operating Environment of the Group (continued)

Dollar rate decreased in February and March 2016 after its renewal of historic maximum at 84.9 RR/USD as a result of decrease in Brent oil prices down to \$27.9 per barrel in January 2016, then in the second quarter the dollar rate stabilized within 63.5-67 RR/USD. Inflation amounted to 12.9% at the end of 2015 in comparison with the previous year significantly decreased by the end of the first half of 2016 and reached the level of 7.5% compared to the previous year. In response to decrease in inflation, recovery of oil price and stabilization of rouble rate, at the meeting on 10 June the CBRF lowered key interest rate by 50 bp to 10.5%. This is beginning of cycle of monetary policy easing, key interest rate in real terms is still at high level. The CBRF expects that inflation in 2016 will approximately amount to 5-6%. This means that probability of further decrease in rates is still quite high though monetary policy as the whole will still be moderately tough.

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.

This condensed consolidated interim financial information reflects management's assessment of the possible 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.

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 of the Group for the year ended 31 December 2015. 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 consolidated financial statements.

For presentation purposes, derivative financial assets and derivative financial liabilities in this condensed consolidated interim financial information were reclassified as a separate items of the Condensed Consolidated Interim Statement of Financial Position from the items Other assets and Other liabilities, respectively.

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 requires management of the Group 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 2016, the official exchange rates used for translating foreign currency balances are USD 1 = RR 64.2575 and Euro 1 = RR 71.2102 (31 December 2015: 72.8827 RR/USD and 79.6972 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 164 067 thousand higher (31 December 2015: RR 164 770 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).

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 changed by RR 1 244 031 thousand (before deferred tax) as at 30 June 2016 (31 December 2015: RR 1 277 896 thousand).

5 Adoption of New or Revised Standards and Interpretations

A number of new standards, amendments and interpretations became effective as at 1 January 2016, and the Group has been applying them since they became effective. These changes do not have significant impact on the condensed consolidated interim financial information of the Group.

IFRS 9 Financial Instruments is 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 of 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.

6 Trading securities

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Corporate bonds	10 805 694	10 471 754
Eurobonds of the Russian Federation	2 171 566	-
Corporate Eurobonds	921 630	1 982 614
Municipal bonds	547 305	43 593
Federal loan bonds	152 535	568 163
Total debt securities	14 598 730	13 066 124
Corporate shares	100 665	127 348
Total trading securities	14 699 395	13 193 472

Corporate bonds are interest-bearing securities denominated in Russian Rouble issued by Russian companies and traded in the Russian market. As at 30 June 2016, these bonds have maturity dates from 6 July 2016 to 17 February 2032 (31 December 2015: from 19 January 2016 to 23 September 2032); coupon rates from 7.6% to 17.0% p.a. (31 December 2015: from 8.3% to 18.5% p.a.) and yields to maturity from 7.9% to 17.5% p.a. (31 December 2015: from 8.2% to 15.6% p.a.), depending on the type of bond issue.

Eurobonds of the Russian Federation are interest-bearing securities denominated in foreign currency issued by the Ministry of Finance of the Russian Federation and traded in the international market. As at 30 June 2016, Eurobonds of the Russian Federation have maturity date of 27 May 2026; coupon rate of 4.8% p.a.; and yield to maturity 4.4% p.a. (31 December 2015: no such bonds).

Corporate Eurobonds are interest-bearing securities denominated in Russian Rouble and foreign currency issued by non-resident companies for the benefit of credit organizations resident in the Russian Federation traded in the international and Russian over-the-counter markets. As at 30 June 2016, corporate Eurobonds have maturity dates from 21 July 2016 to 3 February 2021 (31 December 2015: from 17 February 2016 to 17 April 2020); coupon rates from 2.2% to 8.6% p.a. (31 December 2015: from 2.2% to 7.8% p.a.); and yields to maturity from 1.7% to 10.6% p.a. (31 December 2015: from 2.0% to 11.5% p.a.), depending on the type of Eurobond issue.

Municipal bonds are securities denominated in Russian Rouble issued by the municipal administrations of Moscow, Saint-Petersburg, Novosibirsk, Belgorod Region, Volgograd Region, Voronezh Region, Nizhny Novgorod Region, Samara Region, Smolensk Region, Tomsk Region, Tula Region, Yaroslavl Region, Krasnoyarsk Territory, Stavropol Territory and Komi Republic (31 December 2015: Moscow, Saint-Petersburg, Belgorod Region, Volgograd Region, Voronezh Region, Smolensk Region, Tomsk Region, Tula Region, Yaroslavl Region, Krasnoyarsk Territory, Stavropol Territory and Sakha Republic). As at 30 June 2016, these bonds have maturity dates from 18 May 2017 to 10 October 2022 (31 December 2015: from 18 May 2017 to 23 June 2021); coupon rates from 6.9% to 13.2% p.a. (31 December 2015: from 6.9% to 12.0% p.a.); and yields to maturity from 9.7% to 11.3% p.a. (31 December 2015: from 8.8% to 13.5% p.a.), depending on the type of bond issue.

Federal loan bonds are government securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation. As at 30 June 2016, these bonds have maturity dates from 3 August 2016 to 17 September 2031 (31 December 2015: from 20 January 2016 to 19 January 2028); coupon rates from 6.2% to 8.5% p.a. (31 December 2015: coupon rate is from 6.0% to 12.0% p.a.); and yields to maturity from 8.4% to 9.9% p.a. (31 December 2015: from 8.8% to 10.9% p.a.), depending on the type of bond issue.

Corporate shares are shares of Russian companies (31 December 2015: shares of Russian companies).

6 Trading securities (continued)

Debt trading securities of the Group are divided by the credit rating of the issuer assigned by rating agencies Moody's, S&P and Fitch into the following groups:

Group A - debt securities with credit rating of the issuer at least BBB-, according to S&P rating agency or equivalent rating of other agencies.

Group B - debt securities with credit rating of the issuer between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

Group C - debt securities with credit rating of the issuer between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D - debt securities with credit rating of the issuer below B-, according to S&P rating agency or equivalent rating of other agencies or without credit rating.

Analysis by credit quality of debt trading securities outstanding at 30 June 2016 (unaudited) is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Eurobonds of the Russian Federation	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Total
Not overdue or impaired						
Group A	916 175	-	203 894	-	-	1 120 069
Group B	8 888 890	2 171 566	717 736	458 499	152 535	12 389 226
Group C	569 077	-	-	52 725	-	621 802
Group D	431 552	-	-	36 081	-	467 633
Total debt trading securities	10 805 694	2 171 566	921 630	547 305	152 535	14 598 730

Analysis by credit quality of debt trading securities outstanding at 31 December 2015 is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Corporate Eurobonds	Federal loan bonds	Municipal bonds	Total
Not overdue or impaired					
Group A	714 356	-	-	-	714 356
Group B	9 220 715	1 982 614	568 163	13	11 771 505
Group C	291 539	-	-	43 579	335 118
Group D	245 144	-	-	1	245 145
Total debt trading securities	10 471 754	1 982 614	568 163	43 593	13 066 124

6 Trading securities (continued)

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

Currency and maturity analyses of trading securities are disclosed in note 20.

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 assets for trade.

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

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Loans and advances to customers	4 797 713	4 988 542	14 065 674	14 178 914
Due from banks	4 046 867	4 352 070	7 171 750	7 504 704
Investment securities available-for-sale	9 707 521	9 707 521	12 757 884	12 757 884
Total	18 552 101	19 048 133	33 995 308	34 441 502

The amounts of income and 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:

<i>(in thousands of Russian Roubles)</i>	Income (expenses) recognized in 2014 before reclassification date	Income (expenses) recognized after reclassification date		Income (expenses) which would be recognized after reclassification date if the assets were not reclassified	
		2015	Six months ended 30 June 2016	2015	Six months ended 30 June 2016
Interest income	1 060 173	2 498 816	658 527	n/a	n/a
Gains less losses from securities	(805 248)	6 073	-	3 924 156	71 712
Provision for loan impairment	-	(47 141)	40 585	-	-
Total effect on profit	254 925	2 457 748	699 112	3 924 156	71 712

6 Trading securities (continued)

For the six-month period ended 30 June 2016 the amount of revaluation gain from financial assets, reclassified to investment securities available-for-sale, recognized in other comprehensive income after the date of reclassification totals to RR 104 593 thousand before deduction of deferred income tax (for the six-month period ended 30 June 2015: revaluation loss of RR 253 611 thousand).

7 Securities Pledged Under Sale and Repurchase Agreements and Loaned

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Trading securities pledged under sale and repurchase agreements and loaned		
Corporate Eurobonds	19 754 699	4 040 590
Corporate bonds	4 929 241	3 397 134
Federal loan bonds	1 404 289	43 931
Total debt trading securities pledged under sale and repurchase agreements and loaned	26 088 229	7 481 655
Corporate shares	47 784	15 020
Total trading securities pledged under sale and repurchase agreements and loaned	26 136 013	7 496 675
Investment securities available-for-sale pledged under sale and repurchase agreements and loaned		
Corporate Eurobonds	41 554 979	46 693 615
Corporate bonds	15 029 103	13 305 674
Federal loan bonds	4 840 441	2 679 844
Municipal bonds	-	99 089
Eurobonds of the Russian Federation	-	39 154
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	61 424 523	62 817 376
Total securities pledged under sale and repurchase agreements and loaned	87 560 536	70 314 051

Corporate Eurobonds are interest-bearing securities denominated in Russian Rouble and foreign currency issued by non-resident companies for the benefit of credit organizations resident in the Russian Federation traded in the international and Russian over-the-counter markets. As at 30 June 2016, corporate Eurobonds have maturity dates from 25 July 2016 to 3 November 2020 (31 December 2015: from 31 January 2016 to 22 June 2020); coupon rates from 2.2% to 9.3% p.a. (31 December 2015: from 3.1% to 9.3% p.a.); and yields to maturity from 0.8% to 11.3% p.a. depending on the type of bond issue (31 December 2015: from 1.5% to 13.1% p.a.). The term of the corresponding repurchase agreements was from 1 to 732 calendar days (31 December 2015: from 12 to 364 calendar days), with effective rates from 0.7% to 11.1% p.a. (31 December 2015: from 1.3% to 11.8% p.a.).

7 Securities Pledged Under Sale and Repurchase Agreements and Loaned (continued)

Corporate bonds are interest-bearing securities denominated in Russian Rouble issued by Russian companies and traded in the Russian market. As at 30 June 2016, corporate bonds have maturity dates from 15 July 2016 to 23 September 2032 (31 December 2015: from 19 January 2016 to 23 September 2032); coupon rates from 7.6% to 12.8% p.a. (31 December 2015: from 7.9% to 18.5% p.a.); and yields to maturity from 9.6% to 21.4% p.a. depending on the type of bond issue (31 December 2015: from 8.3% to 13.9% p.a.). The term of the corresponding repurchase agreements was from 1 to 7 calendar days (31 December 2015: 14 calendar days), with effective rates from 10.7% to 10.9% p.a. (31 December 2015: from 11.3% to 11.8% p.a.).

Federal loan bonds are government securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation. As at 30 June 2016, these bonds have maturity dates from 19 April 2017 to 17 September 2031 (31 December 2015: from 20 January 2016 to 20 July 2022); coupon rates from 6.2% to 8.5% p.a. (31 December 2015: from 6.0% to 7.6% p.a.); and yields to maturity from 8.4% to 9.8% p.a. (31 December 2015: from 8.8% to 10.2% p.a.), depending on the type of bonds issue. The term of the corresponding repurchase agreements was from 1 to 4 calendar days (31 December 2015: 12 to 14 calendar days), with effective rates from 10.3% to 10.9% p.a. (31 December 2015: from 10.5% to 11.8% p.a.).

As at 31 December 2015, municipal bonds are securities denominated in Russian Rouble issued by the municipal administration of Saint-Petersburg. These bonds mature on 1 June 2017; have coupon rate of 7.9% p.a.; and yield to maturity 10.1% p.a. as at 31 December 2015. The term of the corresponding repurchase agreements was 14 calendar days, with effective rate of 11.3% p.a.

As at 31 December 2015, Eurobonds of the Russian Federation are interest-bearing securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation traded in the international market. These Eurobonds mature on 10 March 2018; have coupon rate of 7.9% p.a.; and yield to maturity of 10.7% p.a. The term of the corresponding repurchase agreements was 14 calendar days, with an effective rate of 11.8% p.a.

Corporate shares are shares of Russian companies. As at 30 June 2016, the term of the corresponding repurchase agreements was 1 calendar day (31 December 2015: 13 calendar days), with effective rate of 10.7 % p.a. (31 December 2015: from 11.3% to 12.0% p.a.).

7 Securities Pledged Under Sale and Repurchase Agreements and Loaned (continued)

Analysis of debt securities pledged under sale and repurchase agreements and loaned outstanding at 30 June 2016 by their credit quality (unaudited) is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate Eurobonds	Corporate bonds	Federal loan bonds	Total
Trading securities pledged under sale and repurchase agreements and loaned				
Not overdue or impaired				
Group A	389 092	-	-	389 092
Group B	19 365 607	4 929 241	1 404 289	25 699 137
Total debt trading securities pledged under sale and repurchase agreements and loaned	19 754 699	4 929 241	1 404 289	26 088 229
Investment securities available-for-sale pledged under sale and repurchase agreements and loaned				
Not overdue or impaired				
Group A	281 436	-	-	281 436
Group B	41 273 543	15 029 103	4 840 441	61 143 087
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	41 554 979	15 029 103	4 840 441	61 424 523
Total debt securities pledged under sale and repurchase agreements and loaned	61 309 678	19 958 344	6 244 730	87 512 752

7 Securities pledged under sale and repurchase agreements and loaned (continued)

Analysis of debt securities pledged under sale and repurchase agreements and loaned outstanding at 31 December 2015 by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate Eurobonds	Corporate bonds	Federal loan bonds	Municipal bonds	Eurobonds of the Russian Federation	Total
Trading securities pledged under sale and repurchase agreements and loaned						
Not overdue or impaired						
Group A	318 069	-	-	-	-	318 069
Group B	3 722 521	3 397 132	43 931	-	-	7 163 584
Group C	-	2	-	-	-	2
Total debt trading securities pledged under sale and repurchase agreements and loaned	4 040 590	3 397 134	43 931	-	-	7 481 655
Investment securities available-for-sale pledged under sale and repurchase agreements and loaned						
Not overdue or impaired						
Group A	302 012	1 402 923	-	-	-	1 704 935
Group B	46 391 603	10 224 908	2 679 844	99 089	39 154	59 434 598
Group C	-	854 759	-	-	-	854 759
Group D	-	823 084	-	-	-	823 084
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	46 693 615	13 305 674	2 679 844	99 089	39 154	62 817 376
Total debt securities pledged under sale and repurchase agreements and loaned	50 734 205	16 702 808	2 723 775	99 089	39 154	70 299 031

For definition of groups refer to 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 of these securities and therefore has not derecognized them. In addition, the Group recognizes a financial liability for cash received in due to banks and customer accounts as appropriate. Refer to 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 an 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>	30 June 2016 (unaudited)	31 December 2015
Amounts receivable under reverse repurchase agreements with banks	19 873 357	2 479 601
Amounts receivable under reverse repurchase agreements with customers	4 216 475	12 740 989
Total amounts receivable under reverse repurchase agreements	24 089 832	15 220 590

As at 30 June 2016, amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by Federal loan bonds, Eurobonds of the Russian Federation, municipal bonds, corporate Eurobonds, corporate bonds and corporate shares (31 December 2015: Federal loan bonds, Eurobonds of the Russian Federation, municipal bonds, corporate Eurobonds, corporate bonds and corporate shares).

As at 30 June 2016, fair value of securities pledged under reverse repurchase agreements amounts to RR 29 560 588 thousand (31 December 2015: RR 17 717 070 thousand), including the securities with a fair value of RR 6 530 925 thousand pledged under sale and repurchase agreements (31 December 2015: RR 5 094 550 thousand), and securities with a fair value of RR 9 219 070 thousand sold by the Group (31 December 2015: RR 870 262 thousand).

Currency and maturity analysis of amounts receivable under reverse repurchase agreements are disclosed in note 20.

9 Loans and Advances to Customers

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Loans and advances to legal entities		
- loans to finance working capital	203 751 786	210 408 652
- investment loans	90 487 763	90 573 576
- loans to entities financed by the government	17 153 517	15 782 648
Loans and advances to individuals		
- mortgage loans	39 570 657	35 379 300
- car loans	2 060 240	2 633 847
- consumer loans to VIP clients	5 179 669	4 761 647
- other consumer loans	10 481 599	10 727 029
Impairment allowance	(40 737 060)	(34 964 599)
Total loans and advances to customers	327 948 171	335 302 100

9 Loans and advances to customers (continued)

As at 30 June 2016, the carrying value of securities reclassified from trading securities to loans and advances to customers in 2014 amounts to RR 4 797 713 thousand without provision (31 December 2015: RR 14 065 674 thousand). Reclassified securities with a carrying value of RR 2 742 422 thousand are securities pledged under repurchase agreements in due to banks. As at 30 June 2016, the fair value of these securities amounts to RR 2 948 912 thousand (31 December 2015: reclassified securities with a carrying value of RR 10 547 908 thousand were securities pledged under repurchase agreements in due to banks. The fair value of these securities amounted to RR 10 602 720 thousand).

Movements in the allowance for loan impairment during the six-month period ended 30 June 2016 are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Loans and advances to legal entities	Loans and advances to individuals	Total
Allowance for impairment at 1 January 2016	33 207 923	1 756 676	34 964 599
Provision for impairment during the period	5 794 099	361 345	6 155 444
Loans written off during the period as non-recoverable	(190 287)	(76 128)	(266 415)
Loans sold during the period	(116 568)	-	(116 568)
Allowance for impairment at 30 June 2016	38 695 167	2 041 893	40 737 060

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

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>	30 June 2016 (unaudited)		31 December 2015	
	Amount	%	Amount	%
Individuals	57 292 165	15,5	53 501 823	14,4
Construction	45 232 334	12,3	49 429 706	13,3
Production and food industry	37 013 586	10,0	39 865 293	10,8
Trade	36 687 649	10,0	39 805 362	10,8
Leasing and financial services	35 277 951	9,6	38 407 258	10,4
Real estate	35 060 361	9,5	32 814 512	8,9
Heavy machinery and ship building	32 846 094	8,9	27 680 381	7,5
Oil and gas extraction and transportation	22 081 554	6,0	26 547 246	7,2
Entities financed by the government	17 153 517	4,7	15 782 648	4,3
Transport	14 168 820	3,8	15 594 885	4,2
Sports and health and entertainment organizations	7 870 684	2,1	7 620 521	2,1
Chemical industry	6 757 393	1,8	3 932 379	1,1
Telecommunications	5 827 043	1,6	4 618 923	1,2
Energy	1 169 279	0,3	1 014 213	0,3
Other	14 246 801	3,9	13 651 549	3,5
Total loans and advances to customers (before allowance for impairment)	368 685 231	100,0	370 266 699	100,0

As at 30 June 2016, the 20 largest groups of the Group's borrowers have aggregate loan amounts of RR 96 568 779 thousand (31 December 2015: RR 99 484 092 thousand), or 26.2% (31 December 2015: 26.9%) of the loan portfolio before impairment.

9 Loans and advances to customers (continued)

Loans and advances to customers and the related allowance for impairment and an analysis of their credit quality as at 30 June 2016 (unaudited) are as follows:

<i>(in thousands of Russian Roubles)</i>	Gross loans and advances to customers	Allowance for impairment	Net loans and advances to customers	Allowance for impairment to loans and advances to customers, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, not individually impaired				
Standard loans not past due	250 543 428	(8 010 761)	242 532 667	3,20
Watch list loans not past due	7 618 805	(1 032 708)	6 586 097	13,55
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	32 338 548	(15 117 343)	17 221 205	46,75
Overdue:				
- less than 5 calendar days	112 192	(4 455)	107 737	3,97
- 6 to 30 calendar days	71 207	(7 019)	64 188	9,86
- 31 to 60 calendar days	593 695	(306 404)	287 291	51,61
- 61 to 90 calendar days	215 545	(67 400)	148 145	31,27
- 91 to 180 calendar days	2 352 541	(1 855 460)	497 081	78,87
- 181 to 365 calendar days	5 590 524	(2 725 925)	2 864 599	48,76
- more than 365 calendar days	11 956 581	(9 567 692)	2 388 889	80,02
Total loans and advances to legal entities	311 393 066	(38 695 167)	272 697 899	12,43
Loans and advances to individuals:				
- mortgage loans	39 570 657	(561 785)	39 008 872	1,42
- car loans	2 060 240	(47 876)	2 012 364	2,32
- consumer loans to VIP clients	5 179 669	(562 666)	4 617 003	10,86
- other consumer loans	10 481 599	(869 566)	9 612 033	8,30
Total loans and advances to individuals	57 292 165	(2 041 893)	55 250 272	3,56
Total loans and advances to customers	368 685 231	(40 737 060)	327 948 171	11,05

9 Loans and advances to customers (continued)

<i>(in thousands of Russian Roubles)</i>	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans and advances to individuals:					
Standard loans not past due	38 407 288	1 919 630	4 450 539	9 498 411	54 275 868
Overdue:					
- less than 5 calendar days	23 098	5 272	-	13 317	41 687
- 6 to 30 calendar days	104 305	6 494	-	38 172	148 971
- 31 to 60 calendar days	82 045	7 772	60 000	43 829	193 646
- 61 to 90 calendar days	52 113	4 219	-	36 574	92 906
- 91 to 180 calendar days	164 410	9 884	164 845	117 659	456 798
- 181 to 365 calendar days	196 943	19 281	200 467	270 028	686 719
- more than 365 calendar days	540 455	87 688	303 818	463 609	1 395 570
Total loans and advances to individuals (before allowance for impairment)	39 570 657	2 060 240	5 179 669	10 481 599	57 292 165
Allowance for impairment	(561 785)	(47 876)	(562 666)	(869 566)	(2 041 893)
Total loans and advances to individuals (after allowance for impairment)	39 008 872	2 012 364	4 617 003	9 612 033	55 250 272

9 Loans and advances to customers (continued)

Loans and advances to customers and the related allowance for impairment and an analysis of their credit quality as at 31 December 2015 are as follows:

<i>(in thousands of Russian Roubles)</i>	Gross loans and advances to customers	Allowance for impairment	Net loans and advances to customers	Allowance for impairment to loans and advances to customers, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	256 813 923	(7 718 377)	249 095 546	3,01
Watch list loans not past due	16 699 447	(1 901 169)	14 798 278	11,38
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	24 391 046	(11 916 102)	12 474 944	48,85
Overdue:				
- less than 5 calendar days	362 423	(19 941)	342 482	5,50
- 6 to 30 calendar days	2 120 205	(804 052)	1 316 153	37,92
- 31 to 60 calendar days	1 528 192	(774 302)	753 890	50,67
- 61 to 90 calendar days	941 783	(197 513)	744 270	20,97
- 91 to 180 calendar days	1 294 393	(642 411)	651 982	49,63
- 181 to 365 calendar days	5 310 856	(3 987 372)	1 323 484	75,08
- over 365 calendar days	7 302 608	(5 246 684)	2 055 924	71,85
Total loans and advances to legal entities	316 764 876	(33 207 923)	283 556 953	10,48
Loans and advances to individuals:				
- mortgage loans	35 379 300	(600 051)	34 779 249	1,70
- car loans	2 633 847	(50 435)	2 583 412	1,91
- consumer loans to VIP clients	4 761 647	(344 276)	4 417 371	7,23
- other consumer loans	10 727 029	(761 914)	9 965 115	7,10
Total loans and advances to individuals	53 501 823	(1 756 676)	51 745 147	3,28
Total loans and advances to customers	370 266 699	(34 964 599)	335 302 100	9,44

9 Loans and Advances to Customers (continued)

<i>(in thousands of Russian Roubles)</i>	Mortgage loans	Car loans	Consumer loans to VIP clients	Other consumer loans	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	34 157 245	2 481 977	4 237 230	9 801 400	50 677 852
Overdue:					
- less than 5 calendar days	49 664	6 788	-	12 899	69 351
- 6 to 30 calendar days	120 520	6 605	-	54 991	182 116
- 31 to 60 calendar days	80 764	11 348	-	55 762	147 874
- 61 to 90 calendar days	47 743	6 398	200 467	42 561	297 169
- 91 to 180 calendar days	193 419	14 117	-	188 137	395 673
- 181 to 365 calendar days	280 303	35 158	-	230 398	545 859
- over 365 calendar days	449 642	71 456	323 950	340 881	1 185 929
Total loans and advances to individuals (before allowance for impairment)	35 379 300	2 633 847	4 761 647	10 727 029	53 501 823
Allowance for impairment	(600 051)	(50 435)	(344 276)	(761 914)	(1 756 676)
Total loans and advances to individuals (after allowance for impairment)	34 779 249	2 583 412	4 417 371	9 965 115	51 745 147

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 2016 and 31 December 2015.

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 their loans in the future on a timely basis.

9 Loans and Advances to Customers (continued)

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

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

The Group has standard loans not past due, 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 real estate. Mortgage loans amount does not exceed 85% of real estate cost. Car loans are secured by the underlying cars.

Management estimates that the impairment allowance on loans to legal entities would have been RR 20 847 543 thousand higher without taking into consideration collateral value (31 December 2015: RR 22 895 735 thousand).

Interest income received on overdue and impaired loans during the six-month period ended 30 June 2016 amounts to RR 479 050 thousand (six-month period ended 30 June 2015: RR 262 210 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. Information on related party transactions is disclosed in note 23.

10 Investment Securities Available-For-Sale

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Corporate bonds	18 307 576	14 276 236
Corporate Eurobonds	2 816 933	4 087 054
Municipal bonds	2 424 641	610 811
Federal loan bonds	157 943	6 415 985
Russian Federation Eurobonds	-	107 673
Total debt securities	23 707 093	25 497 759
Equity shares	409 734	2 351 433
Total investment securities available-for-sale	24 116 827	27 849 192

As at 30 June 2016, fair value of securities reclassified in 2014 from trading securities to investment securities available-for-sale equals to RR 9 707 521 thousand (31 December 2015: 12 757 884 thousand). Reclassified securities with a fair value of RR 4 039 499 thousand (31 December 2015: RR 7 350 363 thousand) are securities pledged under sale and repurchase agreements.

10 Investment Securities Available-For-Sale (continued)

Corporate bonds are interest-bearing securities denominated in Russian Rouble issued by Russian companies and freely traded in the Russian market. As at 30 June 2016, corporate bonds have maturity dates from 6 July 2016 to 17 September 2032 (31 December 2015: from 30 January 2016 to 17 September 2032); coupon rates from 7.6% to 15.0% p.a. (31 December 2015: from 7.5% to 18.5% p.a.); and yields to maturity from 7.9% to 17.5% p.a. (31 December 2015: from 7.2% to 15.6% 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 resident in the Russian Federation traded in the international market and Russian over-the-counter markets. As at 30 June 2016, corporate Eurobonds have maturity dates from 18 July 2016 to 13 February 2019 (31 December 2015: from 3 February 2016 to 3 November 2020), coupon rates from 5.2% to 7.9% p.a. (31 December 2015: from 4.9% to 9.2% p.a.); and yields to maturity from 2.0% to 10.1% p.a. (31 December 2015: from 1.5% to 6.7% p.a.), depending on type of bond issue.

Municipal bonds are securities denominated in Russian Rouble issued by the municipal administrations of Moscow, Saint-Petersburg, Novosibirsk, Belgorod Region, Volgograd Region, Smolensk Region, Tula Region, Tomsk Region, Nizhny Novgorod Region, Samara Region, Voronezh Region, Krasnoyarsk Territory, Stavropol Territory, Krasnodar Territory and Sakha Republic (31 December 2015: Saint Petersburg, Moscow, Smolensk Region, Tula Region, Voronezh Region, Belgorod Region, Tomsk Region, Volgograd Region, Stavropol Territory, Krasnoyarsk Territory and Sakha Republic). As at 30 June 2016, bonds have maturity dates from 17 May 2017 to 10 October 2022 (31 December 2015: from 1 June 2016 to 4 November 2020); coupon rates from 6.9% to 13.2% p.a. (31 December 2015: from 6.9% to 8.9% p.a.); yields to maturity from 9.7% to 11.8% p.a. (31 December 2015: from 8.8% to 13.5% p.a.), depending on the type of bond issue.

Federal loan bonds are government securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation. As at 30 June 2016, these bonds have maturity dates from 19 April 2017 to 11 December 2019 (31 December 2015: from 20 January 2016 to 19 January 2028); coupon rates from 6.2% to 7.5% p.a. (31 December 2015: from 6.2% to 11.9% p.a.); yields to maturity from 8.8% to 9.8% p.a. (31 December 2015: from 8.8% to 10.9% p.a.), depending on type of bond issue.

As at 31 December 2015, Eurobonds of the Russian Federation were represented by interest-bearing securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation and traded in the international market. As at 31 December 2015, Eurobonds of the Russian Federation had maturity date of 10 June 2018; coupon rate 7.9% p.a.; yield to maturity 10.7% p.a.

As at 30 June 2016, equity shares are shares of Russian companies (31 December 2015: shares of Russian companies and closed-end mutual fund).

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

For definition of groups see note 6.

10 Investment Securities Available-For-Sale (continued)

The analysis of debt investment securities available-for-sale at 30 June 2016 (unaudited) by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Total
Not overdue or impaired					
Group A	549 207	-	-	-	549 207
Group B	16 396 313	2 816 933	1 851 842	157 943	21 223 031
Group C	374 188	-	479 858	-	854 046
Group D	987 868	-	92 941	-	1 080 809
Total debt investment securities available-for-sale	18 307 576	2 816 933	2 424 641	157 943	23 707 093

The analysis of debt investment securities available-for-sale as at 31 December 2015 by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Federal loan bonds	Corporate Eurobonds	Municipal bonds	Russian Federation Eurobonds	Total
Not overdue or impaired						
Group A	1 271 356	-	17 336	-	-	1 288 692
Group B	12 187 901	6 415 985	4 069 718	353 745	107 673	23 135 022
Group C	708 400	-	-	222 571	-	930 971
Group D	108 579	-	-	34 495	-	143 074
Total debt investment securities available-for-sale	14 276 236	6 415 985	4 087 054	610 811	107 673	25 497 759

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>	30 June 2016 (unaudited)	31 December 2015
State and public organizations		
- Current/settlement accounts	164 557	119 064
- Term deposits	3 900 000	-
Other legal entities		
- Current/settlement accounts	65 364 299	57 858 301
- Term deposits	74 578 910	79 487 386
- Sale and repurchase agreements	-	429 769
Individuals		
- Current accounts/demand accounts	43 879 633	41 787 505
- Term deposits	143 946 107	146 279 903
Total customer accounts	331 833 506	325 961 928

State and public organizations exclude government owned profit oriented businesses.

As at 31 December 2015, customer accounts included securities sold short, which served as collateral under reverse repurchase agreements, in the amount of RR 377 978 thousand, and a security deposit in the amount of RR 55 791 thousand placed by the counterparty under reverse repurchase agreements.

Economic sector concentrations within customer accounts are as follows:

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)		31 December 2015	
	Amount	%	Amount	%
Individuals	187 825 740	56,6	188 067 408	57,7
Construction	28 413 210	8,5	33 351 086	10,2
Real estate	26 289 597	7,9	10 138 196	3,1
Trade	24 420 086	7,4	24 330 354	7,5
Financial services	17 773 671	5,4	15 203 433	4,7
Art, science and education	14 840 869	4,5	14 658 073	4,5
Manufacturing	11 702 060	3,5	17 406 994	5,3
Transport	9 512 299	2,9	7 382 190	2,3
Public utilities	1 615 015	0,5	4 396 606	1,3
Communications	843 554	0,3	911 422	0,3
Medical institutions	501 200	0,2	497 408	0,2
Energy	449 329	0,1	551 885	0,2
Cities and municipalities	328 108	0,1	664 043	0,2
Other	7 318 768	2,1	8 402 830	2,5
Total customer accounts	331 833 506	100,0	325 961 928	100,0

As at 30 June 2016, included in customer accounts are deposits in the amount of RR 8 583 057 thousand held as collateral for irrevocable commitments under import letters of credit and guarantees (31 December 2015: RR 4 594 968 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>	30 June 2016: (unaudited)	31 December 2015
Subordinated Eurobonds	16 301 467	19 200 016
Total bonds issued	16 301 467	19 200 016

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 of the Bank.

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

13 Other Borrowed Funds

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Subordinated loans	1 565 803	1 565 459
AKA AFK	1 128 719	1 076 840
Total other borrowed funds	2 694 522	2 642 299

In March 2016 another partial scheduled repayment of current credit facility granted by AKA Ausfuhrkredit-Gesellschaft m.b.H. was carried out in the amount of EUR 2 691 thousand. In April 2016 as a part of this credit facility two new tranches were attracted in the aggregate amount of EUR 5 029 thousand. The loan maturity is on 30 March 2018. As at 30 June 2016, the carrying value of all tranches of this loan is EUR 15 850 thousand, the equivalent of RR 1 128 719 thousand (31 December 2015: EUR 13 512 thousand, the equivalent of RR 1 076 840 thousand). The interest rate on this loan is EURIBOR + 1.75% p.a., which as at 30 June 2016 is 1.75% p.a.

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 of the Bank.

The Group is required to meet certain covenants attached to subordinated loans and funds from 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 2016 and 31 December 2015, 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>	Number of outstanding ordinary shares (thousand)	Number of outstanding preference shares (thousand)	Ordinary shares	Preference shares	Share premium	Total
As at 1 January 2015	415 005	19 589	3 519 734	176 940	21 393 878	25 090 552
Treasury shares sold	24 549	511	24 549	511	-	25 060
As at 31 December 2015	439 554	20 100	3 544 283	177 451	21 393 878	25 115 612
As at 30 June 2016	439 554	20 100	3 544 283	177 451	21 393 878	25 115 612

As at 30 June 2016, the nominal registered amount of issued share capital of the Bank 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 2015: RR 459 654 thousand). As at 30 June 2016, all of the outstanding shares of the Bank are authorized, issued and fully paid in.

As at 30 June 2016, all ordinary shares have a nominal value of RR 1 (one) per share (31 December 2015: RR 1 (one) per share). Each share carries one vote.

In 2016, in accordance with the resolution of the Supervisory Board, the Bank redeemed 12 613 082 ordinary shares. As at 30 June 2016, all redeemed shares were sold by the Bank at a price exceeding the redemption price.

As at 30 June 2016, the Bank has one type of preference shares with a nominal value of RR 1 (one) 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.

15 Other Comprehensive Income, Recognized Directly in Equity

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

<i>(in thousands of Russian Roubles)</i>	Revaluation reserve for investment securities available-for-sale (unaudited)	Total comprehensive (loss) income (unaudited)
Six-month period ended 30 June 2015		
<i>Items of comprehensive income that are or will be reclassified subsequently to profit or loss:</i>		
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal	(183 142)	(183 142)
Net result from revaluation of investment securities available-for-sale	2 342 623	2 342 623
Deferred income tax recognized in equity related to components of other comprehensive income	(432 047)	(432 047)
Total other comprehensive income	1 727 434	1 727 434
Six-month period ended 30 June 2016		
<i>Items of comprehensive income that are or will be reclassified subsequently to profit or loss::</i>		
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal	(578 254)	(578 254)
Net result from revaluation of investment securities available-for-sale	1 480 081	1 480 081
Deferred income tax recognized in equity related to components of other comprehensive income	(180 366)	(180 366)
Total other comprehensive income	721 461	721 461

16 Interest Income and Expense

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Interest income		
Loans and advances to customers	19 403 124	18 891 261
Investment securities available-for-sale	3 984 535	2 758 839
Trading securities	1 205 814	145 334
Loans to banks	852 286	1 620 047
Reverse repurchase agreements	552 635	1 467 856
Correspondent accounts with other banks	2 726	4 868
Total interest income	26 001 120	24 888 205
Interest expense		
Due to banks	5 811 141	5 799 639
Term deposits of individuals	4 851 284	4 787 540
Term deposits of legal entities	3 462 799	4 456 982
Bonds issued	942 635	1 053 447
Other debt securities issued	281 550	291 162
Current/settlement accounts	209 318	130 200
Other borrowed funds	61 553	129 316
Total interest expense	15 620 280	16 648 286
Net interest income	10 380 840	8 239 919

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 2016, the Bank 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 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Profit attributable to shareholders of the Bank	1 995 807	1 567 637
Less preference dividends	(2 211)	(2 211)
Profit attributable to ordinary shareholders of the Bank	1 993 596	1 565 426
Weighted average number of ordinary shares in issue (thousands)	439 554	428 839
Basic earnings per share (in RR per share)	4,54	3,65

18 Dividends

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2016 (unaudited)		Six-month period ended 30 June 2015 (unaudited)	
	Ordinary shares	Preference shares	Ordinary shares	Preference Shares
Dividends payable as at 1 January	5 785	-	4 146	-
Dividends declared during the period	459 313	2 211	887 842	2 211
Dividends paid during the period	(457 201)	(2 211)	(1 950)	-
Dividends payable as at 30 June	7 897	-	890 038	2 211
Dividends per share declared during the period (in RR per share)	1,04	0,11	2,02	0,11

All dividends were declared and paid in Russian Roubles.

19 Segment Analysis

An operating segment is a component of the Group 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 Bank's 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 and VIP clients.

Transactions between the business segments are concluded 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, marketing strategies and level of service.

Evaluation of profit or loss and assets of operating segments

The Bank’s 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 2016 and the six-month period ended 30 June 2015 is set out below (in accordance with the management information).

<i>(in thousands of Russian Roubles)</i>	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
Six-month period ended 30 June 2016 (unaudited)						
External revenues	17 434 723	6 677 210	4 346 160	72 344	-	28 530 437
Revenues from other segments	8 861 625	26 963 106	8 010 049	-	(43 834 780)	-
Total revenues	26 296 348	33 640 316	12 356 209	72 344	(43 834 780)	28 530 437
Total revenues comprise:						
- Interest income	24 346 292	33 638 852	11 515 537	-	(43 834 780)	25 665 901
- Fee and commission income	1 769 310	1 464	837 669	-	-	2 608 443
- Other operating income	180 746	-	3 003	72 344	-	256 093
Segment results	(1 121 148)	4 273 585	2 108 688	-	-	5 261 125
Unallocated costs	-	-	-	(2 918 281)	-	(2 918 281)
Profit (loss) before tax	(1 121 148)	4 273 585	2 108 688	(2 918 281)	-	2 342 844
Income tax expense	-	-	-	(1 012 504)	-	(1 012 504)
Profit (loss) for the period	(1 121 148)	4 273 585	2 108 688	(3 930 785)	-	1 330 340
As at 30 June 2016 (unaudited)						
Segment assets (before allowance for impairment)	312 397 507	217 174 899	57 722 190	24 860 945	-	612 155 541
Other segment items for the six-month period ended 30 June 2016 (unaudited)						
Depreciation and amortization charge	(120 836)	(34 620)	(86 069)	(169 535)	-	(411 060)
Provision for loan impairment	(5 292 117)	(1)	(481 393)	-	-	(5 773 511)

19 Segment analysis (continued)

<i>(in thousands of Russian Roubles)</i>	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
Six-month period ended 30 June 2015 (unaudited)						
External revenues	16 186 123	6 507 734	3 592 449	708 912	-	26 995 218
Revenues from other segments	10 934 570	28 585 796	8 283 818	-	(47 804 184)	-
Total revenues	27 120 693	35 093 530	11 876 267	708 912	(47 804 184)	26 995 218
Total revenues comprise:						
- 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
Segment results	1 689 029	(377 136)	3 069 499	-	-	4 381 392
Unallocated costs	-	-	-	(2 240 597)	-	(2 240 597)
Profit (loss) before tax	1 689 029	(377 136)	3 069 499	(2 240 597)	-	2 140 795
Income tax expense	-	-	-	(1 069 096)	-	(1 069 096)
Profit (loss) for the period	1 689 029	(377 136)	3 069 499	(3 309 693)	-	1 071 699
As at 30 June 2015 (unaudited)						
Segment assets (before allowance for impairment)	278 615 323	189 028 529	45 629 742	35 653 279	-	548 926 873
Other segment items for the six-month period ended 30 June 2015 (unaudited)						
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)

19 Segment analysis (continued)

A reconciliation of segment information with assets in accordance with IFRS as at 30 June 2016 and 31 December 2015 is set out below:

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Total segment assets (before allowance for impairment)	612 155 541	594 442 769
Adjustment of allowance for impairment	(39 949 445)	(35 010 457)
Adjustments of income/expense accruals	267 090	186 778
Premises, equipment and intangible assets depreciation and fair value adjustment	1 137 749	1 488 173
Fair value and amortized cost adjustments	2 003 177	903 329
Income tax adjustments	(502 619)	309 091
Elimination of assets additionally recognized in management accounting	(693 496)	25 717
Other adjustments	236 541	209 176
Consolidation	(79 552)	(20 000)
Total assets under IFRS	574 574 986	562 534 576

A reconciliation of segment information with profit before tax in accordance with IFRS for the six-month period ended 30 June 2016 and for the six-month period ended 30 June 2015:

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Total profit for the reporting segments (before tax)	2 342 844	2 140 795
Adjustment of provision for loan impairment	(156 636)	1 547 718
Adjustments of income/expense accruals	557 393	(865 950)
Premises, equipment and intangible assets depreciation and fair value adjustment	(350 424)	2 891
Fair value and amortized cost adjustments	329 886	253 743
Consolidation	(5 300)	8 603
Other adjustments	(294 476)	(1 068 296)
Total profit before tax under IFRS	2 423 287	2 019 504

20 Risk management, Corporate Governance and Internal Control

Geographical information. The major part of the Group's activity is concentrated in the North-West region of the Russian Federation. Activities 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 (continued)

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 protection of the shareholders' interests and considers world best practices to the largest possible extent. The Group fully complies with the legislation requirements concerning shareholders' rights observance.

Supreme managing body of the Bank is the General shareholders' meeting, which makes decisions on Bank's activities in accordance with Federal Law No. 208-FZ dated 26 December 1995 *On Joint Stock Companies* and with the Charter.

Functions of Counting Board of the General shareholders' meeting are performed by the Independent Registrar – Joint Stock Company “Independent Registrar Company”.

General activities of the Bank are managed by the Supervisory Board, except for areas that are 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.

On 26 May 2016, an annual General shareholders' meeting of PJSC “Bank “St-Petersburg” and Supervisory Board meeting were conducted and according to the results of these meetings the Supervisory Board members were elected. Moreover, the Committees of the Supervisory Board were created that commensurate tasks and objectives of PJSC “Bank “Saint Petersburg”.

As at 30 June 2016, the composition of the Supervisory Board is as follows:

Alexander Vasilyevich Savelyev – Chairman of the Supervisory Board, member of Supervisory Board since 2001, Chairman of the Strategy Committee since June 2015; Elena Viktorovna Ivannikova – Deputy Chairperson of the Supervisory Board, member of Supervisory Board since 2005, 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 and Chairman of the Audit Committee since May 2016; Alexey Andreevich Germanovich – 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 – member of the Supervisory Board since December 2005; Alexander Ivanovich Polukeev – member of the Supervisory Board since June 2014; Alexander Vadimovich Pustovalov – member of the Supervisory Board since April 2012, Chairman of the Human Resources and Remuneration Committee since May 2016.

By the decision of the Supervisory Board dated 14 July 2016 the following changes in the management composition of the Supervisory Board have been adopted:

- Elena Viktorovna Ivannikova has been elected the Chairperson of the Supervisory Board; Vladislav Stanislavovich Guz – the Deputy Chairman of the Supervisory Board.
- the members of the Supervisory Board Andrey Pavlovich Bychkov, Alexey Andreevich Germanovich, Alexander Ivanovich Polukeev, Alexander Vadimovich Pustovalov comply with independence requirements in accordance with the listing rules of Closed Joint Stock Company “Stock exchange MICEX”.

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 primary objective of the Strategy Committee is to assist the Supervisory Board of the Bank in determining of long-term and mid-term Bank's strategy and top-priority business lines; reviewing of big innovative and investment programs of the Bank.

20 Risk management, Corporate Governance and Internal Control (continued)

The primary objective of the Risk Management Committee is to assist the Supervisory Board of the Bank in determining priority areas for the Bank’s banking risk management efforts and to support appropriate risk management function within the Group.

The primary objectives of the Human Resources and Remuneration Committee are preparation of recommendations for the Supervisory Board on applicants for the key management positions and development of principles and criteria for remuneration rates for the key management personnel of the Bank.

The primary objective of the Audit Committee is to assist the Supervisory Board in control over business activities of the Bank and to control the completeness and fairness of the Bank’s financial statements and the process of their preparation and presentation, and the performance of internal control and internal audit functions.

The Corporate Secretary’s Office was established in the Bank in August 2014. The Corporate Secretary is responsible for compliance with the requirements of current legislation, the Charter and other internal policies of the Bank that guarantee observance of shareholders’ rights and protection of their interests during preparation and implementation of corporate procedures by the Bank. The Corporate Secretary also supports cooperation of the Bank with its shareholders, holding of General shareholders’ meeting and performance of the Supervisory Board and its Committees.

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

As at 30 June 2016, the composition of the Management Board is as follows:

Vladislav Stanislavovich Guz – Chairman of the Management Board since August 2014, member of the Management Board since February 2004.

Members of the Management Board: Alexander Sergeevich Konyshkov – First Deputy Chairman, member of the Management Board since July 2014; Vladimir Pavlovich Skatin – First Deputy Chairman, member of the Management Board since June 2008; Konstantin Yuryevich Balandin – Deputy Chairman, member of the Management Board since January 2008; Tatyana Yuryevna Bogdanovich – Senior Vice-President, member of the Management Board since March 2016 and the Head of the Branch in Moscow; Vladimir Konstantinovich Likhodievsky – Deputy Chairman, member of the Management Board, since April 2015; Kristina Borisovna Mironova – Deputy Chairman, member of the Management Board since August 2013; Vladimir Grigoryevich Reutov – Deputy Chairman, member of the Management Board since July 2004; Oksana Sivokobilska – Deputy Chairperson, member of the Management Board since November 2011, Pavel Vladimirovich Filimonenok – Deputy Chairman, member of the Management Board since December 2003.

Vladislav Stanislavovich Guz has filed a letter of withdrawal from the Management Board. On 14 July 2016 the Supervisory Board of the Bank resolved to terminate authorities of Vladislav Stanislavovich Guz on position of the Chairman of the Management Board of PJSC “Bank “Saint Petersburg” and to withdraw him from the Management Board of the Bank.

Alexander Vasilyevich Savelyev was elected as the Chairman of the Management Board of the Bank by the Resolution of the Supervisory Board dated 14 July 2016. There were no more changes in the Management Board composition.

Internal control

The Internal Audit Function is a unit of the Bank and an internal control body of the Bank. The Function operates under direct supervision of the Supervisory Board. The Function reports directly to the Supervisory Board. Remuneration and labour discipline matters of the Internal Audit Function employees are under responsibility of the Chairman of the Bank’s Management Board.

20 Risk management, Corporate Governance and Internal Control (continued)

The Function prepares quarterly reports on performance and monitoring of the internal control system of the Bank to the Supervisory Board and the Management Board of the Bank, and monthly reports to the Audit Committee of the Supervisory Board of the Bank. The Function operates on an ongoing basis independently and without any bias, while performing monitoring of the internal control system of the Bank. The Function performs reviews of all business areas of the Bank. Any department or employee of the Bank may be a subject of the Internal Audit Function review.

The Internal Control Department of the professional participant of the securities market is a unit of the Bank and operates under direct supervision of the Supervisory Board of the Bank.

The Department controls:

- compliance of the Bank's activity with the RF statutory legislation requirements for operations in securities market, enforcement of investors' rights and legally protected interests on the securities market and legislation requirements on advertising, as well as compliance with the Bank's internal documents related to its activities in the securities market;
- compliance of the Bank's activity with the RF statutory legislation requirements for countermeasures against unlawful insider information use and market manipulation.

There have been no changes in the system of internal control for the period ended 30 June 2016.

Risk management

The Group's risk management function is carried out in respect of financial risks (credit, market and liquidity risks), operational, geographical and legal risks. Market risk includes currency, equity 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 transactions 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 minimise these risks.

Policy and procedures of financial asset management comply with the policy and procedures described and applied in the consolidated financial statements of the Group for the year ended 31 December 2015.

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

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group's financial instruments due to exchange rate fluctuations.

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 30 June 2016. The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian Roubles)</i>	RR	USD	EUR	Other	Total (unaudited)
Assets					
Cash and cash equivalents	40 438 376	3 805 172	16 360 372	357 026	60 960 946
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 551 775	-	-	-	2 551 775
Trading securities	11 788 342	2 582 169	43 518	285 366	14 699 395
Securities pledged under sale and repurchase agreements and loaned	28 622 021	41 035 716	17 143 571	759 228	87 560 536
Amounts receivable under reverse repurchase agreements	15 978 345	8 011 788	99 699	-	24 089 832
Derivative financial assets	4 225 316	-	-	-	4 225 316
Due from banks	949 283	3 242 770	-	-	4 192 053
Loans and advances to customers	249 142 583	55 403 891	23 401 697	-	327 948 171
Investment securities available-for-sale	21 140 105	2 975 108	1 614	-	24 116 827
Prepaid income tax	449	-	-	-	449
Deferred tax asset	1 060	-	-	-	1 060
Investment property	5 635 779	-	-	-	5 635 779
Premises, equipment and intangible assets	14 445 998	-	-	-	14 445 998
Other assets	1 871 629	40 959	40 365	75 717	2 028 670
Long-term assets held-for-sale	2 118 179	-	-	-	2 118 179
Total assets	398 909 240	117 097 573	57 090 836	1 477 337	574 574 986
Liabilities					
Due to banks	137 846 663	14 187 315	1 477 446	-	153 511 424
Customer accounts	240 436 772	59 747 557	31 332 600	316 577	331 833 506
Derivative financial liabilities	363 960	-	-	-	363 960
Bonds issued	-	16 301 467	-	-	16 301 467
Other debt securities issued	2 281 304	3 243 065	1 873 443	-	7 397 812
Other borrowed funds	1 565 803	-	1 128 719	-	2 694 522
Income tax liabilities	459 067	-	-	-	459 067
Deferred tax liability	1 092 146	-	-	-	1 092 146
Other liabilities	1 682 183	96 338	30 989	-	1 809 510
Total liabilities	385 727 898	93 575 742	35 843 197	316 577	515 463 414
Less fair value of currency derivatives	(3 777 391)	-	-	-	(3 777 391)
Net recognized position, excluding currency derivative financial instruments	9 403 951	23 521 831	21 247 639	1 160 760	55 334 181
Currency derivatives	46 346 899	(22 536 866)	(19 026 942)	(1 005 700)	3 777 391
Net recognized position, including currency derivative financial instruments	55 750 850	984 965	2 220 697	155 060	59 111 572

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 2015. The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian Roubles)</i>	RR	USD	EUR	Other	Total (unaudited)
Assets					
Cash and cash equivalents	19 172 226	7 432 085	9 487 036	467 570	36 558 917
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 388 138	-	-	-	2 388 138
Trading securities	11 220 786	496 748	-	1 475 938	13 193 472
Securities pledged under sale and repurchase agreements and loaned	25 797 397	41 842 311	2 674 343	-	70 314 051
Amounts receivable under reverse repurchase agreements	7 987 650	7 059 936	173 004	-	15 220 590
Derivative financial assets	4 974 795	-	-	-	4 974 795
Due from banks	31 571 034	3 551 550	-	-	35 122 584
Loans and advances to customers	236 701 475	73 347 130	25 253 495	-	335 302 100
Investment securities available-for-sale	23 415 034	4 434 158	-	-	27 849 192
Prepaid income tax	412 959	-	-	-	412 959
Deferred tax asset	449	-	-	-	449
Investment property	3 162 532	-	-	-	3 162 532
Premises, equipment and intangible assets	14 476 946	-	-	-	14 476 946
Other assets	2 259 215	193 097	52 771	59 909	2 564 992
Long-term assets held-for-sale	992 859	-	-	-	992 859
Total assets	384 533 495	138 357 015	37 640 649	2 003 417	562 534 576
Liabilities					
Due to banks	108 394 859	25 586 994	1 851 227	-	135 833 080
Customer accounts	223 644 953	69 579 112	32 432 702	305 161	325 961 928
Derivative financial liabilities	498 661	-	-	-	498 661
Bonds issued	-	19 200 016	-	-	19 200 016
Other debt securities issued	4 366 431	11 053 545	2 021 170	-	17 441 146
Other borrowed funds	1 565 459	-	1 076 840	-	2 642 299
Deferred tax liability	2 809 073	-	-	-	2 809 073
Other liabilities	1 313 951	21 471	29 467	-	1 364 889
Total liabilities	342 593 387	125 441 138	37 411 406	305 161	505 751 092
Less fair value of currency derivatives	(4 476 134)	-	-	-	(4 476 134)
Net recognized position, excluding currency derivative financial instruments	37 463 974	12 915 877	229 243	1 698 256	52 307 350
Currency derivatives	16 925 447	(13 753 551)	2 818 209	(1 513 971)	4 476 134
Net recognized position, including currency derivative financial instruments	54 389 421	(837 674)	3 047 452	184 285	56 783 484

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

Liquidity risk. Liquidity risk arises when the maturities of assets and liabilities do not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, term 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.

The IFRS liquidity position of the Group at 30 June 2016 is presented below. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of financial instruments carried at fair value, changes of which are recognized in profit and loss, and investment securities available-for-sale, which are shown in the category “Demand and less than 1 month”.

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

<i>(in thousands of Russian Roubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total (unaudited)
Assets						
Cash and cash equivalents	60 960 946	-	-	-	-	60 960 946
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 228 020	732 171	412 916	178 652	16	2 551 775
Trading securities	14 699 395	-	-	-	-	14 699 395
Securities pledged under sale and repurchase agreements and loaned	87 560 536	-	-	-	-	87 560 536
Amounts receivable under reverse repurchase agreements	24 044 834	-	-	44 998	-	24 089 832
Derivative financial assets	366 570	101 479	3 678 540	78 727	-	4 225 316
Due from banks	165 422	848 118	612 068	2 566 445	-	4 192 053
Loans and advances to customers	10 215 588	54 761 106	58 963 829	162 300 100	41 707 548	327 948 171
Investment securities available-for-sale	24 116 827	-	-	-	-	24 116 827
Prepaid income tax	-	449	-	-	-	449
Deferred tax asset	-	-	-	-	1 060	1 060
Investment property	-	-	-	-	5 635 779	5 635 779
Premises, equipment and intangible assets	-	-	-	-	14 445 998	14 445 998
Other assets	936 381	333 164	65 888	679 773	13 464	2 028 670
Long-term assets held-for-sale	-	-	2 118 179	-	-	2 118 179
Total assets	224 294 519	56 776 487	65 851 420	165 848 695	61 803 865	574 574 986
Liabilities						
Due to banks	142 898 279	79 841	5 767 307	4 179 790	586 207	153 511 424
Customer accounts	159 650 584	95 234 617	53 708 681	23 237 577	2 047	331 833 506
Derivative financial liabilities	115 737	157 727	90 496	-	-	363 960
Bonds issued	-	-	-	16 301 467	-	16 301 467
Other debt securities issued	1 289 168	1 071 401	1 176 964	3 859 891	388	7 397 812
Other borrowed funds	-	100 435	463 190	2 130 897	-	2 694 522
Income tax liabilities	-	459 067	-	-	-	459 067
Deferred tax liability	-	-	-	-	1 092 146	1 092 146
Other liabilities	128 367	703 523	570 617	404 341	2 662	1 809 510
Total liabilities	304 082 135	97 806 611	61 777 255	50 113 963	1 683 450	515 463 414
Net liquidity gap	(79 787 616)	(41 030 124)	4 074 165	115 734 732	60 120 415	59 111 572
Cumulative liquidity gap as at 30 June 2016	(79 787 616)	(120 817 740)	(116 743 575)	(1 008 843)	59 111 572	

20 Risk management, corporate governance and internal control (continued)

The IFRS liquidity position of the Group at 31 December 2015 is represented below:

<i>(in thousands of Russian Roubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total (unaudited)
Assets						
Cash and cash equivalents	36 558 917	-	-	-	-	36 558 917
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 133 776	740 262	355 714	158 338	48	2 388 138
Trading securities	13 193 472	-	-	-	-	13 193 472
Securities pledged under sale and repurchase agreements and loaned	70 314 051	-	-	-	-	70 314 051
Amounts receivable under reverse repurchase agreements	15 220 590	-	-	-	-	15 220 590
Derivative financial assets	115 757	243 168	-	4 615 870	-	4 974 795
Due from banks	27 004 752	3 756 010	833 595	3 528 227	-	35 122 584
Loans and advances to customers	6 258 685	66 750 197	59 341 279	152 530 339	50 391 600	335 302 100
Investment securities available-for-sale	27 849 192	-	-	-	-	27 849 192
Prepaid income tax	-	412 959	-	-	-	412 959
Deferred tax asset	-	-	-	-	449	449
Investment property	-	-	-	-	3 162 532	3 162 532
Premises, equipment and intangible assets	-	-	-	-	14 476 946	14 476 946
Other assets	591 456	939 521	96 718	913 431	23 866	2 564 992
Long-term assets held-for-sale	-	-	992 859	-	-	992 859
Total assets	198 270 648	72 842 117	61 620 165	161 746 205	68 055 441	562 534 576
Liabilities						
Due to banks	112 305 353	15 824 733	42 963	6 383 657	1 276 374	135 833 080
Customer accounts	154 738 253	101 047 739	48 555 901	21 613 514	6 521	325 961 928
Derivative financial liabilities	241 817	252 867	3 977	-	-	498 661
Bonds issued	-	-	-	19 200 016	-	19 200 016
Other debt securities issued	3 096 733	4 512 401	7 410 385	2 420 253	1 374	17 441 146
Other borrowed funds	-	214 473	215 626	2 212 200	-	2 642 299
Deferred tax liability	-	-	-	-	2 809 073	2 809 073
Other liabilities	491 983	741 618	9 488	118 905	2 895	1 364 889
Total liabilities	270 874 139	122 593 831	56 236 340	51 946 545	4 096 237	505 751 092
Net liquidity gap	(72 603 491)	(49 751 714)	5 381 825	109 797 660	63 959 204	56 783 484
Cumulative gap as at 31 December 2015	(72 603 491)	(122 355 205)	(116 973 380)	(7 175 720)	56 783 484	

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

Group's management believes that available undrawn credit lines with other banks and financial institutions of RR 92 977 630 thousand (31 December 2015: RR 133 549 000 thousand) in total and assessment of stability of customer accounts in unstable environment will fully cover the Group's liquidity gap 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), to comply with capital requirements and capital adequacy ratio requirements 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 8.0%, base capital adequacy ratio (N 1.1) of at least 4.5%, core capital adequacy ratio (N 1.2) of at least 6.0%. Core capital, base capital and own funds and capital adequacy ratios are based on reports prepared by the Bank under Russian statutory accounting standards are presented in the table below:

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Total capital	69 388 644	72 009 053
Base capital	42 078 741	40 665 043
Core capital	42 078 741	40 665 043
Capital adequacy ratio N 1.0	14,34%	15,48%
Base capital adequacy ratio N 1.1	8,76%	8,82%
Core capital adequacy ratio N 1.2	8,76%	8,82%

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 Accounting Department, management believes that as at 30 June 2016 and 31 December 2015 the capital adequacy ratios were not below the minimum requirement.

In September 2015 the Group attracted a subordinated loan from the State Corporation “Deposit Insurance Agency” in the form of federal loan bonds in the total nominal amount of RR 14 594 500 thousand. As at 30 June 2016, the fair value of these bonds is RR 16 229 677 thousand. The interest rate is the coupon rate on federal loan bonds plus 1% p.a. The loan maturity is from 2025 to 2034, depending on the terms of bond issue.

The Group is required to meet certain covenants attached to the subordinated loan from the State Corporation “Deposit Insurance Agency”. As at 30 June 2016 and 31 December 2015, the Group fully meets these covenants.

(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, the Management Board of the Bank, the Supervisory Board of the Bank.

21 Management of capital (continued)

In the short-term the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan to increase assets in order to comply with the CBRF requirements. 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 banking transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

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

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)	31 December 2015
Capital	81 771 980	81 079 570
Tier 1	52 973 329	51 366 702
Paid-in share capital	3 721 734	3 721 734
Reserves and profit	49 251 595	47 644 968
<i>Including:</i>		
- Share premium	21 393 878	21 393 878
- Retained earnings	27 857 717	26 251 090
Tier 2	28 798 651	29 712 868
Revaluation reserve for premises	3 820 496	3 820 496
Revaluation reserve for investment securities available-for-sale	2 317 747	1 596 286
Subordinated loans	22 660 408	24 296 086
Risk weighted assets	522 736 077	520 097 799
Risk weighted banking assets	440 282 471	456 087 531
Risk weighted trading assets	50 907 250	29 547 013
Risk weighted unrecognized exposures	31 546 357	34 463 255
Total capital adequacy ratio	15,64%	15,59%
Tier 1 capital adequacy ratio	10,13%	9,88%

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 30 June 2016 and 31 December 2015.

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, 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 distress sale transactions and therefore not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

22 Fair Value of Financial Instruments (continued)

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

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable 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.

Liabilities to banks and customers under securities sold short are carried at fair value.

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 30 June 2016 (unaudited):

<i>(in thousands of Russian Roubles)</i>	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
<i>Trading securities</i>			
- Corporate bonds	10 621 896	183 798	-
- Eurobonds of the Russian Federation	2 171 566	-	-
- Corporate Eurobonds	921 630	-	-
- Municipal bonds	547 305	-	-
- Federal loan bonds	152 535	-	-
- Corporate shares	100 665	-	-
<i>Securities pledged under sale and repurchase agreements and loaned</i>			
- Corporate Eurobonds	61 309 678	-	-
- Corporate bonds	19 958 344	-	-
- Federal loan bonds	6 244 730	-	-
- Corporate shares	47 784	-	-
<i>Investment securities available-for-sale</i>			
- Corporate bonds	18 079 422	228 154	-
- Corporate Eurobonds	2 816 933	-	-
- Municipal bonds	2 424 641	-	-
- Corporate shares	292 688	-	-
- Federal loan bonds	157 943	-	-
<i>Derivative financial assets</i>	-	4 225 316	-
TOTAL FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE	125 847 760	4 637 268	-
FINANCIAL LIABILITIES			
<i>Due to banks</i>			
- Liabilities on securities sold short	9 219 070	-	-
<i>Derivative financial liabilities</i>	-	363 960	-
TOTAL FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE	9 219 070	363 960	-

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 2015:

<i>(in thousands of Russian Roubles)</i>	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	10 368 129	103 625	-
- Corporate Eurobonds	1 982 614	-	-
- Federal loan bonds	568 163	-	-
- Corporate shares	127 348	-	-
- Municipal bonds	43 593	-	-
Securities pledged under sale and repurchase agreements and loaned			
- Corporate Eurobonds	50 734 205	-	-
- Corporate bonds	16 702 808	-	-
- Federal loan bonds	2 723 775	-	-
- Municipal bonds	99 089	-	-
- Eurobonds of the Russian Federation	39 154	-	-
- Corporate shares	15 020	-	-
Investment securities available-for-sale			
- Corporate bonds	14 117 755	158 481	-
- Federal loan bonds	6 415 985	-	-
- Corporate Eurobonds	4 087 054	-	-
- Municipal bonds	610 811	-	-
- Corporate shares	347 104	-	-
- Eurobonds of the Russian Federation	107 673	-	-
Derivative financial assets	-	4 974 795	-
TOTAL FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE	109 090 280	5 236 901	-
FINANCIAL LIABILITIES			
Due to banks			
- Liabilities on securities sold short	492 284	-	-
Customer accounts			
- Liabilities on securities sold short	377 978	-	-
Derivative financial liabilities	-	498 661	-
TOTAL FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE	870 262	498 661	-

22 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial assets carried at amortized cost as at 30 June 2016 and 31 December 2015:

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortized cost				
Loans and advances to customers				
Loans to legal entities				
- loans to finance working capital	176 927 662	179 701 330	188 099 907	189 374 014
- investment loans	79 213 813	81 102 390	79 873 427	80 040 279
- loans to entities financed by government	16 556 424	16 875 571	15 583 619	15 805 852
Loans to individuals				
- mortgage loans	39 008 872	36 271 837	34 779 249	31 501 971
- car loans	2 012 364	1 849 294	2 583 412	2 339 693
- consumer loans to VIP clients	4 617 003	5 044 047	4 417 371	4 864 158
- other consumer loans	9 612 033	11 028 440	9 965 115	11 234 580
TOTAL	327 948 171	331 872 909	335 302 100	335 160 547

The following table provides fair values of financial liabilities carried at amortized cost as at 30 June 2016 and 31 December 2015:

<i>(in thousands of Russian Roubles)</i>	30 June 2016 (unaudited)		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities carried at amortized cost				
Customer accounts				
State and public organizations				
- Current/settlement accounts	164 557	164 557	119 064	119 064
- Term deposits	3 900 000	3 902 721	-	-
Other legal entities				
- Current/settlement accounts	65 364 299	65 364 299	57 858 301	57 858 301
- Term deposits	74 578 910	74 737 319	79 487 386	78 534 191
- Amounts payable under sale and repurchase agreements	-	-	429 769	429 769
Individuals				
- Current accounts/demand deposits	43 879 633	43 879 633	41 787 505	41 787 505
- Term deposits	143 946 107	147 930 319	146 279 903	143 269 046
Bonds issued				
- Subordinated Eurobonds	16 301 467	17 221 731	19 200 016	19 097 407
Other debt securities issued				
- Promissory notes	7 397 810	7 535 801	17 441 144	17 491 388
- Deposit certificates	2	2	2	2
Other borrowed funds				
- Subordinated loans	1 565 803	1 489 133	1 565 459	1 476 318
- AKA AFK	1 128 719	1 124 851	1 076 840	1 027 424
TOTAL	358 227 307	363 350 366	365 245 389	361 090 415

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

22 Fair Value of Financial Instruments (continued)

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.

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’s 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 2016 and 31 December 2015:

	30 June 2016 (unaudited)	31 December 2015
Loans and advances to customers:		
Loans and advances to legal entities	3.79% - 17.02% p.a.	3.74% - 27.53% p.a.
Loans and advances to individuals	3.71% - 21.26% p.a.	4.47% - 24.90% p.a.

Financial liabilities carried at amortized cost. The estimated fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting interest rates depend on currency, maturity date and as at 30 June 2016 range from 0.07% to 10.27% p.a. (31 December 2015: from 0.08% to 12.00% p.a.).

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

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 and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form. Mr. A.V. Savelyev through his direct ownership of the Bank’s shares and option on purchase of interest in companies, which are currently under control of other members of Bank’s 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, Group’s management and other related parties.

23 Related Party Transactions (continued)

As at 30 June 2016, the outstanding balances with related parties are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Shareholders	Management of the Group	Other related parties
Loans and advances to customers (contractual interest rates 4.50% - 27.00% p.a.)	-	62 025	118 444
Impairment allowance for loans and advances to customers	-	(108)	(23 689)
Customer accounts (contractual interest rates 0.40% - 12.40% p.a.)	2 682 541	1 722 842	99 585

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 2016 (unaudited) are as follows:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Management of the Group	Other related parties
Interest income	9	2 463	1 051
Interest expense	(19 007)	(17 203)	(13 195)
Recovery of (charge for) provision for loan impairment	1	(3)	930
Fee and commission income	148	780	1 426

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2016 (unaudited) are:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Management of the Group	Other related parties
Amounts lent to related parties during the period	356	63 348	95
Amounts repaid by related parties during the period	601	57 536	28 083

As at 31 December 2015, the outstanding balances with related parties are as follows:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Management of the Group	Other related parties
Loans and advances to customers (contractual interest rates 4.75% - 27.00% p.a.)	245	56 213	146 432
Impairment allowance for loans and advances to customers	(1)	(105)	(24 619)
Customer accounts (contractual interests rates 0.01% - 18.80% p.a.)	2 410 255	1 791 455	40 804
Other debt securities issued (contractual interest rate 5.25% p.a.)	-	-	167 395

23 Related Party Transactions (continued)

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>	Shareholders	Management of the Group	Other related parties
Interest income	6	668	8 193
Interest expense	(39 978)	(39 048)	(51 614)
Recovery (creation) of 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 as follows:

<i>(In thousands of Russian Roubles)</i>	Shareholders	Key management personnel	Other related parties
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

For the six-month period ended 30 June 2016, total remuneration of members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 286 738 thousand (for the six-month period ended 30 June 2015: RR 262 170 thousand).

24 Consolidation of Companies

The Group's condensed consolidated interim financial statements include the following subsidiary:

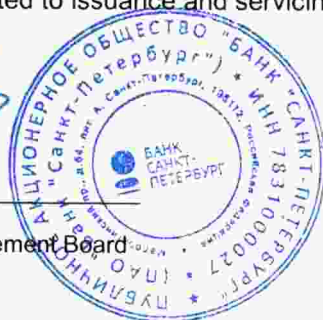
Name	Country of incorporation	Ownership, %		Principal activities
		30 June 2016	31 December 2015	
BSPB-Trading, LLC	Russian Federation	100%	100%	Operations on financial markets

In accordance with Article 12 of Federal Law No. 325-FZ dated 21 November 2011 *On Regulated Trading*, BSPB Trading Systems changed its name to BSPB-Trading, LLC.

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 current expenses related to issuance and servicing of the loans.

A.V. Savelyev
Chairman of the Management Board



N.G. Tomilina
Chief Accountant