

PJSC “Bank “Saint Petersburg” Group

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

30 June 2017

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

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Bank Saint Petersburg" (the "Bank") and its subsidiaries (the "Group")) as at 30 June 2017, 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 (consolidated) interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with 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"
Registration No. in the Unified State Register of Legal Entities
1027600000140

Saint Petersburg, Russian Federation.

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.

Registration No. in the Unified State Register of Legal Entities
1027700125628

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No 11603053203



PJSC of "Bank Saint Petersburg"

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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 as at 30 June 2017 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

JSC "KPMG"

Moscow, Russian Federation

28 August 2017



PJSC "Bank "Saint Petersburg" Group
Condensed Consolidated Interim Statement of Financial Position as at 30 June 2017

<i>(in thousands of Russian Roubles)</i>	Note	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Cash and cash equivalents		60 284 668	33 881 204
Mandatory reserve deposits with the Central Bank of the Russian Federation		2 884 554	3 220 803
Trading securities	6	14 252 938	17 126 047
Securities pledged under sale and repurchase agreements and loaned	7	80 370 415	61 800 246
Reverse sale and repurchase agreements	8	42 251 112	58 499 452
Derivative financial assets		702 622	5 537 975
Due from banks		11 344 490	33 371 758
Loans and advances to customers	9		
- loans and advances to corporate customers		247 484 369	256 602 220
- loans and advances to individuals		63 606 909	58 108 845
Investment securities available-for-sale	10	11 266 994	26 477 508
Investment property		5 582 001	5 726 225
Premises and equipment and intangible assets		14 888 950	14 304 980
Other assets		3 691 811	4 553 272
Long-term assets held-for- sale		1 071 738	1 076 985
TOTAL ASSETS		559 683 571	580 287 520
LIABILITIES			
Due to banks		147 937 530	131 721 767
Customer accounts	11	315 405 976	349 944 868
Financial liabilities recognised at fair value		6 652 190	4 223 164
Derivative financial liabilities		2 552 920	2 929 752
Bonds issued	12	11 333 070	15 882 715
Promissory notes and deposit certificates issued		7 350 876	7 882 284
Other borrowed funds	13	2 227 652	2 504 143
Other liabilities		2 171 699	4 329 861
TOTAL LIABILITIES		495 631 913	519 418 554
EQUITY			
Share capital	14	3 721 734	3 721 734
Share premium	14	21 393 878	21 393 878
Revaluation reserve of premises		3 816 120	3 820 496
Revaluation reserve for investment securities available-for-sale		1 654 972	1 793 138
Foreign currency translation reserve		(1 339)	-
Retained earnings		32 975 594	30 139 720
TOTAL EQUITY ATTRIBUTABLE TO: OWNERS OF THE BANK		63 560 959	60 868 966
NON-CONTROLLING INTEREST		490 699	-
TOTAL EQUITY		64 051 658	60 868 966
TOTAL LIABILITIES AND EQUITY		559 683 571	580 287 520

Approved for issue and signed on behalf of the Management Board on 28 August 2017.


A.V. Savelyev
Chairman of the Management Board


N.G. Tomilina
Chief Accountant

The notes are an integral part of this condensed consolidated interim financial information.

PJSC "Bank "Saint Petersburg" Group

Condensed Consolidated Interim Statement of Comprehensive Income for the six-month period ended 30 June 2017

<i>(in thousands of Russian Roubles)</i>	Note	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Interest income	16	23 790 751	26 001 120
Interest expense	16	(14 560 727)	(15 620 280)
Net interest income		9 230 024	10 380 840
Provision for loan impairment		(5 203 133)	(6 131 320)
Net interest income after provision for loan impairment		4 026 891	4 249 520
Net (losses) gains from trading securities		(155 134)	370 795
Net gains from investment securities available-for-sale		303 533	578 254
Net gains from trading in foreign currencies and foreign exchange revaluation		10 184 190	4 770 309
Net losses from derivatives		(6 260 481)	(3 210 957)
Fee and commission income		3 105 233	2 768 626
Fee and commission expense		(671 498)	(472 848)
Impairment allowance for long-term assets held-for-sale		-	(348 018)
Impairment allowance for credit related commitments and non-financial liabilities		(425 486)	(443 371)
Other net operating income		449 453	155 331
Administrative and other operating expenses:			
- staff costs		(2 980 706)	(2 693 046)
- costs related to premises and equipment		(799 387)	(812 310)
- other administrative and operating expenses		(2 642 264)	(2 488 998)
Profit before tax		4 134 344	2 423 287
Income tax expense		(810 180)	(427 480)
Profit for the period attributable to:			
Owners of the Bank	17	3 295 241	1 995 807
Non-controlling interest		28 923	-
Profit for the period		3 324 164	1 995 807
Other comprehensive (loss) income			
<i>Items of comprehensive (loss) 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		(303 533)	(578 254)
Net result from revaluation of investment securities available-for-sale		130 826	1 480 081
Deferred income tax recognised in equity related to components of other comprehensive (loss) income		34 541	(180 366)
Exchange differences on translation		(1 339)	
Other comprehensive (loss) income for the period after tax	15	(139 505)	721 461
Total comprehensive income for the period attributable to:			
Owners of the Bank		3 155 736	2 717 268
Non-controlling interest		28 923	-
Total comprehensive income for the period		3 184 659	2 717 268
Basic and diluted earnings per share (in Russian Roubles per share)	17	7.49	4.54

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 2017

<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 2016		3 721 734	21 393 878	3 820 496	1 596 286	26 251 090	56 783 484
Other comprehensive income recognised directly in equity (unaudited)		-	-	-	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
Purchase of treasury shares (unaudited)		-	-	-	-	(580 202)	(580 202)
Sales of treasury shares (unaudited)						652 546	652 546
Dividends declared (unaudited)							
- 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

PJSC "Bank "Saint Petersburg" Group

Condensed Consolidated Interim Statement of Changes in Equity for the six-month period ended 30 June 2017

<i>(in thousands of Russian Roubles)</i>	Note	Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve for investment securities available-for-sale	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interest	Total equity
Balance as at 1 January 2017		3 721 734	21 393 878	3 820 496	1 793 138	-	30 139 720	60 868 966	-	60 868 966
Other comprehensive loss recognised directly in equity (unaudited)		-	-	(4 376)	(138 166)	(1 339)	4 376	(139 505)	-	(139 505)
Profit for the period (unaudited)		-	-	-	-	-	3 295 241	3 295 241	28 923	3 324 164
Total comprehensive income for the six-month period ended 30 June 2017 (unaudited)		-	-	(4 376)	(138 166)	(1 339)	3 299 617	3 155 736	28 923	3 184 659
Dividends declared (unaudited)										
- ordinary shares	18	-	-	-	-	-	(461 532)	(461 532)	-	(461 532)
- preference shares	18	-	-	-	-	-	(2 211)	(2 211)	-	(2 211)
Acquisition of a subsidiary	24	-	-	-	-	-	-	-	461 776	461 776
Balance as at 30 June 2017 (unaudited)		3 721 734	21 393 878	3 816 120	1 654 972	(1 339)	32 975 594	63 560 959	490 699	64 051 658

A.V. Savelyev
Chairman of the Management Board



N.G. Tomilina
Chief Accountant

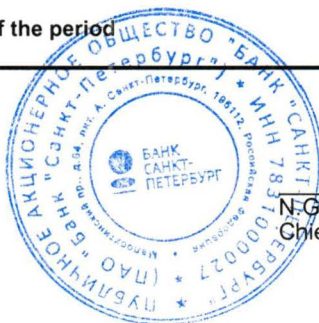
PJSC "Bank "Saint Petersburg" Group
Condensed Consolidated Interim Statement of Cash Flows for the six-month period
ended 30 June 2017

	Note	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
<i>(In thousands of Russian Roubles)</i>			
Cash flows from operating activities			
Interest received on loans and correspondent accounts		17 343 038	19 839 449
Interest received on securities		3 681 370	5 245 610
Interest received on amounts receivable under reverse sale and repurchase agreements		1 993 329	558 470
Interest paid on due to banks		(5 875 599)	(6 127 334)
Interest paid on customer accounts		(7 850 446)	(9 474 088)
Interest paid on other debt securities issued		(123 995)	(546 457)
Net losses from securities trading		(434 463)	(648 996)
Net gains from trading in foreign currencies		7 062 518	8 690 752
Net losses from transactions with derivatives		(1 801 960)	(2 596 179)
Fees and commissions received		3 100 008	2 736 408
Fees and commissions paid		(671 498)	(472 848)
Other operating income received		449 453	156 930
Staff costs		(3 173 243)	(2 705 735)
Premises and equipment costs		(205 004)	(251 124)
Administrative and other operating expenses		(2 490 899)	(2 471 384)
Income tax paid		(589 983)	(1 453 806)
Cash flows from operating activities before changes in operating assets and liabilities		10 412 626	10 479 668
Changes in operating assets and liabilities			
Net decrease (increase) in mandatory reserve deposits with the Central Bank of the Russian Federation		336 249	(163 637)
Net decrease in trading securities		(18 422 906)	(21 143 079)
Net decrease (increase) in amounts receivable under reverse sale and repurchase agreements		16 054 572	(8 874 092)
Net decrease in due from banks		22 017 909	30 552 563
Net increase in loans and advances to customers		(1 248 721)	(10 503 898)
Net (increase) decrease in other assets		(489 482)	504 869
Net increase in due to banks		16 722 961	29 240 576
Net (decrease) increase in customer accounts		(34 266 274)	17 549 194
Net increase (decrease) in financial liabilities at fair value		2 429 026	(8 348 808)
Net decrease in other debt securities issued		(547 038)	(8 687 455)
Net (decrease) increase in other liabilities		(887 187)	90 318
Net cash from operating activities		12 111 735	30 696 219
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(368 734)	(867 926)
Proceeds from disposal of premises and equipment and intangible assets		1 068	1 149
Net decrease (increase) in investment securities available-for-sale		17 380 985	(2 060 585)
Net proceeds from disposal of investment securities available-for-sale		303 533	578 254
Proceeds from sale of long-term assets held-for-sale		313 542	-
Net cash paid for acquisition of a subsidiary		(359 724)	-
Net cash paid for acquisition of associates		(211 379)	-
Dividends received		1 240	1 501
Net cash from (used in) investing activities		17 060 531	(2 347 607)

PJSC "Bank "Saint Petersburg" Group
Condensed Consolidated Interim Statement of Cash Flows for the six-month period
ended 30 June 2017

<i>(In thousands of Russian Roubles)</i>	Note	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Cash flows from financing activities			
Purchase of treasury shares		-	(580 202)
Sale of treasury shares		-	652 546
Proceeds from other borrowed funds		-	377 013
Repayment of other borrowed funds		(295 711)	(206 841)
Redemption of bonds issued		(4 151 173)	(774 762)
Interest paid on bonds issued		(537 157)	(901 739)
Interest paid on other borrowed funds		(133 118)	(61 660)
Dividends paid	18	(463 004)	(459 412)
Net cash used in financing activities		(5 580 163)	(1 955 057)
Effects of exchange rate changes on cash and cash equivalents		2 811 361	(1 991 526)
Net increase in cash and cash equivalents		26 403 464	24 402 029
Cash and cash equivalents at the beginning of the period		33 881 204	36 558 917
Cash and cash equivalents at the end of the period		60 284 668	60 960 946


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 2017 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 privatisation process of the former Leningrad regional office of Zhilsotsbank. In 2014 the Bank was reorganised 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 2017, management of the Bank controls 52.50% (unaudited) of the ordinary shares of the Bank (31 December 2016: 52.50%), of which 23.70% (unaudited) of the ordinary shares are controlled by Mr. A.V. Savelyev (31 December 2016: 23.70%), 28.80% (unaudited) are controlled by the management of the Bank, including 28.74% (unaudited) of the ordinary shares controlled by LLC “Vernye Druzya” Management Company” (31 December 2016: 28.80% were controlled by management of the Bank, including 28.74% of the ordinary shares controlled by LLC “Vernye Druzya” Management Company”). NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED companies own 26.58% (unaudited) of the share capital of LLC “Vernye Druzya” Management Company” each (31 December 2016: NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED owned 26.58% of the share capital of LLC “Vernye Druzya” Management Company” each).

Mrs. O.A. Savelyeva owns indirectly 19.95% (unaudited) in LLC “Vernye Druzya” Management Company” and has a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies (31 December 2016: Mrs. O.A. Savelyeva owned indirectly 19.95% in LLC “Vernye Druzya” Management Company” and had a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies). The ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED are the following representatives of the Bank’s Management: K.B. Mironova, P.V. Filimonenok, V.G. Reutov (31 December 2016: the ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED were the following representatives of the Bank’s Management: K.B. Mironova, P.V. Filimonenok, V.G. Reutov).

The remaining ordinary shares of the Bank are owned as follows: 6.58% (unaudited) of the ordinary shares are owned by East Capital Group (31 December 2016: 7.40%), 5.49% (unaudited) of the ordinary shares are owned by the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD) (31 December 2016: 5.49%).

The remaining 35.43% (unaudited) of the ordinary shares are widely held (31 December 2016: 34.61%).

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 2017, the Bank had 4 branches within the Russian Federation (3 branches in the North-West region of Russia and 1 branch in Moscow), 60 outlets and 1 representative office in Novosibirsk (unaudited) (31 December 2016: 4 branches within the Russian Federation (3 branches in the North-West region of Russia and 1 branch in Moscow) and 63 outlets).

Registered address and place of business. The Bank’s registered address and place of business is 64A, Malookhtinsky Prospect, 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. In the first half of 2017 Russian economy was characterised by the recovery of economic activity, enhancement of positive processes in manufacturing industry and beginning of the recovery in construction. Along with the increase in investment and production, the growth rates of household consumption expenditures were increased. As a result, according to the estimates of the Federal State Statistics Service, the growth of the Russian economy at the end of the first half of 2017 amounted to 1.7% year-on-year.

The CBRF followed a moderately tight monetary policy in order to achieve the inflation target at the level of 4%. The key interest rate was decreased from 10% at the end of 2016 to 9% in June 2017. Monetary factors and the savings-oriented behavioral model of the population in combination with local factors (low RUB exchange rate, high crop yield in 2016) led to the reduction of inflation to 4.4% at the end of June from 5.4% in the beginning of the year.

The consistently high real interest rates of the CBRF together with the expected reduction of the key interest rate (after the inflation decrease) made high-yield Rouble-denominated assets particularly attractive to foreign investors. This, in its turn, was reflected in capital inflows in the financial account of balance of payments and caused the strengthening of the Rouble notwithstanding low oil prices. The nominal volume of federal loan bonds held by non-residents reached a record high of 30.7. URALS oil quotations fluctuated within the range of 44-45 USD per barrel (51 USD per barrel in average) while the six-month average Rouble exchange rate amounted to 58 RUB/USD. Additional positive influence on the exchange rate was made by the global downward trend in the USD exchange rate due to the considerable revision of expectations regarding the tightening of the US FRS policy caused by the lack of progress in implementation of the reforms announced by the newly elected President of the United States.

In the first half of the year the MICEX index decreased by 17.8%, the RTS by 15.8%. The sharp decline in the indexes was largely caused by the strengthening of the Rouble exchange rate (negative impact on exporters' earnings) and the growing improbability of lifting of the United States' sanctions against Russia.

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 characterised by significant growth of risks of different nature and general uncertainty, bounding the strategic horizon for market participants and aggregated risk appetite.

The accompanied condensed consolidated interim financial information reflect 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 makes all the necessary efforts to support the economic stability of the Group in the current environment.

3 Basis of Preparation and short description of 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 estimates 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 2016. These policies are consistently applied to all the periods presented. The condensed consolidated interim financial information does not contain all the Notes as required for a full set of consolidated financial statements.

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.

3 Basis of Preparation and short description of Significant Accounting Policies (continued)

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

As at 30 June 2017, the official exchange rates used for translating foreign currency balances are USD 1 = RR 59.0855 and Euro 1 = RR 67.4993 (31 December 2016: 60.6569 RR/USD and 63.8111 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 recognised 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 accounting policies. Professional judgements that have the most significant effect on the amounts recognised 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 148 582 thousand higher (31 December 2016: RR 156 328 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 initial 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 the Group premises are determined by using valuation methods. Market value is used as valuation basis. Market values of premises are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was assessed based on direct comparison of the item with other premises that were sold or are offered for sale. To the extent that the assessed change in the fair value of the Group premises differs by 10%, their carrying amounts would be changed by RR 1 367 093 thousand (before deferred tax) as at 30 June 2017 (31 December 2016: RR 1 215 342 thousand).

5 Adoption of New or Revised Standards and Interpretations

A number of new standards, amendments and interpretations became effective as at 1 January 2017, 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.

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

IFRS 9 Financial Instruments published in July 2014, replaces the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement”, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Group does not intend to adopt the standard earlier.

Currently, the Group is in the process of implementing IFRS 9 transition plan. The Group started an assessment of potential impact of IFRS 9 requirements on its consolidated financial statements. Accordingly, it is not possible from a practical point of view to assess the impact of IFRS 9 adoption on the consolidated financial statements of the Group.

6 Trading securities

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)	31 December 2016
Corporate bonds	9 237 356	12 957 090
Corporate Eurobonds	3 570 701	3 341 132
Federal loan bonds	468 138	41 346
Russian Federation Eurobonds	297 583	-
Municipal bonds	235 713	496 343
Total debt securities	13 809 491	16 835 911
Corporate shares	443 447	290 136
Total trading securities	14 252 938	17 126 047

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.

6 Trading securities (continued)

Analysis by credit quality of debt trading securities outstanding at 30 June 2017 is as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Corporate Eurobonds	Federal loan bonds	Russian Federation Eurobonds	Municipal bonds	Total
Not overdue or impaired						
Group A	104 710	1 445 565	-	-	-	1 550 275
Group B	8 443 468	1 678 978	468 138	297 583	204 793	11 092 960
Group C	16 335	65 656	-	-	16 545	98 536
Group D	672 843	380 502	-	-	14 375	1 067 720
Total debt trading securities	9 237 356	3 570 701	468 138	297 583	235 713	13 809 491

Analysis by credit quality of debt trading securities outstanding at 31 December 2016 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	806 950	154 869	-	-	961 819
Group B	10 529 569	2 816 708	418 727	41 346	13 806 350
Group C	513 183	-	43 186	-	556 369
Group D	1 107 388	369 555	34 430	-	1 511 373
Total debt trading securities	12 957 090	3 341 132	496 343	41 346	16 835 911

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

7 Securities Pledged Under Sale and Repurchase Agreements and Loaned

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)	31 December 2016
Debt trading securities pledged under sale and repurchase agreements and loaned		
Corporate Eurobonds	25 058 799	18 580 867
Corporate bonds	18 265 351	4 153 814
Federal loan bonds	547 432	550
Total debt trading securities pledged under sale and repurchase agreements and loaned	43 871 582	22 735 231
Corporate shares	593 425	194 612
Total trading securities pledged under sale and repurchase agreements and loaned	44 465 007	22 929 843
Debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned		
Corporate bonds	22 004 500	6 493 109
Corporate Eurobonds	13 898 446	32 026 175
Federal loan bonds	2 462	351 119
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	35 905 408	38 870 403
Total securities pledged under sale and repurchase agreements and loaned	80 370 415	61 800 246

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 2017 by their credit quality is as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Corporate Eurobonds	Federal loan bonds	Total
Debt trading securities pledged under sale and repurchase agreements and loaned				
Not overdue or impaired				
Group A	233 705	2 628 692	-	2 862 397
Group B	17 423 319	22 430 107	547 432	40 400 858
Group D	608 327	-	-	608 327
Total debt trading securities pledged under sale and repurchase agreements and loaned	18 265 351	25 058 799	547 432	43 871 582
Debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned				
Not overdue or impaired				
Group A	331 470	546 471	-	877 941
Group B	21 673 030	13 351 975	2 462	35 027 467
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	22 004 500	13 898 446	2 462	35 905 408
Total debt securities pledged under sale and repurchase agreements and loaned	40 269 851	38 957 245	549 894	79 776 990

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 2016 by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate Eurobonds	Corporate bonds	Federal loan bonds	Total
Debt trading securities pledged under sale and repurchase agreements and loaned				
Not overdue or impaired				
Group A	627 873	-	-	627 873
Group B	17 952 994	4 153 814	550	22 107 358
Total debt trading securities pledged under sale and repurchase agreements and loaned	18 580 867	4 153 814	550	22 735 231
Debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned				
Not overdue or impaired				
Group A	831 811	-	-	831 811
Group B	31 194 364	6 493 109	351 119	38 038 592
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	32 026 175	6 493 109	351 119	38 870 403
Total debt securities pledged under sale and repurchase agreements and loaned	50 607 042	10 646 923	351 669	61 605 634

For definition of groups refer to Note 6.

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

Securities transferred or sold under sale and repurchase agreements are transferred 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 derecognised them. In addition, the Group recognises financial liabilities for the cash received in financial liabilities at fair value.

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 Reverse Sale and Repurchase Agreements

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)	31 December 2016
Reverse sale and repurchase agreements with banks	40 909 038	2 566 373
Reverse sale and repurchase agreements with customers	1 342 074	55 933 079
Total reverse sale and repurchase agreements	42 251 112	58 499 452

As at 30 June 2017, reverse sale and repurchase agreements represent agreements with customers and banks that are secured by Federal loan bonds, corporate Eurobonds, corporate bonds and corporate shares (31 December 2016: Federal loan bonds, corporate Eurobonds, corporate bonds and corporate shares).

As at 30 June 2017, the fair value of securities that serve as collateral under reverse sale and repurchase agreements amounts to RR 44 044 863 thousand (unaudited) (31 December 2016: RR 65 879 880 thousand), including the securities with a fair value of RR 17 896 490 thousand (unaudited) pledged under sale and repurchase agreements (31 December 2016: RR 29 444 135 thousand), and securities with a fair value of RR 6 652 190 thousand (unaudited) sold by the Group (31 December 2016: RR 4 223 164 thousand). In all cases the value of collateral under separate transactions equals or exceeds the amount due from the transaction.

Currency and maturity analyses of amounts receivable under reverse sale and repurchase agreements are disclosed in Note 20.

9 Loans and Advances to Customers

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)	31 December 2016
Loans and advances to corporate customers		
- loans to finance working capital	187 406 595	193 343 047
- investment loans	91 856 607	92 693 285
- loans to entities financed by the government	9 673 823	8 150 996
Loans and advances to individuals		
- mortgage loans	47 095 038	42 447 553
- car loans	1 696 368	1 704 418
- consumer loans to VIP clients	4 746 000	5 704 343
- other consumer loans	12 649 243	10 270 229
Impairment allowance	(44 032 396)	(39 602 806)
Total loans and advances to customers	311 091 278	314 711 065

9 Loans and advances to customers (continued)

As at 30 June 2017, the carrying value of securities reclassified from trading securities to loans and advances to customers in 2014 amounts to RR 592 115 thousand (unaudited) before provision for impairment (31 December 2016: RR 963 529 thousand). Reclassified securities with a carrying value of RR 592 115 thousand (unaudited) are securities pledged under sale and repurchase agreements in due to banks. As at 30 June 2017, the fair value of these securities amounts to RR 626 546 thousand (unaudited) (31 December 2016: reclassified securities with a carrying value of RR 963 529 thousand were securities pledged under sale and repurchase agreements in due to banks. The fair value of these securities amounted to RR 1 026 817 thousand).

Movements in the allowance for loan impairment during the six-month period ended 30 June 2017 are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Loans and advances to corporate customers	Loans and advances to individuals	Total
Allowance for impairment at 1 January 2017	37 585 108	2 017 698	39 602 806
Provision for impairment during the period	4 446 969	758 663	5 205 632
Loans written off during the period as non-recoverable	(554 315)	(192 484)	(746 799)
Loans sold during the period	(25 106)	(4 137)	(29 243)
Allowance for impairment at 30 June 2017 (unaudited)	41 452 656	2 579 740	44 032 396

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 corporate customers	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 (unaudited)	38 695 167	2 041 893	40 737 060

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 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	66 186 649	18,6	60 126 543	17,0
Construction	46 958 256	13,2	43 572 746	12,3
Real estate	32 527 046	9,2	34 747 634	9,8
Heavy machinery and shipbuilding	31 717 002	8,9	36 334 463	10,3
Trade	31 572 820	8,9	29 059 438	8,2
Production and food industry	31 429 887	8,9	43 703 763	12,3
Oil and gas extraction and transportation	28 315 874	8,0	18 228 508	5,1
Leasing and financial services	26 730 210	7,5	28 042 497	7,9
Transport	11 428 461	3,2	12 982 384	3,7
Entities financed by the government	9 673 823	2,7	8 150 996	2,3
Telecommunications	8 239 388	2,3	7 556 166	2,1
Sports and health and entertainment organisations	7 917 402	2,2	7 844 731	2,2
Chemical industry	6 790 983	1,9	6 813 799	1,9
Energy	4 067 254	1,1	3 607 036	1,0
Other	11 568 619	3,4	13 543 167	3,9
Total loans and advances to customers (before allowance for impairment of loan portfolio)	355 123 674	100,0	354 313 871	100,0

As at 30 June 2017, the 20 largest groups of the Group's borrowers have aggregate loan amount of RR 100 823 799 thousand (unaudited) (31 December 2016: RR 99 999 403 thousand), or 28.4% (31 December 2016: 28,2%) of the loan portfolio before impairment allowance.

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 2017 are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Loans and advances to customers (before impairment allowance)	Impairment allowance	Loans and advances to customers (after impairment allowance)	Impairment allowance to loans and advances to customers, %
Loans and advances to corporate customers:				
Loans collectively assessed for impairment, not individually impaired				
Standard loans not past due	233 364 562	(7 825 394)	225 539 168	3.35
Watch list loans not past due	3 943 892	(284 866)	3 659 026	7.22
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	26 860 472	(15 821 699)	11 038 773	58.90
Overdue:				
- less than 5 calendar days	882 493	(872 082)	10 411	98.82
- 6 to 30 calendar days	177 467	(151 024)	26 443	85.10
- 31 to 60 calendar days	1 304 503	(753 025)	551 478	57.73
- 61 to 90 calendar days	2 010 529	(1 317 959)	692 570	65.55
- 91 to 180 calendar days	5 010 339	(3 790 352)	1 219 987	75.65
- 181 to 365 calendar days	3 546 032	(2 066 117)	1 479 915	58.27
- more than 365 calendar days	11 836 736	(8 570 138)	3 266 598	72.40
Total loans and advances to corporate customers	288 937 025	(41 452 656)	247 484 369	14.35
Loans and advances to individuals:				
- mortgage loans	47 095 038	(461 322)	46 633 716	0.98
- car loans	1 696 368	(42 393)	1 653 975	2.50
- consumer loans to VIP clients	4 746 000	(1 132 614)	3 613 386	23.86
- other consumer loans	12 649 243	(943 411)	11 705 832	7.46
Total loans and advances to individuals	66 186 649	(2 579 740)	63 606 909	3.90
Total loans and advances to customers	355 123 674	(44 032 396)	311 091 278	12.40

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	45 974 002	1 578 327	3 982 169	11 600 275	63 134 773
Overdue:					
- less than 5 calendar days	35 671	6 320	6	11 275	53 272
- 6 to 30 calendar days	122 073	2 686	2 998	29 110	156 867
- 31 to 60 calendar days	72 143	5 128	10 125	53 854	141 250
- 61 to 90 calendar days	77 866	3 020	-	26 323	107 209
- 91 to 180 calendar days	134 633	9 862	187 359	58 348	390 202
- 181 to 365 calendar days	203 420	12 899	73 000	131 641	420 960
- more than 365 calendar days	475 230	78 126	490 343	738 417	1 782 116
Total loans and advances to individuals (before impairment allowance)	47 095 038	1 696 368	4 746 000	12 649 243	66 186 649
Impairment allowance	(461 322)	(42 393)	(1 132 614)	(943 411)	(2 579 740)
Total loans and advances to individuals (after impairment allowance)	46 633 716	1 653 975	3 613 386	11 705 832	63 606 909

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 2016 are as follows:

<i>(in thousands of Russian Roubles)</i>	Loans and advances to customers (before impairment allowance)	Impairment allowance	Loans and advances to customers (after impairment allowance)	Impairment allowance to loans and advances to customers, %
Loans and advances to corporate customers:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	240 269 192	(7 330 010)	232 939 182	3.05
Watch list loans not past due	3 644 947	(288 780)	3 356 167	7.92
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	32 510 074	(18 927 653)	13 582 421	58.22
Overdue:				
- less than 5 calendar days	907 511	(236 400)	671 111	26.05
- 6 to 30 calendar days	314 740	(225 606)	89 134	71.68
- 31 to 60 calendar days	992 028	(292 877)	699 151	29.52
- 61 to 90 calendar days	499 165	(54 406)	444 759	10.90
- 91 to 180 calendar days	2 214 907	(1 375 608)	839 299	62.11
- 181 to 365 calendar days	1 911 246	(1 242 157)	669 089	64.99
- over 365 calendar days	10 923 518	(7 611 611)	3 311 907	69.68
Total loans and advances to corporate customers	294 187 328	(37 585 108)	256 602 220	12.78
Loans and advances to individuals:				
- mortgage loans	42 447 553	(450 179)	41 997 374	1.06
- car loans	1 704 418	(43 992)	1 660 426	2.58
- consumer loans to VIP clients	5 704 343	(611 299)	5 093 044	10.72
- other consumer loans	10 270 229	(912 228)	9 358 001	8.88
Total loans and advances to individuals	60 126 543	(2 017 698)	58 108 845	3.36
Total loans and advances to customers	354 313 871	(39 602 806)	314 711 065	11.18

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	41 374 258	1 579 265	4 305 661	9 253 047	56 512 231
Overdue:					
- less than 5 calendar days	33 720	2 357	685 370	7 495	728 942
- 6 to 30 calendar days	77 180	8 459	-	27 623	113 262
- 31 to 60 calendar days	143 265	5 195	-	30 921	179 381
- 61 to 90 calendar days	44 411	3 684	-	23 162	71 257
- 91 to 180 calendar days	154 707	7 666	73 000	92 991	328 364
- 181 to 365 calendar days	152 328	11 246	145 678	169 288	478 540
- over 365 calendar days	467 684	86 546	494 634	665 702	1 714 566
Total loans and advances to individuals (before impairment allowance)	42 447 553	1 704 418	5 704 343	10 270 229	60 126 543
Allowance for impairment	(450 179)	(43 992)	(611 299)	(912 228)	(2 017 698)
Total loans and advances to individuals (after impairment allowance)	41 997 374	1 660 426	5 093 044	9 358 001	58 108 845

The Group estimates the amount of impairment allowance on individually assessed commercial loans to corporate customers, 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 estimated impairment allowance based on previous experience of incurred losses by industry for loans portfolios adjusted to factor 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 2017 and 30 June 2016.

The Group estimates the amount of impairment allowance on 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, if necessary. 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 per cent 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 of the Group 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 corporate customers 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 corporate customers would have been RR 14 727 192 thousand (unaudited) higher without taking into consideration collateral value (31 December 2016: RR 15 609 949 thousand).

Interest income received on overdue and impaired loans during the six-month period ended 30 June 2017 amounts to RR 292 595 thousand (six-month period ended 30 June 2016: RR 479 050 thousand) (unaudited).

As at 30 June 2017, the Group has mortgages in the amount of RR 3 261 400 thousand (unaudited) (31 December 2016: RR 3 760 505 thousand) transferred to the mortgage agent “MA BSPB” LLC, a structured company founded for the financing purposes. As at 30 June 2017, such mortgages are pledged as collateral for the mortgage secured bonds with a carrying value of RR 2 981 055 (unaudited) issued by the mortgage agent of which bonds with a carrying value of RR 2 175 906 thousand (unaudited) were repurchased by the Bank (31 December 2016: bonds with a carrying value of RR 3 718 451 thousand issued by the mortgage agent of which bonds with a carrying value of RR 2 714 151 thousand were repurchased by the Bank). Refer to Note 12.

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 2017 (unaudited)	31 December 2016
Corporate bonds	9 234 544	19 673 844
Municipal bonds	903 200	2 141 496
Corporate Eurobonds	373 431	3 269 715
Federal loan bonds	38 815	984 945
Total debt securities	10 549 990	26 070 000
Equity securities	717 004	407 508
Total investment securities available-for-sale	11 266 994	26 477 508

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.

The analysis of debt investment securities available-for-sale at 30 June 2017 by their credit quality is as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Corporate bonds	Municipal bonds	Corporate Eurobonds	Federal loan bonds	Total
Not overdue or impaired					
Group A	181 197	-	-	-	181 197
Group B	7 805 977	541 493	373 431	38 815	8 759 716
Group C	804 291	184 595	-	-	988 886
Group D	443 079	177 112	-	-	620 191
Total debt investment securities available-for-sale	9 234 544	903 200	373 431	38 815	10 549 990

10 Investment Securities Available-For-Sale (continued)

The analysis of debt investment securities available-for-sale as at 31 December 2016 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	123 492	-	-	-	123 492
Group B	19 122 136	3 269 715	1 678 892	984 945	25 055 688
Group C	308 904	-	368 696	-	677 600
Group D	119 312	-	93 908	-	213 220
Total debt investment securities available-for-sale	19 673 844	3 269 715	2 141 496	984 945	26 070 000

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 2017 (unaudited)	31 December 2016
State and public organisations		
- Current/settlement accounts	19 994	8 372
- Term deposits	40 424	-
Other legal entities		
- Current/settlement accounts	59 490 430	58 527 163
- Term deposits	57 558 194	87 481 283
- Sale and repurchase agreements	9 861	16 508 702
Individuals		
- Current accounts/demand accounts	47 135 811	45 663 539
- Term deposits	151 151 262	141 755 809
Total customer accounts	315 405 976	349 944 868

State and public organisations exclude government owned profit oriented businesses.

As at 30 June 2017, within customer accounts there were no securities sale and repurchase agreements with legal entities (31 December 2016: customer accounts included securities sale and repurchase agreements with legal entities in the amount of 16 508 702 thousand).

As at 30 June 2017, customer accounts includes a compensation deposit in the amount of RR 9 861 thousand (unaudited) provided by a counterparty under reverse sale and repurchase agreements (31 December 2016: none).

11 Customer accounts (continued)

As at 31 December 2016, securities pledged under sale and repurchase agreements and loaned were represented by the following securities:

own portfolio securities with fair value of RR 351 669 thousand;

received by the Group under reverse sale and repurchase agreements (without initial recognition) with fair value of RR 17 036 991 thousand.

Economic sector concentrations within customer accounts are as follows:

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	198 287 073	62,9	187 419 348	53,6
Trade	23 731 503	7,5	20 691 669	5,9
Construction	18 959 837	6,0	39 974 147	11,4
Manufacturing	15 536 404	4,9	20 559 840	5,9
Real estate	14 918 798	4,7	15 099 719	4,3
Art, science and education	12 556 454	4,0	13 081 248	3,7
Financial services	12 082 191	3,8	31 089 055	8,9
Transport	7 597 749	2,4	9 828 630	2,8
Communications	1 096 244	0,3	793 404	0,2
Energy	743 299	0,2	430 757	0,1
Medical institutions	722 910	0,2	575 241	0,2
Cities and municipalities	670 992	0,2	552 757	0,2
Public utilities	525 680	0,2	1 323 272	0,4
Other	7 976 842	2,7	8 525 781	2,4
Total customer accounts	315 405 976	100,0	349 944 868	100,0

As at 30 June 2017, customer accounts include deposits in the amount of RR 1 870 901 thousand (unaudited) representing security for irrevocable liabilities under guarantees (31 December 2016: RR 2 145 390 thousand) and RR 912 125 thousand (unaudited) representing security under letters of credit (31 December 2016: RR 1 048 874 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 2017 (unaudited)	31 December 2016
Subordinated Eurobonds	10 527 921	14 878 415
Mortgage secured bonds issued by the mortgage agent	805 149	1 004 300
Total bonds issued	11 333 070	15 882 715

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 2017 (unaudited)	31 December 2016
Subordinated loans	1 565 933	1 565 972
AKA AFK	661 719	938 171
Total other borrowed funds	2 227 652	2 504 143

In March 2017 scheduled partial repayment of the current credit line from AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of 4 880 thousand euros (unaudited) was made. The maturity date of the credit line is 30 March 2018. As at 30 June 2017, the carrying amount of all tranches of this loan was 9 804 thousand euros (unaudited), which is equivalent to RR 661 719 thousand (unaudited) (31 December 2016: 14 703 thousand euros, which is equivalent to 938 171 thousand). The loan was obtained at the rate of EURIBOR + 1.75% p.a., as at 30 June 2017 the interest rate was 1.75% p.a.

In case of liquidation of the Bank, the claims for repayment of subordinated loans are subordinated to the claims of any 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 2017 and 31 December 2016, 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 20.

14 Share Capital

<i>(in thousands of Russian Roubles)</i>	Number of outstanding ordinary shares (thousands)	Number of outstanding preference shares (thousands)	Ordinary shares	Preference shares	Share premium	Total
As at 1 January 2016	439 554	20 100	3 544 283	177 451	21 393 878	25 115 612
As at 31 December 2016	439 554	20 100	3 544 283	177 451	21 393 878	25 115 612
As at 30 June 2017	439 554	20 100	3 544 283	177 451	21 393 878	25 115 612

As at 30 June 2017, 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 2016: RR 459 654 thousand). As at 30 June 2017, all of the outstanding shares of the Bank are authorised, issued and fully paid in.

As at 30 June 2017, all ordinary shares have a nominal value of RR 1 (one) per share (31 December 2016: RR 1 (one) per share). Each share carries one vote.

As at 30 June 2017, 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 voting rights allowing to take part in and to vote at the General Shareholders' Meeting on all issues within its authority starting from the meeting following the annual General Shareholders' Meeting where, regardless of the reasons, no decision was made to declare dividend or partial dividend was declared on preference shares. Preference shares are not cumulative.

14 Share Capital (continued)

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

On 18 May 2017 the Supervisory Board of the Bank made a resolution to increase the share capital by means of placement of 60 000 000 additional ordinary registered non-certificated shares of the Bank through public offering. State registration of the additional Bank's securities issue was carried out on 20 June 2017 (state registration number 10300436B) (Note 25).

15 Other Comprehensive Income Recognised 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>	Foreign currency translation reserve (unaudited)	Revaluation reserve for investment securities available-for- sale (unaudited)	Total other comprehensive (loss) income (unaudited)
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 recognised in equity related to components of other comprehensive income		(180 366)	(180 366)
Total other comprehensive income		721 461	721 461
Six-month period ended 30 June 2017			
<i>Items of comprehensive loss 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		(303 533)	(303 533)
Net result from revaluation of investment securities available-for-sale		130 826	130 826
Exchange differences on translation	(1 339)	-	(1 339)
Deferred income tax recognised in equity related to components of other comprehensive (loss) income		34 541	34 541
Total other comprehensive loss	(1 339)	(138 166)	(139 505)

16 Interest Income and Expense

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Interest income		
Loans and advances to customers	17 874 807	19 403 124
Investment securities available-for-sale	2 227 296	3 984 535
Reverse sale and repurchase agreements	1 837 424	552 635
Trading securities	1 297 211	1 205 814
Due from banks	551 843	852 286
Correspondent accounts with other banks	2 170	2 726
Total interest income	23 790 751	26 001 120
Interest expense		
Due to banks	5 922 547	5 811 141
Term deposits of individuals	4 380 338	4 851 284
Term deposits of legal entities	3 118 412	3 462 799
Bonds issued	618 784	942 635
Current/settlement accounts	308 401	209 318
Other debt securities issued	153 103	281 550
Other borrowed funds	59 142	61 553
Total interest expense	14 560 727	15 620 280
Net interest income	9 230 024	10 380 840

Information on related party transactions is disclosed in Note 23.

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 2017, 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 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Profit attributable to shareholders of the Bank	3 295 241	1 995 807
Less preference dividends	(2 211)	(2 211)
Profit attributable to ordinary shareholders of the Bank	3 293 030	1 993 596
Weighted average number of ordinary shares in issue (thousands)	439 554	439 554
Basic earnings per share (in RR per share)	7,49	4,54

18 Dividends

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2017 (unaudited)		Six-month period ended 30 June 2016 (unaudited)	
	Ordinary shares	Preference shares	Ordinary shares	Preference Shares
Dividends payable as at 1 January	6 054	-	5 785	-
Dividends declared during the period	461 532	2 211	459 313	2 211
Dividends paid during the period	(460 793)	(2 211)	(457 201)	(2 211)
Dividends payable as at 30 June	6 793	-	7 897	-
Dividends per share declared during the period (in RR per share)	1,05	0,11	1,04	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 organised 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 services, credit and debit cards, consumer loans, mortgages and other loans to individual and VIP clients.

Transactions between the business segments are concluded at arm's length. Funds are ordinarily reallocated between segments, resulting in funding cost transfers, i.e. balance of transfer income/expense from reallocated financial resources among internal segments, 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.

19 Segment Analysis (continued)

Factors used by management to define reporting segments

The Group’s segments are groups of strategic business units targeting 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 allocated to segments
- (iv) provision for loan impairment is recognised 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 recognised immediately and not in the future periods using the effective interest method
- (vi) there is no data on consolidated companies.

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 2017 and the six-month period ended 30 June 2016 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	Total
Six-month period ended 30 June 2017 (unaudited)					
External revenues	15 242 188	6 227 426	4 763 886	-	26 233 500
Internal funding charge	(6 648 479)	2 515 760	4 132 719	-	-
Total revenues	8 593 709	8 743 186	8 896 605	-	26 233 500
Total revenues comprise:					
- External interest income	13 492 116	6 224 507	3 623 971	-	23 340 594
- Fee and commission income	1 740 802	2 919	1 138 953	-	2 882 674
- Other operating income	9 270	-	962	-	10 232
Segment results	(612 120)	5 306 357	1 905 791	-	6 600 028
Unallocated costs	-	-	-	(2 657 193)	(2 657 193)
Profit (loss) before tax	(612 120)	5 306 357	1 905 791	(2 657 193)	3 942 835
Income tax expense	-	-	-	(783 849)	(783 849)
Profit (loss) for the period	(612 120)	5 306 357	1 905 791	(3 441 042)	3 158 986
As at 30 June 2017 (unaudited)					
Total segment assets (before provision for impairment)	294 703 546	225 951 826	62 400 991	26 155 920	609 212 283
Other segment items for the six- month period ended 30 June 2017 (unaudited)					
Depreciation and amortisation charge	(107 764)	(40 234)	(119 640)	(147 503)	(415 141)
Provision for loan impairment	(4 644 449)	(7 103)	(342 021)	-	(4 993 573)

19 Segment Analysis (continued)

<i>(in thousands of Russian Roubles)</i>	Corporate banking	Operations on financial markets	Retail banking	Unallocated	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
Internal funding charge	(6 873 256)	2 036 713	4 836 543	-	-
Total revenues	10 561 467	8 713 923	9 182 703	72 344	28 530 437
Total revenues comprise:					
- Interest income	15 484 667	6 675 746	3 505 488	-	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 31 December 2016					
Total segment assets (before provision for impairment)	299 219 048	232 242 047	56 332 236	28 409 712	616 203 043
Other segment items for the six- month period ended 30 June 2016 (unaudited)					
Depreciation and amortisation 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)

A reconciliation of assets according to management information with IFRS results as at 30 June 2017 and 31 December 2016 is set out below:

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)	31 December 2016
Total segment assets (before provision for impairment)	609 212 283	616 203 043
Adjustment of provision for loan impairment	(44 766 456)	(39 642 550)
Adjustments of income/expense accruals	1 220 714	1 286 129
Premises, equipment and intangible assets depreciation and fair value adjustment	1 531 433	1 559 913
Fair value and amortised cost adjustments	1 042 079	1 524 379
Income tax adjustments	(2 004 686)	(523 304)
Elimination of assets additionally recognised in management accounting	(5 553 826)	(1 248 595)
Other adjustments	181 630	248 974
Consolidation effect	(1 179 600)	879 531
Total assets under IFRS	559 683 571	580 287 520

A reconciliation of profit before tax according to management information with IFRS for the six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016:

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Total profit for the reporting segments (before tax)	3 942 835	2 342 844
Adjustment of provision for loan impairment	(360 102)	(156 636)
Adjustments of income/expense accruals	567 002	557 393
Premises, equipment and intangible assets depreciation and fair value adjustment	(28 480)	(350 424)
Fair value and amortised cost adjustments	290 656	329 886
Consolidation effect	227 916	(5 300)
Other adjustments	(505 483)	(294 476)
Total profit before tax under IFRS	4 134 344	2 423 287

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 are also carried out in Moscow.

There are no external customers (groups of related customers) with individual income from operations exceeding 10% of the total income from operations with such customers.

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.

The supreme managing body of the Bank is the General Shareholders' Meeting that makes strategic decisions on the Bank's operations in accordance with Federal Law No. 208-FZ dated 26 December 1995 *On Joint Stock Companies* and the Charter.

Functions of the counting commission of the General Shareholders' Meeting are performed by the Independent Registrar – JSC “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 supervises the performance of the executive management bodies.

On 18 May 2017, the annual General Shareholders' Meeting of PJSC “Bank “Saint-Petersburg” and the Supervisory Board meeting were held. According to the resolutions of these meetings the Supervisory Board members were elected and the Committees of the Supervisory Board were deemed necessary and created in accordance with the tasks and objectives of PJSC “Bank “Saint Petersburg”.

As at 30 June 2017, the composition of the Supervisory Board is as follows:

Elena Viktorovna Ivannikova – Chairperson of the Supervisory Board, member of the Supervisory Board since 2005; Vladislav Stanislavovich Guz – Deputy Chairman of the Supervisory Board, member of the Supervisory Board since June 2014; Alexander Vasilyevich Savelyev – Chairman of the Management Board, elected to the Supervisory Board in 2001, Chairman of the Strategy Committee since June 2015; Susan Gail Buyske – member of the Bank's Supervisory Board since April 2012, Chairperson of the Risk Management Committee since August 2012; Andrey Pavlovich Bychkov – member of the Bank's Supervisory Board since April 2010, Chairman of the Audit Committee since May 2016; Alexey Andreevich Germanovich – member of the Bank's Supervisory Board since June 2014; Andrey Taledovich Ibragimov – member of the Bank's Supervisory Board since 2005; Alexander Ivanovich Polukeev – member of the Bank's Supervisory Board since June 2014; Alexander Vadimovich Pustovalov – member of the Bank's Supervisory Board since April 2012; Andrey Mikhaylovich Zvyozdochkin – member of the Bank's Supervisory Board since May 2017.

As at 30 June 2017, Alexey Andreevich Germanovich, Alexander Ivanovich Polukeev, Andrey Mikhaylovich Zvyozdochkin, members of the Supervisory Board, proved their compliance with independence requirements of PJSC MICEX Listing Rules. Andrey Pavlovich Bychkov, member of the Supervisory Board, was approved as an independent director by the resolution of the Supervisory Board dated 18 May 2017, in accordance with p.2 of chapter 2.18 of Appendix 2 to PJSC MICEX Listing Rules approved by the Supervisory Board of PJSC MICEX on 3 February 2017.

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 the Bank's long-term and mid-term strategy and priority business areas and to review major innovation 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 to support of the efficient HR policy of the Bank, recruitment of qualified experts to management positions and creation of necessary incentives for their successful work, 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 efficient assessment of and control over the Bank's business and to control the completeness and fairness of the Bank's consolidated 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 is responsible for compliance with the requirements of current legislation, the Charter and other internal policies of the Bank concerning shareholders' rights and protection of their interests during preparation and implementation of corporate action by the Bank. The Corporate Secretary's Office also supports communications between the Bank and its shareholders, holding of General Shareholders' Meetings 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 the collective executive body – the Management Board of the Bank.

As at 30 June 2017, the composition of the Management Board is as follows:

Alexander Vasilyevich Savelyev is the Chairman of the Bank's Management Board.

Members of the Management Board: Maris Mancinskis, First Deputy Chairman of the Management Board and Chief Executive Officer, member of the Management Board since September 2016; Vladimir Pavlovich Skatin, Deputy Chairman of the Management Board, member of the Management Board since June 2008; Konstantin Yurievich Balandin, Deputy Chairman of the Management Board, member of the Management Board since January 2008; Tatyana Yurievna Bogdanovich, Senior Vice President, Director of the Moscow Branch, member of the Management Board since March 2016; Vladimir Konstantinovich Likhodievsky, Deputy Chairman of the Management Board, member of the Management Board since April 2015; Kristina Borisovna Mironova, Deputy Chairperson of the Management Board, member of the Management Board since August 2013; Oksana Nikolaevna Panchenko, Deputy Chairperson of the Management Board, member of the Management Board since June 2017; Vladimir Grigoryevich Reutov, Deputy Chairman of the Management Board, member of the Management Board since July 2004; Oksana Sivokobiliska, Deputy Chairperson of the Management Board, member of the Management Board since November 2011; Pavel Vladimirovich Filimonenok, Deputy Chairman of the Management Board, member of the Management Board since December 2003.

On 23 March 2017 the Supervisory Board of the Bank passed a resolution to withdraw Alexander Sergeevich Konyshkov from the Management Board.

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

Internal control

The Internal Audit Function is a structural unit of the Bank in charge of internal audit 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 within the authority of the Chairman of the Bank's Management Board.

The Function submits quarterly reports on its 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 monitoring 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.

Controller of the professional participant of the securities market (the “Head of the Department”) and the Internal Control Department of the professional participant of the securities market (the “Department”), which is a structural unit of the Bank, report directly to the Chairman of the Management Board. The Controller and the Department submit quarterly reports on the results of internal control to the Chairman of the Management Board and the Supervisory Board of the Bank.

The Department controls:

- compliance of the Bank's activities as a professional participant of the securities market with the RF statutory legislation requirements for operations in securities market, including regulations on financial markets, the RF legislation on enforcement of investors' rights and legitimate interests on the securities market, and the legislation requirements on advertising, as well as compliance with the Bank's internal documents related to its activities in the securities market;
- observance by the Bank and its officials of the RF statutory legislation requirements for countermeasures against unlawful insider information use and market abuse.

The Financial Monitoring Directorate is a structural unit of the Bank reporting directly to Chairman of the Management Board.

Main functions of the Financial Monitoring Directorate:

- arrangement of activities in the Bank aimed at prevention of legalisation (laundering) of income obtained by criminal means and countering of terrorism financing (the “AML/CTF”);
- implementation of the Internal Control Regulations for the purposes of the AML/CTF.

The Compliance Department is an internal control body of the Bank reporting to the Chairman of the Management Board. The Department assists the Bank's management in developing a compliance control system and efficient management of compliance risk the Group faces in the course of its business activity by creating mechanisms for detecting, identifying, analysing, assessing, minimising, monitoring and controlling compliance risk.

Risk management

The Group's risk management function is carried out in respect of significant risks:

- credit risk (including concentration risk),
- market risk (including currency, equity, commodity, and interest rate risks),
- liquidity risk (including concentration risk),
- operational risk (including legal risk);

as well as other types of risk (compliance risk, strategic risk, reputational risk).

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

For each significant type of risk a corresponding management system was created to provide adequate risk assessment, including measures for its mitigation. The Group compares the amount of accepted risks with the size of its equity to guarantee its sufficiency at the level required by the CBRF, needed for performance of its obligations, including covenants, and for efficient use of equity.

Policy and procedures of financial assets management comply with the policy and procedures described and applied in the consolidated financial statements of the Group for the year ended 31 December 2016.

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 2017 (unaudited). The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian Roubles)</i>	RR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	22 856 717	2 911 571	34 041 882	474 498	60 284 668
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 884 554	-	-	-	2 884 554
Trading securities	9 336 956	4 817 104	98 878	-	14 252 938
Securities pledged under sale and repurchase agreements and loaned	38 909 718	24 801 156	16 659 541	-	80 370 415
Reverse sale and repurchase agreements	33 872 420	4 730 554	3 648 138	-	42 251 112
Derivative financial assets	702 622	-	-	-	702 622
Due from banks	4 080 098	6 589 961	674 431	-	11 344 490
Loans and advances to customers					
- loans and advances to corporate customers	184 236 603	48 388 789	14 858 977	-	247 484 369
- loans and advances to individuals	62 308 387	536 592	761 930	-	63 606 909
Investment securities available-for-sale	10 291 992	973 472	1 530	-	11 266 994
Investment property	5 582 001	-	-	-	5 582 001
Premises, equipment and intangible assets	14 888 950	-	-	-	14 888 950
Other assets	3 410 396	254 635	23 249	3 531	3 691 811
Long-term assets held-for-sale	1 071 738	-	-	-	1 071 738
Total assets	394 433 152	94 003 834	70 768 556	478 029	559 683 571
Liabilities					
Due to banks	143 948 082	2 984 606	1 004 842	-	147 937 530
Customer accounts	235 184 920	55 568 958	24 340 831	311 267	315 405 976
Financial liabilities at fair value	6 326 943	325 247	-	-	6 652 190
Derivative financial liabilities	2 552 920	-	-	-	2 552 920
Bonds issued	805 149	10 527 921	-	-	11 333 070
Promissory notes and deposit certificates issued	3 025 097	3 228 897	1 096 882	-	7 350 876
Other borrowed funds	1 565 933	-	661 719	-	2 227 652
Other liabilities	2 143 519	11 482	16 618	80	2 171 699
Total liabilities	395 552 563	72 647 111	27 120 892	311 347	495 631 913
Less fair value of currency derivatives	1 850 298	-	-	-	1 850 298
Net recognised position, excluding currency derivative financial instruments	730 887	21 356 723	43 647 664	166 682	65 901 956
Currency derivatives	63 963 822	(21 457 516)	(44 020 121)	(336 483)	(1 850 298)
Net recognised position, including currency derivative financial instruments	64 694 709	(100 793)	(372 457)	(169 801)	64 051 658

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 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
Assets					
Cash and cash equivalents	17 905 311	3 161 924	12 464 431	349 538	33 881 204
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 220 803	-	-	-	3 220 803
Trading securities	13 552 223	2 917 879	5 893	650 052	17 126 047
Securities pledged under sale and repurchase agreements and loaned	11 026 087	33 349 243	17 200 368	224 548	61 800 246
Reverse sale and repurchase agreements	52 738 237	5 761 215	-	-	58 499 452
Derivative financial assets	5 537 975	-	-	-	5 537 975
Due from banks	28 034 337	4 063 081	1 274 340	-	33 371 758
Loans and advances to customers					
- loans and advances to corporate customers	200 918 114	40 277 345	15 406 761	-	256 602 220
- loans and advances to individuals	56 647 486	653 017	808 342	-	58 108 845
Investment securities available-for-sale	22 326 916	4 149 146	1 446	-	26 477 508
Investment property	5 726 225	-	-	-	5 726 225
Premises, equipment and intangible assets	14 304 980	-	-	-	14 304 980
Other assets	4 294 375	224 347	31 698	2 852	4 553 272
Long-term assets held-for-sale	1 076 985	-	-	-	1 076 985
Total assets	437 310 054	94 557 197	47 193 279	1 226 990	580 287 520
Liabilities					
Due to banks	84 090 274	45 837 837	1 793 656	-	131 721 767
Customer accounts	269 937 962	54 721 107	25 035 446	250 353	349 944 868
Financial liabilities at fair value	4 223 164	-	-	-	4 223 164
Derivative financial liabilities	2 929 752	-	-	-	2 929 752
Bonds issued	1 004 300	14 878 415	-	-	15 882 715
Promissory notes and deposit certificates issued	2 720 233	3 576 550	1 585 501	-	7 882 284
Other borrowed funds	1 565 972	-	938 171	-	2 504 143
Other liabilities	4 192 834	119 731	17 296	-	4 329 861
Total liabilities	370 664 491	119 133 640	29 370 070	250 353	519 418 554
Less fair value of currency derivatives	(2 608 223)	-	-	-	(2 608 223)
Net recognised position, excluding currency derivative financial instruments	64 037 340	(24 576 443)	17 823 209	976 637	58 260 743
Currency derivatives	(4 847 538)	24 254 858	(15 929 230)	(869 867)	2 608 223
Net recognised position, including currency derivative financial instruments	59 189 802	(321 585)	1 893 979	106 770	60 868 966

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

Liquidity risk.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities, which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group's customers. The Group forms liquidity reserves sufficient to provide normal operation of the Bank during a certain period in case of unforeseen outflow of resources caused by macroeconomic events or events directly connected with the Bank. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group's activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. The Group invests the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding for active operations of the Group.

Long-term (over 3 three months) liquidity monitoring is based on analysis of the Group's liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms (maturity). When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period of the portfolio without significant effect on the market price. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period.

Results of liabilities attribution by terms (maturity) and liquidity indices calculation are presented in the general report for all currencies and in individual reports for each currency where total amount of liabilities exceeded 5% of the total assets. Bank's regulations state minimum values of liquidity indices.

The IFRS liquidity position of the Group at 30 June 2017 is presented below (unaudited). 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 recognised 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	60 284 668	-	-	-	-	60 284 668
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 402 392	794 904	486 213	201 026	19	2 884 554
Trading securities	14 252 938	-	-	-	-	14 252 938
Securities pledged under sale and repurchase agreements and loaned	80 370 415	-	-	-	-	80 370 415
Reverse sale and repurchase agreements	36 948 956	5 260 518	41 638	-	-	42 251 112
Derivative financial assets	433 476	212 712	55 354	1 080	-	702 622
Due from banks	8 207 811	3 136 679	-	-	-	11 344 490
Loans and advances to customers						
- loans and advances to corporate customers	7 361 097	45 132 975	61 909 223	127 591 792	5 489 282	247 484 369
- loans and advances to individuals	125 844	697 671	2 428 619	17 041 905	43 312 870	63 606 909
Investment securities available-for-sale	11 266 994	-	-	-	-	11 266 994
Investment property	-	-	-	-	5 582 001	5 582 001
Premises, equipment and intangible assets	-	-	-	-	14 888 950	14 888 950
Other assets	627 730	1 554 474	241 449	885 177	382 981	3 691 811
Long-term assets held-for-sale	-	-	1 071 738	-	-	1 071 738
Total assets	221 282 321	56 789 933	66 234 234	145 720 980	69 656 103	559 683 571
Liabilities						
Due to banks	139 518 475	78 184	7 153 706	1 187 165	-	147 937 530
Customer accounts	152 049 000	87 571 317	53 615 899	22 167 682	2 078	315 405 976
Financial liabilities at fair value	6 652 190	-	-	-	-	6 652 190
Derivative financial liabilities	2 222 030	236 423	93 724	743	-	2 552 920
Bonds issued	2 672 335	-	-	7 855 586	805 149	11 333 070
Promissory notes and deposit certificates issued	1 827 985	2 593 497	1 888 373	1 037 887	3 134	7 350 876
Other borrowed funds	-	329 405	332 314	1 565 933	-	2 227 652
Other liabilities	782 103	1 153 726	88 535	8 951	138 384	2 171 699
Total liabilities	305 724 118	91 962 552	63 172 551	33 823 947	948 745	495 631 913
Net liquidity gap	(84 441 797)	(35 172 619)	3 061 683	111 897 033	68 707 358	64 051 658
Cumulative liquidity gap as at 30 June 2017	(84 441 797)	(119 614 416)	(116 552 733)	(4 655 700)	64 051 658	

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

The Group's IFRS liquidity position as at 31 December 2016 is presented 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
Assets						
Cash and cash equivalents	33 881 204	-	-	-	-	33 881 204
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 762 109	850 960	429 984	177 731	19	3 220 803
Trading securities	17 126 047	-	-	-	-	17 126 047
Securities pledged under sale and repurchase agreements and loaned	61 800 246	-	-	-	-	61 800 246
Reverse and sale repurchase agreements	39 333 604	19 123 279	-	42 569	-	58 499 452
Derivative financial assets	1 875 171	3 653 475	9 297	32	-	5 537 975
Due from banks	1 652 715	28 613 834	3 105 209	-	-	33 371 758
Loans and advances to customers						
- loans and advances to corporate customers	14 795 549	28 729 630	43 296 567	156 390 283	13 390 191	256 602 220
- loans and advances to individuals	423 798	664 072	2 384 238	16 285 632	38 351 105	58 108 845
Investment securities available-for-sale	26 477 508	-	-	-	-	26 477 508
Investment property	-	-	-	-	5 726 225	5 726 225
Premises, equipment and intangible assets	-	-	-	-	14 304 980	14 304 980
Other assets	2 019 526	938 373	786 430	799 101	9 842	4 553 272
Long-term assets held-for- sale	-	-	1 076 985	-	-	1 076 985
Total assets	201 147 477	82 573 623	51 088 710	173 695 348	71 782 362	580 287 520
Liabilities						
Due to banks	125 370 901	122 584	55 264	4 159 109	2 013 909	131 721 767
Customer accounts	191 398 389	92 487 031	46 733 035	19 316 797	9 616	349 944 868
Financial liabilities at fair value	4 222 611	553	-	-	-	4 223 164
Derivative financial liabilities	2 278 179	616 954	33 886	733	-	2 929 752
Bonds issued	-	-	3 752 304	11 126 111	1 004 300	15 882 715
Promissory notes and deposit certificates issued	949 520	2 499 825	3 185 513	1 245 083	2 343	7 882 284
Other borrowed funds	-	311 906	313 358	1 878 879	-	2 504 143
Other liabilities	1 314 138	2 329 235	51 517	10 256	624 715	4 329 561
Total liabilities	325 533 738	98 368 088	54 124 877	37 736 968	3 654 883	519 418 554
Net liquidity gap	(124 386 261)	(15 794 465)	(3 036 167)	135 958 380	68 127 479	60 868 966
Cumulative liquidity gap as at 31 December 2016	(124 386 261)	(140 180 726)	(143 216 893)	(7 258 513)	60 868 966	

21 Management of Capital

The Group Management believes that available undrawn credit lines opened for the Group in the amount of RR 112 780 000 thousand (unaudited) (31 December 2016: RR 108 178 000 thousand) and assessment of stability of customer accounts in unstable environment will fully cover the Group's liquidity gap specified in the tables above.

The objectives when managing the Group's 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 agreements signed by the Group in order to raise funds.

(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%. Banks have to maintain a level additional to the capital adequacy requirements as set by the CBRF in addition to the values above. In 2017 the Bank had to comply with an additional level of 1.25% to all capital adequacy ratios as well as the countercyclical buffer. As at 30 June 2017, countercyclical buffer was 0.0%. Core capital, base capital and own funds and capital adequacy ratios 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 2017 (unaudited)	31 December 2016 (unaudited)
Total capital	68 469 982	68 117 402
Base capital	43 761 251	42 029 839
Core capital	43 761 251	42 029 839
Capital adequacy ratio N 1.0	13.90%	14.33%
Base capital adequacy ratio N 1.1	8.95%	8.91%
Core capital adequacy ratio N 1.2	8.95%	8.91%

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

The Accounting Department performs calculations of the capital adequacy ratios on a daily basis. As at 30 June 2017 and 31 December 2016 the capital adequacy ratios were within limits established by the CBRF.

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 2017, the fair value of these bonds is RR 16 828 334 thousand (unaudited) (31 December 2016: RR 16 588 599 thousand). The interest rate is the coupon rate on the 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 2017 and 31 December 2016, the Group fully meets these covenants, with the exception of the level-of-the-payroll-of-other-employees indicator as at 31 December 2016. The consolidated statement of comprehensive income for 6 months ended 30 June 2017 (unaudited) contains a reserve for potential penalty in the amount of RR 291 890 thousand (6 months ended 30 June 2016: no reserve).

(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.

21 Management of Capital (continued)

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.

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 2017 (unaudited)	31 December 2016
Capital	82 898 404	81 625 399
Tier 1	58 467 032	55 255 332
Paid-in share capital	3 721 734	3 721 734
Reserves and profit	54 369 472	51 533 598
<i>Including:</i>		
- Share premium	21 393 878	21 393 878
- Retained earnings	32 975 594	30 139 720
Non-controlling interest	490 699	-
Goodwill	(114 873)	-
Tier 2	24 431 372	26 370 067
Revaluation reserve for premises	3 816 120	3 820 496
Revaluation reserve for investment securities available-for-sale	1 654 972	1 793 138
Subordinated loans	18 960 280	20 756 433
Risk weighted assets	495 988 752	502 372 930
Risk weighted banking assets	383 779 092	416 867 183
Risk weighted trading assets	76 822 725	52 505 588
Risk weighted unrecognised exposures	35 386 935	33 000 159
Total capital adequacy ratio	16.71%	16.25%
Tier 1 capital adequacy ratio	11.79%	11.00%

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 30 June 2017 and 31 December 2016.

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.

The fair value of instruments with floating interest rates usually equals their carrying amount. 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 in 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 categorised as Level 3.

Liabilities to banks and customers for refund of securities under sale and repurchase agreements received and sold by the Group are recognised at fair value.

22 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 30 June 2017 (unaudited):

<i>In thousands of Russian Roubles</i>	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	9 237 356	-	-
- Corporate Eurobonds	3 570 701	-	-
- Federal loan bonds	468 138	-	-
- Corporate shares	443 447	-	-
- Russian Federation Eurobonds	297 583	-	-
- Municipal bonds	233 634	2 079	-
Securities pledged under sale and repurchase agreements and loaned			
- Corporate bonds	40 269 851	-	-
- Corporate Eurobonds	38 957 245	-	-
- Corporate shares	593 425	-	-
- Federal loan bonds	549 894	-	-
Investment securities available-for-sale			
- Corporate bonds	9 234 544	-	-
- Municipal bonds	824 424	78 776	-
- Corporate Eurobonds	373 431	-	-
- Equity securities	340 286	-	-
- Federal loan bonds	38 815	-	-
Derivative financial assets	-	702 622	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE	105 432 774	783 477	-
FINANCIAL LIABILITIES			
Financial liabilities at fair value	6 652 190	-	-
Derivative financial liabilities	-	2 552 920	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	6 652 190	2 552 920	-

22 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2016:

<i>In thousands of Russian Roubles</i>	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	12 310 951	646 139	-
- Corporate Eurobonds	3 341 132	-	-
- Municipal bonds	496 343	-	-
- Corporate shares	290 136	-	-
- Federal loan bonds	41 346	-	-
Securities pledged under sale and repurchase agreements and loaned			
- Corporate Eurobonds	50 607 042	-	-
- Corporate bonds	10 646 923	-	-
- Federal loan bonds	351 669	-	-
- Corporate shares	194 612	-	-
Investment securities available-for-sale			
- Corporate bonds	19 670 342	3 502	-
- Corporate Eurobonds	3 269 715	-	-
- Municipal bonds	2 141 496	-	-
- Federal loan bonds	984 945	-	-
- Equity securities	292 075	-	-
Derivative financial assets	-	5 537 975	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE	104 638 727	6 187 616	-
FINANCIAL LIABILITIES			
Financial liabilities at fair value	4 223 164	-	-
Derivative financial liabilities	-	2 929 752	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	4 223 164	2 929 752	-

22 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial assets carried at amortised cost as at 30 June 2017 and 31 December 2016:

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Loans and advances to customers				
Loans to corporate customers				
- loans to finance working capital	157 586 412	161 556 665	167 094 798	171 417 437
- investment loans	80 516 243	84 192 666	81 835 606	84 742 015
- loans to entities financed by the government	9 381 714	9 439 512	7 671 816	7 983 925
Loans to individuals				
- mortgage loans	46 633 716	45 628 187	41 997 374	39 226 616
- car loans	1 653 975	1 647 970	1 660 426	1 551 668
- consumer loans to VIP clients	3 613 386	3 355 179	5 093 044	4 550 980
- other consumer loans	11 705 832	12 094 307	9 358 001	10 610 455
TOTAL	311 091 278	317 914 486	314 711 065	320 083 096

The following table provides fair values of financial liabilities carried at amortised cost as at 30 June 2017 and 31 December 2016:

<i>(in thousands of Russian Roubles)</i>	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities carried at amortised cost				
Customer accounts				
State and public organisations				
- Current/settlement accounts	19 994	19 994	8 372	8 372
- Term deposits	40 424	40 436	-	-
Other legal entities				
- Current/settlement accounts	59 490 430	59 490 430	58 527 163	58 527 163
- Term deposits	57 558 194	58 642 474	87 481 283	87 529 303
- Sale and repurchase agreements	9 861	9 861	16 508 702	16 508 702
Individuals				
- Current accounts/demand deposits	47 135 811	47 135 811	45 663 539	45 663 539
- Term deposits	151 151 262	154 759 763	141 755 809	144 778 449
Bonds issued				
Subordinated Eurobonds	10 527 921	11 570 548	14 878 415	14 990 356
Mortgage-secured bonds issued by the mortgage agent	805 149	826 876	1 004 300	998 300
Promissory notes and deposit certificates issued				
Promissory notes	7 350 874	7 556 668	7 882 282	8 040 618
Deposit certificates	2	2	2	2
Other borrowed funds				
Subordinated loans	1 565 933	1 508 974	1 565 972	1 498 958
AKA AFK	661 719	658 848	938 171	934 308
TOTAL	336 317 574	342 220 685	376 214 010	379 478 070

22 Fair Value of Financial Instruments (continued)

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.

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

Fair value hierarchy for assets and liabilities disclosed in the tables above is as follows: bonds issued – Level 1, promissory notes and deposit certificates issued – Level 2, customer accounts - Level 2, other borrowed funds – Level 3, loans and advances to customers – Level 3.

Loans and receivables carried at amortised cost.

The fair value of instruments with floating interest rates usually equals their carrying amount. 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 2017 and 31 December 2016:

	30 June 2017 (unaudited)	31 December 2016
Loans and advances to customers:		
Loans and advances to corporate customers	1.25% - 11.60% p.a.	3.65% - 20.09% p.a.
Loans and advances to individuals	1.25% - 20.83% p.a.	2.79% - 21.95% p.a.

Financial liabilities carried at amortised 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 2017 range from 0.01% to 10.00% p.a. (31 December 2016: from 0.03% to 10.00% p.a.).

The estimated fair values of other financial assets, including trade receivables, approximates their amortised 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 to the legal form. The family of Mr. A.V. Savelyev, through the ownership of the Bank's shares and the option to purchase interest in the companies currently controlled by the members of the Bank's management (see Note 1), is the majority ultimate beneficiary of the Bank.

In the normal course of business the Group enters into transactions with shareholders, Group's management and other related parties.

As at 30 June 2017, the outstanding balances with related parties are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	Shareholders	Key management personnel	Other related parties
Loans and advances to customers (contractual interest rates 3.00% - 23.90% p.a.)	-	49 965	116 554
Impairment allowance for loans and advances to customers	-	(258)	(30 304)
Customer accounts (contractual interest rates 0.01% - 12.40% p.a.)	3 621 168	1 729 818	692 213

The income and expense items under transactions with related parties, other than compensation to the members of the Supervisory and the Management Boards, for the six-month period ended 30 June 2017 (unaudited) are as follows:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Key management personnel	Other related parties
Interest income	1	5 539	-
Interest expense	(95 463)	(42 700)	(21 768)
Charge for loan impairment provision	-	(42)	(6 974)
Fee and commission income	77	556	1 354

23 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2017 (unaudited) are:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Key management personnel	Other related parties
Amounts lent to related parties during the period	3 676	80 788	5
Amounts repaid by related parties during the period	3 720	119 707	100

As at 31 December 2016, the outstanding balances with related parties are as follows:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Key management personnel	Other related parties
Loans and advances to customers (contractual interest rates 2.00% – 27.00% p.a.)	44	88 884	116 649
Impairment allowance for loans and advances to customers	-	(216)	(23 330)
Customer accounts (contractual interests rates 0.01% - 12.4% p.a.)	2 918 979	1 571 052	162 552

The income and expense items under transactions 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	Key management personnel	Other related parties
Interest income	9	2 463	1 051
Interest expense	(19 007)	(17 203)	(13 195)
Recovery of (charge for) loan impairment provision	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 as follows:

<i>(in thousands of Russian Roubles)</i>	Shareholders	Key management personnel	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

For the six-month period ended 30 June 2017 (unaudited), total remuneration for members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 353 167 thousand (for the six-month period ended 30 June 2016: RR 286 738 thousand (unaudited)).

24 Consolidation of Companies

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

Name	Country of incorporation	Ownership, %		Principal activities
		30 June 2017 (unaudited)	31 December 2016	
LLC BSPB Trading	Russian Federation	100%	100%	Operations on financial market
LLC BSPB Capital	Russian Federation	100%	100%	Securities management
4 th Nevsky Real Estate Fund, Real Estate CEIF	Russian Federation	100%	100%	Real estate investment
10 th Nevsky Real Estate Fund, Real Estate CEIF	Russian Federation	100%	100%	Real estate investment
13 th Nevsky Fund, Combined CEIF	Russian Federation	100%	-	Direct investment
Venture Project, Investment CEIF	Russian Federation	100%	-	Direct and venture capital investment
BSPB CAPITAL VPF L.P.	Jersey, Channel Islands	100%	-	Direct and venture capital investment

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 LLC BSPB-Trading.

In accordance with the resolution of its sole member dated 28 June 2017, LLC Nevskaya Upravlyayushchaya Kompaniya was renamed to LLC BSPB Capital.

LLC BSPB Capital is an entity specialised in asset management. The Bank uses this entity to expand the portfolio of investment products, including trust management of customers' assets.

4th Nevsky Real Estate Fund, Real Estate CEIF, 10th Nevsky Real Estate Fund, Real Estate CEIF and 13th Nevsky Fund, Combined CEIF are funds specialised in real estate and other assets management to increase their value.

Venture Project, Investment CEIF is a fund established for investing in ventures.

BSPB CAPITAL VPF L.P operates as an investor, sells, exchanges and distributes investments in accordance with the investment policy under management of BSPB Capital GP Ltd.

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

24 Consolidation of Companies (continued)

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 to the issuer for all one-off and current expenses related to issuance and servicing of the loans.

The Bank uses structured entity MA BSPB LLC under the securitisation programme sponsored by the Group. MA BSPB LLC operates in accordance with pre-determined criteria that are part of the initial structure of the company.

During the six-month period ended 30 June 2017 the Group, acting through Venture Project, Investment CEIF, acquired 51% of the shares in JSC Cargo Terminal Pulkovo for cash consideration in the amount of RR 595 500 thousand. Fair value of net assets attributable to shareholders of the Bank amounted to RR 480 627 thousand at acquisition date.

25 Events occurring after the reporting date

In July 2017 the subordinated Eurobonds in quantity of 1 000, placed by the Group in July 2007 and denominated in US dollars (one bond – 100 000 USD), were repaid in accordance with schedule. The Joint Managers of the issue were J.P. Morgan and UBS. This issue was registered on the Irish Stock Exchange. As at 31 December 2016 the carrying amount of these bonds was 61 861 thousand US dollars (equivalent to RR 3 752 304 thousand), nominal coupon rate amounted to 7.63% p.a., effective interest rate – 8.71% p.a.

On 11 August 2017 the placement of the additional issue of ordinary registered shares of PJSC "Bank "Saint Petersburg" (individual state registration number – 10300436B dated 20 June 2017) with total nominal value of RR 60 000 000 was completed. The payment for the additional shares was made in cash in the currency of the Russian Federation.

On 16 August 2017 the Notice of the result of additional issue of securities was filed with the CBRF and the funds in the amount of RR 3 180 000 000 received as payment for shares were classified as to the Bank's core capital. As a result of the placement the Bank's nominal share capital amounted to RR 519 654 000.

On 20 July 2017 the Supervisory Board of the Bank passed a resolution to withdraw Maris Manchinskis, first Deputy Chairman of the Management Board and CEO, and Oksana Nikolaevna Panchenko, Deputy Chairperson of the Management Board from the Management Board.


A.V. Savelyev
Chairman of the Management Board




N.G. Tomilina
Chief Accountant