

“Asian-Pacific Bank”
(Open joint stock company)

Consolidated Interim Condensed
Financial Statements
for the 6 months ended 30 June 2014

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OJSC "Asian-Pacific Bank"

*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the 6 months ended
30 June 2014*

	Notes	30 June 2014 RUB'000	30 June 2013 RUB'000
Interest income	4	8 436 857	7 236 299
Interest expense	4	(3 599 914)	(3 388 906)
Net interest income		4 836 943	3 847 393
Deposit insurance expenses		(98 729)	(84 876)
Net interest income after deposit insurance expenses		4 738 214	3 762 517
Fee and commission income	5	1 779 739	1 515 880
Fee and commission expense		(147 409)	(103 314)
Net fee and commission income		1 632 330	1 412 566
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		131 748	571 955
Net foreign exchange gain	6	224 918	189 678
Net gain (loss) on operations with precious metals	7	10 414	(18 196)
Other operating income	8	410 565	271 711
Operating income		7 148 189	6 190 231
Impairment losses	9	(4 166 962)	(1 757 231)
Personnel expenses	10	(1 839 258)	(1 616 181)
Other general administrative expenses	11	(803 271)	(788 321)
Profit before income tax		338 698	2 028 498
Income tax expense	12	(69 759)	(364 598)
Profit for the period		268 939	1 663 900
Other comprehensive income, net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Revaluation reserve for available-for-sale financial assets			
- Net change in fair value		(70 746)	(83 072)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		(70 746)	(83 072)
Other comprehensive income for the period, net of income tax		(70 746)	(83 072)
Total comprehensive income for the period		198 193	1 580 828

The consolidated interim condensed financial statements were approved by the Executive Board on 26 August 2014.

Mr. S.A. Tyrtsev
Chairman of the Executive Board



Ms. Ya.E. Komova
Chief Accountant



The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

	Notes	30 June 2014 RUB'000	30 June 2013 RUB'000
Interest income	4	4 130 309	3 812 426
Interest expense	4	(1 936 099)	(1 767 401)
Net interest income		2 194 210	2 045 025
Deposit insurance expenses		(50 263)	(45 488)
Net interest income after deposit insurance expenses		2 143 947	1 999 537
Fee and commission income	5	1 118 208	893 341
Fee and commission expense		(92 488)	(58 392)
Net fee and commission income		1 025 720	834 949
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		281 394	307 153
Net foreign exchange gain	6	90 477	133 140
Net gain on operations with precious metals	7	6 211	1 664
Other operating income	8	218 827	150 040
Operating income		3 766 576	3 426 483
Impairment losses	9	(2 027 287)	(926 495)
Personnel expenses	10	(928 520)	(850 474)
Other general administrative expenses	11	(483 141)	(467 509)
Profit before income tax		327 628	1 182 005
Income tax expense	12	(61 746)	(160 620)
Profit for the period		265 882	1 021 385
Other comprehensive income, net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Revaluation reserve for available-for-sale financial assets			
- Net change in fair value		18 166	(63 345)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>18 166</i>	<i>(63 345)</i>
Other comprehensive income for the period, net of income tax		18 166	(63 345)
Total comprehensive income for the period		284 048	958 040

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Chairman of the Executive Board



Ms. Ya.E. Komova
Chief Accountant

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2014

	Notes	30 June 2014 RUB'000	31 December 2013 RUB'000
ASSETS			
Cash		3 117 787	2 752 702
Placements with the Central Bank of the Russian Federation	13	7 886 016	6 021 534
Financial instruments at fair value through profit or loss	14	5 364 706	10 676 182
Available-for-sale financial assets	15	7 220 743	6 223 872
Due from banks	16	3 103 100	3 100 556
Amounts receivable under reverse repurchase agreements	17	1 803 950	335 720
Loans to customers	18	83 466 150	80 424 773
Net investments in finance leases	19	2 377 416	2 411 995
Current tax asset		195 043	27 549
Deferred tax asset	12	49 090	51 462
Property, equipment, intangible assets and investment property	21	5 128 766	5 005 641
Other assets	22	1 522 972	1 524 276
Total assets		121 235 739	118 556 262
LIABILITIES			
Derivative financial instruments	14	3 466	16 430
Deposits and balances from banks	23	10 357 808	6 994 667
Amounts payable under repurchase agreements	24	7 320 638	6 809 841
Current accounts and deposits from customers	25	76 361 850	81 370 124
Debt securities issued	26	9 436 048	6 104 061
Subordinated borrowings	27	1 013 201	986 344
Current tax liability		4 788	184 630
Deferred tax liability	12	450 825	444 077
Other liabilities	28	889 386	1 055 670
Total liabilities		105 838 010	103 965 844
EQUITY			
Share capital	29	585 414	562 312
Treasury shares	29	(10 307)	(10 307)
Share premium		1 778 739	1 192 723
Revaluation reserve for available-for-sale financial assets		(100 573)	(29 827)
Revaluation surplus for buildings		1 619 799	1 620 178
Retained earnings		11 524 657	11 255 339
Total equity		15 397 729	14 590 418
Total liabilities and equity		121 235 739	118 556 262

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The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Cash Flows for the 6 months ended 30 June 2014

	Notes	30 June 2014 RUB'000	30 June 2013 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		7 933 654	6 876 642
Interest payments		(3 749 160)	(3 014 753)
Fee and commission receipts		1 774 500	1 511 356
Fee and commission payments		(147 409)	(107 613)
Net receipts from financial instruments at fair value through profit or loss and available-for-sale financial instruments		196 966	575 679
Net receipts from foreign exchange		261 939	132 953
Other income receipts		410 565	271 727
Net receipts from operations with precious metals		6 543	10 761
General administrative expenses payments		(2 660 651)	(2 726 558)
(Increase) decrease in operating assets			
Obligatory reserves with the CBR		290 455	(340 215)
Financial instruments at fair value through profit or loss		5 198 586	3 113 147
Available-for-sale financial assets		(1 050 750)	(10 805 896)
Due from banks (excluding Nostro accounts and term deposits with other banks, which are included in Cash and cash equivalents)		412 592	439 291
Amounts receivable under reverse repurchase agreements		(1 468 452)	(930 107)
Loans to customers		(6 521 521)	(12 431 839)
Net investments in finance leases		(6 133)	(19 538)
Other assets		3 905	(310 610)
Increase (decrease) in operating liabilities			
Deposits and balances from banks		3 314 577	62 820
Amounts payable under repurchase agreements		507 939	2 956 298
Current accounts and deposits from customers		(4 917 057)	13 285 400
Promissory notes		1 038 869	454 901
Other liabilities		(111 107)	318 160
Cash flows from (used in) operating activities before income tax paid		718 850	(677 994)
Income tax paid		(390 290)	(351 063)
Cash flows from (used in) operations		328 560	(1 029 057)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of property and equipment and intangible assets		(266 112)	(221 635)
Cash flows used in investing activities		(266 112)	(221 635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	29	609 118	-
Issue of bonds		2 194 056	2 638 642
Distribution to shareholders		-	(8 100)
Cash flows from financing activities		2 803 174	2 630 542

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Cash Flows for the 6 months ended 30 June 2014

	30 June 2014	30 June 2013
Notes	RUB'000	RUB'000
Net increase in cash and cash equivalents	2 865 623	1 379 850
Effect of changes in exchange rates on cash and cash equivalents	55 915	(82 020)
Cash and cash equivalents as at the beginning of the year	10 085 780	8 180 610
Cash and cash equivalents as at the end of the period	34 13 007 317	9 478 440

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Chief Accountant



The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Changes in Equity for the 6 months ended 30 June 2014

RUB'000	Share capital	Treasury shares	Share premium	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2013	562 312	-	1 192 723	9 718	1 280 014	8 484 167	11 528 934
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1 663 900	1 663 900
Other comprehensive income, net of income tax							
<i>Items that are or may be reclassified subsequently to profit or loss</i>							
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 20 768 thousand	-	-	-	(83 072)	-	-	(83 072)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	(83 072)	-	-	(83 072)
Total comprehensive income for the period, net of income tax	-	-	-	(83 072)	-	1 663 900	1 580 828
Transactions with owners, recorded directly in equity							
Distributions to shareholders (note 35)	-	-	-	-	-	(8 100)	(8 100)
Total transactions with owners	-	-	-	-	-	(8 100)	(8 100)
Balance as at 30 June 2013	562 312	-	1 192 723	(73 354)	1 280 014	10 139 967	13 101 662
Balance as at 1 January 2014	562 312	(10 307)	1 192 723	(29 827)	1 620 178	11 255 339	14 590 418
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	268 939	268 939
Other comprehensive income, net of income tax							
<i>Items that are or may be reclassified subsequently to profit or loss</i>							
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 17 685 thousand	-	-	-	(70 746)	-	-	(70 746)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	(70 746)	-	-	(70 746)
<i>Items that will not be reclassified to profit or loss</i>							
Transfer of revaluation surplus on disposal of buildings previously revalued	-	-	-	-	(379)	379	-
<i>Total items that will not be reclassified to profit or loss</i>	-	-	-	-	(379)	379	-
Total comprehensive income for the period, net of income tax	-	-	-	(70 746)	(379)	269 318	198 193

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Changes in Equity for the 6 months ended 30 June 2014

RUB'000	Share capital	Treasury shares	Share premium	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings	Total equity
Transactions with owners, recorded directly in equity							
Issue of shares (note 29)	23 102	-	586 016	-	-	-	609 118
Total transactions with owners	23 102	-	586 016	-	-	-	609 118
Balance as at 30 June 2014	585 414	(10 307)	1 778 739	(100 573)	1 619 799	11 524 657	15 397 729

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Chief Accountant



1 Background

Organisation and operations

These consolidated interim condensed financial statements include the financial statements of OJSC “Asian-Pacific Bank” (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint stock company in 1992 under the name Amurpromstroybank as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint stock company to an open joint stock company and renamed to Asian-Pacific Bank by decision of the shareholders. On 7 May 2010 LLC “PPFIN Region”, being a common majority shareholder for OJSC “Asian-Pacific Bank”, OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”, merged the operations of these entities and therefore granted full control over OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” to OJSC “Asian-Pacific Bank”.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the CBR). The Bank has a general banking license, and is a member of the state deposit insurance system in the Russian Federation.

The Bank has 297 (31 December 2013: 316) offices from which it conducts business throughout the Russian Federation including a head office, 5 regional branches, 66 additional offices, 223 operational offices and 2 operational cash boxes. The registered address of the head office is 225, Amurskaya Street, Blagoveschensk, 675000. The majority of the assets and liabilities are located in the Russian Federation.

As at 30 June 2014 the following shareholders held the issued shares of Open Joint Stock Company “Asian-Pacific Bank”:

Shareholder	30 June 2014 %	31 December 2013 %
LLC “PPFIN Region” (Russian Federation)	59.17	58.22
East Capital Explorer Financial Institutions Fund AB (Sweden)	17.91	17.91
TECHSUN ENTERPRISES LIMITED (Cyprus)	8.41	7.76
International Financial Corporation	6.71	6.99
Aksenov E.V.	3.08	4.21
LLC “Expo-Leasing” (a 100% owned subsidiary of the Bank)	1.76*	1.83*
Others	2.96	3.08
Total	100.00	100.00

* *Treasury shares*

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			30 June 2014	31 December 2013
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	100%
CJSC “Mortgage agent APB”	Russian Federation	Mortgage agent	see below	see below
CJSC “Mortgage agent APB 2”	Russian Federation	Mortgage agent	see below	-

On 1 October 2010 100% of the shares of LLC “Expo-Leasing” were acquired by the Bank.

LLC “Expo-Leasing” was registered in 2002 in Russia. Its head office is in Moscow and it has 13 branches (31 December 2013: 13) comprising a head office, 1 regional branch and 11 separate offices.

CJSC “Mortgage agent APB” and CJSC “Mortgage agent APB 2” (MA APB and MA APB 2) are structured entities established to facilitate the Bank’s issue of mortgage backed securities (refer to note 26). These entities are not owned by the Group. Control arises through the predetermination of the entities’ activities, having rights to obtain the majority of benefits of the structured entities, and retaining the majority of the residual risks related to the entities.

The average number of the Group’s employees for the 6 months ended 30 June 2014 was 4 508 (31 December 2013: 4 658).

Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. In addition, the contraction felt after the 2008 economic downturn in the capital and credit markets and the impact of this on the Russian economy further increased the level of economic uncertainty in the environment. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. As a result, they do not include all of the information required by IFRS for a complete set of financial statements. Operating results for the 6 months period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014.

These consolidated interim condensed financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2013.

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value, and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Significant accounting policies

In general the accounting policies applied by the Group in these consolidated interim condensed financial statements are consistent with those applied by the Group in the year ended 31 December 2013.

Comparative information

A change in the presentation deposit insurance expenses was made during 6 months 2014 in order to better present the substance of the underlying transactions.

With effect from 1 January 2014, the Group presents deposit insurance expenses after net interest income. The Group previously presented deposit insurance expenses within other general administrative expenses in the consolidated interim condensed statement of profit or loss and other comprehensive income for the 6 months ended 30 June 2013. As a result, an amount of RUB 84 876 thousand has been reclassified from other general administrative expenses to deposit insurance expenses in the comparative consolidated interim condensed statement of profit or loss and other comprehensive income, to conform to the 6 months 2014 presentation.

4 Interest income and expense

	30 June 2014 RUB'000	30 June 2013 RUB'000
Interest income		
Loans to customers	8 027 990	6 738 082
Net investments in finance leases	259 448	253 712
Due from banks	105 293	90 228
Promissory notes included in financial instruments at fair value through profit or loss	44 126	154 277
	8 436 857	7 236 299
Interest expense		
Current accounts and deposits from customers	2 491 381	2 628 992
Deposits and balances from banks	583 006	367 296
Debt securities issued	457 056	341 348
Subordinated borrowings	68 471	51 270
	3 599 914	3 388 906

5 Fee and commission income

	30 June 2014 RUB'000	30 June 2013 RUB'000
Insurance agent commission	949 511	734 903
Settlement operations	619 811	633 482
Accounts opening and maintenance	82 010	91 789
Guarantee and letter of credit issuance	38 997	30 557
Other	89 410	25 149
	1 779 739	1 515 880

6 Net foreign exchange gain

	30 June 2014 RUB'000	30 June 2013 RUB'000
Gain on derivatives and spot transactions (except swaps)	249 554	114 330
Gain on swap operations	18 226	179 219
Loss from revaluation of financial assets and liabilities	(42 862)	(103 871)
	224 918	189 678

7 Net gain (loss) on operations with precious metals

	30 June 2014 RUB'000	30 June 2013 RUB'000
Gain on trading operations	8 547	10 761
Gain (loss) from revaluation of financial assets and liabilities and operations with derivatives	1 867	(28 957)
	10 414	(18 196)

8 Other operating income

	30 June 2014 RUB'000	30 June 2013 RUB'000
Penalties on loans issued	279 375	168 611
Income from sale of loans	57 520	11 588
Repayment of written off loans	16 579	7 506
Penalties on other operations	14 762	2 051
Rental income	11 819	13 210
Other income	30 510	68 745
	410 565	271 711

9 Impairment losses

	30 June 2014 RUB'000	30 June 2013 RUB'000
Loans to customers	4 122 142	1 748 272
Net investments in finance leases	45 213	8 959
Other assets	(393)	-
	4 166 962	1 757 231

10 Personnel expenses

	30 June 2014 RUB'000	30 June 2013 RUB'000
Employee compensation	1 410 779	1 228 448
Payroll related taxes	428 479	387 733
	1 839 258	1 616 181

11 Other general administrative expenses

	30 June 2014 RUB'000	30 June 2013 RUB'000
Depreciation and amortisation	142 482	122 584
Taxes other than income tax	137 187	82 818
Repairs and maintenance	104 886	68 974
Write-off of materials and loss on disposals of assets	91 140	103 898
Rent	80 773	69 480
Communications and information services	65 462	59 090
Advertising and marketing	39 344	51 719
IT service	25 663	17 579
Security	22 749	20 114
Travel expenses	17 409	18 326
Professional services	15 562	15 241
Insurance	5 029	5 328
Agent fees	3 084	55 901
Other	52 501	97 269
	803 271	788 321

12 Income tax expense

	30 June 2014 RUB'000	30 June 2013 RUB'000
Current tax expense		
Current year tax expense	42 954	102 767
Origination and reversal of temporary differences	26 805	261 831
Total income tax expense	69 759	364 598

During 6 months ended 30 June 2014, the applicable tax rate for current and deferred tax is 20% (30 June 2013: 20%).

Reconciliation of effective tax rate for the 6 months ended 30 June:

	30 June 2014 RUB'000	%	30 June 2013 RUB'000	%
Profit before tax	338 698		2 028 498	
Income tax at the applicable tax rate	67 740	20.0%	405 700	20.0%
Other differences	11 190	3.3%	(33 228)	(1.6%)
Income taxed at lower tax rates	(9 171)	(2.7%)	(7 874)	(0.4%)
	69 759	20.6%	364 598	18.0%

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as at 30 June 2014 and 2013. Net deferred tax liabilities have been recognised in these consolidated financial statements.

Movements in temporary differences during the 6 months ended 30 June 2014 and 2013 are presented as follows:

RUB'000	Balance 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income and directly in equity	Balance 30 June 2014
Financial instruments at fair value through profit or loss	(19 797)	31 508	-	11 711
Available-for-sale financial assets	7 457	(973)	17 685	24 169
Derivative financial instruments	1 973	(1 722)	-	251
Loans to customers	(166 016)	(19 865)	-	(185 881)
Net investments in finance leases	51 462	(2 372)	-	49 090
Property, equipment and intangible assets	(379 271)	1 290	-	(377 981)
Other assets	-	(1 206)	-	(1 206)
Current accounts and deposits from customers	10 901	(4 284)	-	6 617
Debt securities issued	(2 504)	2 016	-	(488)
Other liabilities	103 180	(31 197)	-	71 983
	(392 615)	(26 805)	17 685	(401 735)
Comprising of:				
Deferred tax asset	51 462			49 090
Deferred tax liability	(444 077)			(450 825)

RUB'000	Balance 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income and directly in equity	Balance 30 June 2013
Financial instruments at fair value through profit or loss	2 385	(4 858)	-	(2 473)
Available-for-sale financial assets	(2 429)	-	20 768	18 339
Derivative financial instruments	32 143	(35 976)	-	(3 833)
Loans to customers	(111 223)	(108 854)	-	(220 077)
Net investments in finance leases	25 432	1 456	-	26 888
Property, equipment and intangible assets	(300 582)	5 837	-	(294 745)
Debt securities issued	(662)	1 123	-	461
Other liabilities	91 595	(120 559)	-	(28 964)
	(263 341)	(261 831)	20 768	(504 404)
Comprising of:				
Deferred tax asset	25 432			26 888
Deferred tax liability	(288 773)			(531 292)

13 Placements with the Central Bank of the Russian Federation

	30 June 2014 RUB'000	31 December 2013 RUB'000
Nostro accounts	7 097 678	2 942 741
Obligatory reserves with the CBR	788 338	1 078 793
Term deposits	-	2 000 000
Total placements with the Central Bank of the Russian Federation	7 886 016	6 021 534

14 Financial instruments at fair value through profit or loss

	30 June 2014 RUB'000	31 December 2013 RUB'000
ASSETS		
Held by the Group		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	1 196 592	709 235
Regional authorities bonds	-	517 879
Total government and municipal bonds	1 196 592	1 227 114
- Corporate bonds		
rated from BB- to BBB+	1 713 939	1 684 511
rated below B+	-	102 259
Total corporate bonds	1 713 939	1 786 770
- Promissory notes		
rated from BB- to BBB+	-	1 558 241
rated below B+	-	2 637 827
Total promissory notes	-	4 196 068
Derivative financial instruments		
Foreign currency contracts	2 213	-
	2 213	-
Total financial instruments at fair value through profit or loss held by the Group	2 912 744	7 209 952
Pledged under sale and repurchase agreements		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	-	380 688
Regional authorities bonds	-	71 770
Total government and municipal bonds	-	452 458
- Corporate bonds		
rated from BB- to BBB+	2 451 962	3 013 772
Total corporate bonds	2 451 962	3 013 772
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	2 451 962	3 466 230
Total financial instruments at fair value through profit or loss	5 364 706	10 676 182
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	3 466	16 430
	3 466	16 430

Ratings of corporate entities are based on Standart & Poor's or the equivalent ratings assigned by Fitch Rating and Moody's.

All financial instruments at fair value through profit or loss are classified as held for trading.

None of financial assets at fair value through profit or loss are past due or impaired.

The table below analyses financial instruments at fair value through profit or loss at 30 June 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

RUB '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	5 362 493	-	5 362 493
- Derivative assets	17	2 196	2 213
- Derivative liabilities	(2 372)	(1 094)	(3 466)

The table below analyses financial instruments measured at fair value through profit or loss at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

RUB '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	6 480 114	4 196 068	10 676 182
- Derivative liabilities	(3 878)	(12 552)	(16 430)

Foreign currency and gold contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 30 June 2014 and at 31 December 2013 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	30 June 2014 RUB'000	31 December 2013 RUB'000	30 June 2014 RUB'000	31 December 2013 RUB'000
Buy USD sell RUB				
Less than 3 months	667 020	496 181	34.24	33.28
Buy USD sell RUB				
From 3 to 12 months	523 880	1 533 906	34.78	34.29
Buy Euro sell RUB				
Less than 3 months	32 307	-	46.45	-
Buy JPY sell RUB				
Less than 3 months	19 903	9 317	33.44	31.08
Buy Gold sell RUB				
Less than 3 months	-	642 264	-	1 271.92
Sell CNY buy RUB				
Less than 3 months	2 704	-	54.44	-

15 Available-for-sale financial assets

	30 June 2014 RUB'000	31 December 2013 RUB'000
Held by the Group		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Regional authorities bonds	1 038 382	267 370
Total government and municipal bonds	1 038 382	267 370
- Corporate bonds		
rated from BB- to BBB+	470 528	1 311 461
rated below B+	252 882	149 390
not rated	-	95 391
Total corporate bonds	723 410	1 556 242
Total available-for-sale financial instruments held by Group	1 761 792	1 823 612
Pledged under sale and repurchase agreements		
- Government and municipal bonds		
Regional authorities bonds	28 133	375 093
Total government and municipal bonds	28 133	375 093
- Corporate bonds		
rated from BB- to BBB+	5 323 748	3 813 394
rated below B+	107 070	211 773
Total corporate bonds	5 430 818	4 025 167
Total available-for-sale financial instruments pledged under sale and repurchase agreements	5 458 951	4 400 260
Total available-for-sale financial instruments	7 220 743	6 223 872

Ratings of corporate entities are based on Standart & Poor's or the equivalent ratings assigned by Fitch Rating and Moody's.

None of available-for-sale financial assets are past due or impaired.

The table below analyses available-for-sale financial assets at 30 June 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

RUB '000	Level 1	Total
Available-for-sale financial assets		
- Debt and other fixed income instruments	7 220 743	7 220 743

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

RUB '000	Level 1	Total
Available-for-sale financial assets		
- Debt and other fixed income instruments	6 223 872	6 223 872

16 Due from banks

	30 June 2014 RUB'000	31 December 2013 RUB'000
Nostro accounts		
- OECD banks	1 293 320	980 488
- Largest 30 Russian banks	867 342	582 742
- Other Russian banks	122 747	322 402
- Other foreign banks	53 224	57 631
Total nostro accounts	2 336 633	1 943 263
Term deposits		
- Other foreign banks	311 096	335 431
- Other Russian banks	249 314	307 802
- Largest 30 Russian banks	206 057	514 060
Total term deposits	766 467	1 157 293
	3 103 100	3 100 556

None of due from banks balances are impaired or past due.

As at 30 June 2014, the Group has no banks (31 December 2013: no banks), whose balances individually exceed 10% of equity.

17 Amounts receivable under reverse repurchase agreements

The table below sets out receivables under reverse repurchase agreements showing individual types of securities received as collateral under reverse repurchase agreements outstanding as at 30 June 2014:

	Government and municipal bonds RUB'000	Corporate shares RUB'000	Corporate bonds RUB'000	Total RUB'000
Amounts receivable under reverse repurchase agreements				
- Largest 30 Russian banks	450 970	915 055	437 925	1 803 950
	450 970	915 055	437 925	1 803 950

The table below sets out receivables under reverse repurchase agreements showing individual types of securities received as collateral under reverse repurchase agreements outstanding as at 31 December 2013:

	Corporate bonds RUB'000	Total RUB'000
Amounts receivable under reverse repurchase agreements		
- Other Russian banks	335 720	335 720
	335 720	335 720

At 30 June 2014, the fair value of securities collateralising reverse repurchase agreements that the Group is permitted to sell or repledge in the absence of default is RUB 2 023 857 thousand (31 December 2013: RUB 395 986 thousand). As at 31 December 2013 the Group repledged out of them securities with fair value of RUB 338 752 thousand under repurchase agreements.

None of amounts receivable under reverse repurchase agreements are past due or impaired.

18 Loans to customers

	30 June 2014 RUB'000	31 December 2013 RUB'000
Loans to corporate customers	29 172 167	26 969 176
Loans to retail customers		
Consumer loans	54 193 935	50 582 233
Mortgage loans	9 704 397	8 684 640
Total loans to retail customers	63 898 332	59 266 873
Gross loans to customers	93 070 499	86 236 049
Impairment allowance	(9 604 349)	(5 811 276)
Net loans to customers	83 466 150	80 424 773

Movements in the loan impairment allowance by classes of loans to customers for the the 6 months ended 30 June 2014 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at 1 January 2014	670 578	5 140 698	5 811 276
Net charge	162 042	3 960 100	4 122 142
Write-offs	(219)	(328 850)	(329 069)
Balance at 30 June 2014	832 401	8 771 948	9 604 349

Movements in the loan impairment allowance by classes of loans to customers for the 6 months ended 30 June 2013 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at 1 January 2013	266 267	2 653 568	2 919 835
Net charge	223 228	1 525 044	1 748 272
Write-offs	(29 303)	(426 021)	(455 324)
Balance at 30 June 2013	460 192	3 752 591	4 212 783

Credit quality of loans to customers

The following table provides information on the credit quality of loans to corporate customers as at 30 June 2014 and 31 December 2013:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Loans to corporate customers		
Loans without individual signs of impairment	23 449 860	23 452 219
Watch list loans	4 420 793	2 440 094
Impaired loans:		
- not overdue	246 190	144 215
- overdue less than 90 days	290 826	183 923
- overdue more than 90 days and less than 1 year	296 781	407 691
- overdue more than 1 year	467 717	341 034
Total impaired loans	1 301 514	1 076 863
Total gross loans to corporate customers	29 172 167	26 969 176
Impairment allowance	(832 401)	(670 578)
Net loans to corporate customers	28 339 766	26 298 598

The following table provides information on the credit quality of loans to retail customers as at 30 June 2014:

	Consumer loans RUB'000	Mortgage loans RUB'000	Total loans to retail customers RUB'000
Loans to retail customers			
- not overdue	39 717 325	9 534 852	49 252 177
- overdue less than 30 days	2 271 054	16 857	2 287 911
- overdue 30-89 days	2 488 776	68 402	2 557 178
- overdue 90-179 days	2 861 321	55 917	2 917 238
- overdue more than 180 days	6 855 459	28 369	6 883 828
Total gross loans to retail customers	54 193 935	9 704 397	63 898 332
Impairment allowance	(8 733 188)	(38 760)	(8 771 948)
Net loans to retail customers	45 460 747	9 665 637	55 126 384

The following table provides information on the credit quality of loans to retail customers as at 31 December 2013:

	Consumer loans RUB'000	Mortgage loans RUB'000	Total loans to retail customers RUB'000
Loans to retail customers			
- not overdue	41 256 683	8 413 426	49 670 109
- overdue less than 30 days	1 920 372	222 352	2 142 724
- overdue 30-89 days	1 715 238	18 400	1 733 638
- overdue 90-179 days	1 703 765	17 967	1 721 732
- overdue more than 180 days	3 986 175	12 495	3 998 670
Total gross loans to retail customers	50 582 233	8 684 640	59 266 873
Impairment allowance	(5 124 569)	(16 129)	(5 140 698)
Net loans to retail customers	45 457 664	8 668 511	54 126 175

Asset securitisation

As at 30 June 2014, the Group transferred mortgage loans of RUB 3 288 711 thousand (31 December 2013: RUB 1 149 703 thousand) to MA APB and MA APB 2, entities that are, in substance, controlled by the Group. These loans serve as collateral for secured mortgage backed securities issued by the Group. As at 30 June 2014, the carrying amount of liabilities on these securities is RUB 3 446 988 thousand (31 December 2013: RUB 1 206 064 thousand).

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation who operate in the following economic sectors:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Wholesale and retail trade	7 539 646	7 688 160
Investment activities and real estate	3 228 991	1 543 025
Services	3 137 075	2 971 267
Mining	2 574 159	2 081 655
Production	2 052 177	2 087 437
Construction	1 769 686	1 902 577
Energy	719 927	1 104 504
Fishery	699 037	1 413 301
Other	7 451 469	6 177 250
Individuals	63 898 332	59 266 873
	93 070 499	86 236 049
Impairment allowance	(9 604 349)	(5 811 276)
	83 466 150	80 424 773

Significant credit exposures

As at 30 June 2014, the Group has one borrower whose loan balances individually exceed 10% of equity (31 December 2013: no borrowers or group of borrowers). The gross amount of these balances comprised RUB 1 707 458 thousand.

For maturity analysis refer to note 31.

19 Net investments in finance leases

Net investments in finance leases comprise:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Gross investments in finance leases	3 047 934	3 131 007
Less unearned finance lease income	(563 496)	(657 203)
	2 484 438	2 473 804
Less allowance for impairment	(107 022)	(61 809)
Net investments in finance leases	2 377 416	2 411 995

Net investments in finance leases generally comprise lease contracts on various types of equipment and vehicles.

Future minimum lease payments to be received are disclosed below:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Within 1 year	1 878 090	1 823 676
From 1 to 5 years	1 169 844	1 307 331
Minimum lease payments receivable	3 047 934	3 131 007

Gross investment in leases is receivable in the following currencies:

	30 June 2014 RUB'000	31 December 2013 RUB'000
RUB	2 823 105	2 886 490
USD	224 829	243 722
EUR	-	795
Gross investments in finance leases	3 047 934	3 131 007

Movements in the impairment allowance are as follows:

	30 June 2014 RUB'000	30 June 2013 RUB'000
Balance at 1 January	61 809	48 319
Net charge	45 213	8 959
Write-offs	-	(7 246)
Balance at 30 June	107 022	50 032

20 Transfers of financial assets

The securities sold under agreements to repurchase as at 30 June 2014 are presented in the table below:

RUB'000	Financial instruments at fair value through profit or loss	Financial assets available-for- sale
Carrying amount of assets	2 451 962	5 458 951
Carrying amount of associated liabilities	2 274 992	5 045 646

The securities sold under agreements to repurchase as at 31 December 2013 are presented in the table below:

RUB'000	Financial instruments at fair value through profit or loss	Financial assets available-for- sale	Securities received under reverse repurchase agreements repledged
Carrying amount of assets	3 466 230	4 400 260	338 752
Carrying amount of associated liabilities	2 886 652	3 618 612	304 577

21 Property, equipment, intangible assets and investment property

RUB'000	Land and buildings	Computers and equipment	Fixtures and fittings	Vehicles	Intangible assets	Construction in progress	Total
Cost/revalued amount							
Balance at 1 January 2014	4 387 149	642 687	44 382	55 606	255 014	190 822	5 575 660
Additions	6 584	167 354	564	9 134	90 106	181 249	454 991
Transfers from investment property	9 128	-	-	-	-	-	9 128
Disposals	(4 800)	(122)	(375)	(4 666)	(3 137)	(190 822)	(203 922)
At 30 June 2014	4 398 061	809 919	44 571	60 074	341 983	181 249	5 835 857
Depreciation and impairment losses							
Balance at 1 January 2014	6 229	419 191	37 834	30 341	125 637	-	619 232
Depreciation and amortisation for the period	66 413	43 493	1 269	4 144	27 163	-	142 482
Disposals	(46)	(122)	(375)	(3 631)	(3 137)	-	(7 311)
Balance at 30 June 2014	72 596	462 562	38 728	30 854	149 663	-	754 403
Carrying amounts							
At 30 June 2014	4 325 465	347 357	5 843	29 220	192 320	181 249	5 081 454
At 1 January 2014	4 380 920	223 496	6 548	25 265	129 377	190 822	4 956 428

There are no capitalised borrowing costs related to the acquisition or construction of property, equipment and intangible assets during the 6 months ended 30 June 2014 (30 June 2013: nil).

RUB'000	Land and buildings	Computers and equipment	Fixtures and fittings	Vehicles	Intangible assets	Construction in progress	Total
Cost/revalued amount							
Balance at 1 January 2013	3 892 179	579 286	39 750	63 431	224 224	258 058	5 056 928
Additions	64 217	58 557	821	6 399	63 287	57 769	251 050
Transfers from investment property	95 483	-	-	-	-	-	95 483
Disposals	-	(17 959)	-	(436)	(28 754)	-	(47 149)
At 30 June 2013	4 051 879	619 884	40 571	69 394	258 757	315 827	5 356 312
Depreciation and impairment losses							
Balance at 1 January 2013	100 806	346 501	36 664	27 026	97 336	-	608 333
Depreciation and amortisation for the period	52 188	39 829	495	4 041	26 031	-	122 584
Disposals	-	(7 270)	-	(407)	(8 844)	-	(16 521)
Balance at 30 June 2013	152 994	379 060	37 159	30 660	114 523	-	714 396
Carrying amounts							
At 30 June 2013	3 898 885	240 824	3 412	38 734	144 234	315 827	4 641 916
At 1 January 2013	3 791 373	232 785	3 086	36 405	126 888	258 058	4 448 595

Investment property

	30 June 2014 RUB'000	30 June 2013 RUB'000
Balance at 1 January	49 213	143 435
Taking possession of collateral for loans to customers	7 728	-
Transfer to property, equipment and intangible assets	(9 128)	(95 483)
Fair value revaluation	(501)	(1 240)
Balance at 30 June	47 312	46 712

Fair value measurement of investment property is categorised as Level 3 in the fair value hierarchy.

Rental income from investment property for the 6 months ended 30 June 2014 comprised RUB 1 137 thousand (30 June 2013: RUB 2 614 thousand).

22 Other assets

	30 June 2014 RUB'000	31 December 2013 RUB'000
Other receivables	440 354	181 838
Total other financial assets	440 354	181 838
Prepayments	443 128	558 436
Assets held for sale	205 546	75 810
Advances on precious metals delivery	163 998	308 871
Prepayments for assets to be leased under finance lease	154 336	239 530
Materials and supplies	30 498	44 242
Other	113 590	144 420
Total other non-financial assets	1 111 096	1 371 309
Gross other assets	1 551 450	1 553 147
Less allowance for impairment of other non-financial assets	(28 478)	(28 871)
Net other assets	1 522 972	1 524 276

Movements in the impairment allowance are as follows:

	30 June 2014 RUB'000	30 June 2013 RUB'000
Balance at 1 January	28 871	-
Net recovery	(393)	-
Balance at 30 June	28 478	-

23 Deposits and balances from banks

	30 June 2014 RUB'000	31 December 2013 RUB'000
Vostro accounts	308 279	281 660
Term deposits from banks	7 544 091	6 694 976
Term deposit from the CBR	2 505 438	18 031
	10 357 808	6 994 667

As at 30 June 2014, the Group has three banks (including the CBR) (31 December 2013: two banks), whose balances individually exceed 10% of equity. The gross value of these balances as at 30 June 2014 is RUB 7 208 714 thousand (31 December 2013: RUB 4 257 541 thousand).

24 Amounts payable under repurchase agreements

The table below sets out payables under direct repo agreements showing individual types of securities transferred as collateral under repo agreements outstanding as at 30 June 2014:

RUB'000	Government and municipal bonds	Corporate bonds	Total
Amounts payable under direct repo agreements			
- The CBR	25 240	7 295 398	7 320 638
	25 240	7 295 398	7 320 638

The table below sets out payables under direct repo agreements showing individual types of securities transferred as collateral under repo agreements outstanding as at 31 December 2013:

RUB'000	Government and municipal bonds	Corporate bonds	Total
Amounts payable under direct repo agreements			
- The CBR	727 487	6 082 354	6 809 841
	727 487	6 082 354	6 809 841

Fair value of securities transferred under repo agreements as at 30 June 2014 comprised RUB 7 910 001 thousand (31 December 2013: RUB 8 205 242 thousand). For details, please, refer to note 20.

25 Current accounts and deposits from customers

	30 June 2014 RUB'000	31 December 2013 RUB'000
Current accounts and demand deposits		
- Retail	4 332 852	4 971 504
- Corporate	14 288 227	17 989 348
Term deposits		
- Retail	48 607 612	45 508 173
- Corporate	9 133 159	12 901 099
	76 361 850	81 370 124

As at 30 June 2014, the Group has one customer (31 December 2013: one customer), whose balances exceed 10% of equity. The amount owned comprised RUB 5 032 658 thousand (31 December 2013: RUB 8 186 316 thousand).

26 Debt securities issued

	30 June 2014 RUB'000	31 December 2013 RUB'000
Bonds	8 082 067	5 835 360
Promissory notes	1 353 981	268 701
	9 436 048	6 104 061

Bonds are presented by four issues: two of the Bank and the others of MA APB and MA APB 2.

In April 2012, the Group issued RUB 1 500 000 thousand of bonds with a coupon rate as at 30 June 2014 of 10.4%. These bonds mature on 30 April 2015.

In December 2012, the Group issued RUB 1 521 863 thousand of mortgage backed securities with a coupon rate of 8.75%. These securities mature on 26 April 2045 (see note 18 for more details).

In February 2013, the Group issued RUB 3 000 000 thousand of bonds with a coupon rate as at 30 June 2014 of 10.4%, changed to 12% starting 20 August 2014. These bonds mature on 19 February 2016. The part of the issue in the amount of RUB 2 645 020 thousand was bought back by the Group at the put-option day on 22 August 2014.

In February 2014, the Group issued RUB 2 553 000 thousand of mortgage backed securities with a coupon rate of 9%. These securities mature on 1 October 2046 (see note 18 for more details).

27 Subordinated borrowings

	30 June 2014 RUB'000	31 December 2013 RUB'000
Subordinated loan	1 013 201	986 344
	1 013 201	986 344

On 21 November 2012 the Bank attracted a subordinated loan in the amount USD 30 million from one of the Bank's shareholders - IFC. The loan with interest rate 10.92% as at 30 June 2014 mature by tranches until 16 December 2019.

According to the terms of the agreement the Group is subject to a debt covenant stating that at the end of each quarter the Group should comply with a number of financial and non-financial covenants.

As at 30 June 2014 and 31 December 2013, the Group did not breach any covenants described above.

28 Other liabilities

	30 June 2014 RUB'000	31 December 2013 RUB'000
Payables to employees	343 978	463 786
Other taxes payable	210 748	158 116
Advances from lessees received	124 643	211 944
VAT received	82 590	41 762
Payables to creditors	39 866	70 459
Deferred commission on guarantees and letters of credit issued	43 373	49 011
Other non-financial liabilities	44 188	60 592
	889 386	1 055 670

29 Share capital

Issued capital

Movement in share capital for the 6 months ended 30 June 2014 is as follows:

	Shares (thousands)	Nominal amount, RUB'000	Inflation adjustment, RUB'000	Total, RUB'000
Balance as at 1 January 2014	4 949 019 820 939	554 290	8 022	562 312
Ordinary shares	4 858 303 245 205	544 130	7 875	552 005
Preferred shares	250	-	-	-
Purchased ordinary treasury shares	90 716 575 484	10 160	147	10 307
Issue of ordinary shares	206 271 120 949	23 102	-	23 102
Balance as at 30 June 2014	5 155 290 941 888	577 392	8 022	585 414

On 14 April 2014 the Group issued 206 271 120 949 312 ordinary shares with a nominal value of RUB 0.000000112 per each share and total nominal value of RUB 23 102 thousand. Total value of shares at the price of issue is RUB 609 118 thousand.

30 Analysis by segment

The Group has eighteen divisions located in different regions of the Russian Federation, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units the chief operating decision maker reviews internal management reports on at least a monthly basis. The Group combined branches into three reporting units based on geographical location: Far East region, Siberia region and West region.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are based on statutory financial information and that are reviewed by the Chairman of the Executive Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries.

Segment breakdown of assets and liabilities is set out below:

	30 June 2014 RUB'000	31 December 2013 RUB'000
ASSETS		
Far East region	55 462 891	54 460 162
Siberia region	29 983 164	30 844 089
West region	28 494 777	28 700 692
Total assets	113 940 832	114 004 943
LIABILITIES		
Far East region	63 404 531	63 081 318
Siberia region	15 785 833	15 399 497
West region	21 959 847	22 189 149
Total liabilities	101 150 211	100 669 964

Segment information for the main reportable segments for the 6 months ended 30 June 2014 is set below:

RUB'000	Far East region	Siberia region	West region	Total
External interest income	4 329 401	2 817 261	629 844	7 776 506
Fee and commission income	1 061 222	792 864	71 116	1 925 202
Net (loss) gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial instruments	(1 249)	-	158 512	157 264
Net foreign exchange (loss) income	(190 954)	85 582	330 676	225 304
Other operating income	253 015	123 706	3 538	380 259
Revenue	5 451 436	3 819 413	1 193 686	10 464 535
Impairment losses	1 713 676	1 874 410	282 622	3 870 708
Interest expense	2 143 557	566 112	803 211	3 512 880
Fee and commission expense	93 650	21 043	6 238	120 931
General administrative expenses	1 756 729	684 846	104 826	2 546 401
Segment result	(256 176)	673 001	(3 211)	413 615
Income tax expense				22 833
Profit for the year				390 782

Segment information for the main reportable segments for the 6 months ended 30 June 2013 is set below:

RUB'000	Far East region	Siberia region	West region	Total
External interest income	3 484 432	2 079 229	571 337	6 134 998
Fee and commission income	1 336 308	843 153	78 950	2 258 411
Net (loss) gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial instruments	(1 025)	-	566 716	565 691
Net foreign exchange (loss) income	(707 221)	57 853	646 562	(2 806)
Other operating income	138 840	71 127	2 270	212 237
Revenue	4 251 334	3 051 362	1 865 835	9 168 531
Impairment losses	1 361 101	911 222	78 579	2 350 902
Interest expense	2 118 967	581 169	586 795	3 286 931
Fee and commission expense	33 674	13 956	8 822	56 452
Other general administrative expenses	2 044 979	192 852	32 631	2 270 462
Segment result	(1 307 387)	1 352 163	1 159 008	1 203 784
Income tax expense				20 140
Profit for the period				1 183 644

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	30 June 2014 RUB'000	30 June 2013 RUB'000
Revenues		
Total revenues for reportable segments	10 464 535	9 168 531
IFRS accounting policy adjustments:		
- interest income on loans to customers and net investments in finance leases	526 286	342 183
- securities at fair value	(25 444)	814
- other adjustments	28 864	66 121
Consolidated revenues	10 994 241	9 577 649
Profit or loss		
Total profit or loss for reportable segments	390 782	1 183 644
IFRS accounting policy adjustments:		
- interest income on loans to customers and net investments in finance leases	526 286	342 183
- allowance for impairment of loans to customers and net investments in finance leases	(296 256)	593 670
- depreciation and amortisation of property and equipment and intangible assets	10 649	(17 924)
- securities at fair value	(25 444)	814
- other adjustments	(337 078)	(438 487)
Consolidated profit for the period	268 939	1 663 900
	30 June 2014 RUB'000	31 December 2013 RUB'000
Assets		
Total assets for reportable segments	113 940 832	114 004 943
IFRS accounting policy adjustments:		
- interest income on loans to customers	22 944	(141 092)
- allowance for impairment	2 054 560	2 371 789
- depreciation and amortisation of property and equipment and intangible assets and other adjustments to property cost	168 828	159 472
- securities at fair value	4 864	51 804
- repo adjustment	-	(338 752)
- deferred tax asset	49 090	51 462
- revaluation of property and equipment	364 268	364 463
- other assets of subsidiaries (net of intragroup transactions)	4 359 065	2 447 172
- other adjustments	271 288	(414 999)
Consolidated assets	121 235 738	118 556 262
Liabilities		
Total liabilities for reportable segments	101 150 211	100 669 964
IFRS accounting policy adjustments:		
- accounting for deferred tax liability	450 825	435 961
- liabilities of subsidiaries (net of intragroup transactions)	4 344 003	2 524 792
- other adjustments	(107 029)	335 127
Consolidated liabilities	105 838 010	103 965 844

Information about major customers and geographical areas

For the 6 months ended 30 June 2014 and 2013, there were no corporate customers whose revenues individually exceed 10% of total revenue.

The majority of revenues from external customers relate to residents of the Russian Federation. The majority of non-current assets are located in the Russian Federation.

31 Risk management

a) Interest rate risk

The table below displays average effective interest rates for interest bearing assets and liabilities as at 30 June 2014 and 31 December 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	30 June 2014			31 December 2013		
	Average effective interest rate, %			Average effective interest rate, %		
	RUB	USD	Other currencies	RUB	USD	Other currencies
Interest bearing assets						
Term deposits with the CBR	-	-	-	5%	-	-
Financial instruments at fair value through profit or loss	7%	-	-	8%	-	-
Available-for-sale financial assets	8%	-	-	8%	6%	-
Due from banks						
- nostro accounts	0%	0%	0%	0%	0%	-
- term deposits	8%	5%	6%	5%	5%	6%
Amounts receivable under reverse repurchase agreements	8%	-	-	7%	-	-
Loans to customers						
- retail	21%	10%	-	23%	10%	-
- corporate	13%	9%	8%	13%	9%	10%
Net investments in finance leases	30%	23%	-	31%	23%	-
Interest bearing liabilities						
Deposits and balances from banks	10%	3%	2%	10%	3%	2%
Amounts payable under repurchase agreements	7%	-	-	6%	-	-
Current accounts and deposits from customers						
- retail	9%	4%	4%	9%	4%	4%
- corporate	8%	5%	4%	7%	5%	2%
Debt securities issued						
- promissory notes	10%	7%	-	7%	7%	-
- bonds	11%	-	-	11%	-	-
Subordinated borrowings	-	11%	-	-	11%	-

b) Currency risk

The following table shows the foreign currency structure of assets and liabilities as at 30 June 2014:

	RUB	USD	EUR	Gold	Other currencies	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
ASSETS						
Cash	2 118 651	665 874	262 570	-	70 692	3 117 787
Placements with the Central Bank of the Russian Federation	7 886 016	-	-	-	-	7 886 016
Financial instruments at fair value through profit or loss	5 362 494	2 195	-	-	17	5 364 706
Available-for-sale financial assets	7 220 743	-	-	-	-	7 220 743
Due from banks	634 974	1 451 960	674 099	290 893	51 174	3 103 100
Amounts receivable under reverse repurchase agreements	1 803 950	-	-	-	-	1 803 950
Loans to customers	77 961 971	5 124 741	379 438	-	-	83 466 150
Net investments in finance leases	2 215 062	162 354	-	-	-	2 377 416
Current tax asset	195 043	-	-	-	-	195 043
Deferred tax asset	49 090	-	-	-	-	49 090
Property, equipment, intangible assets and investment property	5 128 766	-	-	-	-	5 128 766
Other assets	1 445 607	47 277	10 447	-	19 641	1 522 972
Total assets	112 022 367	7 454 401	1 326 554	290 893	141 524	121 235 739

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
LIABILITIES						
Derivative financial instruments	-	2 868	439	-	159	3 466
Deposits and balances from banks	8 806 006	1 309 904	237 440	-	4 458	10 357 808
Amounts payable under repurchase agreements	7 320 638	-	-	-	-	7 320 638
Current accounts and deposits from customers	68 372 786	6 426 048	1 154 687	280 348	127 981	76 361 850
Debt securities issued	9 402 848	33 200	-	-	-	9 436 048
Subordinated borrowings	-	1 013 201	-	-	-	1 013 201
Current tax liability	4 788	-	-	-	-	4 788
Deferred tax liability	450 825	-	-	-	-	450 825
Other liabilities	870 124	16 950	645	-	1 667	889 386
Total liabilities	95 228 015	8 802 171	1 393 211	280 348	134 265	105 838 010
Net position	16 794 352	(1 347 770)	(66 657)	10 545	7 259	15 397 729
The effect of derivatives held for risk management	(1 240 405)	1 190 900	32 307	-	17 198	-
Net position after derivatives held for risk management purposes	15 553 947	(156 870)	(34 350)	10 545	24 457	15 397 729

The following table shows the foreign currency structure of assets and liabilities as at 31 December 2013:

	RUB	USD	EUR	Gold	Other currencies	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
ASSETS						
Cash	2 227 190	299 326	177 202	-	48 984	2 752 702
Placements with the Central Bank of the Russian Federation	6 021 534	-	-	-	-	6 021 534
Financial instruments at fair value through profit or loss	10 676 182	-	-	-	-	10 676 182
Available-for-sale financial assets	5 548 516	675 356	-	-	-	6 223 872
Due from banks	1 101 413	1 562 175	403 138	7 106	26 724	3 100 556
Amounts receivable under reverse repurchase agreements	335 720	-	-	-	-	335 720
Loans to customers	77 640 340	2 435 282	347 322	-	1 829	80 424 773
Net investments in finance leases	2 242 910	168 431	654	-	-	2 411 995
Current tax asset	27 549	-	-	-	-	27 549
Deferred tax asset	51 462	-	-	-	-	51 462
Property, equipment, intangible assets and investment property	5 005 641	-	-	-	-	5 005 641
Other assets	1 385 770	118 014	20 492	-	-	1 524 276
Total assets	112 264 227	5 258 584	948 808	7 106	77 537	118 556 262

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
LIABILITIES						
Derivative financial instruments	-	12 118	-	3 870	442	16 430
Deposits and balances from banks	6 177 074	635 599	177 196	-	4 798	6 994 667
Amounts payable under repurchase agreements	6 809 841	-	-	-	-	6 809 841
Current accounts and deposits from customers	74 433 454	5 443 106	761 635	501 015	230 914	81 370 124
Debt securities issued	6 036 022	68 039	-	-	-	6 104 061
Subordinated borrowings	-	986 344	-	-	-	986 344
Current tax liability	184 630	-	-	-	-	184 630
Deferred tax liability	444 077	-	-	-	-	444 077
Other liabilities	1 050 006	1 361	4 297	-	6	1 055 670
Total liabilities	95 135 104	7 146 567	943 128	504 885	236 160	103 965 844
Net position	17 129 123	(1 887 983)	5 680	(497 779)	(158 623)	14 590 418
The effect of derivatives held for risk management	(2 681 668)	2 030 087	-	642 264	9 317	-
Net position after derivatives held for risk management purposes	14 447 455	142 104	5 680	144 485	(149 306)	14 590 418

c) **Liquidity risk**

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 30 June 2014:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash	3 117 787	-	-	-	-	-	3 117 787
Placements with the Central Bank of Russian Federation	7 097 678	-	-	-	-	788 338	7 886 016
Financial instruments at fair value through profit or loss	5 362 511	-	2 195	-	-	-	5 364 706
Available-for-sale financial assets	7 220 743	-	-	-	-	-	7 220 743
Due from banks	2 622 538	169 314	309 996	-	-	1 252	3 103 100
Amounts receivable under reverse repurchase agreements	1 803 950	-	-	-	-	-	1 803 950
Loans to customers	5 257 229	6 371 324	23 996 115	41 696 998	6 144 484	-	83 466 150
Net investments in finance leases	342 033	190 587	857 643	976 345	10 808	-	2 377 416
Current tax asset	195 043	-	-	-	-	-	195 043
Deferred tax asset	-	-	-	-	-	49 090	49 090
Property, equipment, intangible assets and investment property	-	-	-	-	-	5 128 766	5 128 766
Other assets	725 649	348 297	409 221	9 205	-	30 600	1 522 972
Total assets	33 745 161	7 079 522	25 575 170	42 682 548	6 155 292	5 998 046	121 235 739

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
LIABILITIES							
Derivative financial instruments	2 372	1 094	-	-	-	-	3 466
Deposits and balances from banks	1 933 212	1 316 155	3 021 626	4 086 815	-	-	10 357 808
Amounts payable under repurchase agreements	7 320 638	-	-	-	-	-	7 320 638
Current accounts and deposits from customers	25 561 525	8 062 840	28 730 524	14 006 961	-	-	76 361 850
Debt securities issued	634 055	3 023 209	2 781 301	2 736 241	261 243	-	9 436 048
Subordinated borrowings	-	-	4 283	807 134	201 784	-	1 013 201
Current tax liability	4 788	-	-	-	-	-	4 788
Deferred tax liability	-	-	-	-	-	450 825	450 825
Other liabilities	545 463	174 045	162 904	6 974	-	-	889 386
Total liabilities	36 002 053	12 577 343	34 700 638	21 644 125	463 027	450 825	105 838 010
Net position	(2 256 893)	(5 497 821)	(9 125 467)	21 038 423	5 692 265	5 547 221	15 397 729

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2013:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash	2 752 702	-	-	-	-	-	2 752 702
Placements with the Central Bank of Russian Federation	4 942 741	-	-	-	-	1 078 793	6 021 534
Financial instruments at fair value through profit or loss	8 262 499	2 413 683	-	-	-	-	10 676 182
Available-for-sale financial assets	6 223 872	-	-	-	-	-	6 223 872
Due from banks	2 388 076	2 260	695 158	-	-	15 062	3 100 556
Amounts receivable under reverse repurchase agreements	335 720	-	-	-	-	-	335 720
Loans to customers	3 448 367	4 695 986	23 647 019	41 177 357	7 456 044	-	80 424 773
Net investments in finance leases	349 363	184 675	831 039	1 046 918	-	-	2 411 995
Current tax asset	27 549	-	-	-	-	-	27 549
Deferred tax asset	-	-	-	-	-	51 462	51 462
Property, equipment, intangible assets and investment property	-	-	-	-	-	5 005 641	5 005 641
Other assets	512 414	501 979	457 432	14 844	-	37 607	1 524 276
Total assets	29 243 303	7 798 583	25 630 648	42 239 119	7 456 044	6 188 565	118 556 262
LIABILITIES							
Derivative financial instruments	4 313	3 015	9 102	-	-	-	16 430
Deposits and balances from banks	693 822	186 457	2 187 063	3 853 609	73 716	-	6 994 667
Amounts payable under repurchase agreements	6 809 841	-	-	-	-	-	6 809 841
Current accounts and deposits from customers	26 025 930	12 158 258	29 580 979	13 604 957	-	-	81 370 124
Debt securities issued	141 523	161 342	459 397	5 318 075	23 724	-	6 104 061
Subordinated borrowings	-	-	4 468	589 126	392 750	-	986 344
Current tax liability	-	184 630	-	-	-	-	184 630
Deferred tax liability	-	-	-	-	-	444 077	444 077
Other liabilities	546 617	126 503	382 550	-	-	-	1 055 670
Total liabilities	34 222 046	12 820 205	32 623 559	23 365 767	490 190	444 077	103 965 844
Net position	(4 978 743)	(5 021 622)	(6 992 911)	18 873 352	6 965 854	5 744 488	14 590 418

32 Capital management

The CBR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 30 June 2014 and 31 December 2013, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio as at 30 June 2014 and 31 December 2013.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord as at 30 June 2014 and 31 December 2013:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Tier 1 capital		
Share capital less treasury shares	575 107	552 005
Share premium	1 778 739	1 192 723
Retained earnings	11 524 657	11 255 339
Total tier 1 capital	13 878 503	13 000 067
Tier 2 capital		
Revaluation reserve for available-for-sale assets	(100 573)	(29 827)
Revaluation surplus for buildings	1 619 799	1 620 178
Subordinated debt (unamortised portion)	901 005	841 131
Total tier 2 capital	2 420 231	2 431 482
Total capital	16 298 734	15 431 549
Risk-weighted assets		
Banking book	94 398 246	89 008 370
Trading book	8 247 871	11 640 081
Total risk weighted assets	102 646 117	100 648 451
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	15.88%	15.33%
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	13.52%	12.75%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the methodology of International Finance Corporation (IFC) established by covenants under liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements as at 30 June 2014 and 31 December 2013.

Starting from 1 April 2013 the Bank calculates the amount of capital and capital adequacy ratios in accordance with CBR requirements based on Basel III requirements. The amount of capital and capital adequacy ratios were used by the CBR in 2013 for information purposes and not for supervision purposes.

33 Commitments

	30 June 2014 RUB'000	31 December 2013 RUB'000
Contracted amount		
Guarantees and letters of credit	4 842 171	2 965 647
Undrawn overdraft facilities	4 461 928	5 959 238
Loan and credit line commitments	200 933	739 332
	9 505 032	9 664 217

There is no significant credit risk concentration as at 30 June 2014 and 31 December 2013.

As at 30 June 2014, the Group has a commitment to purchase 4 948 kg of gold and 110 kg of silver (31 December 2013: 1 738 kg of gold) under contracts to be settled at the market price at the date of maturity.

34 Cash and cash equivalents

	30 June 2014 RUB'000	31 December 2013 RUB'000
Cash on hand	3 117 787	2 752 702
Nostro accounts with the CBR	7 097 678	2 942 741
Nostro accounts with other banks	2 336 633	1 943 263
Term deposits with the CBR	-	2 000 000
Term deposits with other banks	455 219	447 074
Total cash and cash equivalents	13 007 317	10 085 780

None of cash and cash equivalents are impaired or past due.

35 Related party transactions

a) Control relationships

The Group's parent company is LLC “PPFIN Region” (Russian Federation). As at 30 June 2014, the ultimate beneficial owners of the Group were Mr. Andrey Vdovin (the owner of 16.896%), Mr. Kirill Yakubovsky (the owner of 16.896%), Mr. Alexey Maslovsky (the owner of 16.896%), Mr. Peter Hambro (the owner of 16.896%), East Capital Explorer Financial Institution Fund (Sweden) (the owner of 17.91%), International Finance Corporation (6.71%) and Mr. Evgeniy Aksenov (the owner of 3.08%).

b) Transactions with the members of the Board of Directors and the Executive Board

Total remuneration included in personnel expenses for the 6 months ended 30 June 2014 and 2013 is as follows:

	30 June 2014 RUB'000	30 June 2013 RUB'000
Short term employee benefits	91 521	171 419
	91 521	171 419

The outstanding balances and average effective interest rates as at 30 June 2014 and 31 December 2013 for transactions with the members of the Board of Directors and the Executive Board are as follows:

	30 June 2014 RUB'000	Average effective interest rate, %	31 December 2013 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	744	21.64%	821	19.42%
Other assets	589	-	392	-
LIABILITIES				
Current accounts and deposits from customers	697 037	7.70%	636 539	6.41%
Other liabilities	10 442	-	11 628	-

Other amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with the members of the Board of Directors and the Executive Board for the 6 months ended 30 June are as follows:

	30 June 2014 RUB'000	30 June 2013 RUB'000
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest expense	(17 110)	(12 132)
Other expenses	(1 045)	(6 983)

c) Transactions with shareholders

The outstanding balances and average effective interest rates as at 30 June 2014 and 31 December 2013 for transactions with shareholders are as follows:

	30 June 2014 RUB'000	Average effective interest rate, %	31 December 2013 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	571 452	10.77%*	-	-
LIABILITIES				
Deposits and balances from banks	95 117	15.63%	142 672	13.45%
Current accounts and deposits	52	-	79	-
Subordinated borrowings	1 013 201	10.92%*	986 344	10.92%*

*In USD

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with shareholders for the 6 months ended 30 June are as follows:

	30 June 2014 RUB'000	30 June 2013 RUB'000
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	7 249	-
Interest expense	(68 471)	(68 325)
Impairment loss charge	(5 922)	-

During 6 months 2013 the Group made cash distribution to shareholders in the amount of RUB 8 100 thousand.

d) Transactions with other related parties

Other related parties are represented by companies controlled by management, shareholders and the ultimate beneficial owners of the Group.

The outstanding balances and average effective interest rates as at 30 June 2014 and 31 December 2013 for transactions with other related parties are as follows:

	30 June 2014 RUB'000	Average effective interest rate, %	31 December 2013 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Due from banks	138	-	3 336	-
Loans to customers	4 929	15.90%	149 880	13.96%
Other assets	865	-	292	-
LIABILITIES				
Deposits and balances from banks	1 224	0.26%	2 179	0.26%
Current accounts and deposits from customers	435 029	6.80%	1 020 127	6.30%
Other liabilities	431	-	482	-
Debt securities issued	44 136	8.99%	101 623	9.28%
Commitments				
Guarantees and letters of credit	1 682	-	-	-
Undrawn loan commitments and overdraft	-	-	90 000	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with other related parties for the 6 months ended 30 June are as follows:

	30 June 2014 RUB'000	30 June 2013 RUB'000
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	7 466	61 233
Interest expense	(15 205)	(9 279)
Impairment loss recovery (charge)	1 596	(3 639)

36 Events after the reporting date

On 10 July 2014, the Group attracted a subordinated loan in the amount USD 42 million by issue subordinated Eurobonds for 5.5 years with interest rate 11%.

In August 2014, Mr. Kirill Yakubovsky, one of the ultimate beneficial owners of the Group, took decision to sell his stake in the Group to the other ultimate beneficial owners (Mr. Andrey Vdovin, Mr. Alexey Maslovsky and Mr. Peter Hambro) in equal portions. As at the date of issue of these consolidated interim condensed financial statements the deal was not finalised.