GROUP OF “TRANSKAPITALBANK”

International Financial Reporting Standards
Interim Condensed Consolidated Financial Statements
(unaudited)

30 June 2015

CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Interim Condensed Consolidated Financial Statements

In thousands of Russian Roubles	Note	30 June 2015	31 December 2014
ASSETS			
Cash and cash equivalents	5	12 592 736	13 820 363
Mandatory cash balances with the CBRF		983 723	1 057 643
Due from other banks		618 367	-
Trading securities	6	26 668 917	14 517 823
Loans and advances to customers	7	115 717 540	125 513 006
Repurchase receivables	9	6 257 203	14 942 275
Available-for-sale investments	8	9 219	-
Deferred income tax asset		-	1 913
Current income tax asset		-	457 316
Intangible assets		146 025	172 235
Premises and equipment		816 263	873 279
Other financial assets		807 922	1 032 615
Other assets		817 263	445 750
Total assets		**165 435 178**	**172 834 218**
LIABILITIES			
Due to other banks	10	29 831 321	41 149 861
Customer accounts	11	97 293 809	93 855 823
Debt securities in issue	12	8 845 338	9 175 303
Current income tax liability		39 367	-
Deferred income tax liability		185 495	270 863
Provisions for credit related commitments	20	126 950	-
Other financial liabilities		220 894	313 500
Other liabilities		374 911	361 033
Subordinated debt	13	9 579 741	9 870 647
Total liabilities		**146 497 826**	**154 997 030**
EQUITY			
Share capital		2 533 352	2 533 352
Share premium		4 566 362	4 566 362
Revaluation of available-for-sale investments		1 754	(14 428)
Retained earnings		11 835 884	10 751 902
Total equity		**18 937 352**	**17 837 188**
Total liabilities and equity		**165 435 178**	**172 834 218**

Approved for issue and signed on 28 August 2015.

O.V.Gryadovaya
Chairperson of the Board

S.M.Golovanova
Chief Accountant

The notes set out on pages 5 to 37 form an integral part of these interim condensed consolidated financial statements.

In thousands of Russian Roubles	Note	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Interest income	14	10 648 146	7 131 910
Interest expense	14	(6 364 837)	(3 578 891)
Deposit insurance program charge	14	(80 590)	(69 614)
Net interest margin		**4 202 719**	**3 483 405**
Provision for loan impairment	7	(3 021 678)	(669 834)
Net interest margin after provision for loan impairment		**1 181 041**	**2 813 571**
Fee and commission income	15	1 142 284	971 228
Fee and commission expense	15	(229 909)	(181 666)
Gains less losses from trading securities		1 912 705	(290 193)
Gains from available-for-sale investments		8 065	-
Gains less losses from trading in foreign currencies		103 599	155 906
Gains less losses from financial derivatives		(719 082)	(53 420)
Foreign exchange translation gains less losses		192 432	(30 682)
Provisions for credit related commitments	20	(126 950)	-
(Other provision)/Release of other provisions		(74 627)	10 890
Other operating income		51 499	59 030
Administrative and other operating expenses	16	(2 095 114)	(2 153 545)
Profit before tax		**1 345 943**	**1 301 119**
Income tax expense		(261 961)	(256 991)
Profit for the year		**1 083 982**	**1 044 128**
Other comprehensive income:			
Items may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
Gains less losses arising during the year		28 293	-
Gains less losses, reclassified to profit or loss at disposal or impairment		(8 065)	-
Income tax recorded directly in other comprehensive income		(4 046)	-
Other comprehensive income for the year		**16 182**	**-**
Total comprehensive income for the year		**1 100 164**	**1 044 128**

In thousands of Russian Roubles	Share capital	Share premium	Retained earnings	Revaluation of available-for-sale investments	Total equity
Balance at 1 January 2014	**2 533 352**	**4 566 362**	**8 920 101**	**-**	**16 019 815**
Profit for the year	-	-	1 044 128	-	1 044 128
Other comprehensive income for six-month period ended 30 June 2014	-	-	-	-	-
Total comprehensive income for six-month period ended 30 June 2014	-	-	1 044 128	-	1 044 128
Balance at 30 June 2014	**2 533 352**	**4 566 362**	**9 964 229**	**-**	**17 063 943**
Balance at 1 January 2015	**2 533 352**	**4 566 362**	**10 751 902**	**(14 428)**	**17 837 188**
Profit for the year	-	-	1 083 982	-	1 083 982
Other comprehensive income for six-month period ended 30 June 2015	-	-	-	16 182	16 182
Total comprehensive income for six-month period ended 30 June 2015	-	**-**	1 083 982	16 182	1 100 164
Balance at 30 June 2015	**2 533 352**	**4 566 362**	**11 835 884**	**1 754**	**18 937 352**

In thousands of Russian Roubles	Note	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Cash flow from operating activities			
Interest received		9 711 957	6 767 706
Interest paid		(6 181 776)	(3 539 121)
Fees and commissions received		1 119 791	988 621
Fees and commissions paid		(229 909)	(181 666)
Losses, net of gains received from trading securities		72 375	(169 560)
Income received from trading in foreign currencies		103 599	155 906
Income received from available-for-sale investments		8 065	-
Losses, net of gains from FX financial derivatives		(616 378)	(63 056)
Other operating income received		35 447	54 670
Administrative and other operating expenses paid		(2 016 103)	(2 166 386)
Income tax paid		111 267	(167 220)
Cash flows from operating activities before changes in operating assets and liabilities		**2 118 335**	**1 679 894**
Net (increase)/decrease in:			
- mandatory cash balances with the CBRF		73 920	74 469
- trading securities		(10 540 283)	6 654 094
- repurchase receivables		9 163 908	(3 917 673)
- due from other banks		(586 037)	(77 885)
- loans and advances to customers		6 386 944	(5 795 085)
- held to maturity investments		-	97 316
- other financial assets		(31 106)	145 601
- other assets		(365 574)	(17 860)
Net increase/(decrease) in:			
- due to other banks		(12 137 971)	4 419 971
- customer accounts		3 911 460	(3 436 529)
- debt securities in issue		(733 623)	(1 693 669)
- other financial liabilities		173 083	40 118
- other liabilities		53 874	(13 910)
Net cash used in operating activities		**(2 513 070)**	**(1 841 148)**
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(23 816)	(72 517)
Purchase of available-for-sale investments		640 138	-
Proceeds from disposal of premises and equipment		1 677	485
Net cash used in investing activities		**617 999**	**(72 032)**
Cash flows from financing activities			
Proceeds from subordinated debt		102 552	-
Gain from sale of associate		-	20 764
Issue of bonds		-	316 696
Redemption/issue of bonds		363 057	(1 316 564)
Net cash (used in)/from financing activities		**465 609**	**(979 104)**
Effect of exchange rate changes on cash and cash equivalents		201 835	1 237 465
Net decrease in cash and cash equivalents		**(1 227 627)**	**(1 654 819)**
Cash and cash equivalents at beginning of the year	5	**13 820 363**	**18 228 991**
Cash and cash equivalents at end of the Reporting period	5	**12 592 736**	**16 574 172**

1. Introduction

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the six-month period ended 30 June 2015 for "TRANSKAPITALBANK" (the "Bank") and its subsidiaries including a leasing company "OBLIK" JSC, a Eurobond Special Purpose Venture Transregionalcapital Ltd, a mortgage Special Purpose Venture Closed Joint Stock Company "Mortgage agent TKB-1" and an asset holding company LLC "Tritail" (together referred to as the "Group").

The Bank does not have any direct or indirect shareholdings in the subsidiaries Transregionalcapital Ltd and Closed Joint Stock Company "Mortgage agent TKB-1". SPV Transregionalcapital Ltd was established to raise capital by the issue of eurobonds and Closed Joint Stock Company "Mortgage agent TKB-1" was established to issue bonds on domestic market and secured by mortgage loans.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a public joint stock company limited by shares and was set up in accordance with Russian regulations.

As at 30 June 2015 and 31 December 2014 the following shareholders owned more than 5% of the outstanding shares:

	30 June 2015	31 December 2014
European Bank for Reconstruction and Development	28.59%	28.59%
Gryadovaya O.V.	22.04%	22.04%
Ivanovsky L.N.	12.24%	12.24%
DEG-Deutsche Investitions und Entwicklungsgesellschaft mbH	9.14%	9.14%
International Finance Corporation	7.72%	7.72%
Other (less then 5% individually)	20.27%	20.27%
Total	**100.00%**	**100.00%**

Principal activity. The Group's principal business activity is banking operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") since 1992. The Bank operates under license number 2210. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law №177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or the CBRF imposed moratorium on payments.

The Bank has 18 (31 December 2014: 18) branches within the Russian Federation. The Group had 2 260 - employees at 30 June 2015 (31 December 2014: 2 461 employees).

Registered address and place of business. The Bank's registered address is: Russian Federation, 109147 Moscow, 27/35 Vorontsovskaya Str. The Bank's principal place of business is: Russian Federation 105062, Moscow, 24/2 Pokrovka Str.

Presentation currency. These interim condensed consolidated financial statements are presented in Russian Roubles ("RR"), unless otherwise stated.

2. Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

2. Operating Environment of the Group (Continued)

In the first half of 2015 Russia's GDP declined by 3.4% year-on-year. The deepening recession was largely caused by reduction in investments in the second quarter of 2015 and decline in the household consumption.

Decline in demand, as well as gradual reduction in impact of the Russian rouble depreciation on the prices and food embargo factors, were the main contributors to restrain inflation in the second quarter of 2015. After reaching a peak of 16.9% (annualized) in March 2015, inflation then slowed down to 15.3% by June 2015. Reduction of inflation expectations, as well as absence of accelerating inflation monetary factors has followed the Bank of Russia to lower sequentially its key rate by 5.5 percantage points to 11.5% in the first half of 2015.

The dynamics of the Russian Rouble exchange rate in the second quarter of 2015 was multidirectional.

The situation on the financial markets during the second quarter of 2015 remained relatively stable in the absence of escalation of geopolitical tensions and revisions of the sovereign ratings. By mid-May 2015 the Russian rouble strengthened by 18% against USD and 15% against EUR, having regained a considerable part of the December depreciation. But the following suspension by the Bank of Russia of foreign currency REPO deals for a year period and beginning of Russian rouble interventions, depreciation of the Russian national currency resumed.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. .

3. Summary of Significant Accounting Policies

***Basis of preparation*.** These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual consolidated financial statements of the Group as at 31 December 2014.

These interim condensed consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statements.

At 30 June 2015, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 55.5240 (31 December 2014: USD 1 = RR 56.2584), EUR 1 = RR 61.5206 (31 December 2014: EUR 1 = RR 68.3427).

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2014, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2015 or as at the date indicated, noted below:

Defined benefit plans: Employee contributions – Amendments to IAS 19 Employee Benefits (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

4. Critical Accounting Estimates, and Judgements in Applying Policies (Continued)

Improvements to IFRSs 2010 – 2012 cycle (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).

- *IFRS 2 Share-based Payment* was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- *IFRS 3 Business Combinations* was amended to clarify that
  - an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 *Financial Instruments: Presentation*, and
  - all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

- *IFRS 8 Operating Segments w*as amended to require
  - disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and
  - a reconciliation of segment assets to the entity's assets when segment assets are reported.
- *IFRS 13 Fair Value Measurement.* The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 *Financial Instruments: Recognition and Measurement* upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets* were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- *IAS 24 Related Party Disclosures w*as amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

Management's estimates and judgements. Judgements and critical estimates made by Management in the process of applying the accounting policies were consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2014. Management has not identified new areas of judgement or critical estimates.
Income tax expense is recognized in these interim condensed consolidated financial statements based on management's best estimates of the effective annual income tax rate expected for the full financial year on a separate basis for certain Group entities, and is adjusted by the changes in unrecognized deferred tax assets. Costs that occur unevenly during the financial year are anticipated or deferred in the interim reporting only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Changes in presentation and reclassifications. The Group has changed disclosure of deposit insurance program charge and VAT on factoring operations being the integral part of effective interest rate according to the substance of such expenses. The presentstion of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the Consolidated Statement of Profit or Loss and Other Comprehensive Income for 1st half 2014 is as follows:

4. Critical Accounting Estimates, and Judgements in Applying Policies (Continued)

In thousands of Russian Roubles	As previously reported	Reclassification	As reclassified
Administrative and other operating expenses			
Deposit insurance program charge	(69 614)	69 614	-
Taxes other than on income	(43 351)	43 351	-
Deposit insurance program charge	-	(69 614)	(69 614)
Interest income	-	(43 351)	(43 351)

5. Cash and Cash Equivalents

In thousands of Russian Roubles	30 June 2015	31 December 2014
Cash on hand	2 985 674	3 982 787
Cash balances with the CBRF (other than mandatory reserve deposits)	5 945 839	4 468 542
Correspondent accounts and overnight placements with other banks	2 387 454	1 874 838
Short-term settlements with settlement centers and brokers	1 073 769	3 494 196
Placements with other banks with original maturities of less than three months	200 000	-
Total cash and cash equivalents	**12 592 736**	**13 820 363**

As of 30 June 2015 short term settlements with settlement centres and brokers included balances with the National Clearing Centre in the amount of RR 1 073 769 thousand (31 December 2014: RR 3 491 926 thousand).

6. Trading Securities

In thousands of Russian Roubles	30 June 2015	31 December 2014
Russian government bonds	18 076 388	8 756 920
Municipal bonds	2 929	-
Corporate bonds	8 589 600	5 760 903
Total trading securities	**26 668 917**	**14 517 823**

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data using last bid prices from the Moscow exchange, Bloomberg the Group does not analyse or monitor impairment indicators.

Analysis by credit quality of debt trading securities is as follows at 30 June 2015:

In thousands of Russian Roubles	Russian government bonds	Municipal bonds	Corporate bonds	Total
Neither past due nor impaired (at fair value)				
- BBB- to BBB+ rated	17 426 309	-	3 049 797	20 476 106
- BB- to BB+ rated	650 079	2 929	5 539 803	6 192 811
Total debt trading securities	**18 076 388**	**2 929**	**8 589 600**	**26 668 917**

8. Trading Securities (Continued)

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

In thousands of Russian Roubles	**Russian government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired (at fair value)			
- BBB- to BBB+ rated	8 756 920	5 699 044	14 455 964
- BB- to BB+ rated	-	61 859	61 859
Total debt securities	**8 756 920**	**5 760 903**	**14 517 823**

The credit ratings are based on Standard & Poor's ratings where available, or Moody's or Fitch rating converted to the nearest equivalent on the Standard & Poor's rating scale.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

7. Loans and Advances to Customers

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Loans to legal entities:		
- Loans to large corporate customers	55 172 517	52 753 512
- Loans to small and medium-sized entities	38 157 331	46 890 576
Loans to individuals:		
- Mortgage loans	26 251 295	26 070 408
- Personal and consumer loans	4 975 311	5 799 540
- Car loans	925 619	1 128 444
- Other	476 242	437 915
Total loans and advances to customers (before impairment)	**125 958 315**	**133 080 395**
Less: Provision for loan impairment	(10 240 775)	(7 567 389)
Total loans and advances to customers	**115 717 540**	**125 513 006**

Movements in the provision for loan impairment during six-month period ended 30 June 2015 are as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Mortgage loans**	**Personal and consumer loans**	**Car loans**	**Other loans to individuals**	**Total**
Provision for loan impairment at 1 January 2015	**1 387 731**	**5 314 451**	**353 879**	**341 114**	**106 634**	**63 580**	**7 567 389**
Provision for impairment during the year	1 139 151	1 425 814	210 021	223 255	26 167	(2 730)	3 021 678
Amounts written off during the year as uncollectible	-	(187 958)	(422)	-	-	-	(188 380)
Disposal of loans	(104 495)	(55 124)	-	(293)	-	-	(159 912)
Provision for loan impairment at 30 June 2015	**2 422 387**	**6 497 183**	**563 478**	**564 076**	**132 801**	**60 850**	**10 240 775**

7. Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2014 are as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Mortgage loans**	**Personal and consumer loans**	**Car loans**	**Other loans to individuals**	**Total**
Provision for loan impairment at 1 January 2014	**1 046 102**	**4 733 364**	**278 767**	**275 090**	**92 426**	**12 465**	**6 438 214**
Provision for impairment during the year	356 855	1 020 508	76 548	66 309	22 180	51 115	1 593 515
Amounts written off during the year as uncollectible	-	(221 331)	-	(285)	-	-	(221 616)
Disposal of loans	(15 226)	(218 090)	(1 436)	-	(7 972)	-	(242 724)
Provision for loan impairment at 31 December 2014	**1 387 731**	**5 314 451**	**353 879**	**341 114**	**106 634**	**63 580**	**7 567 389**

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

	30 June 2015		**31 December 2014**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Trade	37 365 955	29.7	40 210 575	30.2
Individuals	32 628 467	25.9	33 436 307	25.1
Construction	9 790 620	7.8	9 961 697	7.5
Industry	7 604 609	6.0	7 009 330	5.3
Food industry	6 379 916	5.1	6 181 001	4.6
Autodealing, repair and servicing	5 686 463	4.5	6 922 141	5.2
Real estate	5 549 622	4.4	6 033 637	4.5
Energy	4 611 137	3.7	4 898 170	3.7
Service companies	3 022 240	2.4	3 506 107	2.6
Leasing companies	2 737 061	2.2	3 717 890	2.8
Agricultural	2 334 945	1.9	2 350 343	1.8
Machinebuilding industry	2 334 604	1.8	1 994 446	1.5
Construction of infrastructural objects	1 635 428	1.2	2 682 908	2.0
Transport and communications	1 463 465	1.2	1 550 608	1.2
Investment and insurance companies	1 173 730	0.9	1 124 580	0.8
Other	1 640 053	1.3	1 500 655	1.2
Total loans and advances to customers (before impairment)	**125 958 315**	**100**	**133 080 395**	**100**

Trade sector is represented primarily by food products trade, consumer products trade (cosmetics, clothes, furniture), oil products and fuel, computer equipment, automobiles and components.

Industrial sector is represented by metal product manufacturing and processing enterprises, chemical and textile industry enterprises.

7. Loans and Advances to Customers (Continued)

At 30 June 2015, the Group had 11 groups of borrowers (2014: 14 groups of borrowers) with aggregated loan amounts above 5% of the Group's total capital each in accordance with the requirements of the Basel Accord as disclosed in Note 19. The aggregate amount of these loans as at 30 June 2015 is RR 23 148 383 thousand (31 December 2014: RR 28 026 941 thousand), or 18.4% (31 December 2014: 21.0%) of the gross loan portfolio.

The Group has transferred a pool of fixed interest rate mortgage loans to individuals to finance the purchase of habitation to Closed Joint Stock Company "Mortgage agent TKB-1", a Russia-based special purpose entity. At 30 June 2015 the amount of loans securitised was RR 3 015 719 thousand (31 December 2014: RR 3 358 874 thousand). The subsidiary is consolidated due to the requirements stated in IFRS 10 "Consolidated Financial Statements".

Information about collateral at 30 June 2015 is as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Mortgage loans**	**Personal and consumer loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Unsecured loans	16 398 380	10 398 648	1 123 168	3 000 264	110 731	475 476	31 506 667
Loans collateralised by:	-	-	-	-	-	-	-
- real estate	11 821 803	12 842 011	25 070 030	812 646	488	-	50 546 978
- corporate guarantees	13 290 334	4 784 510	58 097	203 773	-	766	18 337 480
- goods in turnover	7 403 615	2 689 584	-	-	-	-	10 093 199
- equipment	1 420 277	4 564 101	-	49 680	814 400	-	6 848 458
- receivables	3 759 412	2 055 115	-	60 090	-	-	5 874 617
- mortgage sertificates and other securities	672 696	154 621	-	818 201	-	-	1 645 518
- cash deposits	300 000	329 333	-	20 657	-	-	649 990
- Group's debt securities	106 000	339 408	-	10 000	-	-	455 408
Total loans and advances to customers	**55 172 517**	**38 157 331**	**26 251 295**	**4 975 311**	**925 619**	**476 242**	**125 958 315**

Information about collateral at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Mortgage loans**	**Personal and consumer loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Unsecured loans	15 385 672	13 299 673	1 673 376	3 078 273	128 857	436 971	34 002 822
Loans collateralised by:							
- real estate	9 259 467	14 767 211	24 295 516	739 868	488	-	49 062 550
- corporate guarantees	14 238 332	6 909 097	101 516	193 419	-	944	21 443 308
- goods in turnover	8 161 302	3 323 432	-	-	-	-	11 484 734
- receivables	3 174 875	3 270 535	-	-	-	-	6 445 410
- equipment	1 269 451	4 069 784	-	54 306	999 099	-	6 392 640
- mortgage certificates and other securities	910 405	273 188	-	1 449 699	-	-	2 633 292
- cash deposits	305 058	607 633	-	15 975	-	-	928 666
- Group's debt securities	48 950	370 023	-	268 000	-	-	686 973
Total loans and advances to customers	**52 753 512**	**46 890 576**	**26 070 408**	**5 799 540**	**1 128 444**	**437 915**	**133 080 395**

7. Loans and Advances to Customers (Continued)

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

As at 30 June 2015 personal and consumer loans besides loans granted to the employees of the Bank's corporate clients included express consumer loans granted to "walk-in" customers in the amount of RR 96 447 thousand or 1.9% of total consumer loans portfolio (31 December 2014: RR 114 635 thousand or 2.0%).

The Group estimates its loan loss provision using a Methodology for determining the borrower's credit rating. Credit rating is a complex estimate of a borrower's financial stability and solvency and is expressed as scores assigned to creditworthiness based on assessed factors. Such factors include: estimate of the borrower's financial situation on the basis of indicators derived from financial statements, assessment of the borrower's business risk (reputation and market data on the borrower's business); estimate of movement on settlement/current accounts of the borrower with the Bank (cash flow adequacy); evaluation of the shareholder (founder) structure; statistics of repayment of the previously issued loans (credit history).

Creditworthiness rating of a corporate customer determines the amount of estimated loan loss provision and the credit risk rating category.

In accordance with the Methodology the following ratings are assigned:

Rating	Description of Rating
A1	Credit risk is practically non-existent
A2	Minimal risk: the most reliable borrowers
A3	Low risk: reliable borrowers
B1	Low risk: good borrowers
B2	Moderate risk: fairly reliable borrowers
B3	Medium risk: average borrowers
B4	Acceptable risk: borrowers with creditworthiness below average
B5	Maximum allowable risk: fairly good borrowers
C1	High risk: borrowers with unsatisfactory creditworthiness
C2	Very high risk: sub-standard loans
C3	Loans with expected default
D	Default

The estimated loan loss provision is adjusted for collateral based on the application of various discount factors to the assessed fair value of collateral and depending on collateral liquidity and quality.

7. Loans and Advances to Customers (Continued)

Analysis by credit quality of loans and advances to customers outstanding at 30 June 2015 is as follows:

In thousands of Russian Roubles	Loans to large corporates	Loans to small and medium-sized entities	Mortgage loans	Personal and consumer loans	Car loans	Other loans to indivi-duals	Total
Loans individually/collectively determined to be neither past due nor impaired							
A3	38 002 276	15 753 681	18 981 006	3 260 688	497 358	398 154	76 893 163
B1	9 663 336	6 610 117	4 970 554	1 011 819	179 352	-	22 435 178
B2	701 695	4 069 813	75 774	9 000	57 450	-	4 913 732
B3	892 906	163 071	-	-	-	-	1 055 977
B4	-	11 665	-	-		-	11 665
Total loans individually/ collectively determined to be neither past due nor impaired (gross)	**49 260 213**	**26 608 347**	**24 027 334**	**4 281 507**	**734 160**	**398 154**	**105 309 715**
Loans individually/collectively determined to be past due but not impaired							
- less than 30 days overdue	93 116	65 042	651 093	49 966	26 960	13 443	899 620
- 31 to 90 days overdue	770 903	1 576 661	94 426	-	-	-	2 441 990
- 91 to 180 days overdue	712 746	953 295	78 756	-	5 145	-	1 749 942
Total loans individually/collectively determined to be past due but not impaired (gross)	**1 576 765**	**2 594 998**	**824 275**	**49 966**	**32 105**	**13 443**	**5 091 552**
Loans individually/collectively determined to be impaired							
- impaired but not past due	2 194 587	3 870 708	-	45 040	-	-	6 110 335
- less than 30 days overdue	-	1 429	39 535	24 728	4 260	-	69 952
- 31 to 90 days overdue	-	172 845	87 312	64 103	17 591	7 742	349 593
- 91 to 180 days overdue	351 385	400 533	225 762	90 696	15 441	19 739	1 103 556
- 181 to 365 days overdue	1 522 260	1 192 652	565 924	184 853	29 677	18 231	3 513 597
- over 365 days overdue	267 307	3 315 819	481 153	234 418	92 385	18 933	4 410 015
Total loans individually/collectively determined to be impaired (gross)	**4 335 539**	**8 953 986**	**1 399 686**	**643 838**	**159 354**	**64 645**	**15 557 048**
Total loans and advanced to customers (gross)	**55 172 517**	**38 157 331**	**26 251 295**	**4 975 311**	**925 619**	**476 242**	**125 958 315**
Less impairment provision	**(2 422 387)**	**(6 497 183)**	**(563 478)**	**(564 076)**	**(132 801)**	**(60 850)**	**(10 240 775)**
Total loans and advances to customers	**52 750 130**	**31 660 148**	**25 687 817**	**4 411 235**	**792 818**	**415 392**	**115 717 540**

7. Loans and Advances to Customers (Continued)

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Loans to large corporates**	**Loans to small and medium-sized entities**	**Mortgage loans**	**Personal and consumer loans**	**Car loans**	**Other loans to individuals**	**Total**
Loans individually/collectively determined to be neither past due nor impaired							
A3	37 302 950	26 342 865	20 222 668	2 426 784	-	-	86 295 267
B1	11 305 276	6 879 926	4 413 620	2 934 843	975 237	383 584	26 892 486
B2	2 997 737	5 310 761	-	-	-	-	8 308 498
B3	-	1 010 914	-	-	-	-	1 010 914
C1	-	338 788	-	-	-	-	338 788
C3	-	8 226	-	-	-	-	8 226
Total loans individually/collectively determined to be neither past due nor impaired (gross)	**51 605 963**	**39 891 480**	**24 636 288**	**5 361 627**	**975 237**	**383 584**	**122 854 179**
Loans individually/collectively determined to be past due but not impaired							
- less than 30 days overdue	105 059	27 152	225 550	28 683	10 738		397 182
- 31 to 90 days overdue	408 968	237 030	314 873	12 902	401	-	974 174
- 91 to 180 days overdue	10 544	269 632	68 528	-	-	-	348 704
Total loans individually/collectively determined to be past due but not impaired (gross)	**524 571**	**533 814**	**608 951**	**41 585**	**11 139**	**-**	**1 720 060**
Loans individually/collectively determined to be impaired							
- impaired but not past due	-	2 497 102	-	-	-	-	2 497 102
- less than 30 days overdue	-	-	18 967	16 415	2 061	16 062	53 505
- 31 to 90 days overdue	-	144 976	73 492	58 328	15 985	10 498	303 279
- 91 to 180 days overdue	-	64 682	210 342	70 569	20 951	8 064	374 608
- 181 to 365 days overdue	492 978	511 965	94 099	28 714	24 046	9 240	1 161 042
- over 365 days overdue	130 000	3 246 557	428 269	222 302	79 025	10 467	4 116 620
Total loans individually/collectively determined to be impaired (gross)	**622 978**	**6 465 282**	**825 169**	**396 328**	**142 068**	**54 331**	**8 506 156**
Total loans and advanced to customers (gross)	**52 753 512**	**46 890 576**	**26 070 408**	**5 799 540**	**1 128 444**	**437 915**	**133 080 395**
Less impairment provision	**(1 387 731)**	**(5 314 451)**	**(353 879)**	**(341 114)**	**(106 634)**	**(63 580)**	**(7 567 389)**
Total loans and advances to customers	**51 365 781**	**41 576 125**	**25 716 529**	**5 458 426**	**1 021 810**	**374 335**	**125 513 006**

Loans to large corporate and small and medium-sized entities included in total loans individually/collectively determined to be impaired are provided for impairment individually. Loans to individuals are provided for impairment on collective basis.

7. Loans and Advances to Customers (Continued)

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are determined to be impaired.

Information on related party balances is disclosed in Note 21.

8. Available-for-Sale Investments

In thousands of Russian Roubles	30 June 2015	31 December 2014
Corporate bonds	9 219	-
Total available-for-sale investments	**9 219**	**-**

Analysis by credit quality of available-for-sale investments is as follows at 30 June 2015:

In thousands of Russian Roubles	Corporate bonds	Total
Neither past due nor impaired (at fair value)		
- BB- to BB+ rated	9 219	9 219
Total available-for-sale investments	**9 219**	**9 219**

9. Repurchase Receivables

Repurchase receivables represents securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. The repurchase agreements are short-term in nature.

In thousands of Russian Roubles	30 June 2015	31 December 2014
Trading securities sold under sale and repurchase agreements		
Russian government bonds	662 439	-
Corporate bonds	5 488 189	14 234 454
Total repurchase receivables representing trading securities	**6 150 628**	**14 234 454**
Available-for-sale investments sold under sale and repurchase agreements		
Corporate bonds	106 575	707 821
Total repurchase receivables representing available-for-sale investments	**106 575**	**707 821**
Total repurchase receivables	**6 257 203**	**14 942 275**

The primary factor that the Group considers in determining whether a debt security classified as a repurchase receivable is impaired is its overdue status. As at 30 June 2015 the Group had no repurchase receivables that are individually considered to be impaired. The debt securities are not collateralised.

9. Repurchase Receiveables (Continued)

Analysis by credit quality of repurchase receivables is as follows at 30 June 2015:

In thousands of Russian Roubles	**Russian government bonds**	**Corporate bonds**	**Total**
- BBB- to BBB+ rated	354 507	2 034 469	2 388 976
- BB- to BB+ rated	307 932	3 453 720	3 761 652
Total repurchase receivables representing trading securities	**662 439**	**5 488 189**	**6 150 628**
- BB- to BB+ rated	-	106 575	106 575
Total repurchase receivables representing available-for-sale investments	**-**	**106 575**	**106 575**
Total repurchase receivables	**662 439**	**5 594 764**	**6 257 203**

Analysis by credit quality of repurchase receivables is as follows at 31 December 2014:

In thousands of Russian Roubles	**Corporate bonds**	**Total**
- BBB- to BBB+ rated	14 942 275	14 942 275
Total repurchase receivables, representing trading securities	**14 942 275**	**14 942 275**
Total repurchase receivables	**14 942 275**	**14 942 275**

10. Due to Other Banks

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Special purpose-oriented program	9 959 279	9 912 485
Short-term placements of other banks	5 832 232	2 441 529
Sale and repurchase agreements with other banks	5 510 858	13 006 168
Trade and ECA covered finance	3 931 914	7 897 392
The CBRF loans	3 910 208	7 838 428
Correspondent accounts and overnight placements of other banks	686 830	53 859
Total due to other banks	**29 831 321**	**41 149 861**

At 30 June 2015, included in amounts due to other banks are liabilities of RR - 5 510 858 thousand (31 December 2014: RR 13 006 168 thousand) from sale and repurchase agreements disclosed in Note 9.

Under Trade and Export Credit Agency ("ECA") covered finance the Group has obtained short-term financing of international trade transactions and medium- and long-term financing of capital expenditures under insurance cover by export credit agencies.

Under special purpose-oriented program the Group has obtained special purpose-oriented financing from international and Russian development institutes.

Information on related party balances is disclosed in Note 21.

11. Customer Accounts

In thousands of Russian Roubles	30 June 2015	31 December 2014
Other legal entities		
- Current/settlement accounts	28 163 683	20 854 574
- Term deposits	29 263 071	33 227 870
Individuals		
- Current/demand accounts	2 230 271	2 646 304
- Term deposits	37 636 784	37 127 075
Total customer accounts	**97 293 809**	**93 855 823**

Economic sector concentrations within customer accounts are as follows:

	30 June 2015		31 December 2014	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals	39 867 055	41.0	39 773 379	42.4
Industry	17 395 838	17.9	18 223 692	19.4
Trade	12 689 065	13.0	10 192 420	10.9
Investment and insurance companies	5 723 117	5.9	10 626 126	11.3
Transportation of petroleum products	5 507 612	5.7	73	0.0
Service companies	5 165 097	5.3	3 548 743	3.8
Construction	3 195 158	3.3	4 377 089	4.7
Machinebuilding industry	2 479 115	2.5	2 535 009	2.7
Real estate	1 866 299	1.9	1 867 572	2.0
Food industry	613 394	0.6	250 734	0.3
Transport and communications	532 408	0.5	344 114	0.4
Autodealing, repair and servicing	425 698	0.4	338 374	0.4
Agricultural	266 924	0.3	362 306	1.0
Construction of infrastructural objects	247 450	0.3	545 733	0.6
Energy	632 913	0.7	199 190	0.2
Leasing companies	42 715	0.0	107 306	0.1
Other	643 951	0.7	563 963	0.6
Total customer accounts	**97 293 809**	**100**	**93 855 823**	**100**

At 30 June 2015, the Group had - 43 customers (2014: 44 customers) with balances above RR 300 000 thousand. The aggregate balance of these customers was RR 43 472 568 thousand (31 December 2014: RR 39 085 491 thousand) or - 44.7 % (2014: 41.7%) of total customer accounts.

12. Debt Securities in Issue

In thousands of Russian Roubles	30 June 2015	31 December 2014
Promissory notes	3 139 472	3 609 494
Bonds secured by mortgage loans	2 727 899	3 160 229
Bonds issued on domestic market	2 751 389	1 900 380
Savings certificates	226 578	505 200
Total debt securities in issue	**8 845 338**	**9 175 303**

At 30 June 2015 the Group had debt securities in issue held by 2 counterparties (2014: 2 counterparties) with balances above RR 300 000 thousand. The aggregate amount of these balances was RR 978 024 thousand (31 December 2014: RR 963 351 thousand) or 11.1% (31 December 2014: 10.5%) of total debt securities in issue.

13. Subordinated Debt

Name	Currency	Maturity date (year)	Interest rate, %	30 June 2015	31 December 2014
Eurobonds issued	USD	2017/2020	7.74/10	5 452 845	5 748 321
Bonds issued on domestic market	RUR	2018	13.00	1 007 120	1 007 480
Vnesheconombank	RUR	2019	6.50	986 748	986 748
INRS International services	EUR	2017	9.00	624 459	693 706
Dolmiano Investments Limited	USD	2022	7.50	279 331	283 084
Diolon Shipping Limited	USD	2022	6.60	235 773	238 892
Dolmiano Investments Limited	USD	2022	9.00	227 079	230 138
Dolmiano Investments Limited	USD	2022	6.60	222 096	225 034
Dolmiano Investments Limited	USD	2022	8.60	168 966	171 201
Diolon Shipping Limited	USD	2022	8.30	168 883	171 116
Dolmiano Investments Limited	USD	2021	8.50	113 402	114 927
Diolon Shipping Limited	EUR	2020	10.00	93 039	-
Total subordinated debt				**9 579 741**	**9 870 647**

Subordinated debt ranks after other creditors in case of liquidation.

On June 2nd, 2015 Transkapitalbank successfully solicited the consent of note holders to convert its "old style" subordinated notes due July 18, 2017 into Basel III compliant Tier 2 notes in line with CBR Regulation No. 395-P "On the Methodology for Determining the Amount of Own Funds (Capital) of Credit Organisations ("Basel III")" dated 28 December 2012. The structural changes included adding a point of non-viability (PONV) trigger and maturity extension until September 18, 2020. Investors were offered a coupon increase from 7.74 to 10%.

14. Interest Income and Expense

In thousands of Russian Roubles	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Interest income		
Loans and advances to customers	9 226 306	6 548 644
Debt trading securities	1 361 757	540 153
Due from other banks	32 457	39 921
Debt securities available for sale	27 404	-
Correspondent accounts with other banks	222	2 315
Investments held to maturity	-	877
Total interest income	**10 648 146**	**7 131 910**
Interest expense		
Term deposits of individuals	1 935 300	1 230 742
Term deposits of legal entities	1 774 895	743 061
Term placements of other banks	1 715 475	696 456
Debt securities in issue	400 065	552 445
Subordinated debt	425 776	282 866
Current/settlement accounts	112 740	73 320
Correspondent accounts of other banks	586	1
Total interest expense	**6 364 837**	**3 578 891**
Deposit insurance program charge	80 590	69 614
Net interest income	**4 202 719**	**3 483 405**

15. Fee and Commission Income and Expense

In thousands of Russian Roubles	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Fee and commission income		
Performance guarantees issued	487 828	349 090
Plastic cards	234 591	210 404
Settlement transactions	222 717	157 001
Cash transactions	78 390	80 896
Cash collection	51 996	57 342
Currency control	51 990	45 371
Banknote transactions and operations with precious coins	3 433	5 658
Financial garantees issued	1 486	57 251
Other	9 853	8 215
Total fee and commission income	**1 142 284**	**971 228**
Fee and commission expense		
Plastic cards	160 846	117 202
Settlement transactions	52 575	40 239
Banknote transactions	6 931	5 543
Cash collection	4 035	2 657
Financial garantees received	2 343	10 290
Other	3 179	5 735
Total fee and commission expense	**229 909**	**181 666**
Net fee and commission income	**912 375**	**789 562**

16. Administrative and Other Operating Expenses

In thousands of Russian Roubles	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Staff costs	1 034 707	1 064 113
Social security tax	288 715	265 857
Office rent	168 464	155 416
Insurance expenses on transportation of valuables	163 945	203 804
Communication expenses	84 086	69 225
Maintenance	62 398	70 756
Professional services	60 199	47 958
Depreciation of premises and equipment	59 360	69 426
Amortisation of intangible assets	43 665	40 019
Security expenses	42 998	60 495
Other insurance expenses	30 382	32 289
Advertising and other business development expenses	14 321	19 851
Taxes other than on income	10 415	21 185
Other	31 459	33 151
Total administrative and other operating expenses	**2 095 114**	**2 153 545**

17. Segment analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Chairperson of the Management Board of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of five main business segments:

- **Treasury –** includes money market operations, brokerage and custody services, transactions with securities and foreign currency, REPO agreements and operations with derivative financial instruments;
- **International financing** – raising funds on international capital markets.
- **Overall Management** – this segment performs the centralized risk management, and is responsible for infrastructure maintenance and development.
- **Retail banking** – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- **Corporate banking** – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on Russian accounting standards and on standalone financial reporting of the Bank in particular, adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) the fair value changes in available for sale securities are reported within the segments' profits or losses rather than in other comprehensive income; The securities presented in the portfolio "trading securities" are subject to revaluation at average market quotes, rather than at the last bid price;

(ii) the depreciation rates of fixed assets differ from the depreciation rates applied under IFRS; the value of the fixed assets purchased before 1 January 2003 is not adjusted for inflation;

(iii) income taxes are not allocated to segments;

(iv) loan provisions are recognized based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;

(v) commission income relating to lending is recognized immediately rather than deferred using the effective interest method; and

(vi) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries; the operating results analysis is delegated on a regular basis to the subsidiaries' management. The information about operating results of the subsidiaries is quarterly reported to the Chairperson of the Bank's Management Board.

17. Segment analysis (Continued)

The Group calculates the volume of allocated and raised resources within the segments. This calculation is based on the ratio of allocated and raised resources with regard to liquidity and types of foreign currencies (roubles, dollars, euro) for each accounting period. Internal allocation and funding rates are equal and are based on average market borrowing rates.

Expenses, which cannot be directly charged to a segment, are allocated. The principles of allocation are selected in accordance with the objective expense allocation basis such as: salary fund, staff number, occupied working area.

When defining profit or loss of an operational segment, the Bank allocates amortization costs within its operational segments. However, this principle is not applied to book value of fixed assets.

The CODM estimates the segment results based on profit before income tax.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the six-month period ended 30 June 2015 and 31 December 2014 is set out below:

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Assets		
Corporate banking	88 087 357	94 215 407
Treasury	39 367 580	37 269 899
Retail banking	36 794 060	38 088 746
Overall management	1 910 971	1 860 698
International financing	246 307	314 084
Total reportable segment assets	**166 406 275**	**171 748 834**
Liabilities		
Corporate banking	60 390 848	54 796 837
Retail banking	40 058 851	39 922 375
Treasury	27 810 747	37 218 618
International financing	18 375 472	22 971 583
Overall management	434 411	49 259
Total reportable segment liabilities	**147 070 329**	**154 958 672**

17. Segment analysis (Continued)

In thousands of Russian Roubles	Treasury	Corporate banking	Retail banking	International financing	Overall management	Total
Six-month period ended 30 June 2015						
External revenues:						
- Interest income	149 649	6 903 725	2 470 251	-	-	9 523 625
- Fee and commission income	2 052	850 541	264 383	-	-	1 116 976
- Other operating income	-	35 629	86 141	-	-	121 770
Revenues from other segments:						-
- Interest income	162 211	-	-	824 383	1 847 563	2 834 157
Total revenues	**313 912**	**7 789 895**	**2 820 775**	**824 383**	**1 847 563**	**13 596 528**
Interest expense	(2 405 326)	(2 049 726)	(1 935 317)	(597 959)	-	(6 988 328)
Interest expense to other segments	-	(2 708 316)	(125 841)	-	-	(2 834 157)
Provision for loan impairment	46	(869 245)	(485 798)	-	-	(1 354 997)
Provision for credit related commitments	-	(221 449)	30 579	-	-	(190 870)
Fee and commission expense	(26 814)	(25 746)	(176 548)	(37 876)	-	(266 984)
Gains less losses from trading securities	3 382 414	5 818	-	-	-	3 388 232
Gains less losses from trading in foreign currencies	(102 792)	28 358	-	-	-	(74 434)
Administrative and other operating expenses	(69 653)	(685 119)	(664 848)	(28 594)	(653 601)	(2 101 815)
Depreciation	(1 453)	(10 683)	(12 521)	(385)	(22 439)	(47 481)
Segment result	**1 090 334**	**1 253 787**	**(549 519)**	**159 569**	**1 171 523**	**3 125 694**

In thousands of Russian Roubles	Treasury	Corporate banking	Retail banking	International financing	Overall management	Total
Six-month period ended 30 June 2014						
External revenues:						
- Interest income	71 880	4 714 195	1 856 474	-	-	6 642 549
- Fee and commission income	4 810	740 949	240 327	-		986 086
- Other operating income	-	10 771	33 318	-	-	44 089
Revenues from other segments:						
- Interest income	543 469	-	279 401	710 710	914 217	2 447 797
Total revenues	**620 159**	**5 465 915**	**2 409 520**	**710 710**	**914 217**	**10 120 521**
Interest expense	(962 547)	(1 005 801)	(1 226 385)	(506 113)	-	(3 700 846)
Interest expense to other segments	-	(2 447 797)	-	-	-	(2 447 797)
Provision for loan impairment	151	(306 677)	(186 130)	-	-	(492 656)
Provision for credit related commitments	(1 131)	54 556	(18 335)	-	-	35 090
Fee and commission expense	(8 804)	(49 085)	(128 290)	(66 106)		(252 285)
Gains less losses from trading securities	237 855	8 019	-	-	(110 577)	135 297
Gains less losses from trading in foreign currencies	162 692	(8 492)	-	-	-	154 200
Administrative and other operating expenses	(57 071)	(701 909)	(553 294)	(18 926)	(812 215)	(2 143 415)
Depreciation	(1 797)	(22 098)	(15 309)	(596)	(18 204)	(58 004)
Segment result	**(10 493)**	**986 631**	**281 777**	**118 969**	**(26 779)**	**1 350 105**

17. Segment analysis (Continued)

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Total consolidated revenues comprise interest income, fee and commission income and other operating income.

In thousands of Russian Roubles	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Total revenues for reportable segments	**13 596 528**	**10 120 521**
(a) interest income on securities	1 389 161	540 153
(b) interest income on leasing operations	172 080	119 572
(c) intergroup adjustments	(225 748)	(68 071)
(d) accrued income on loans	(258 008)	13 818
(e) intersegment results	(2 834 157)	(2 447 797)
Other	2 073	(72 678)
Total consolidated revenues	**11 841 929**	**8 205 518**

(a) Interest income on securities is included within gains less losses from trading securities in the segment reporting;

(b) Interest income on leasing operations is arising from the leasing subsidiary of the Bank. Financial results from subsidiaries are excluded from the segment reporting results;

(c) Interest income from subsidiaries of the Bank is not eliminated from the total interest income of the Bank for the segment reporting results;

(d) Accrued income on loans is arising from discounted cash flow method;

(e) intersegment results are results arising from trading between segment;

In thousands of Russian Roubles	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Total reportable segment result	**3 125 694**	**1 350 105**
(f) accruals	139 463	117 810
(g) other comprehensive income	16 182	-
(h) provisions for credit related commitments and other provisions	(10 708)	(24 200)
(i) accrued income on loans	(258 008)	13 818
(j) provisions for loans impairment	(1 666 680)	(177 178)
(k) gain from associate	-	20 764
Profit or loss before tax	**1 345 943**	**1 301 119**

(f) Accruals are mainly represented by differences in accounting of operating expenses and commissions;

(g) Other comprehensive income includes results from available-for-sale investments, which are excluded from segment reporting results;

(h) Provisions for credit related commitments impairment and other provisions in segment reporting are based on the statutory provision methodology of the Bank, which is different from the provision methodology applied by the Group in these consolidated financial statements;

(i) Accrued income on loans is arising from discounted cash flow method;

(j) Provision for loan impairment in segment reporting is based on the statutory provision methodology of the Bank, which is different from the provision methodology applied by the Group in these consolidated financial statements;

17. Segment analysis (Continued)

(k) Gain from associate is arising from sale of investments in factoring company in 2014;

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Total reportable segment assets	**166 406 275**	**171 748 834**
(l) effect on consolidation	324 572	319 652
(m) income tax	(397 475)	(121 039)
(n) revaluation of securities	-	(66 700)
(o) loans to customers	(678 433)	837 133
other	(219 761)	116 338
Total consolidated assets	**165 435 178**	**172 834 218**

(l) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries;

(m) difference is related to deferred tax;

(n) the fair value changes in available for sale securities are reported within the segments' profits or losses rather than in other comprehensive income; The securities presented in the portfolio "securities available for sale" and "trading securities" are subject to revaluation at average market quotes, rather than at the last bid price;

(o) loan provisions are recognized based on management judgment and availability of information, rather than based on the incurred loss model prescribed in IAS 39;

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Total reportable segment liabilities	**147 070 329**	**154 958 672**
(p) accruals	(9 228)	345 865
(q) effect on consolidation	(23 904)	(7 441)
(r) financial derivatives	(24 448)	186 620
(s) other reserves	(179 182)	(712 669)
(t) income tax	(257 100)	171 441
other	(78 641)	54 542
Total consolidated liabilities	**146 497 826**	**154 997 030**

(p) Accruals are mainly presented by differences in accounting of operating expenses and commissions.

(q) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries;

(r) different approaches to financial derivatives assessment;

(s) difference is related to provisions for contingent liabilities;

(t) difference is related to deferred tax.

17. Segment analysis (Continued)

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 14 (interest income), Note 15 (fee and commission income).

(g) Geographical information

The Group operates in the Russian Federation only. Substantially all revenues of the Group were received from counterparties that conduct their business in the Russian Federation.

(h) Major customers

The Group has no clients whose revenues represent 10% or more of the total revenues.

18. Financial Risk Management

The risk management structure is based on the break-even principle and is aimed at the best balance between profitability and level of the risks taken.

The Board of Directors, executive bodies, collective bodies (committees) of the Bank regularly receive necessary and sufficient information about the level of risks and their influence on the changes of capital adequacy, about the facts of excess of the assigned risk level: violation of limits, restrictions and established procedures, results of stress testing.

Risk management system comprises all the directions of the Bank's activity and influences the decision making process on all levels beginning with strategic and ending with operating tasks.

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish limits for each type of risk, and then ensure that exposure to risks stays within these limits. The risk management function is aimed at decreasing the probability of unforeseen losses resulting from the influence of internal and external non-financial factors and at cutting down costs on financing liquidation of these losses.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The primary objective of credit risk management is to generate maximum profitability subject to the level of assumed credit risk. This objective is achieved due to setting up a system of effective tools allowing minimization of likelihood of default on principal amount and interest on loans issued. The main instrument of credit risk management is administration of loans, including a set of sequential actions performed at different stages of transactions exposed to credit risk. The principal instrument for credit risk regulation is setting limits for financial instruments on borrowers and counterparties, assessment of the borrowers' and counterparties' financial position in order to set loan loss provisions and assessment of collateral quality.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 20.

In a complex foreign economic environment an effective risk management system is a priority to the Group. Lending products are given only after thorough assessment of all the risks connected with the borrower's activity.

18. Financial Risk Management (Continued)

Loss given default of the group of homogeneous loans is included in the product cost.

Collective bodies established depending on the scale of credit risk and the lines of activity effectively manage credit risk of the Group.

The Bank Management establishes collective bodies having the right to make decision on operations subject to credit risk, gives to the collective bodies and designated individuals an authority to decide.

- Credit Committee of the Bank makes decisions on the structure of the loan portfolio on the whole, as well as on certain operations subject to credit risk with legal entities (except credit institutions), individual entrepreneurs and individuals. Some responsibilities of the Credit Committee are laid on Small Credit Committee and credit commissions that make decisions on limited number of operations within particular programs and credit products for legal entities and individuals (further "lending programs").

- Risk Management Committee carries out the following functions:

  – approves limits for different types of risks;

  – makes decisions related to changes in the structure of portfolio investments, attraction and allocation of resources;

  – monitors the effect of current fluctuations of market prices on financial instruments and makes decisions on formation or reduction of relevant financial instruments portfolios;

- The Limit Committee of the Bank makes decisions on transactions with legal entities and credit institutions;

- The Committee on work with non-performing loans of individuals makes decisions on questions dealing with non-performing and/or overdue loans of individuals;

- The Committee on work with non-performing loans of legal entities (except credit institutions) and individual entrepreneurs makes decisions on questions dealing with non-performing and/or overdue loans of legal entities (except credit institutions) and individual entrepreneurs.

For the purpose of mitigation of its credit risk level, the Group has developed a system of limits allowing to limit exposure to credit risk. The Bank's credit policy sets portfolio limits on its loan portfolio. The Bank's Executive Board sets limits on lending by branches. The Credit Committee sets limits on credit products for borrowers and counterparties. Decisions on transactions with the Bank's related parties (limited up to 3% of the Bank's equity per related borrower) and insiders (limited up to 2% of the Bank's equity per insider) are made by the Credit Committee and in other cases by the Board of Directors. The Risk Management Committee sets limits on industry diversification of loan portfolio and limits on concentration of major loans. Limits on financial instruments on counterparty banks and issuers of securities are set by the Limits Committee. Limits are monitored on a regular basis and revised as required, but not less than once a year.

Credit limits directly depend on financial performance of borrower and on credit rating being an integral estimation of the borrower's financial stability and solvency. Internal credit rating is expressed as scores assigned to creditworthiness based on estimated factors:

- borrower's financial position;
- review of the borrower's business reputation and information of its operations;
- estimation of turnover on the borrower's accounts with the Bank (stability of cash flows);
- assessment of the shareholding (foundation) structure;
- credit history.

18. Financial Risk Management (Continued)

Loans are usually issued against a liquid collateral, including costs of sale of the collateral and sufficient coverage of the loan principal and interest. The most relevant indicators of the collateral analysis are sufficiency and liquidity of the collateral received. The Group actively applies collateral insurance. Credit quality of the loans and fair value of collateral are monitored on a continuing basis.

The Group monitors and controls the level of credit risk of every call of the Bank to its counterparty; of subportfolios, arranged into groups according to the lines of activity and lending programs; of subportfolios made by the divisions taking part in the credit process; of aggregate credit portfolio.

The Group's divisions involved in lending transactions perform ageing analysis of outstanding loans and follow up past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 7.

To minimize credit risk losses divisions responsible for monitoring credit risk are to find out non-performing loans in due time. When a problem or non-performing loan is identified compliance units develop the most effective plan to pay overdue amounts and responsible divisions implement it.

When the quality of an asset deteriorates, the Group creates provision for impairment losses fairly reflecting the size of impairment according to the internal normative documents of the Bank and the International Financial Reporting Standards.

To minimize credit risk losses caused by non-financial risks the Bank uses a system of insurance against risks of the total loan portfolio as well as of separate loans. The maximum credit risk exposure of the Group is included in the balance cost of financial assets in the Consolidated Statement of financial position unless otherwise stated. The possibility to offset assets against liabilities does not have any material impact on minimization of potential credit risk.

Credit risk on off-balance financial instruments is defined as a possibility of losses if the other party of the transaction with this financial instrument fails to fulfill the terms of the agreement. The Group implements the same credit policy in relation to contingent liabilities as for the balance financial instruments, based on the procedures of confirmation of transactions, use of limits, restricting risk and the monitoring procedures.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements.

To manage market risk the Bank analyses sensibility of financial result to the changes of interest rates, foreign currency exchanges, market prices of securities and other financial instruments.

The analysis is based on assessment of volatility and interrelation of different risk factors and stress-testing. To keep risk within the policy the Group manages misbalances (GAP), sets limits on financial instruments, limits of acceptable losses (stop-loss) on trading instruments.

Risk Management Committee sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

Losses arising from interest risk are measured as follows:

- likely reduction of difference between interest received and paid;

18. Financial Risk Management (Continued)

- likely decrease of fair value of the Group's assets estimated based on future cash flows formed as a difference between interest paid and received.

Interest rate risk management covers all assets and liabilities of the Bank, as well as offbalance sheet accounts related to arising of interest rate risk. In order to determine the potential exposure of the Group to interest rate risk, gap analysis and duration method are applied. For gap analysis, the level of asset and liability gap sensitive to changes in interest rates is applied as the main indicator measuring the interest rate risk. For duration method analysis, the amount of interest rate risk giving rise to decrease of the Bank's economic value by more than 20% of equity is treated as critical.

In order to minimise the interest rate risk, loan agreements provide for periodic revision of interest rates depending on changes in the market interest rates.

Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Financial assets of the Group are subject to the following sources of interest rate risks:

- mismatch of maturity periods of assets and liabilities and off-balance commitments with fixed interest rate;

- mismatch of maturity periods of assets and liabilities and off-balance commitments with floating interest rate;

- mismatch of the changes in interest rates on allocating and borrowing funds of the Group (for financial instruments with fixed interest rate provided that the maturity dates are the same);

- mismatch of the changes in interest rates (for financial instruments with floating interest rate provided that the periods of floating interest rates review match together).

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
30 June 2015						
Total financial assets	42 626 609	20 737 119	35 970 639	29 609 358	21 111 927	150 055 652
Total financial liabilities	30 066 911	26 223 869	40 588 591	19 411 591	8 404 891	124 695 853
Net interest sensitivity gap at 30 June 2015	**12 559 698**	**(5 486 750)**	**(4 617 952)**	**10 197 767**	**12 707 036**	**25 359 799**
31 December 2014						
Total financial assets	40 446 383	22 527 870	47 811 982	25 803 331	19 341 306	155 930 872
Total financial liabilities	38 579 151	26 325 943	41 545 321	22 894 466	3 346 619	132 691 500
Net interest sensitivity gap at 31 December 2014	**1 867 232**	**(3 798 073)**	**6 266 661**	**2 908 865**	**15 994 687**	**23 239 372**

18. Financial Risk Management (Continued)

Currency risk

Currency risk is determined as probability of negative fluctuations in foreign currency exchange rates resulting in losses from re-assessment of market value of assets and liabilities. The Group is exposed to foreign currency exchange risk on open positions (mainly USD/RR and EUR/RR exchange rate fluctuations). The Group manages currency risk by controlling its open foreign exchange currency position projecting changes in the exchange rate of the Russian rouble and other macro-economic indicators to minimize losses from sizeable fluctuations in the exchange rates of national and foreign currencies.

The Bank`s Treasury undertakes daily aggregation of the currency position of the Group and takes measures for minimizing of the Group's currency risk exposure. The Group uses swaps, forwards tradable on Moscow Exchange as the main instruments for risk management. For the purpose of currency risk analysis, the following actions are taken in respect of each currency in which the Group holds an open currency position:

– dynamic of fluctuation of the exchange rate of currency is analysed;

– factors impacting exchange rate of the relevant currency are analysed;

– feasibility of setting long (short) position is determined;

– aggregate amount of profit/loss arising from revaluation of the position is determined;

– ratio between the calculated aggregate amount of income (losses) and equity is determined.

Based on the performed currency risk analysis:

– the maximum amount of currency position is determined (limiting of the currency position); and

– the maximum amount of ratio of losses from position revaluation is set (limiting of losses: stoploss).

Risk Management Committee sets limits in respect of currency risk both overnight and intraday positions, and monitors compliance.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of Russian Roubles	**Russian Roubles**	**US Dollars**	**Euros**	**Other**	**Total**
At 30 June 2015					
Monetary financial assets	130 816 926	24 314 927	8 407 132	116 642	163 655 627
Monetary financial liabilities	101 622 020	29 904 808	14 185 393	58 883	145 771 104
Less fair value of currency derivatives	(9 629)	(520 750)	69 948	65	(460 366)
Currency derivatives	(10 922 960)	6 399 578	5 098 436	(114 688)	460 366
Net position including currency derivatives	**18 262 317**	**288 947**	**(609 877)**	**(56 864)**	**17 884 523**
At 31 December 2014					
Monetary financial assets	124 121 908	37 425 860	9 181 599	154 358	170 883 725
Monetary financial liabilities	106 629 311	30 466 787	17 237 126	31 910	154 365 134
Less fair value of currency derivatives	(386)	(664 764)	102 355	(280)	(563 075)
Currency derivatives	(1 616 861)	(6 022 364)	8 132 817	69 483	563 075
Net position including currency derivatives	**15 875 350**	**271 945**	**179 645**	**191 651**	**16 518 591**

18. Financial Risk Management (Continued)

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Group's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Other price risk

The Group has exposure to equity price risk. The principal methods of equity risk management applied by the Group are:

– estimation of the issuer's financial position;

– setting limits per issuers of securities;

– setting limits on transactions with securities.

When equity risk is measured, the level of change in the price of this security within the set period of time is estimated. The following factors are taken into consideration:

– retrospective date on price fluctuations;

– issuer's nature;

– market liquidity of this security Ratings assigned by recognised rating agencies to these securities and their description as financial instruments;

– level of concentration of the Group's position in securities of one issuer or in a range of its issues.

The Bank considers transactions with uncovered shares and derivative financial instruments as highly risky. In order to minimize the price risk the Risk management committee set nominal limits depending on the type of financial instruments and determining the size of current position as at the end of the day. All transactions with securities and derivative financial instruments on securities are conducted within the limits on issuers set by the Limit Committee.

Prepayment risk

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year financial result and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

Liquidity risk

Liquidity risk is defined as the risk of the Group's inability to finance its activity, that is inability to ensure growth of assets and fulfill its obligations as they fall due without carrying any losses in amounts unacceptable for the financial stability. The aim of liquidity risk management is to maximize profit while keeping up necessary and sufficient level of liquid assets. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans draw downs, guarantees and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group manages liquidity risk.

18. Financial Risk Management (Continued)

Liquidity risk is managed by the Group's Risk Management Committee. Current liquidity is managed by the Treasury Department which carries out transactions in the money markets to maintain current liquidity and optimise cash flows. The Bank's Liquidity Division is operating within the Treasury Department and carrying out planning and management of instant and shortterm liquidity, as well as calculations and analysis of mediumterm and longterm liquidity. The Treasury Department receives information on financial assets and liabilities and then provides for an adequate portfolio of shortterm liquid assets, largely made up of shortterm liquid trading securities, deposits with banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

GAP analysis is an instrument for projecting structural liquidity allowing to make a conclusion on the level of structural matching of the balance sheet assets and liabilities.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. 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.

The Group maintains adequate portfolio of short-term liquid assets, mainly consisting of liquid trading securities, deposits in other banks and other interbank instruments to keep sufficient liquidity level of the Bank on the whole.

The Group regularly performs liquidity stress-tests based on various scenarios, comprising standard and more negative market conditions.

The obligatory liquidity ratios settled by the CBRF are controlled every day.

To prevent violation of statutory liquidity ratios set by the CBRF the Risk Management Committee set internal liquidity ratios: in respect of N2 - minimum 20%, N3 – minimum 60% and N4 – maximum 110%.

In order to minimise the risk of liquidity loss, the Group's dependency on interbank transactions is analysed, as well as transactions of major clients and concentration of credit risks.

18. Financial Risk Management (Continued)

To manage liquidity the Group monitors expected maturities of financial assets and financial liabilities, which may be summarised as follows at 30 June 2015:

In thousands of Russian Roubles	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
ASSETS						
Cash and balances with the Cental Bank of the Russian Federation	12 592 736	-	-	-	-	12 592 736
Mandatory balances with the CBRF	360 811	175 899	333 317	112 613	1 083	983 723
Due from other banks	-	3 161	615 206	-	-	618 367
Trading securities	26 668 917	-	-	-	-	26 668 917
Available-for-sale investments	-	-	9 219	-	-	9 219
Repurchase receivables	6 257 203	-	-	-	-	6 257 203
Loans to customers	8 820 397	20 733 958	35 420 696	29 630 562	21 111 927	115 717 540
Other financial assets	45 589	470	7	761 856	-	807 922
TOTAL FINANCIAL ASSETS	**54 745 653**	**20 913 488**	**36 378 445**	**30 505 031**	**21 113 010**	**163 655 627**
Deposits from banks	14 477 474	3 949 896	3 267 749	7 987 202	149 000	29 831 321
Customer accounts	35 685 526	17 397 089	32 966 268	11 137 776	107 150	97 293 809
Debt securities issued	715 959	2 629 008	2 299 193	1 862 507	1 338 671	8 845 338
Subordinated debt	-	134 260	33 457	2 601 954	6 810 070	9 579 741
Other financial liabilities	86 777	67 781	56 203	10 134	-	220 895
TOTAL FINANCIAL LIABILITIES	**50 965 736**	**24 178 034**	**38 622 870**	**23 599 573**	**8 404 891**	**145 771 104**
Net liquidity gap	**3 779 917**	**(3 264 546)**	**(2 244 425)**	**6 905 458**	**12 708 119**	**17 884 523**
Cumulative liquidity gap	**3 779 917**	**524 591**	**(1 729 054)**	**5 176 404**	**17 884 523**	

The expected maturities are as follows at 31 December 2014:

In thousands of Russian Roubles	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	13 820 363	-	-	-	-	13 820 363
Mandatory balances with the CBRF	442 444	176 956	332 630	104 383	1 230	1 057 643
Trading securities	14 517 823	-	-	-	-	14 517 823
Repurchase receivables	14 942 275	-	-	-	-	14 942 275
Loans and advances to customers	10 028 517	22 527 870	47 811 982	25 803 331	19 341 306	125 513 006
Other financial assets	678 895	17 874	128 229	207 617	-	1 032 615
TOTAL FINANCIAL ASSETS	**54 430 317**	**22 722 700**	**48 272 841**	**26 115 331**	**19 342 536**	**170 883 725**
LIABILITIES						
Due to other banks	17 899 261	6 568 202	7 779 648	8 796 840	105 910	41 149 861
Customer accounts	39 266 737	15 703 191	29 513 734	9 263 069	109 092	93 855 823
Debt securities issued	1 254 131	1 366 479	2 787 614	2 146 048	1 621 031	9 175 303
Subordinated debt	-	132 100	26 924	8 293 911	1 417 712	9 870 647
Other financial liabilities	257 010	14 603	21 322	20 565	-	313 500
TOTAL FINANCIAL LIABILITIES	**58 677 139**	**23 784 575**	**40 129 242**	**28 520 433**	**3 253 745**	**154 365 134**
Net liquidity gap	**(4 246 822)**	**(1 061 875)**	**8 143 599**	**(2 405 102)**	**16 088 791**	**16 518 591**
Cumulative liquidity gap	**(4 246 822)**	**(5 308 697)**	**2 834 902**	**429 800**	**16 518 591**	

18. Financial Risk Management (Continued)

The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's realisability.

Current/settlement accounts are classified in full amount within category "Less than one month".

To manage liquidity gap the Group has a number of instruments, for instance, the Bank is on the List of banks, which attracts funds under the program "On granting loans collaterised by assets or guarantees to the credit instituations by the CBRF".

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Other risk concentrations

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 5% of net assets. Refer to Note 7.

19. Management of Capital

The Group's objectives when managing capital are to ensure that all Group entities continue as a going concern in the foreseeable future while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's Board of Directors reviews capital structure on a regular basis, at least quarterly. Within the scope of this review the Board considers the cost of capital and the risks inherent to each class of capital.On the basis of the Board's recommendations the Group maintains capital adequacy and balances overall capital structure by additional share issue and receipt of subordinated loans.

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Net assets under Russian GAAP	19 179 685	17 221 786
Less intangible assets	(16 492)	(1 725)
Plus subordinated debt	8 567 281	5 216 019
Total regulatory capital	**27 730 474**	**22 436 080**

Group also monitors capital adequacy calculated in accordance with the requirements of the Basel Accord II, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market and operational risks.

19. Management of Capital (Continued)

The table below shows the Group's capital structure and calculation of capital adequacy ratio in accordance with requirements of the Basel Accord II as at 30 June 2015 and 31 December 2014:

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Tier 1 capital:		
Share capital	2 533 352	2 533 352
Share premium	4 566 362	4 566 362
Retained earnings	11 835 884	10 751 902
Goodwill	(47 476)	(47 476)
Total tier 1 capital	**18 888 122**	**17 804 140**
Tier 2 capital		
Subordinated debt	8 819 158	6 356 396
Revaluation of available-for-sale investments	1 754	(14 428)
Total tier 2 capital	**8 820 911**	**6 341 968**
Total capital	**27 709 033**	**24 146 108**
Risk weighted assets	**172 879 219**	**166 392 873**
Capital expressed as a percentage of risk-weighted assets	**16.0%**	**14.5%**
Tier 1 capital expressed as a percentage of risk-weighted assets	**10.9%**	**10.7%**

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord II established by covenants under liabilities incurred by the Group. Under these covenants the Group has to maintain the total capital ratio at a level not less than 12%. As of 30 June 2015, as of 31 December 2014 and during respective financial periods the Group has complied with all imposed capital requirements.

20. Contingencies and Commitments

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

20. Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Financial guarantees	923 088	4 424 722
Letters of credit and other contingencies related to settlement transactions	272 520	561 462
Total credit-related contingencies and commitments, net of provision	**1 195 608**	**4 986 184**
Performance guarantees	**28 516 391**	**31 218 588**
Less: Provisions for performance guarantees	(126 950)	-
Total performance guarantees, net of provision	**28 389 441**	**31 218 588**

Credit related commitments are irrevocable or are revocable only in response to a material adverse change.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer only credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**30 June 2015**	**31 December 2014**
Russian Roubles	27 536 047	34 531 633
US Dollars	972 578	754 196
Euros	1 060 095	918 943
Others	16 329	
Total	**29 585 049**	**36 204 772**

Movements in provisions for credit related commitments are as follows:

In thousands of Russian Roubles	**2015**	**2014**
Carrying amount at 1 January	-	-
Provision for credit related commitments	126 950	-
Carrying amount at 30 June	**126 950**	**-**

21. Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 30 June 2015 the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rate: 14,0%-21,4%)	649	-	-
Due to other banks (contractual interest rate: 4.1% -16.4%)	4 421 456	-	-
Customer accounts (contractual interest rate: 3.5%- 18.0%)	1 358 262	5 922	251
Commitments on credit lines	12 449	3 000	-

The income and expense items with related parties for the six-month period ended 30 June 2015 were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Other related parties**
Interest income	1	-	-
Interest expense	233 591	102	-
Fee and commission income	-	-	23
Fee and commission expense	18	1	1
Administrative and other operating expenses:	44 759	15 543	36 606
- salary	34 245	13 375	-
- social security tax	5 763	2 168	-
- rent	-	-	36 606
- professional services	4 750	-	-

Aggregate amounts lent to and repaid by related parties for the six-month period ended 30 June 2015 were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Other related parties**
Amounts lent to related parties during the period	649	-	-
Amounts repaid by related parties during the period	-	-	-

At 31 December 2014 the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders With significant influence**	**Key management personnel**	**Other related parties**
Due to other banks (contractual interest rate: 3.5% -15.6%)	5 859 370	-	-
Customer accounts (contractual interest rate: 2.7%- 13.0%)	1 376 961	2 898	-
Commitments on credit lines	10 387	3 244	-

21. Related Party Transactions (Continued)

The income and expense items with related parties for the six-month period ended 30 June 2014 were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Other related parties**
Interest expense	206 692	26	1 055
Fee and commission income	11	3	25
Fee and commission expense	-	-	1
Administrative and other operating expenses:			
- salary	37 731	2 983	-
- social security tax	4 910	168	-
- rent	-	-	34 856
- professional services	3 824	-	-

Aggregate amounts lent to and repaid by related parties for the six-month period ended 30 June 2014 were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Other related parties**
Amounts lent to related parties during the period	832	129	-
Amounts repaid by related parties during the period	31	-	-

Other related parties are represented by parent company of one of key shareholders and company owned by one of key management personnel.

The Group had 10 key personnel during six-month period ended 30 June 2015 (30 June 2014: 9), their compensation were:

	Six-month period ended 30 June 2015	**Six-month period ended 30 June 2014**
In thousands of Russian Roubles	**Expenses**	**Expenses**
Short-term benefits:		
- Salaries	47 620	40 714
Total	**47 620**	**40 714**