

**ZENIT BANKING GROUP**

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

**30 June 2017 (unaudited)**

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## ***Report on Review of Interim Consolidated Condensed Financial Information***

To the Shareholders and Board of Directors of PJSC Bank ZENIT:

### **Introduction**

We have reviewed the accompanying interim consolidated condensed statement of financial position of PJSC Bank ZENIT and its subsidiaries (the "Group") as of 30 June 2017 and the related interim consolidated condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for qualified conclusion**

As set out in Note 3 "Significant Accounting Policies" in the interim consolidated condensed financial information, certain items have been restated with retrospective effect. For one unlisted equity investment classified as available for sale that has been restated, the Group management did not obtain an independent valuation as of 31 December 2015. We have been unable to obtain sufficient audit evidence about its fair valuation as of 31 December 2015 which is included in the line "Investment securities available for sale" in the amount of RR 1 005 726 thousand. An unrealised gain of RR 73 216 thousand including deferred income tax in the amount of RR 14 643 thousand was included in the line "Gains less losses arising for investment securities available for sale" for the six-month period ended 30 June 2016 in the interim consolidated condensed statements of profit or loss and other comprehensive income. An unrealised gain of RR 3 853 thousand including deferred income tax in the amount of RR 771 thousand was included in the line "Gains less losses arising for investment securities available for sale" for the three-month period ended 30 June 2016 in the interim consolidated condensed statements of profit or loss and other comprehensive income.

As a result, we were unable to determine whether any adjustments are required in respect of the lines "Investment securities available for sale", "Revaluation of investment securities available for sale", "Deferred income tax asset" as of 31 December 2015 in the interim consolidated condensed statement of financial position and "Gains less losses arising for investment securities available for sale" and "Income tax recorded directly in other comprehensive income" for the three-month and six-month periods ended 30 June 2016 in the interim consolidated condensed statements of profit or loss and other comprehensive income.



**Report on Review of Interim Consolidated Condensed Financial Information (Continued)**

**Qualified Conclusion**

Based on our review, except for the possible effects of the matter described in the “Basis for qualified conclusion” section of our report, nothing has come to our attention that causes us to believe that the accompanying interim consolidated condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

*AO PricewaterhouseCoopers Audit*

24 August 2017  
Moscow, Russian Federation



N. V. Kossova, certified auditor (licence no. 01-000396), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Bank ZENIT

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 3255, issued by the Central Bank of the Russian Federation dd 30 December 1999

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued dd 9 August 2002 under registration №007107802

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Banny street, Building 9, Moscow, Russia

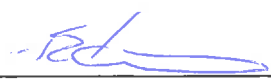
Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

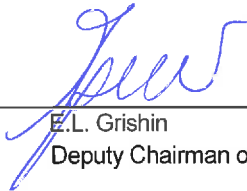
**ZENIT BANKING GROUP**
**Interim Consolidated Condensed Statement of Financial Position at 30 June 2017**

	Note	30 June 2017 (unaudited)	31 December 2016	31 December 2015 Revised data
<b>ASSETS</b>				
Cash and cash equivalents	6	37,289,618	38,417,360	60,181,065
Mandatory cash balances with the Central Bank of Russian Federation ("CBRF")		2,064,607	1,988,262	1,637,541
Financial assets at fair value through profit or loss	7	8,093,054	7,018,401	5,015,789
Due from other banks	8	21,683,897	23,402,335	8,121,869
Loans and advances to customers	9	183,235,350	194,740,745	200,234,357
Investment securities available for sale	10	9,282,734	10,508,481	9,727,871
Investment securities held to maturity	11	13,985,900	10,217,358	14,447,946
Investment properties		766,344	741,439	382,535
Current income tax prepayment		55,981	244,600	313,585
Other financial assets		508,055	618,789	636,765
Other assets		669,423	1,181,763	1,414,501
Deferred income tax asset		1,498,581	1,398,461	926,115
Goodwill		156,248	156,248	156,248
Premises and equipment		3,871,393	3,960,227	4,255,764
Assets for development and sale		308,545	308,545	511,388
Non-current assets held for sale		6,061,627	4,087,969	5,531,437
<b>TOTAL ASSETS</b>		<b>289,531,357</b>	<b>298,990,983</b>	<b>313,494,776</b>
<b>LIABILITIES</b>				
Financial liabilities at fair value through profit and loss	7	68,746	-	782,850
Due to other banks	13	17,483,478	18,349,612	25,983,697
Customer accounts	14	206,124,203	206,175,509	193,762,940
Debt securities in issue	15	5,478,919	8,998,734	20,441,693
Bonds in issue	16	21,669,733	31,943,443	30,239,741
Other financial liabilities		920,177	1,066,566	1,455,088
Current income tax liability		49,838	536	3,017
Deferred income tax liability		114,807	123,535	123,413
Other liabilities		1,076,517	1,537,899	578,363
Subordinated debt	17	5,452,583	14,328,383	20,399,776
<b>TOTAL LIABILITIES</b>		<b>258,439,001</b>	<b>282,524,217</b>	<b>293,770,578</b>
<b>EQUITY</b>				
Share capital	18	34,698,104	20,698,104	12,698,104
Treasury shares		(699,900)	(699,900)	(699,900)
Share premium		1,545,000	1,545,000	1,545,000
Translation reserve		32,743	32,743	32,743
Revaluation of investment securities available for sale		328,546	348,214	(340,736)
Revaluation reserve for premises and equipment		332,230	332,230	396,792
Accumulated deficit		(5,158,838)	(5,801,034)	6,073,434
<b>Equity attributable to the Bank's owners</b>		<b>31,077,885</b>	<b>16,455,357</b>	<b>19,705,437</b>
<b>Non-controlling interest</b>		<b>14,471</b>	<b>11,409</b>	<b>18,761</b>
<b>TOTAL EQUITY</b>		<b>31,092,356</b>	<b>16,466,766</b>	<b>19,724,198</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>289,531,357</b>	<b>298,990,983</b>	<b>313,494,776</b>

Approved for issue and signed on 24 August 2017.

  
K. O. Shpigun  
Chairman of the Management Board



  
E.L. Grishin  
Deputy Chairman of the Management Board

**ZENIT BANKING GROUP****Interim Consolidated Condensed Statements of Profit or Loss and Other Comprehensive Income for the three-month and six-month periods ended 30 June 2017**

In thousands of Russian Roubles

	Note	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited, revised data)	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited, revised data)
Interest income	19	13,844,644	14,184,366	7,097,861	7,142,163
Interest expense	19	(9,784,328)	(11,585,067)	(4,728,783)	(5,671,356)
<b>Net interest expense</b>	19	<b>4,060,316</b>	<b>2,599,299</b>	<b>2,369,078</b>	<b>1,470,807</b>
Impairment provision for loans and advances to customers and amounts due from other banks	8,9	(1,360,099)	(3,521,146)	(1,575,673)	(2,350,595)
<b>Net interest income/(net interest expense) after provision for impairment of loans to customers and banks</b>		<b>2,700,217</b>	<b>(921,847)</b>	<b>793,405</b>	<b>(879,788)</b>
Fee and commission income	20	1,660,944	1,638,043	864,721	834,103
Fee and commission expense	20	(516,035)	(481,630)	(266,603)	(250,260)
(Losses less gains) / gains less losses from financial assets at fair value through profit or loss		(134,851)	(60,616)	(56,375)	(66,165)
(Losses less gains)/gains less losses from trading in foreign currencies		(71,472)	(338,235)	35,056	106,737
Foreign exchange translation gains less losses		40,733	(34,193)	100,581	(212,962)
Losses on initial recognition of assets at rates below market		-	(709,233)	-	(709,233)
Gains less losses from disposals of investment securities available for sale		168,381	73,875	107,126	66,031
Impairment of investment securities held to maturity		(4,226)	-	(4,226)	-
Recovery of provision/(provision) for credit related commitments		204,333	(102,533)	93,649	94,492
Provision for contingencies		73,280	6,608	25,049	(40,878)
Impairment of assets held for development and sale		-	(113,388)	-	(113,388)
Net loss on disposal of premises and equipment		(369)	(15,632)	(131)	(485)
Net profit/(loss) on disposal of non-current assets held for sale		8,367	(103,496)	35	(59,354)
Other operating income		219,983	163,273	150,172	71,536
<b>Operating income and expenses</b>		<b>4,349,285</b>	<b>(999,004)</b>	<b>1,842,459</b>	<b>(1,159,614)</b>
Administrative and other operating expenses	21	(3,656,779)	(3,602,260)	(1,868,094)	(1,820,127)
<b>Profit/(loss) before tax</b>		<b>692,506</b>	<b>(4,601,264)</b>	<b>(25,635)</b>	<b>(2,979,741)</b>
Income tax (expense)/credit		(47,248)	308,853	67,753	36,785
<b>NET PROFIT (LOSS)</b>		<b>645,258</b>	<b>(4,292,411)</b>	<b>42,118</b>	<b>(2,942,956)</b>
<b>Profit/(loss) is attributable to:</b>					
Owners of the Bank		642,196	(4,294,447)	40,340	(2,943,733)
Non-controlling interest		3,062	2,036	1,778	777
<b>Earnings/(loss) per share, basic and diluted (in RR)</b>	22	<b>0.031</b>	<b>(0.376)</b>	<b>0.002</b>	<b>(0.255)</b>

The notes set out on pages 6 to 45 form an integral part of this interim consolidated condensed financial information.

**ZENIT BANKING GROUP****Interim Consolidated Condensed Statements of Profit or Loss and Other Comprehensive Income for the three-month and six-month periods ended 30 June 2017***In thousands of Russian Roubles*

Note	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited, revised data)	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited, revised data)
<b>Profit/(loss) for the period</b>	<b>645,258</b>	<b>(4,292,411)</b>	<b>42,118</b>	<b>(2,942,956)</b>
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Investment securities available for sale:				
- Gains less losses arising for investment securities available for sale	143,795	525,981	121,602	174,356
- Losses less gains reclassified to profit or loss upon disposal or impairment	(168,381)	(73,875)	(107,126)	(66,031)
Income tax recorded directly in other comprehensive income	4,918	(90,421)	(2,894)	(21,665)
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation of premises and equipment	-	(1,320)	-	-
Income tax recorded directly in other comprehensive income	-	264	-	-
<b>Other comprehensive (loss)/income</b>	<b>(19,668)</b>	<b>360,629</b>	<b>11,582</b>	<b>86,660</b>
<b>Total comprehensive income /(loss)</b>	<b>625,590</b>	<b>(3,931,782)</b>	<b>53,700</b>	<b>(2,856,296)</b>
<b>Total comprehensive income /(loss) is attributable to:</b>				
Owners of the Bank	<b>622,528</b>	<b>(3,933,818)</b>	<b>51,922</b>	<b>(2,857,073)</b>
Non-controlling interest	<b>3,062</b>	<b>2,036</b>	<b>1,778</b>	<b>777</b>

**ZENIT BANKING GROUP****Interim Consolidated Condensed Statement of Cash Flows for the six-month period ended 30 June 2017**

In thousands of Russian Roubles

<i>In thousands of Russian Roubles</i>	Note	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Cash flows from operating activities</b>			
Interest received		12,999,968	12,983,694
Interest paid		(10,731,279)	(11,542,994)
Fees and commissions received		1,651,415	1,526,932
Fees and commissions paid		(519,444)	(481,905)
Income received from transactions with financial assets at fair value through profit or loss		(15,871)	(152,363)
Income received from trading in foreign currencies		(55,109)	(401,390)
Other operating income received		247,875	261,429
Salaries		(1,446,873)	(1,360,545)
Social security expenses		(422,616)	(311,418)
Other staff costs		(30,755)	(93,873)
Administrative and other operating expenses paid less staff costs		(1,822,398)	(1,809,897)
Income tax paid		84,739	(88,072)
<b>Cash flows (used in) operating activities before changes in operating assets and liabilities</b>		<b>(60,348)</b>	<b>(1,470,402)</b>
<i>Net (increase)/decrease in:</i>			
- mandatory cash balances with the Central Bank of the Russian Federation		(76,345)	63,502
- financial assets at fair value through profit or loss		(1,206,982)	371,965
- due from other banks		1,774,045	(6,388,613)
- loans and advances to customers		8,483,524	2,830,971
- other financial assets		(136,549)	38,655
- other assets		508,491	232,567
<i>Net increase/(decrease) in:</i>			
- due to other banks		(941,621)	(11,730,414)
- customer accounts		1,095,583	9,489,730
- debt securities in issue		(3,270,148)	(4,170,303)
- other financial liabilities		218,394	540,586
- other liabilities		(16,118)	43,648
<b>Net cash from/(used in) operating activities</b>		<b>6,371,926</b>	<b>(10,148,108)</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities available for sale		(8,001,844)	(9,039,026)
Proceeds from disposal of investment securities available for sale		9,441,384	8,115,486
Acquisition of investment securities held to maturity		(7,407,716)	(616,619)
Proceeds from redemption of investment securities held to maturity		3,519,093	3,232,238
Acquisition of premises and equipment		(110,851)	(73,698)
Proceeds from disposal of premises and equipment		49,811	74,925
Acquisition of investment properties		(8,788)	-
Proceeds from disposal of non-current assets held for sale		111,055	654,170
<b>Net cash (used in)/ from investing activities</b>		<b>(2,407,856)</b>	<b>2,347,476</b>
<b>Cash flows from financing activities</b>			
Issue of shares		14,000,000	8,000,000
Bonds in issue		3,772,389	7,000,000
Redemption of bonds		(14,118,179)	(2,837,324)
Repayment of subordinated debt		(8,619,949)	(4,822,931)
<b>Net cash (used in)/from financing activities</b>		<b>(4,965,739)</b>	<b>7,339,745</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(125,218)</b>	<b>(5,335,898)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,126,887)</b>	<b>(5,796,785)</b>
Cash and cash equivalents at the beginning of the year		38,415,359	60,178,551
<b>Cash and cash equivalents at the end of the year</b>	4	<b>37,288,472</b>	<b>54,381,766</b>

The notes set out on pages 6 to 45 form an integral part of this interim consolidated condensed financial information.



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

In thousands of Russian Roubles

	Share capital	Treasury shares	Share premium	Translation reserve	Revaluation of investment securities available for sale	Revaluation reserve for premises and equipment	Accumulated deficit	TOTAL	Non-controlling interest	Total equity
<b>Balance at 1 January 2016</b>	<b>12,698,104</b>	<b>(699,900)</b>	<b>1,545,000</b>	<b>32,743</b>	<b>(340,736)</b>	<b>396,792</b>	<b>6,073,434</b>	<b>19,705,437</b>	<b>18,761</b>	<b>19,724,198</b>
Loss after tax	-	-	-	-	-	-	(4,294,447)	(4,294,447)	2,036	(4,292,411)
Other comprehensive income, net of tax	-	-	-	-	361,685	(1,056)	-	360,629	-	360,629
<b>Total comprehensive income/(loss) for six months 2016, (unaudited)</b>										
Revised data	-	-	-	-	361,685	(1,056)	(4,294,447)	(3,933,818)	2,036	(3,931,782)
Share issue	8,000,000	-	-	-	-	-	-	8,000,000	-	8,000,000
<b>Balance at 30 June 2016 (unaudited), Revised data</b>	<b>20,698,104</b>	<b>(699,900)</b>	<b>1,545,000</b>	<b>32,743</b>	<b>20,949</b>	<b>395,736</b>	<b>1,778,987</b>	<b>23,771,619</b>	<b>20,797</b>	<b>23,792,416</b>
<b>Balance at 1 January 2017</b>	<b>20,698,104</b>	<b>(699,900)</b>	<b>1,545,000</b>	<b>32,743</b>	<b>348,214</b>	<b>332,230</b>	<b>(5,801,034)</b>	<b>16,455,357</b>	<b>11,409</b>	<b>16,466,766</b>
Profit after tax	-	-	-	-	-	-	642,196	642,196	3,062	645,258
Other comprehensive loss, net of tax	-	-	-	-	(19,668)	-	-	(19,668)	-	(19,668)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,668)</b>	<b>-</b>	<b>642,196</b>	<b>622,528</b>	<b>3,062</b>	<b>625,590</b>
Share issue	14,000,000	-	-	-	-	-	-	14,000,000	-	14,000,000
<b>Balance at 30 June 2017 (unaudited)</b>	<b>34,698,104</b>	<b>(699,900)</b>	<b>1,545,000</b>	<b>32,743</b>	<b>328,546</b>	<b>332,230</b>	<b>(5,158,838)</b>	<b>31,077,885</b>	<b>14,471</b>	<b>31,092,356</b>

The notes set out on pages 6 to 45 form an integral part of this interim consolidated condensed financial information.

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**1 Introduction****Principal activities**

This interim consolidated condensed financial information of Bank ZENIT and its subsidiaries (the “Bank”) includes interim condensed financial information of Bank ZENIT (Public Joint Stock Company) (the “Bank” or “ZENIT”) and its subsidiaries. Bank ZENIT and its subsidiaries are hereinafter referred to as the “Group”.

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.

In June 2017, the procedure of increasing the share capital of PJSC Bank ZENIT for the total amount of RR 14,000,000 thousand was completed which will ensure the Bank’s development for the medium-term horizon. The Bank’s shareholder PJSC Tatneft named after V.D. Shashin acquired the whole additional issue of the shares. As a result, the interest of PJSC Tatneft named after V.D. Shashin and its subsidiary increased up to 71.1%. Tatneft Group is the ultimate controlling shareholder of the Group.

The Group’s shareholding structure at 30 June 2017 and 2016 is as follows<sup>1</sup>:

Shareholder	Controlled by:	30 June 2017	
		Shares with voting rights, %	Actual ownership interest, %
PJSC Tatneft named after V.D. Shashin	PJSC Tatneft	62.67%	63.16%
Tatneft Oil AG		8.45%	8.52%
Nabertherm Limited, Rosemead Enterprises Limited	Ms M.A. Sokolova, Mr A.V. Sokolov, Mr A.A. Sokolov, Ms T.P.Shishkina, Ms T.A. Zanozina	6.01%	6.06%
Fletcher Group Holdings Limited	Mr V.S.Lisin, Mr Yu.V. Lisin	5.75%	5.79%
M.A. Sokolova, K.O. Shpigun, OOO Sintez Group	Members of the Management Board and the Board of Directors	3.64%	3.66%
Viewcom Finance Limited	Ms M.A. Sokolova	3.44%	3.46%
Gatehill Limited	Ms T.P. Shishkina	3.41%	3.43%
OOO DANIKOM	Ms M.A. Sokolova, Ms T.P.Shishkina	3.09%	3.12%
Other		3.54%	2.80%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>

Shareholder	Controlled by:	31 December 2016	
		Shares with voting rights, %	Actual ownership interest, %
PJSC Tatneft named after V.D. Shashin	PJSC Tatneft	35.93%	36.41%
Tatneft Oil AG		14.51%	14.70%
Nabertherm Limited, Rosemead Enterprises Limited	Ms M.A. Sokolova, Mr A.V. Sokolov, Mr A.A. Sokolov, Ms T.P.Shishkina, Ms T.A. Zanozina	10.32%	10.46%
Fletcher Group Holdings Limited	Mr V.S. Lisin	9.86%	10.00%
OOO DANIKOM	Mr A.A. Sokolov, Ms T.P.Shishkina	5.31%	5.38%
Viewcom Finance Limited	Ms M.A. Sokolova	5.90%	5.98%
Gatehill Limited	Ms T.P. Shishkina	5.85%	5.92%
M.A. Sokolova	-	1.77%	1.80%
S.S. Paschenko, K.O. Shpigun, OOO Sintez Group	Members of the Management Board and the Board of Directors	8.28%	8.39%
Other		2.27%	0.96%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> In May 2015, one of the shareholders (A.A. Sokolov) passed away. At the date of these interim consolidated condensed financial information, the inheritance transfer of the title to the shares of PJSC Bank ZENIT was not completed.

## ZENIT BANKING GROUP

Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017  
In thousands of Russian Roubles

### 1 Introduction (Continued)

**Principal activity.** The Group's principal business activity is commercial and retail 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 1996. 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 a CBRF imposed moratorium on payments.

The Bank has 84 (2016: 87) points of sale, in particular in the head office, branches, sub-branches and mini-offices throughout the Russian Federation.

For the purpose of this financial information, the Group also includes the following consolidated banking subsidiaries, incorporated in the Russian Federation:

Name	Date of acquisition	30 June 2017		31 December 2016	
		Own interest and voting shares,%	Number of points of sale	Own interest and voting shares,%	Number of points of sale
Devon-Credit Ban (PJSC)	2 December 2005	99.4%	29	99.4%	29
Lipetskombank (PJSC)	29 June 2007	99.4%	26	99.4%	26
Bank ZENIT Sochi (JSC)	15 January 2007	99.5%	7	99.5%	7
Spiritbank (PJSC)	8 December 2008	100.0%	5	100.0%	5

The Bank has 100% ownership in OOO "Regionalnoe Razvitiye", ZPIF "6th Natsionalny", OOO "Arsenal Group". These subsidiaries are incorporated in the Russian Federation and engaged in the real estate business. The Bank has 100% ownership in Zenit Investment Service Inc., incorporated in the British Virgin Islands.

At 30 June 2017, the Group has an integrated ATM network consisting of 941 ATMs (at 31 December 2016: 961). The Group has a wide correspondent network both in Russia and abroad and is involved in co-operation with more than 100 large international institutions in Europe, America and Asia.

**Registered address and place of business.** The Bank's registered address is: 9 Banny per., Moscow, Russia.

**Presentation currency.** This interim consolidated financial information is 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 (Note 23). During the first six months of 2017, the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

### 3 Significant Accounting Policies

**Basis of preparation.** This interim consolidated condensed financial information of the Group has been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

**3 Summary of Significant Accounting Policies (Continued)**

This interim consolidated condensed financial information does not contain all notes required for disclosure in the full set of financial statements.

**Summary of significant accounting policies.** Accounting principles and methods of computation used in the preparation of this interim consolidated condensed financial information is consistent with the accounting policies and methods applied and described in the Group's annual consolidated financial statements for the year ended 31 December 2016.

Since the Group published its most recent annual consolidated financial statements, no new standards or interpretations were issued that are mandatory for the Group's accounting periods beginning on or after 1 January 2017 in addition to those that are already disclosed in the Group's annual consolidated financial statements.

**Functional currency.** The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and the Group's presentation currency for the purposes of the interim consolidated condensed information, is the national currency of the Russian Federation, Russian Roubles ("RR"). The functional currency of Zenit Investment Service Inc. is also Russian Roubles as the main operations of the company are performed in Russian Roubles.

At 30 June 2017, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 59.0855 (31 December 2016: USD 1 = RR 60.6569).

**Adjustment of comparative data.** During the first six months of 2016, the Group's management performed a detailed analysis of the Bank's IFRS accounting policy. As a result of the analysis, management identified errors that caused the necessity to adjust the financial information for the first six months of 2016 in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The Group revised the fact of influence in relation to the investment in the associate Non-state Pension Fund. It concluded about lack of such influence at the date and in prior periods, as a result of which the investment was reclassified from the line item "Investments in associates" to the line item "Securities available for sale" in accordance with IAS 19.

The Group erroneously classified interest income on non-performing loans between "Interest income" and "Provision for impairment of loans and advances to customers" in the interim consolidated condensed statement of profit or loss, which, however, did not impact the amount of profit before tax.

As a result of assignment of rights of claim for a borrower, the Group was exposed to accounts receivable balances equivalent to the loan. The Group adjusted the fair value of the loan by recording a loss at initial recognition of the loan in line "Losses on initial recognition of assets at rates below market" for six months and three months ended 30 June 2016.

Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts. The effect of the adjustment on the interim consolidated condensed statement of profit or loss for six months ended 30 June 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Note	As originally presented	Adjustment	Amount after adjustment
<b>INCOME STATEMENT</b>				
Interest income	19	14,377,473	(193,107)	14,184,366
<b>Impairment provision for loans and advances to customers and amounts due from other banks</b>		(3,806,630)	285,484	(3,521,146)
Losses on initial recognition of assets at rates below market		-	(709,233)	(709,233)
Other operating income		236,489	(73,216)	163,273
Income tax credit/(expense)		170,840	138,013	308,853

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
*In thousands of Russian Roubles***3 Summary of Significant Accounting Policies (Continued)**

The effect of the adjustment on the interim consolidated condensed statement of profit or loss for three months ended 30 June 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Note	As originally presented	Adjustment	Amount after adjustment
<b>INCOME STATEMENT</b>				
Interest income	19	7,196,188	(54,025)	7,142,163
<b>Impairment provision for loans and advances to customers and amounts due from other banks</b>		(2,496,997)	146,402	(2,350,595)
Losses on initial recognition of assets at rates below market		-	(709,233)	(709,233)
Other operating income		75,389	(3,853)	71,536
Income tax credit/(expense)		(87,356)	124,141	36,785

The effect of the adjustment on the consolidated statement of financial position at 31 December 2015 is as follows:

<i>In thousands of Russian Roubles</i>	As originally presented	Adjustment	Amount after adjustment
<b>ASSETS</b>			
Loans and advances to customers	201,887,202	(1,652,845)	200,234,357
Investment in associates	1,005,726	(1,005,726)	-
Investment securities available for sale	8,722,145	1,005,726	9,727,871
Deferred income tax asset	595,546	330,569	926,115
<b>EQUITY</b>			
Other comprehensive loss on investments in associates	(1,962)	1,962	-
Revaluation of financial assets available for sale	(611,338)	270,602	(340,736)

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies*****Use of estimates and judgements***

The Group makes estimates and assumptions that affect the amounts recognised in the interim consolidated condensed financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the interim consolidated condensed financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Going concern.** Management prepared this interim consolidated condensed financial information on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the economic situation on future operations of the Group.

During the first six months ended 30 June 2017, profit before tax was RR 692,506 thousand (at 30 June 2016: loss before tax was RR 4,601,264 thousand). The main factor that has the most impact on forming the negative financial result for 2016 is an increase of the impairment provision primarily on the corporate loan portfolio. The positive financial result for the first six months of 2017 was attributable primarily to the reduction in interest expense and expense for the provision for loan portfolio impairment.

The negative trends in the Russian economy in 2014-2015 caused default of certain borrowers of the Group. As a result, the Group recognised material impairment losses on those borrowers in 2015 and 2016.

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

The Group believes, that at 30 June 2017 provisions for impairment of loans fully cover the risks of default and does not expect additional material losses on impairment of loans and advances to customers that influence going concern in the near future. In the current economic situation, the Group's management and shareholders take all possible measures aimed at increasing financial stability and efficiency of the Group to ensure its future development.

In pursuing its credit policy, the Group focuses on borrowers with low risk profile. In addition, the Group intends to minimise the possible consequences of increased credit risks through improving the loan portfolio collateralisation.

The Bank's capitalisation is a priority under these circumstances.

In 2015, the Bank participated in the State Corporation Deposit Insurance Agency's Capital Increase Programme, under which it received five subordinated securities loans (OFZ) totalling RR 9,932,750 thousand from the State Corporation Deposit Insurance Agency. In accordance with the Bank of Russia's Regulation No. 395-P these subordinated loans are accounted for within the Bank's additional capital to calculate the Bank's capital adequacy levels. From the start of the contract, the Bank has been meeting its obligations to DIA in amounts that exceed the contractual terms. Since the date when the Bank joined the DIA programme for financing entities operating in priority economic sectors, the growth has been 24.2% (while the growth obligation was 15%), from RR 77.1 billion at 1 October 2015 to RR 95.8 billion at 31 December 2016.

In 2016, the Bank's share capital was increased up to RR 19,545 billion through placement of incremental shares for the amount of RR 8 billion. As a result, at 31 December 2016 and at the date of the audit report on the IFRS consolidated financial statements of the Bank for 2016, the Bank complied with capital adequacy ratios. In 2016, as a result of the completed additional share issue and execution of the obligatory offer, PJSC Tatneft named after V.D. Shashin became the controlling shareholder of the Bank (50.4%).

Measures aimed at increasing the Bank's share capital were also implemented in 2017. On 3 February 2017, within the additional issue of the Bank's shares, the extraordinary general meeting of the Bank's shareholders took a decision to increase the share capital of the Bank through a closed subscription of PJSC Tatneft named after V.D. Shashin for RR 14 billion with a corresponding increase of the interest of PJSC Tatneft named after V.D. Shashin. The decision on the additional issue of shares approved by the Bank's Board of Directors on 17 February 2017 was registered by the Bank of Russia on 7 March 2017. On 20 February 2017, PJSC Tatneft named after V.D. Shashin received a preliminary consent from the Federal Anti-Monopoly Service of the Russian Federation (FAS) for acquisition of more than 50% of the Bank's shares. This procedure for the additional issue of the Bank's shares was completed on 15 June 2017. Upon registration of the report on the results of the additional issue of the Bank's shares on 15 June 2017, the share capital of the Bank increased and amounted to RR 33,545 billion. The Bank's shareholder PJSC Tatneft named after V.D. Shashin acquired the whole additional issue of the shares. As a result, the interest of PJSC Tatneft named after V.D. Shashin and its subsidiary increased up to 71.1%.

The Group is improving profitability of transactions, operational efficiency and the quality of management of subsidiaries. The corresponding results should be taken into account, in particular in the Strategy for the Bank's Development up to 2023. The up-to-date Strategy for the Bank's Development up to 2023 is expected to be completed by the end of 2017. The projects being implemented will result in a significant improvement of the Group's competitiveness in the context of the traditional banking business adaptation to intensive changes of the financial environment.

**Impairment losses on loans and advances to customers.** The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

When forming provision for impairment of loans to individuals, the Group uses such information as the type of credit product the loan belongs to and historic data on default for this product segment (lending to individuals). A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses (the loan portfolio is estimated on the portfolio basis) of RR 163,073 thousand (six months of 2016: RR 133,587 thousand), respectively. Impairment losses for loans assessed on an individual basis are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in actual loss experience compared to the loss estimates used for loans assessed on an individual basis would result in an increase or decrease in loan impairment losses of RR 2,804,178 thousand (six months of 2016: RR 2,234,975 thousand), respectively.

**Deferred income tax asset recognition.** The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

**Accounting for investments in ZAO National Non-Sate Pension Fund** At 31 December 2015 and 2016, the Group owns 35% of shares of ZAO National Non-Sate Pension Fund. The Group does not have control over or significant influence on ZAO National Non-Sate Pension Fund. These investments are recognised within investment securities available for sale

Other judgements that have the most significant effect on the amounts recognised in this interim consolidated condensed financial information include:

- Investment securities held to maturity – See Note 11;
- Deferred income tax asset.

**5 New Accounting Pronouncements**

Since the Group published its most recent annual consolidated financial statements, no new standards and interpretations were issued that are mandatory for the Group's accounting periods beginning on or after 1 January 2017 in addition to those that are already disclosed in the Group's annual consolidated financial statements.

**6 Cash and Cash Equivalents**

	30 June 2017 (unaudited)	31 December 2016
Cash balances with the CBRF (other than mandatory reserve deposits)	9,787,379	8,155,980
Cash on hand	7,296,670	8,604,746
Correspondent accounts and overnight placements with other banks		
- in the Russian Federation	7,029,682	8,318,013
- in other countries	13,175,887	13,338,621
<b>Total cash and cash equivalents</b>	<b>37,289,618</b>	<b>38,417,360</b>

At 30 June 2017, the Group placed the deposits of RR 11,799,716 thousand with three banks located in countries that are members of the Organisation for Economic Co-operation and Development (the "OECD"), which individually exceed 5% of the Group's equity (2016: RR 12,482,402 thousand with four OECD banks) and RR 3,196,510 thousand with one Russian financial institution, which individually exceed 5% of the Group's equity (2016: RR 7,265,467 thousand with three Russian financial institutions).

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**6 Cash and Cash Equivalents (Continued)**

Cash and cash equivalents include RR 1,145 thousand (2016: RR 2,001 thousand) of accrued interest which has not been included in cash and cash equivalents for the purposes of the interim consolidated condensed statement of cash flows.

**7 Financial Assets at Fair Value through Profit or Loss**

	30 June 2017 (unaudited)	31 December 2016
Corporate bonds	4,855,960	5,238,187
Russian government bonds	2,370,237	919,712
Municipal bonds	623,342	765,162
<b>Total debt securities</b>	<b>7,849,539</b>	<b>6,923,061</b>
Corporate shares	242,565	95,340
<b>Total trading securities</b>	<b>8,092,104</b>	<b>7,018,401</b>
Financial derivatives	950	-
<b>Total financial assets at fair value through profit or loss</b>	<b>8,093,054</b>	<b>7,018,401</b>

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

The debt securities are not collateralised.

Interest rate analyses of trading securities are disclosed in Note 24. Information on related party balances is disclosed in Note 28.

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

**Derivative financial instruments.** The Group enters into transactions with forward contracts, options and futures with foreign currency, securities and precious metals. Foreign exchange and other derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standard contractual terms and conditions.

The table below includes derivative contracts with maturity dates subsequent to 30 June 2017.

These contracts were mostly entered into in June 2017. The contracts have maturity dates in July 2017.

	Domestic market			Foreign market		
	Nominal amount	Net fair value		Nominal amount	Net fair value	
		Assets	Liability		Assets	Liability
Forward contracts:						
Foreign currency						
- sale of foreign currency	63,313	-	(2,490)	-	-	-
- purchase of foreign currency	2,098,800	-	(65,717)	-	-	-
Securities						
- sale of securities	370,911	663	-	105,710	287	-
- purchase of securities	-	-	-	295,837	-	(539)
Futures						
- sale of security futures	74,575	-	-	-	-	-
- purchase of BRENT futures	55,683	-	-	-	-	-
- purchase of USD/RUR exchange rate futures	51,395	-	-	-	-	-
Options						
- purchase of RTS index put options	4,523,778	-	-	-	-	-
<b>Total</b>	<b>7,238,455</b>	<b>663</b>	<b>(68,207)</b>	<b>401,547</b>	<b>287</b>	<b>(539)</b>



**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**7 Financial Assets at Fair Value through Profit or Loss (Continued)**

The table below includes derivative contracts with maturity dates subsequent to 31 December 2016.

The majority of these contracts were executed during December 2016 and mature in January 2017.

	Domestic market			Foreign market		
	Nominal amount	Assets	Net fair value Liability	Nominal amount	Assets	Net fair value Liability
Futures						
- purchase of RTS index futures	213,987	-	-	-	-	-
- purchase of MICEX index futures	56,681	-	-	-	-	-
- purchase of security futures	35,377	-	-	-	-	-
Options						
- purchase of RTS index put options	104,875	-	-	-	-	-
<b>Total</b>	<b>410,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**8 Due from Other Banks**

	30 June 2017 (unaudited)	31 December 2016
Placements with other banks	17,316,301	16,794,797
Reverse sale and repurchase (reverse REPO) agreements with other banks	4,475,101	6,844,372
Less impairment provision	(107,505)	(236,834)
<b>Total due from other banks</b>	<b>21,683,897</b>	<b>23,402,335</b>

The Group has a right to sell or repledge securities with a fair value of RR 5,642,464 thousand (2016: RR 8,666,877 thousand) received under reverse sale and repurchase agreements.

The movements in the provision for impairment of amounts due from other banks during the six months ended 30 June 2017 are as follows:

	Placements with other banks	Reverse repurchase agreements	Total
<b>Provision for impairment at 01 January 2017</b>	<b>(31,280)</b>	<b>(205,554)</b>	<b>(236,834)</b>
Recovery of provision for impairment during six months	810	128,519	129,329
<b>Provision for impairment at 30 June 2017</b>	<b>(30,470)</b>	<b>(77,035)</b>	<b>(107,505)</b>

The movements in the provision for impairment of amounts due from other banks during the six months ended 30 June 2016 are as follows:

	Placements with other banks	Reverse repurchase agreements	Total
<b>Provision for impairment at 1 January 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for impairment during six months	(33,137)	-	(33,137)
<b>Provision for impairment at 30 June 2016</b>	<b>(33,137)</b>	<b>-</b>	<b>(33,137)</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**8 Due from Other Banks (Continued)**

The movements in the provision for impairment of amounts due from other banks during the three months ended 30 June 2017 are as follows:

	Placements with other banks	Reverse repurchase agreements	Total
<b>Provision for impairment at 01 April 2017</b>	<b>(29,074)</b>	<b>(164,637)</b>	<b>(193,711)</b>
(Provision)/recovery of provision for impairment during three months	(1,396)	87,602	86,206
<b>Provision for impairment at 30 June 2017</b>	<b>(30,470)</b>	<b>(77,035)</b>	<b>(107,505)</b>

The movements in the provision for impairment of amounts due from other banks during the three months ended 30 June 2016 are as follows:

	Placements with other banks	Reverse repurchase agreements	Total
<b>Provision for impairment at 01 April 2016</b>	-	-	-
Provision for impairment during three months	(33,137)	-	(33,137)
<b>Provision for impairment at 30 June 2016</b>	<b>(33,137)</b>	-	<b>(33,137)</b>

At 30 June 2017, the Group placed deposits of RR 5,006,809 thousand with two Russian banks, which exceed 5% of the Group's equity (2016: RR 9,781,981 thousand with four Russian banks). At 30 June 2017, the Group had no deposits with banks located in countries that are members of the Organisation for Economic Co-operation and Development (the "OECD"), which individually exceed 5% of the Group's equity (2016: RR 906,308 thousand with one OECD bank).

At 30 June 2017, placements with other banks include deposits of RR 21,272 (2016: RR 183,804 thousand), transferred to foreign banks as collateral for irrevocable commitments under import letters of credit.

Interest rate analysis of placements with other banks is disclosed in Note 24. Information on related party balances is disclosed in Note 28.

**9 Loans and Advances to Customers**

	30 June 2017 (unaudited)	31 December 2016
Loans to corporate customers		
Working capital loans	91,172,157	102,263,012
Project finance	84,171,879	83,735,486
Reverse sale and repurchase agreements (reverse REPO)	60,246	100,029
<b>Total loans to corporate customers</b>	<b>175,404,282</b>	<b>186,098,527</b>
Loans to individuals		
Mortgage loans	24,080,377	24,546,889
Consumer loans	11,515,094	11,054,549
Car loans	1,111,196	1,122,812
Plastic cards overdrafts	741,561	637,541
Reverse sale and repurchase agreements (reverse REPO)	55,352	118,998
<b>Total loans to individuals</b>	<b>37,503,580</b>	<b>37,480,789</b>
<b>Total loans and advances to customers, gross</b>	<b>212 907 862</b>	<b>223 579 316</b>
Less impairment provision for loans and advances to customers	(29,672,512)	(28,838,571)
<b>Total loans and advances to customers</b>	<b>183,235,350</b>	<b>194,740,745</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**9 Loans and Advances to Customers (Continued)**

The Group has a right to sell or repledge securities with a fair value of RR 143,055 thousand (2016: RR 281,301 thous'

	Loans to corporate customers				Loans to individuals				Total
	Working capital loans	Project finance	Reverse sale and repurchase agreements (reverse REPO)	Mortgage loans	Consumer loans	Car loans	Plastic cards overdrafts	Reverse sale and repurchase agreements (reverse REPO)	
<b>Impairment provision for loans and advances to customers at 1 January 2017</b>	<b>(18,737,756)</b>	<b>(8,557,740)</b>	<b>-</b>	<b>(483,784)</b>	<b>(888,437)</b>	<b>(125,593)</b>	<b>(45,261)</b>	<b>-</b>	<b>(28,838,571)</b>
Provision for impairment during six months	(385,939)	(986,990)	-	(8,062)	(89,666)	(11,911)	(6,860)	-	(1,489,428)
Amounts written off during the year as uncollectible	626,643	-	-	7,440	19,714	16	1,674	-	655,487
<b>Impairment provision for loans and advances to customers at 30 June 2017 (unaudited)</b>	<b>(18,497,052)</b>	<b>(9,544,730)</b>	<b>-</b>	<b>(484,406)</b>	<b>(958,389)</b>	<b>(137,488)</b>	<b>(50,447)</b>	<b>-</b>	<b>(29,672,512)</b>

The movements in the impairment provision for loans and advances to customers during the six months ended 30 June 2016 are as follows:

	Loans to corporate customers				Loans to individuals				Total
	Working capital loans	Project finance	Reverse sale and repurchase agreements (reverse REPO)	Mortgage loans	Consumer loans	Car loans	Plastic cards overdrafts	Reverse sale and repurchase agreements (reverse REPO)	
<b>Impairment provision for loans and advances to customers at 1 January 2016</b>	<b>(11,599,987)</b>	<b>(8,532,652)</b>	<b>(15,952)</b>	<b>(424,058)</b>	<b>(665,890)</b>	<b>(134,425)</b>	<b>(52,074)</b>	<b>-</b>	<b>(21,425,038)</b>
Provision for impairment during six months	(4,095,746)	721,257	-	19,868	(133,097)	1,125	(1,416)	-	(3,488,009)
Amounts written off during the year as uncollectible	745,440	411,935	15,952	2,694	48,708	1,261	1,437	-	1,227,427
<b>Impairment provision for loans and advances to customers at 30 June 2016 (unaudited)</b>	<b>(14,950,293)</b>	<b>(7,399,460)</b>	<b>-</b>	<b>(401,496)</b>	<b>(750,280)</b>	<b>(132,039)</b>	<b>(52,052)</b>	<b>-</b>	<b>(23,685,620)</b>

**ZENIT BANKING GROUP**
**Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
*In thousands of Russian Roubles*
**9 Loans and Advances to Customers (Continued)**

The movements in the impairment provision for loans and advances to customers during the six months ended 30 June 2017 are as follows:

	Loans to corporate customers				Loans to individuals				Total
	Working capital loans	Project finance	Reverse sale and repurchase agreements (reverse REPO)	Mortgage loans	Consumer loans	Car loans	Plastic cards overdrafts	Reverse sale and repurchase agreements (reverse REPO)	
<b>Impairment provision for loans and advances to customers at 1 April 2017 (unaudited)</b>	<b>(18,141,091)</b>	<b>(9,087,743)</b>	-	<b>(410,806)</b>	<b>(827,234)</b>	<b>(135,838)</b>	<b>(47,805)</b>	-	<b>(28,650,517)</b>
Provision for impairment during three months	(982,304)	(456,987)	-	(81,040)	(135,572)	(1,666)	(4,310)	-	(1,661,879)
Amounts written off during the year as uncollectible	626,343	-	-	7,440	4,417	16	1,668	-	639,884
<b>Impairment provision for loans and advances to customers at 30 June 2017</b>	<b>(18,497,052)</b>	<b>(9,544,730)</b>	-	<b>(484,406)</b>	<b>(958,389)</b>	<b>(137,488)</b>	<b>(50,447)</b>	-	<b>(29,672,512)</b>

The movements in the impairment provision for loans and advances to customers during the six months ended 30 June 2016 are as follows:

	Loans to corporate customers				Loans to individuals				Total
	Working capital loans	Project finance	Reverse sale and repurchase agreements (reverse REPO)	Mortgage loans	Consumer loans	Car loans	Plastic cards overdrafts	Reverse sale and repurchase agreements (reverse REPO)	
<b>Impairment provision for loans and advances to customers at 1 April 2016 (unaudited)</b>	<b>(12,823,607)</b>	<b>(8,377,909)</b>	-	<b>(406,936)</b>	<b>(713,476)</b>	<b>(136,862)</b>	<b>(55,778)</b>	-	<b>(22,514,568)</b>
Provision for impairment during three months	(2,855,728)	569,230	-	4,692	(42,011)	3,873	2,486	-	(2,317,458)
Amounts written off during the year as uncollectible	729,042	409,219	-	748	5,207	950	1,240	-	1,146,406
<b>Impairment provision for loans and advances to customers at 30 June 2016 (unaudited)</b>	<b>(14,950,293)</b>	<b>(7,399,460)</b>	-	<b>(401,496)</b>	<b>(750,280)</b>	<b>(132,039)</b>	<b>(52,052)</b>	-	<b>(23,685,620)</b>

**ZENIT BANKING GROUP**

**Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
*In thousands of Russian Roubles*

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

**The portfolio of loans and advances to customers is analysed by sector as follows:**

At 30 June 2017 and 31 December 2016, loans were issued to customers engaged in the following industries:

	30 June 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
<b>Services</b>	<b>43,201,518</b>	<b>20</b>	<b>39,842,892</b>	<b>18</b>
<b>Trade</b>	<b>41,636,052</b>	<b>20</b>	<b>44,361,709</b>	<b>20</b>
Food trade	12,913,112	6	12,474,013	6
Trade (other)	12,128,531	6	12,431,520	6
Oil trade	6,402,472	3	6,628,303	3
Car trade and maintenance	5,392,441	3	6,542,111	3
Liquors and tobacco trade	4,459,666	2	5,193,589	2
Metal trade	228,157	-	736,124	-
Home appliances trade	111,673	-	356,049	-
<b>Individuals</b>	<b>37,503,580</b>	<b>18</b>	<b>37,480,789</b>	<b>17</b>
<b>Construction</b>	<b>36,351,291</b>	<b>17</b>	<b>38,214,874</b>	<b>17</b>
Construction (residential)	30,435,969	14	30,595,135	14
Construction (non-residential)	5,915,322	3	7,619,739	3
<b>Manufacturing</b>	<b>33,749,777</b>	<b>15</b>	<b>40,525,029</b>	<b>18</b>
Manufacturing (other)	17,753,075	8	20,649,515	10
Machine building	6,652,128	3	11,805,916	5
Metallurgy	5,142,638	2	4,352,211	2
Chemical industry	3,568,767	2	3,233,486	1
Pulp and paper industry	633,169	-	483,901	-
<b>Financial sector</b>	<b>6,831,410</b>	<b>3</b>	<b>7,646,254</b>	<b>3</b>
<b>Food products</b>	<b>5,561,068</b>	<b>3</b>	<b>6,177,045</b>	<b>3</b>
<b>Agriculture</b>	<b>2,288,085</b>	<b>1</b>	<b>3,300,711</b>	<b>1</b>
<b>Oil and gas</b>	<b>1,773,917</b>	<b>1</b>	<b>1,628,547</b>	<b>1</b>
<b>Other</b>	<b>4,011,164</b>	<b>2</b>	<b>4,401,466</b>	<b>2</b>
<b>Total loans and advances to customers (before provision for impairment of loans and advances to customers)</b>	<b>212,907,862</b>	<b>100</b>	<b>223,579,316</b>	<b>100</b>

At 30 June 2017, the Group had 23 borrowers (2016: 50 borrowers) with aggregated loan amounts above 5% of the Group's equity. The total aggregate amount of these loans was RR 69,072,353 thousand (2016: RR 103,195,339 thousand).

Maturity and currency analysis of loans and advances to customers and average interest rates are disclosed in Note 24. Related party transactions are disclosed in Note 28.

**10 Investment Securities Available for Sale**

	30 June 2017 (unaudited)	31 December 2016
Corporate bonds	5,775,091	7,821,913
Russian government bonds	688,202	483,331
Municipal bonds	60,240	59,564
<b>Total debt securities</b>	<b>6,523,533</b>	<b>8,364,808</b>
Corporate shares	2,759,201	2,143,673
<b>Total investment securities available for sale</b>	<b>9,282,734</b>	<b>10,508,481</b>

Interest rate analysis of investment securities available for sale is disclosed in Note 24. Information on related party balances is disclosed in Note 28.

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**11 Investment Securities Held to Maturity**

	30 June 2017 (unaudited)	31 December 2016
Corporate bonds	14,207,579	10,428,871
Municipal bonds	476,943	482,883
Less impairment provision	(698,622)	(694,396)
<b>Total investment securities held to maturity</b>	<b>13,985,900</b>	<b>10,217,358</b>

Movements in the provision for impairment of investment securities held to maturity during the six months ended 30 June 2017 are as follows:

	Corporate bonds	Municipal bonds	Total
<b>Provision for impairment at 01 January 2017</b>	<b>(694,396)</b>	-	<b>(694,396)</b>
Provision for impairment during six months	(4,226)	-	(4,226)
<b>Provision for impairment at 30 June 2017 (unaudited)</b>	<b>(698,622)</b>	-	<b>(698,622)</b>

Movements in the provision for impairment of investment securities held to maturity during the three months ended 30 June 2017 are as follows:

	Corporate bonds	Municipal bonds	Total
<b>Provision for impairment at 01 April 2017 (unaudited)</b>	<b>(694,396)</b>	-	<b>(694,396)</b>
Provision for impairment during three months	(4,226)	-	(4,226)
<b>Provision for impairment at 30 June 2017 (unaudited)</b>	<b>(698,622)</b>	-	<b>(698,622)</b>

No provision for impairment of investment securities held to maturity was recorded at 30 June 2016 or during the six months and three months ended 30 June 2016.

Interest rate analysis of investment securities held to maturity is disclosed in Note 24. Information on related party balances is disclosed in Note 28.

**12 Non-current Assets Held for Sale****Carrying value**

<b>1 January 2016</b>	<b>5,531,437</b>
Additions	876,098
Transfer from investment properties	85,050
Disposals	(759,727)
<b>30 June 2016</b>	<b>5,732,858</b>
<b>1 January 2017</b>	<b>4,087,969</b>
Additions	2,067,243
Transfer from investment properties	18,733
Disposals	(102,778)
Transfer to investment properties	(9,540)
<b>30 June 2017</b>	<b>6,061,627</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**12 Non-current Assets Held for Sale (Continued)**

At 30 June 2017 and 31 December 2016, non-current assets held for sale include real estate which the Group received by taking possession of collateral held as security for loans and receiving other property. These non-cash settlements were excluded from the interim consolidated condensed statement of cash flows. The carrying amount of non-current assets held for sale will be recovered through a sale transaction. The Group's management approved a sales plan and the Group has started the process of active marketing of non-current assets held for sale in order to sell them within 12 months starting from the date of their classification into this category.

**13 Due to Other Banks**

	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Term placements of other banks	10,806,969	11,809,965
Term placements of the CBRF	5,874,759	6,079,376
Correspondent accounts and overnight placements of other banks	801,750	460,271
<b>Total deposits and balances due to banks and other financial institutions</b>	<b>17,483,478</b>	<b>18,349,612</b>

Included in amounts due to banks at 30 June 2017 are RR 15,684,941 thousand of correspondent accounts and term deposits from the CBRF and two Russian banks, which individually exceeded 5% of the Group's equity (2016: RR 15,772,678 thousand of correspondent accounts and term deposits from CBRF and three Russian banks).

The maturity, currency, and average effective interest rate analyses of deposits and balances due to banks and other financial institutions are disclosed in Note 24. Information on related party balances is disclosed in Note 28.

**14 Customer Accounts**

	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
<b>State and public organisations</b>		
- Current/settlement accounts	751,588	739,357
- Term deposits	4,312,500	4,457,384
<b>Other legal entities</b>		
- Current/settlement accounts	33,560,940	32,346,545
- Term deposits	56,896,057	59,994,824
<b>Individuals</b>		
- Current/demand accounts	13,050,415	11,578,204
- Term deposits	97,552,703	97,059,195
<b>Total customer accounts</b>	<b>206,124,203</b>	<b>206,175,509</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**14 Customer Accounts (Continued)**

Economic sector concentrations within customer accounts are as follows:

	30 June 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	110,603,118	54	108,637,399	53
Financial sector	31,121,242	15	36,854,483	18
Oil and gas	21,068,249	10	19,121,859	9
Services	14,875,887	7	8,862,259	4
Manufacturing	11,377,900	6	5,195,573	3
Trade	9,176,937	4	13,088,539	6
Construction	4,556,915	2	6,628,993	3
Other	3,343,955	2	7,786,404	4
<b>Total customer accounts</b>	<b>206,124,203</b>	<b>100</b>	<b>206,175,509</b>	<b>100</b>

At 30 June 2017, nineteen clients placed RR 79,517,912 thousand on current accounts and term deposits, which individually exceeded 5% of the Group's equity (2016: thirty six clients placed RR 87,801,367 thousand on current accounts and term deposits).

At 30 June 2017, customer accounts included deposits of RR 756,704 thousand (2016: RR 1,117,134 thousand) held as collateral for irrevocable commitments under import letters of credit and RR 52,761 thousand (2016: RR 354,340 thousand) held as collateral for irrevocable commitments under guarantees issued. Refer to Note 26.

Maturity, currency, and average effective interest rate analyses of current accounts and deposits from customers are disclosed in Note 24. Information on related party balances is disclosed in Note 28.

**15 Debt Securities in Issue**

	30 June 2017 (unaudited)	31 December 2016
Promissory notes	5,477,282	8,951,859
Deposit certificates	1,637	46,875
<b>Total debt securities in issue</b>	<b>5,478,919</b>	<b>8,998,734</b>

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles and US Dollars with effective interest rates from 2.0% to 14.0% and from 0.9% to 6.0%, respectively (2016: Russian Roubles, US Dollars and Euros with effective interest rates from 4.0% to 10.7%, from 2.0% to 6.0% and from 1.6% to 2.8%, respectively). Maturity dates of these promissory notes vary from July 2017 to November 2028 (2016: from January 2017 to November 2028).

At 30 June 2017, non-interest-bearing promissory notes of the aggregate nominal value of RR 735,160 thousand (2016: RR 915,281 thousand) were issued by the Group for settlement purposes and mature primarily on demand. Maturity, currency, and average effective interest rate analyses of debt securities in issue are disclosed in Note 24. Information on related party balances is disclosed in Note 28.

**16 Bonds in Issue**

	30 June 2017 (unaudited)	31 December 2016
Bonds in issue	21,669,733	31,943,443
<b>Total bonds in issue</b>	<b>21,669,733</b>	<b>31,943,443</b>



**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**16 Bonds in Issue (Continued)**

The Group had the following bonds outstanding at 30 June 2017:

Nominal value (RR thousand)	Nominal rate, %	Issue date	Maturity date	Offer date	Balance at 30 June 2017
5,000,000	10.75%	29 August 2012	23 August 2017	-	2,444,144
5,000,000	10.25%	5 June 2013	30 May 2018	-	3,290,918
5,000,000	11.00%	22 October 2013	16 October 2018	19 October 2017	2,497,297
8,000,000	11.25%	6 March 2014	28 February 2019	4 September 2017	6,913,718
6,000,000	10.00%	26 June 2014	13 June 2024	26 June 2014	1,056,340
5,000,000	10.75%	9 April 2015	27 May 2025	9 April 2018	4,657,740
800,000	9.50%	14 November 2016	11 November 2019	-	809,576
<b>Total bonds in issue</b>					<b>21,669,733</b>

The Group had the following bonds outstanding at 31 December 2016:

Nominal value (RR thousand)	Nominal value, %	Issue date	Maturity date	Offer date	Balance at 31 December 2016
5,000,000	12.50%	29 August 2012	23 August 2017	28 February 2017	3,593,355
5,000,000	11.75%	5 June 2013	30 May 2018	2 June 2017	4,322,474
5,000,000	11.00%	22 October 2013	16 October 2018	19 October 2017	2,417,079
8,000,000	11.25%	6 March 2014	28 February 2019	4 September 2017	6,941,798
6,000,000	11.25%	26 June 2014	13 June 2024	27 June 2017	4,645,781
1,750,000	8.50%	27 June 2014	14 June 2024	28 June 2017	1,753,255
5,000,000	12.00%	9 April 2015	27 March 2025	10 April 2017	4,391,821
5,000,000	10.50%	15 April 2016	3 April 2026	18 April 2017	3,067,320
800,000	10.25%	14 November 2016	11 November 2019	-	810,560
<b>Total bonds in issue</b>					<b>31,943,443</b>

The maturity, currency and interest rate analyses of other borrowings are disclosed in Note 24.

**17 Subordinated Debt**

	30 June 2017 (unaudited)	31 December 2016
Rouble denominated subordinated loans	3,062,085	8,586,061
USD denominated subordinated loans	2,390,498	5,742,322
<b>Total subordinated debt</b>	<b>5,452,583</b>	<b>14,328,383</b>

The Group received one subordinated loan from its shareholders totalling RR 902,096 thousand at 30 June 2017 (2016: 8 subordinated loans of RR 9,713,823 thousand), respectively. Interest rates on subordinated loans vary from 6.5% to 8.5% (2016: from 6.5% to 15.0%) and mature from June 2019 to May 2022 (2016: from June 2019 to no maturity). Interest rate on subordinated loans in USD is 8.4% at 30 June 2017 (2016: from 7.0% to 8.3%) and mature from June 2021 to December 2024 (2016: from December 2019 to December 2024).

Maturity, currency, and average effective interest rate analyses of subordinated loans are disclosed in Note 24.

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**18 Share Capital**

	Number of outstanding shares	Ordinary shares	Treasury shares
<b>At 1 January 2016</b>	<b>11,545,000,000</b>	<b>11,545,000,000</b>	<b>(261,374,124)</b>
New shares issued	8,000,000,000	8,000,000,000	-
<b>At 30 June 2016</b>	<b>19,545,000,000</b>	<b>19,545,000,000</b>	<b>(261,374,124)</b>
<b>At 1 January 2017</b>	<b>19,545,000,000</b>	<b>19,545,000,000</b>	<b>(261,374,124)</b>
New shares issued	14,000,000,000	14,000,000,000	-
<b>At 30 June 2017</b>	<b>33,545,000,000</b>	<b>33,545,000,000</b>	<b>(261,374,124)</b>

At 30 June 2017, the share capital of the Bank consists of 33,545,000,000 (2016: 19,545,000,000) ordinary shares. Ordinary shares have a nominal value of RR 1 per share with equal rights and carry one vote each. In June 2017, the procedure for share capital increase of PJSC Bank ZENIT for RR 14,000,000 thousand was completed.

The nominal share capital differs from the amount disclosed in the interim consolidated condensed statement of changes in equity for the amount of adjustment for hyperinflation.

At 30 June 2017 and 31 December 2016, the share premium of RR 1,545,000 thousand represents excess of the amount received over the nominal value of issued shares.

At 30 June 2017 and 31 December 2016, treasury shares included 261,374,124 ordinary shares of the Bank held by a wholly-owned subsidiary of the Group. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Bank held by the entities within the Group are effectively controlled by the management of the Group.

**19 Net Interest Income**

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)
<b>Interest income</b>				
Loans and advances to customers	11,481,595	12,064,883	5,930,543	5,934,948
Due from other banks	1,146,812	980,440	538,769	611,035
Investment securities available for sale	514,711	493,856	259,372	264,572
Investment securities held to maturity	420,114	384,064	247,900	202,085
Financial assets at fair value through profit or loss	262,757	253,401	111,107	126,572
Cash and cash equivalents	18,655	7,722	10,170	2,951
<b>Total interest income</b>	<b>13,844,644</b>	<b>14,184,366</b>	<b>7,097,861</b>	<b>7,142,163</b>
<b>Interest expense</b>				
Term deposits of individuals	(3,487,771)	(3,888,784)	(1,736,669)	(1,884,247)
Term deposits of legal entities	(2,918,845)	(3,132,385)	(1,381,785)	(1,574,122)
Rouble bonds in issue	(1,711,876)	(2,154,860)	(791,166)	(1,116,539)
Subordinated loans	(730,327)	(1,023,967)	(344,916)	(529,216)
Term deposits of banks	(813,111)	(940,534)	(427,014)	(385,776)
Debt securities in issue	(122,398)	(444,537)	(47,233)	(181,456)
<b>Total interest expense</b>	<b>(9,784,328)</b>	<b>(11,585,067)</b>	<b>(4,728,783)</b>	<b>(5,671,356)</b>
<b>Net interest income</b>	<b>4,060,316</b>	<b>2,599,299</b>	<b>2,369,078</b>	<b>1,470,807</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**20 Fee and Commission Income**

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)
Settlement transactions	929,884	950,406	476,657	475,376
Cash transactions	273,816	261,598	142,931	138,860
Foreign exchange transactions	187,522	169,069	95,503	86,654
Guarantees issued	134,837	139,561	66,419	69,347
Investing activities	25,037	11,986	24,666	11,155
Transactions with securities	11,998	17,882	3,927	7,981
Asset management	6,519	6,948	3,474	3,667
Other	91,331	80,593	51,144	41,063
<b>Total fee and commission income</b>	<b>1,660,944</b>	<b>1,638,043</b>	<b>864,721</b>	<b>834,103</b>
Settlement transactions	(367,697)	(346,838)	(187,355)	(180,845)
Cash transactions	(60,563)	(61,695)	(29,122)	(29,722)
Transactions with securities	(27,564)	(27,886)	(16,259)	(12,225)
Foreign exchange transactions	(10,609)	(16,091)	(4,664)	(8,781)
Guarantees received	(4,534)	(2,709)	(3,933)	(1,421)
Other	(45,068)	(26,411)	(25,270)	(17,266)
<b>Total fee and commission expense</b>	<b>(516,035)</b>	<b>(481,630)</b>	<b>(266,603)</b>	<b>(250,260)</b>
<b>Net fee and commission income</b>	<b>1,144,909</b>	<b>1,156,413</b>	<b>598,118</b>	<b>583,843</b>

**21 Administrative and Other Operating Expenses**

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)
Salaries	(1,446,823)	(1,438,284)	(781,446)	(709,022)
Social security expenses	(422,616)	(373,739)	(204,399)	(150,699)
Contributions to the State Deposit Insurance Agency	(329,242)	(217,155)	(169,511)	(127,326)
Administrative expenses	(309,729)	(253,255)	(145,354)	(139,770)
Maintenance and operation of premises	(308,930)	(330,560)	(155,499)	(202,143)
Rental payments	(265,330)	(346,172)	(126,419)	(162,777)
Operating taxes	(161,582)	(164,629)	(88,097)	(86,778)
Depreciation and amortisation	(124,195)	(111,114)	(62,298)	(55,709)
Telecommunications	(58,718)	(61,813)	(37,686)	(41,223)
Other staff costs	(30,755)	(50,369)	(14,429)	(25,028)
Insurance	(27,253)	(31,263)	(13,921)	(7,475)
Charity contributions	(13,834)	(50,022)	(9,962)	(26,938)
Advertising and marketing expenses	(13,697)	(17,073)	(3,427)	(6,622)
Fixed contribution to non-government pension fund	(2,774)	(48,201)	(1,353)	(44,172)
Other	(141,301)	(108,611)	(54,293)	(34,445)
<b>Total administrative and other operating expenses</b>	<b>(3,656,779)</b>	<b>(3,602,260)</b>	<b>(1,868,094)</b>	<b>(1,820,127)</b>

Included in social security expenses are statutory pension contributions of RR 298,520 thousand (six months 2016: RR 282,829 thousand). Included in social security expenses for the three months ended 30 June 2017 are statutory pension contributions of RR 145,927 thousand (three months ended 30 June 2016: RR 139,823 thousand).

**22 Earnings per Share**

Basic earnings/loss per share are calculated by dividing the net profit or loss attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

The Bank has no dilutive potential ordinary shares. Therefore, the diluted earnings/loss per share are equal to the basic earnings/loss per share. Earnings/loss per share are calculated as follows:

<i>In thousands of Russian Roubles except for number of shares</i>	<b>Six months ended 30 June 2017 (unaudited)</b>	<b>Six months ended 30 June 2016 (unaudited)</b>	<b>Three months ended 30 June 2017 (unaudited)</b>	<b>Three months ended 30 June 2016 (unaudited)</b>
Profit/(loss) for the period attributable to ordinary shareholders	645,258	(4,292,411)	42,118	(2,942,956)
Profit/(loss) for the period attributable to the owners of the Parent	642,196	(4,294,447)	40,340	(2,943,733)
Weighted average number of ordinary shares outstanding (shares)	20,443,846,870	11,415,494,008	21,591,318,184	11,547,362,140
<b>Basic and diluted earnings/(loss) per ordinary share (expressed in RR per share)</b>	<b>0.031</b>	<b>(0.376)</b>	<b>0.002</b>	<b>(0.255)</b>

**23 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 Chairman of the Management Board of the Group.

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

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

- Retail banking – representing a wide range of services to middle- and high-income individuals, attraction of customer accounts from them and extension of various loans to them.
- Corporate business – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency.
- Investment banking – representing provision of broker and depository services, asset management for large groups of companies and private customers, financial advice on raising finance for corporate customers and own transactions of the Bank at financial markets.

**(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.

**23 Segment Analysis (Continued)****(c) Measurement of operating segment profit or loss, assets and liabilities**

The accounting policy for operating segments is in line with the summary accounting policies described in this interim consolidated condensed financial information. Transactions between the operating segments include only re-allocation of funds. Funds are re-allocated between segments resulting in re-allocation of financing costs considered in calculation of operating income. Interest accrued on these funds is calculated based on the internal interest rates of the Group, which are based on market terms and conditions for similar financial instruments. There are no other material income or expenses on transactions between operating segments. Segment assets and liabilities consist of operating assets and liabilities comprising a major part of the statement of financial position but excluding such items as taxation, share of profit of associates, etc. Internal allocation of such items as salaries of the Management Board members and directors, as well as transfer pricing adjustments are considered in the results of corresponding segments. This indicator is presented to the chief operational decision maker (the Chairman of the Management Board) to help with resource allocation and assessment of performance by segment.

The CODM evaluates performance of each segment based on profit before tax.

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)****(d) Information about reportable segment profit or loss, assets and liabilities**

Operating segment information at 30 June 2017 and for the six months ended 30 June 2017 (unaudited) is as follows:

	<b>Servicing corporate customers</b>	<b>Investing activities</b>	<b>Retail banking</b>	<b>Unallocated</b>	<b>Total</b>
Interest income	8,723,850	2,610,821	2,136,438	-	13,471,109
Interest expense	(4,851,603)	(1,189,957)	(3,742,768)	-	(9,784,328)
<b>Net interest income before provision for impairment of loans</b>	<b>3,872,247</b>	<b>1,420,864</b>	<b>(1,606,330)</b>	-	<b>3,686,781</b>
Provision for impairment of loans to customers and banks	(1,866,943)	26,779	465,592	-	(1,374,572)
<b>Net interest expense</b>	<b>2,005,304</b>	<b>1,447,643</b>	<b>(1,140,738)</b>	-	<b>2,312,209</b>
Fee and commission income	1,104,439	31,070	525,435	-	1,660,944
Fee and commission expense	(67,648)	(7,399)	(440,988)	-	(516,035)
Gains less losses from financial assets at fair value through profit or loss	-	(134,851)	-	-	(134,851)
Gains less losses from trading in foreign currencies	(199,386)	44,848	83,066	-	(71,472)
Foreign exchange translation gains less losses	41,161	(428)	-	-	40,733
Impairment of investment securities available for sale	-	19,618	-	-	19,618
Gains less losses from disposals of investment securities available for sale	-	148,763	-	-	148,763
Impairment of investment securities held to maturity	-	(4,226)	-	-	(4,226)
Recovery of provision for credit related commitments	204,333	-	-	-	204,333
Recovery of provision for contingencies	73,280	-	-	-	73,280
Net (loss) on disposal of premises and equipment	(115)	(52)	(202)	-	(369)
Net income on disposal of non-current assets held for sale	7,677	-	690	-	8,367
Other operating income	109,034	18,305	54,747	37,897	219,983
<b>External operating income</b>	<b>3,278,079</b>	<b>1,563,291</b>	<b>(917,990)</b>	<b>37,897</b>	<b>3,961,277</b>
Net income from other segments	(1,995,303)	(739,756)	2,735,059	-	-
<b>Total</b>	<b>1,282,776</b>	<b>823,535</b>	<b>1,817,069</b>	<b>37,897</b>	<b>3,961,277</b>
Operating expenses	(1,674,958)	(178,500)	(1,524,479)	(278,842)	(3,656,779)
<b>Profit before income tax</b>	<b>(392,182)</b>	<b>645,035</b>	<b>292,590</b>	<b>(240,945)</b>	<b>304,498</b>
Income tax expense	-	-	-	30,354	30,354
<b>Net profit</b>	<b>(392,182)</b>	<b>645,035</b>	<b>292,590</b>	<b>(210,591)</b>	<b>334,852</b>
Segment assets	187,120,404	58,070,043	45,737,087	1,594,146	292,521,680
Segment liabilities	109,994,767	35,534,255	112,449,047	460,932	258,439,001
<b>Other items by segment</b>					
Depreciation charge	(71,317)	(3,959)	(48,919)	-	(124,195)
Capital expenditure	(68,234)	(1,661)	(31,202)	(9,754)	(110,851)

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)**

Operating segment information at 31 December 2016 and for the six months ended 30 June 2016 (unaudited) is as follows:

	<b>Servicing corporate customers</b>	<b>Investing activities</b>	<b>Retail banking</b>	<b>Unallocated</b>	<b>Total</b>
Interest income	9,702,358	2,386,560	2,211,416	-	14,300,334
Interest expense	(5,999,963)	(1,401,995)	(4,183,109)	-	(11,585,067)
<b>Net interest income before provision for impairment of loans</b>	<b>3,702,395</b>	<b>984,565</b>	<b>(1,971,693)</b>	-	<b>2,715,267</b>
Provision for impairment of loans to customers and banks	(1,202,870)	(32,298)	(357,416)	-	(1,592,584)
<b>Net interest expense</b>	<b>2,499,525</b>	<b>952,267</b>	<b>(2,329,109)</b>	-	<b>1,122,683</b>
Fee and commission income	1,084,891	33,426	519,726	-	1,638,043
Fee and commission expense	(43,865)	(22,651)	(415,114)	-	(481,630)
Gains less losses from financial assets at fair value through profit or loss	-	(60,616)	-	-	(60,616)
Gains less losses from trading in foreign currencies	(296,700)	(183,654)	142,119	-	(338,235)
Foreign exchange translation gains less losses	(28,912)	(5,281)	-	-	(34,193)
Impairment of investment securities available for sale	-	(21,689)	-	-	(21,689)
Gains less losses from disposals of investment securities available for sale	-	95,564	-	-	95,564
Provision for credit related commitments	(102,533)	-	-	-	(102,533)
Recovery of provision for contingencies	6,608	-	-	-	6,608
Impairment of assets held for development and sale	(113,388)	-	-	-	(113,388)
Net (loss) on disposal of premises and equipment	(5,470)	(667)	(9,495)	-	(15,632)
Net (loss) on disposal of non-current assets held for sale	(85,056)	-	(18,440)	-	(103,496)
Other operating income	40,638	11,097	89,063	22,475	163,273
<b>External operating income</b>	<b>2,955,738</b>	<b>797,796</b>	<b>(2,021,250)</b>	<b>22,475</b>	<b>1,754,759</b>
Net income from other segments	(2,418,617)	185,695	2,232,922	-	-
<b>Total</b>	<b>537,121</b>	<b>983,491</b>	<b>211,672</b>	<b>22,475</b>	<b>1,754,759</b>
Operating expenses	(1,777,442)	(230,824)	(1,302,397)	(291,597)	(3,602,260)
<b>Profit before income tax</b>	<b>(1,240,321)</b>	<b>752,667</b>	<b>(1,090,725)</b>	<b>(269,122)</b>	<b>(1,847,501)</b>
Income tax expense	-	-	-	(111,911)	(111,911)
<b>Net profit</b>	<b>(1,240,321)</b>	<b>752,667</b>	<b>(1,090,725)</b>	<b>(381,033)</b>	<b>(1,959,412)</b>
Segment assets	197,223,190	56,707,153	46,475,955	1,640,875	302,047,173
Segment liabilities	122,618,630	45,486,545	113,959,404	459,638	282,524,217
<b>Other items by segment</b>					
Depreciation charge	(69,137)	(3,641)	(38,336)	-	(111,114)
Capital expenditure	(47,007)	(1,333)	(24,366)	(10,033)	(82,739)

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)**

Reconciliation of income and expense items for the six months ended 30 June 2017 and segment information at 30 June 2017 is as follows:

	Total amount for all reportable segments	Reclassifications	As reported under IFRS
Interest income	13,471,109	373,535	13,844,644
Interest expense	(9,784,328)	-	(9,784,328)
<b>Net interest income before provision for impairment of loans</b>	<b>3,686,781</b>	<b>373,535</b>	<b>4,060,316</b>
Provision for impairment of loans to customers and banks	(1,374,572)	14,473	(1,360,099)
<b>Net interest expense</b>	<b>2,312,209</b>	<b>388,008</b>	<b>2,700,217</b>
Fee and commission income	1,660,944	-	1,660,944
Fee and commission expense	(516,035)	-	(516,035)
Gains less losses from financial assets at fair value through profit or loss	(134,851)	-	(134,851)
Gains less losses from trading in foreign currencies	(71,472)	-	(71,472)
Foreign exchange translation gains less losses	40,733	-	40,733
Impairment of investment securities available for sale	19,618	-	19,618
Gains less losses from disposals of investment securities available for sale	148,763	-	148,763
Impairment of investment securities held to maturity	(4,226)	-	(4,226)
Recovery of provision for credit related commitments	204,333	-	204,333
Recovery of provision for contingencies	73,280	-	73,280
Net (loss) on disposal of premises and equipment	(369)	-	(369)
Net income on disposal of non-current assets held for sale	8,367	-	8,367
Other operating income	219,983	-	219,983
<b>External operating expenses</b>	<b>3,961,277</b>	<b>388,008</b>	<b>4,349,285</b>
Net income from other segments	-	-	-
<b>Total</b>	<b>3,961,277</b>	<b>388,008</b>	<b>4,349,285</b>
Operating expenses	(3,656,779)	-	(3,656,779)
<b>Profit before income tax</b>	<b>304,498</b>	<b>388,008</b>	<b>692,506</b>
Income tax expense	30,354	(77,602)	(47,248)
<b>Net profit</b>	<b>334,852</b>	<b>310,406</b>	<b>645,258</b>
Segment assets	292,521,680	(2,990,323)	289,531,357
Segment liabilities	258,439,001	-	258,439,001



**23 Segment Analysis (Continued)**

Reconciliation of income and expense items for the six months ended 30 June 2016 and segment information at 31 December 2016 is as follows:

	Total amount for all reportable segments	Reclassifications	As reported under IFRS
Interest income	14,300,334	(115,968)	14,184,366
Interest expense	(11,585,067)	-	(11,585,067)
<b>Net interest income before provision for impairment of loans</b>	<b>2,715,267</b>	<b>(115,968)</b>	<b>2,599,299</b>
Provision for impairment of loans to customers and banks	(1,592,584)	(1,928,562)	(3,521,146)
<b>Net interest expense</b>	<b>1,122,683</b>	<b>(2,044,530)</b>	<b>(921,847)</b>
Fee and commission income	1,638,043	-	1,638,043
Fee and commission expense	(481,630)	-	(481,630)
Gains less losses from financial assets at fair value through profit or loss	(60,616)	-	(60,616)
Gains less losses from trading in foreign currencies	(338,235)	-	(338,235)
Foreign exchange translation gains less losses	(34,193)	-	(34,193)
Losses on initial recognition of assets at rates below market	-	(709,233)	(709,233)
Impairment of investment securities available for sale	(21,689)	-	(21,689)
Gains less losses from disposals of investment securities available for sale	95,564	-	95,564
Provision for credit related commitments	(102,533)	-	(102,533)
Recovery of provision for contingencies	6,608	-	6,608
Impairment of assets held for development and sale	(113,388)	-	(113,388)
Net (loss) on disposal of premises and equipment	(15,632)	-	(15,632)
Net (loss) on disposal of non-current assets held for sale	(103,496)	-	(103,496)
Other operating income	163,273	-	163,273
<b>External operating expenses</b>	<b>1,754,759</b>	<b>(2,753,763)</b>	<b>(999,004)</b>
Net income from other segments	-	-	-
<b>Total</b>	<b>1,754,759</b>	<b>(2,753,763)</b>	<b>(999,004)</b>
Operating expenses	(3,602,260)	-	(3,602,260)
<b>Profit before income tax</b>	<b>(1,847,501)</b>	<b>(2,753,763)</b>	<b>(4,601,264)</b>
Income tax expense	(111,911)	420,764	308,853
<b>Net profit</b>	<b>(1,959,412)</b>	<b>(2,332,999)</b>	<b>(4,292,411)</b>
Segment assets	302,047,173	(3,056,190)	298,990,983
Segment liabilities	282,524,217	-	282,524,217

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)**

Operating segment information for the three months ended 30 June 2017 is as follows:

	<b>Servicing corporate customers</b>	<b>Investing activities</b>	<b>Retail banking</b>	<b>Unallocated</b>	<b>Total</b>
Interest income	4,243,477	1,415,090	978,413	-	6,636,980
Interest expense	(2,308,159)	(547,997)	(1,872,627)	-	(4,728,783)
<b>Net interest income/(expense)</b>	<b>1,935,318</b>	<b>867,093</b>	<b>(894,214)</b>	-	<b>1,908,197</b>
Provision for impairment of loans	(1,194,323)	(1,746)	(7,940)	-	(1,204,009)
<b>Net interest income/(expense) after the change in the provision for impairment of loans</b>	<b>740,995</b>	<b>865,347</b>	<b>(902,154)</b>	-	<b>704,188</b>
Fee and commission income	577,182	25,913	261,626	-	864,721
Fee and commission expense	(29,837)	(7,004)	(229,762)	-	(266,603)
Gains less losses from financial assets at fair value through profit or loss	-	(56,375)	-	-	(56,375)
Gains less losses from trading in foreign currencies	(31,764)	21,304	45,516	-	35,056
Foreign exchange translation gains less losses	100,802	(221)	-	-	100,581
Impairment of investment securities available for sale	-	21,176	-	-	21,176
Gains less losses from disposals of investment securities available for sale	-	85,950	-	-	85,950
Impairment of investment securities held to maturity	-	(4,226)	-	-	(4,226)
Recovery of provision for credit related commitments	93,649	-	-	-	93,649
Recovery of provision for contingencies	25,049	-	-	-	25,049
Net (loss) on disposal of premises and equipment	-	(33)	(98)	-	(131)
Net (loss) on disposal of non- current assets held for sale	(64)	-	99	-	35
Other operating income	83,009	13,363	36,201	17,599	150,172
<b>External operating income</b>	<b>1,559,021</b>	<b>965,194</b>	<b>(788,572)</b>	<b>17,599</b>	<b>1,753,242</b>
Net income from other segments	(922,590)	(436,395)	1,358,985	-	-
<b>Total</b>	<b>636,431</b>	<b>528,799</b>	<b>570,413</b>	<b>17,599</b>	<b>1,753,242</b>
Operating expenses	(883,527)	(91,722)	(750,078)	(142,767)	(1,868,094)
<b>(Loss)/profit before tax</b>	<b>(247,096)</b>	<b>437,077</b>	<b>(179,665)</b>	<b>(125,168)</b>	<b>(114,852)</b>
Income tax	-	-	-	85,597	85,597
<b>Net (loss)/profit</b>	<b>(247,096)</b>	<b>437,077</b>	<b>(179,665)</b>	<b>(39,571)</b>	<b>(29,255)</b>
<b>Other items by segment</b>					
Depreciation charge	(36,231)	(1,924)	(24,143)	-	(62,298)
Capital expenditure	(13,038)	(753)	(9,671)	(5,759)	(29,221)

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)**

Operating segment information for the three months ended 30 June 2016 (unaudited) is as follows:

	<b>Servicing corporate customers</b>	<b>Investing activities</b>	<b>Retail banking</b>	<b>Unallocated</b>	<b>Total</b>
Interest income	4,535,936	1,465,884	1,116,559	-	7,118,379
Interest expense	(2,983,449)	(648,893)	(2,039,014)	-	(5,671,356)
<b>Net interest income/(expense)</b>	<b>1,552,487</b>	<b>816,991</b>	<b>(922,455)</b>	-	<b>1,447,023</b>
Provision for impairment of loans	(2,037,822)	2,127	(315,129)	-	(2,350,824)
<b>Net interest income/(expense) after the change in the provision for impairment of loans</b>	<b>(485,335)</b>	<b>819,118</b>	<b>(1,237,584)</b>	-	<b>(903,801)</b>
Fee and commission income	556,965	19,710	257,428	-	834,103
Fee and commission expense	(26,773)	(11,092)	(212,395)	-	(250,260)
Gains less losses from financial assets at fair value through profit or loss	-	(66,165)	-	-	(66,165)
Gains less losses from trading in foreign currencies	925,698	(878,641)	59,680	-	106,737
Foreign exchange translation gains less losses	(950,149)	737,187	-	-	(212,962)
Gains less losses from disposals of investment securities available for sale	-	66,031	-	-	66,031
Recovery of provision for credit related commitments	94,492	-	-	-	94,492
Provision for contingencies	(40,878)	-	-	-	(40,878)
Impairment of assets held for development and sale	(113,388)	-	-	-	(113,388)
Net (loss) on disposal of premises and equipment	(232)	(106)	(147)	-	(485)
Net (loss) on disposal of non- current assets held for sale	(49,236)	-	(10,118)	-	(59,354)
Other operating income	1,218	10,087	50,080	10,151	71,536
<b>External operating income</b>	<b>(87,618)</b>	<b>696,129</b>	<b>(1,093,056)</b>	<b>10,151</b>	<b>(474,394)</b>
Net income from other segments	(1,077,815)	(67,575)	1,145,390	-	-
<b>Total</b>	<b>(1,165,433)</b>	<b>628,554</b>	<b>52,334</b>	<b>10,151</b>	<b>(474,394)</b>
Operating expenses	(884,508)	(112,555)	(700,642)	(122,422)	(1,820,127)
<b>(Loss)/profit before tax</b>	<b>(2,049,941)</b>	<b>515,999</b>	<b>(648,308)</b>	<b>(112,271)</b>	<b>(2,294,521)</b>
Income tax	-	-	-	29,730	29,730
<b>Net (loss)/profit</b>	<b>(2,049,941)</b>	<b>515,999</b>	<b>(648,308)</b>	<b>(82,541)</b>	<b>(2,264,791)</b>
<b>Other items by segment</b>					
Depreciation charge	(34,752)	(1,833)	(19,124)	-	(55,709)
Capital expenditure	(29,372)	(950)	(16,639)	(7,382)	(54,343)

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)**

Reconciliation of income and expense items for the three months ended 30 June 2017 is as follows:

	Total amount for all reportable segments	Reclassifications	As reported under IFRS
Interest income	6,636,980	460,881	7,097,861
Interest expense	(4,728,783)	-	(4,728,783)
<b>Net interest income before provision for impairment of loans</b>	<b>1,908,197</b>	<b>460,881</b>	<b>2,369,078</b>
Provision for impairment of loans to customers and banks	(1,204,009)	(371,664)	(1,575,673)
<b>Net interest expense</b>	<b>704,188</b>	<b>89,217</b>	<b>793,405</b>
Fee and commission income	864,721	-	864,721
Fee and commission expense	(266,603)	-	(266,603)
Gains less losses from financial assets at fair value through profit or loss	(56,375)	-	(56,375)
Gains less losses from trading in foreign currencies	35,056	-	35,056
Foreign exchange translation gains less losses	100,581	-	100,581
Impairment of investment securities available for sale	21,176	-	21,176
Gains less losses from disposals of investment securities available for sale	85,950	-	85,950
Impairment of investment securities held to maturity	(4,226)	-	(4,226)
Recovery of provision for credit related commitments	93,649	-	93,649
Recovery of provision for contingencies	25,049	-	25,049
Net (loss) on disposal of premises and equipment	(131)	-	(131)
Net income on disposal of non-current assets held for sale	35	-	35
Other operating income	150,172	-	150,172
<b>External operating expenses</b>	<b>1,753,242</b>	<b>89,217</b>	<b>1,842,459</b>
Net income from other segments	-	-	-
<b>Total</b>	<b>1,753,242</b>	<b>89,217</b>	<b>1,842,459</b>
Operating expenses	(1,868,094)	-	(1,868,094)
<b>Profit before income tax</b>	<b>(114,852)</b>	<b>89,217</b>	<b>(25,635)</b>
Income tax expense	85,597	(17,844)	67,753
<b>Net profit</b>	<b>(29,255)</b>	<b>71,373</b>	<b>42,118</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**23 Segment Analysis (Continued)**

Reconciliation of income and expense items for the three months ended 30 June 2016 is as follows:

	Total amount for all reportable segments	Reclassifications	As reported under IFRS
Interest income	7,118,379	23,784	7,142,163
Interest expense	(5,671,356)	-	(5,671,356)
<b>Net interest income before provision for impairment of loans</b>	<b>1,447,023</b>	<b>23,784</b>	<b>1,470,807</b>
Provision for impairment of loans to customers and banks	(2,350,824)	229	(2,350,595)
<b>Net interest expense</b>	<b>(903,801)</b>	<b>24,013</b>	<b>(879,788)</b>
Fee and commission income	834,103	-	834,103
Fee and commission expense	(250,260)	-	(250,260)
Gains less losses from financial assets at fair value through profit or loss	(66,165)	-	(66,165)
Gains less losses from trading in foreign currencies	106,737	-	106,737
Foreign exchange translation gains less losses	(212,962)	-	(212,962)
Losses on initial recognition of assets at rates below market	-	(709,233)	(709,233)
Gains less losses from disposals of investment securities available for sale	66,031	-	66,031
Provision for credit related commitments	94,492	-	94,492
Recovery of provision for contingencies	(40,878)	-	(40,878)
Impairment of assets held for development and sale	(113,388)	-	(113,388)
Net (loss) on disposal of premises and equipment	(485)	-	(485)
Net (loss) on disposal of non-current assets held for sale	(59,354)	-	(59,354)
Other operating income	71,536	-	71,536
<b>External operating expenses</b>	<b>(474,394)</b>	<b>(685,220)</b>	<b>(1,159,614)</b>
Net income from other segments	-		-
<b>Total</b>	<b>(474,394)</b>	<b>(685,220)</b>	<b>(1,159,614)</b>
Operating expenses	(1,820,127)	-	(1,820,127)
<b>Profit before income tax</b>	<b>(2,294,521)</b>	<b>(685,220)</b>	<b>(2,979,741)</b>
Income tax expense	29,730	7,055	36,785
<b>Net profit</b>	<b>(2,264,791)</b>	<b>(678,165)</b>	<b>(2,942,956)</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**24 Analysis by Currency and Maturity, and Average Effective Interest Rates**

There were no significant changes in the risk management policies for the six months ended 30 June 2017.

**Analysis by currency**

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

	30 June 2017 (unaudited)				31 December 2016			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Russian Roubles	224,256,796	(202,337,918)	(5,623,201)	16,295,677	231,426,380	(218,053,743)	(6,186,538)	7,186,099
US Dollars	41,074,842	(46,733,895)	5,684,786	25,733	44,997,763	(53,507,138)	6,044,592	(2,464,783)
Other	7,808,862	(8,057,280)	(129,382)	(377,800)	8,245,717	(9,301,366)	141,946	(913,703)
<b>Total</b>	<b>273,140,500</b>	<b>(257,129,093)</b>	<b>(67,797)</b>	<b>15,943,610</b>	<b>284,669,860</b>	<b>(280,862,247)</b>	<b>-</b>	<b>3,807,613</b>

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.

**24 Analysis by Currency and Maturity, and Average Effective Interest Rates (Continued)**
**Analysis by maturity**

The analysis by expected maturities and resulting expected liquidity gap at 30 June 2017 (unaudited) is as follows:

<i>In thousands of Russian Roubles</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>No maturity</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	37,289,618	-	-	-	-	37,289,618
Mandatory cash balances with the Central Bank of Russian Federation ("CBRF").	-	-	-	-	2,064,607	2,064,607
Financial assets at fair value through profit or loss	7,850,489	-	-	-	242,565	8,093,054
Due from other banks	19,977,779	922,837	538,296	244,985	-	21,683,897
Loans and advances to customers	8,314,370	31,798,353	17,282,025	125,840,602	-	183,235,350
Investment securities available for sale	26,236	1,342,948	938,012	4,216,337	2,759,201	9,282,734
Investment securities held to maturity	559,907	5,535,793	2,532,028	5,358,172	-	13,985,900
Other financial assets	508,055	-	-	-	-	508,055
<b>Total financial assets</b>	<b>74,526,454</b>	<b>39,599,931</b>	<b>21,290,361</b>	<b>135,660,096</b>	<b>5,066,373</b>	<b>276,143,215</b>
Non-financial assets	563,636	144,825	7,560,967	16,184	5,102,530	13,388,142
<b>Total assets</b>	<b>75,090,090</b>	<b>39,744,756</b>	<b>28,851,328</b>	<b>135,676,280</b>	<b>10,168,903</b>	<b>289,531,357</b>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	68,746	-	-	-	-	68,746
Due to other banks	1,829,264	714,136	6,593,916	8,346,162	-	17,483,478
Customer accounts	70,458,223	26,664,801	24,562,142	84,439,037	-	206,124,203
Debt securities in issue	846,846	2,138,305	2,321,396	172,372	-	5,478,919
Bonds in issue	-	12,008,257	8,861,476	800,000	-	21,669,733
Other financial liabilities	909,884	4,656	5,143	494	-	920,177
Subordinated debt	-	21,689	15,305	5,415,589	-	5,452,583
<b>Total financial liabilities</b>	<b>74,112,963</b>	<b>41,551,844</b>	<b>42,359,378</b>	<b>99,173,654</b>	<b>-</b>	<b>257,197,839</b>
Non-financial liabilities	805,398	167,083	153,874	114,807	-	1,241,162
<b>Total liabilities</b>	<b>74,918,361</b>	<b>41,718,927</b>	<b>42,513,252</b>	<b>99,288,461</b>	<b>-</b>	<b>258,439,001</b>
<b>Net liquidity position</b>	<b>171,729</b>	<b>(1,974,171)</b>	<b>(13,661,924)</b>	<b>36,387,819</b>	<b>10,168,903</b>	<b>31,092,356</b>
<b>Cumulative liquidity position</b>	<b>171,729</b>	<b>(1,802,442)</b>	<b>(15,464,366)</b>	<b>20,923,453</b>	<b>31,092,356</b>	<b>-</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**24 Analysis by Currency and Maturity, and Average Effective Interest Rates (Continued)**

The analysis by expected maturities and resulting expected liquidity gap is as follows at 31 December 2016:

<i>In thousands of Russian Roubles</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>No maturity</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	38,417,360	-	-	-	-	38,417,360
Mandatory cash balances with the Central Bank of Russian Federation ("CBRF").	-	-	-	-	1,988,262	1,988,262
Financial assets at fair value through profit or loss	6,923,061	-	-	-	95,340	7,018,401
Due from other banks	16,314,143	6,381,870	479,063	227,259	-	23,402,335
Loans and advances to customers	8,492,412	35,169,016	31,069,264	120,010,053	-	194,740,745
Investment securities available for sale	28,335	2,010,871	2,110,476	4,215,126	2,143,673	10,508,481
Investment securities held to maturity	64,661	2,335,803	2,196,188	5,620,706	-	10,217,358
Other financial assets	618,741	35	13	-	-	618,789
<b>Total financial assets</b>	<b>70,858,713</b>	<b>45,897,595</b>	<b>35,855,004</b>	<b>130,073,144</b>	<b>4,227,275</b>	<b>286,911,731</b>
Non-financial assets	1,086,478	322,304	5,487,853	16,158	5,166,459	12,079,252
<b>Total assets</b>	<b>71,945,191</b>	<b>46,219,899</b>	<b>41,342,857</b>	<b>130,089,302</b>	<b>9,393,734</b>	<b>298,990,983</b>
<b>Liabilities</b>						
Due to other banks	6,035,183	2,078,184	326,213	9,910,032	-	18,349,612
Customer accounts	56,787,087	69,507,759	43,228,031	36,652,632	-	206,175,509
Debt securities in issue	1,200,112	5,971,608	1,687,597	139,417	-	8,998,734
Bonds in issue	-	22,086,968	9,056,475	800,000	-	31,943,443
Other financial liabilities	1,058,947	2,516	4,700	403	-	1,066,566
Subordinated debt	-	22,110	-	14,306,273	-	14,328,383
<b>Total financial liabilities</b>	<b>65,081,329</b>	<b>99,669,145</b>	<b>54,303,016</b>	<b>61,808,757</b>	<b>-</b>	<b>280,862,247</b>
Non-financial liabilities	1,275,085	130,788	132,562	123,535	-	1,661,970
<b>Total liabilities</b>	<b>66,356,414</b>	<b>99,799,933</b>	<b>54,435,578</b>	<b>61,932,292</b>	<b>-</b>	<b>282,524,217</b>
<b>Net liquidity position</b>	<b>5,588,777</b>	<b>(53,580,034)</b>	<b>(13,092,721)</b>	<b>68,157,010</b>	<b>9,393,734</b>	<b>16,466,766</b>
<b>Cumulative liquidity position</b>	<b>5,588,777</b>	<b>(47,991,257)</b>	<b>(61,083,978)</b>	<b>7,073,032</b>	<b>16,466,766</b>	<b>-</b>

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

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



**24 Analysis by Currency and Maturity, and Average Effective Interest Rates (Continued)**

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.

**Interest rate risk**

The Group monitors interest rates for its financial instruments. The table below summarises the average effective interest rates by major currencies (US dollar, Russian rouble) for financial instruments at 30 June 2017 and 31 December 2016. The analysis was prepared based on data of average weighted effective interest rates for various financial instruments, subject to contractual terms and conditions as at the end of the year.

<i>In % p.a.</i>	30 June 2017		31 December 2016	
	RR	US Dollars	RR	US Dollars
<b>Assets</b>				
Cash and cash equivalents	9.3	0.6	9.1	0.3
Debt financial assets at fair value through profit or loss	9.1	4.1	10.4	4.9
Due from other banks	9.5	4.0	11.1	3.2
Loans and advances to customers	12.1	7.0	12.5	6.6
Debt investment securities available for sale	8.5	8.5	10.5	6.3
Debt investment securities held to maturity	9.5	6.7	6.5	6.5

<i>In % p.a.</i>	30 June 2017		31 December 2016	
	RR	RR	RR	US Dollars
<b>Liabilities</b>				
Due to other banks	9.6	2.0	10.2	3.0
Term customer deposits	8.8	2.1	10.0	2.7
Debt securities in issue	5.0	2.9	4.8	4.8
Bonds in issue	10.8	-	11.3	-
Subordinated debt	7.1	8.4	11.9	8.0

The sign “-” in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

**25 Management of Capital**

The Company’s objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%.

The table below shows the Group’s capital structure in accordance with requirements of the Basel Accord at 30 June 2017 and 31 December 2016.

	30 June 2017	31 December 2016
Tier 1 capital	30,603,878	15,978,288
Tier 2 capital	14,031,749	8,321,374
Total capital	44,635,627	24,299,662
Risk-weighted assets	250,371,740	250,354,298
Total capital ratio, %	17.8%	9.7%
Tier 1 capital adequacy ratio, %	12.2%	6.4%

**25 Management of Capital (Continued)**

The minimum capital adequacy ratio based on Basel was 8% and Tier 1 capital adequacy ratio 4%. At 30 June 2017 and 31 December 2016, the Group met Basel capital requirements.

The Group must comply with eight financial covenants in respect of two subordinated loans with maturity dates in June 2021 and December 2024. At 30 June 2017, the Group met all such covenants. At 31 December 2016, the Group did not comply with all such covenants which may result in amendment of commercial terms of lending. However, the Group obtained the Lender's waiver to amend commercial terms of lending in respect of non-compliance with covenants at 31 December 2016 and for the period until 30 June 2017.

The Group also controls compliance with the capital adequacy requirements for credit institutions established by the Central Bank of the Russian Federation. Under the current capital requirements, banks have to maintain a ratio of regulatory capital to risk weighted assets ("capital adequacy ratio") above a prescribed minimum level. The CBRF sets the following mandatory capital adequacy requirements for base capital, tier 1 capital and total capital: 4.5%, 6% and 8% (31 December 2016: 4.5%, 6% and 8%, respectively). The Bank complied with the CBRF capital adequacy requirements during the three months ended 30 June 2017 and throughout the year ended 31 December 2016.

**26 Contingencies and Commitments**

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group may be received.

At 30 June 2017 and 31 December 2016, the Group was a part of legal proceedings related to recovery of loans and banking guarantees. A provision of RR 197,704 thousand (2016: RR 270,984 thousand) has been made as professional advice has indicated that it is likely that a loss will eventuate.

**Tax contingencies.** Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 341,560 thousand (2016: RR 604,636 thousand). Such tax risks are largely related to interpretation of applicable laws in part of taxation of foreign companies. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in this interim consolidated condensed financial information if these are challenged by the authorities.

**26 Contingencies and Commitments (Continued)**

**Operating lease commitments.** The Group has no material non-cancellable operating leases. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases to the extent of payments during any notice period and penalties that apply on cancellation are as follows:

	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Due within 1 year	143,381	160,014
Due between 1 and 5 years	94,678	96,818
Due after 5 years	36,310	45,449
<b>Total operating lease commitments</b>	<b>274,369</b>	<b>302,281</b>

**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. Outstanding credit related commitments are as follows:

	<b>Note</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change.		30,194,080	25,510,527
Financial guarantees issued		4,932,664	3,968,803
Other guarantees issued		9,911,323	14,300,013
Import letters of credit		1,543,169	1,914,906
Less: Provision for credit related commitments		(782,238)	(986,571)
Less: Commitment collateralised by cash deposits under guarantees issued	14	(52,761)	(354,340)
Less: Commitment collateralised by cash deposits under import letters	14	(756,704)	(1,117,134)
<b>Total credit related commitments, net of provision and cash covered exposures</b>		<b>44,989,533</b>	<b>43,236,204</b>

**27 Fair Value Disclosures**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**27 Fair Value Disclosures (Continued)**

The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects their quality.

**(a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	30 June 2017 (unaudited)			Total
	Level 1	Level 2	Level 3	
<b>ASSETS AT FAIR VALUE</b>				
<b>FINANCIAL ASSETS</b>				
<i>Financial assets at fair value through profit or loss</i>				
Corporate bonds	4,855,960	-	-	4,855,960
Russian government bonds	623,342	-	-	623,342
Municipal bonds	2,370,237	-	-	2,370,237
Corporate shares and interest in mutual investment funds	242,565	-	-	242,565
Forwards with securities	-	950	-	950
<i>Investment securities available for sale</i>				
Corporate bonds	5,775,091	-	-	5,775,091
Russian government bonds	688,202	-	-	688,202
Municipal bonds	60,240	-	-	60,240
Corporate shares and interest in mutual investment funds	1,254,326	1,504,875	-	2,759,201
<b>NON-FINANCIAL ASSETS</b>				
- Premises and land	-	-	2,953,646	2,953,646
- Investment properties	-	-	766,344	766,344
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>15,869,963</b>	<b>1,505,825</b>	<b>3,719,990</b>	<b>21,095,778</b>

	30 June 2017 (unaudited)			Total
	Level 1	Level 2	Level 3	
<b>LIABILITIES CARRIED AT FAIR VALUE</b>				
<b>FINANCIAL LIABILITIES</b>				
<i>Financial liabilities at fair value through profit or loss</i>				
- Foreign exchange forwards	-	68,207	-	68,207
- Forwards with securities	-	539	-	539
<b>TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS</b>	<b>-</b>	<b>68,746</b>	<b>-</b>	<b>68,746</b>

	31 December 2016			Total
	Level 1	Level 2	Level 3	
<b>ASSETS AT FAIR VALUE</b>				
<b>FINANCIAL ASSETS</b>				
<i>Financial assets at fair value through profit or loss</i>				
Corporate bonds	5,238,187	-	-	5,238,187
Russian government bonds	919,712	-	-	919,712
Municipal bonds	765,162	-	-	765,162
Corporate shares and interest in mutual investment funds	95,340	-	-	95,340
Foreign exchange swap contracts	-	-	-	-
Forwards with securities	-	-	-	-
<i>Investment securities available for sale</i>				
Corporate bonds	7,821,913	-	-	7,821,913
Russian government bonds	483,331	-	-	483,331
Municipal bonds	59,564	-	-	59,564
Corporate shares and interest in mutual investment funds	638,798	1,504,875	-	2,143,673
<b>NON-FINANCIAL ASSETS</b>				
- Premises and land	-	-	2,978,925	2,978,925
- Investment properties	-	-	741,439	741,439
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>16,022,007</b>	<b>1,504,875</b>	<b>3,720,364</b>	<b>21,247,246</b>

**27 Fair Value Disclosures (Continued)**

At 30 June 2017 and 31 December 2016, the fair values in Level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The following inputs are used for this calculation:

- **Spot and forward exchange rates.** Foreign exchange rates, interest rate futures quotations and interest rate swap quotations are applied for foreign currencies. Applied rouble-denominated rates are calculated based on currency forward contracts.
- **Credit value adjustment.** The Group applies the value at credit risk approach (also known as credit value adjustment or default valuation adjustment) which reflects the probability of default of the counterparty, and debt valuation adjustment (DVA) which reflects the probability of our default. The credit value adjustment (CVA) is an adjustment of the price of derivative reflecting expected losses arising from counterparty's probable default resulting from default of the counterparty or the instrument. CVA is calculated for each counterparty by calculating the expected loss of the Group on financial derivatives with positive revaluation adjusted to the counterparty's probability of default, the recoverable loss ratio and collateral, if any. Adjustments of CVA are calculated based on observable market events. In its DVA, the Group includes its own credit risk at valuation of its own financial instruments. Therefore, DVA is a credit value adjustment (CVA) which will be applied by the Group's counterparties for valuation of their claims to the Group. DVA is calculated based on the Bank's credit rating.

The fair value of shares is determined by multiplying the number of shares by the market value of one share because the percentage of shares is insignificant.

There were no changes in valuation models for level 2 recurring fair value measurements during the three months ended 30 June 2017 (during the year ended 31 December 2016: none).

**(b) Non-recurring fair value measurements**

The Group has written down its non-current assets held for sale to fair value less costs to sell. The fair value of non-current assets held for sale at 31 December 2016 was based on valuations made on this date by an independent valuer. The valuation was based on market data on prices for transactions with similar properties. The fair value belongs to level 3.

**(c) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2017 (unaudited)			Carrying value
	Level 1 fair value	Level 2 Fair value	Level 3 Fair value	
<b>ASSETS</b>				
<b>Due from other banks</b>				
- Placements with other banks	-	17,291,114	-	17,285,831
- Reverse sale and repurchase agreements with other banks	-	4,400,709	-	4,398,066
<b>Loans and advances to customers</b>				
- Loans to corporate customers	-	-	141,085,168	147,362,500
- Loans to individuals	-	-	34,872,739	35,872,850
<b>Investment securities held to maturity</b>				
- Corporate bonds	13,519,412	-	200,324	13,508,957
- Municipal bonds	483,903	-	-	476,943

**ZENIT BANKING GROUP**
**Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
*In thousands of Russian Roubles*
**27 Fair Value Disclosures (Continued)**

In thousands of Russian Roubles	30 June 2017 (unaudited)			Carrying value
	Level 1 fair value	Level 2 Fair value	Level 3 Fair value	
<b>Other financial assets</b>				
Settlements of operations with plastic cards	-	236,973	-	236,973
Amounts due on accrued income	-	205,096	-	205,096
Other	-	65,986	-	65,986
<b>TOTAL</b>	<b>14,003,315</b>	<b>22,199,878</b>	<b>176,158,231</b>	<b>219,413,202</b>

In thousands of Russian Roubles	30 June 2017 (unaudited)			Carrying value
	Level 1 fair value	Level 2 Fair value	Level 3 Fair value	
<b>LIABILITIES</b>				
<b>Due to other banks</b>				
- Term placements of other banks	-	10,918,414	-	10,806,969
- Term placements of CBRF	-	5,826,693	-	5,874,759
- Correspondent accounts and overnight placements of other banks	795,336	-	-	801,750
<b>Customer accounts</b>				
- State and public organisations and other legal entities	-	94,918,109	-	95,521,085
- Individuals	-	108,841,630	-	110,603,118
<b>Debt securities in issue</b>				
- Promissory notes	-	5,416,820	-	5,477,282
- Deposit certificates	-	1,624	-	1,637
<b>Bonds in issue</b>				
	-	21,678,041	-	21,669,733
<b>Other financial liabilities</b>				
- Provision for credit related commitments	-	775,980	-	782,238
- Trade payables	-	7,517	-	7,578
- Other	-	129,318	-	130,361
<b>Subordinated debt</b>				
- Rouble denominated subordinated loans	-	2,887,767	-	3,062,085
- USD denominated subordinated loans	-	2,847,029	-	2,390,498
<b>TOTAL</b>	<b>795,336</b>	<b>254,248,942</b>	<b>-</b>	<b>257,129,093</b>

In thousands of Russian Roubles	31 December 2016			Carrying value
	Level 1 fair value	Level 2 Fair value	Level 3 Fair value	
<b>ASSETS</b>				
<b>Due from other banks</b>				
- Placements with other banks	-	16,772,921	-	16,763,517
- Reverse sale and repurchase agreements with other banks	-	6,662,189	-	6,638,818
<b>Loans and advances to customers</b>				
- Loans to corporate customers	-	-	153,717,430	158,803,031
- Loans to individuals	-	-	33,563,267	35,937,714
<b>Investment securities held to maturity</b>				
- Corporate bonds	9,684,488	-	277,097	9,734,475
- Municipal bonds	490,666	-	-	482,883
<b>Other financial assets</b>				
Settlements of operations with plastic cards	-	334,580	-	334,580
Other	-	284,209	-	284,209
<b>TOTAL</b>	<b>10,175,154</b>	<b>24,053,899</b>	<b>187,557,794</b>	<b>228,979,227</b>

**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**27 Fair Value Disclosures (Continued)**

<i>In thousands of Russian Roubles</i>	31 December 2016			Carrying value
	Level 1 fair value	Level 2 Fair value	Level 3 Fair value	
<b>LIABILITIES</b>				
<b>Due to other banks</b>				
- Term placements of other banks	-	11,129,517	-	11,809,965
- Term placements of CBRF	-	5,867,761	-	6,079,376
- Correspondent accounts and overnight placements of other banks	448,442	-	-	460,271
<b>Customer accounts</b>				
- State and public organisations and other legal entities	-	96,597,401	-	97,538,110
- Individuals	-	103,595,521	-	108,637,399
-	-	-	-	-
<b>Debt securities in issue</b>				
- Promissory notes	-	8,736,715	-	8,951,859
- Deposit certificates	-	45,671	-	46,875
-	-	-	-	-
<b>Bonds in issue</b>				
-	-	31,096,662	-	31,943,443
-	-	-	-	-
<b>Other financial liabilities</b>				
- Provision for credit related commitments	-	961,216	-	986,571
- Trade payables	-	19,092	-	19,596
- Other	-	58,847	-	60,399
-	-	-	-	-
<b>Subordinated debt</b>				
- Rouble denominated subordinated loans	-	10,598,803	-	8,586,060
- USD denominated subordinated loans	-	6,535,612	-	5,742,323
<b>TOTAL</b>	<b>448,442</b>	<b>275,242,818</b>	<b>-</b>	<b>280,862,247</b>

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

**28 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.

Outstanding closing balances, income and expenses and other related party transactions at 30 June 2017 and for the six months ended 30 June 2017 (unaudited) are as follows:

	Ultimate parent	Key management personnel of the Group	Other related parties	Total related parties
<b>Assets</b>				
Financial assets at fair value through profit or loss	1	-	-	1
Loans and advances to customers (net)	187,430	54,900	95,973	338,303
Loans and advances to customers before impairment	191,255	59,160	96,073	346,488
Less: provision for impairment	(3,825)	(4,260)	(100)	(8,185)
Investment securities available for sale	27	-	1,504,875	1,504,902
Other assets	106	-	5	111
<b>Liabilities</b>				
Customer accounts	25,597,219	18,678,025	10,228,730	54,503,974
Subordinated debt	902,096	-	-	902,096
Other liabilities	53	-	4	57

**ZENIT BANKING GROUP**
**Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
*In thousands of Russian Roubles*
**28 Related Party Transactions (Continued)**

	Ultimate parent	Key management personnel of the Group	Other related parties	Total related parties
<b>Income statement</b>				
Interest income	75	2,237	7,256	9,568
Interest expense	(1,302,961)	(711,202)	(256,601)	(2,270,764)
Provision for impairment of loans	(2,476)	996	(38)	(1,518)
Fee and commission income	70,193	516	1,511	72,220
Gains less losses from financial assets at fair value through profit or loss	263	-	-	263
Gains less losses from investment securities available for sale	1,299	-	33,206	34,505
Other operating income	43	-	2,570	2,613
<b>Off-balance sheet commitments</b>				
Guarantees issued	1,889,328	-	-	1,889,328
Import letters of credit	759,749	-	-	759,749
Credit commitments	-	23,532	2,770	26,302

Outstanding balances at 31 December 2016, income and expenses and other related party transactions for the six months ended 30 June 2016 (unaudited) are as follows:

	Ultimate parent	Key management personnel of the Group	Other related parties	Total related parties
<b>Assets</b>				
Financial assets at fair value through profit or loss	1	-	-	1
Loans and advances to customers (net)	66,125	66,931	115,466	248,522
Loans and advances to customers before impairment	67,474	72,187	115,528	255,189
Less: provision for impairment	(1,349)	(5,256)	(62)	(6,667)
Investment securities available for sale	23	-	1,504,875	1,504,898
<b>Liabilities</b>				
Customer accounts	26,757,318	18,414,776	7,851,106	53,023,200
Subordinated debt	9,713,823	-	-	9,713,823
Other liabilities	995	-	47	1,042

	Parties that exercise significant influence over the Group	Key management personnel of the Group	Other related parties	Total related parties
<b>Income statement</b>				
Interest income	40,985	2,589	9	43,583
Interest expense	(1,149,519)	(394,120)	(217,805)	(1,761,444)
Provision for impairment of loans	6,419	2,130	23	8,572
Fee and commission income	106,264	517	1,247	108,028
Net realised gains on financial assets available for sale	4,973	-	-	4,973
Other operating income	325	-	-	325

	Ultimate parent	Key management personnel of the Group	Other related parties	Total related parties
<b>Off-balance sheet commitments</b>				
Guarantees issued	2,978,904	-	-	2,978,904
Import letters of credit	833,018	-	-	833,018
Credit commitments	640,000	16,944	7,873	664,817



**ZENIT BANKING GROUP****Notes to the Interim Consolidated Condensed Financial Information six months ended 30 June 2017**  
In thousands of Russian Roubles**28 Related Party Transactions (Continued)**

Related party transactions for the three months ended 30 June 2017 (unaudited) are as follows:

	Ultimate parent	Key management personnel of the Group	Other related parties	Total related parties
<b>Income statement</b>				
Interest income	-	1,118	3,600	4,718
Interest expense	(630,667)	(447,222)	15,655	(1,062,234)
Recovery of provision for impairment of loans	2,156	4,320	47	6,523
Gains less losses from financial assets at fair value through profit or loss	270	-	-	270
Gains less losses from investment securities available for sale	1,299	-	-	1,299
Fee and commission income	33,047	83	304	33,434
Other operating income				

Related party transactions for the three months ended 30 June 2016 (unaudited) are as follows:

	Parties that exercise significant influence over the Group	Key management personnel of the Group	Other related parties	Total related parties
<b>Income statement</b>				
Interest income	2,887	1,231	9	4,127
Interest expense	(564,298)	(263,837)	(66,265)	(894,400)
Recovery of provision for impairment of loans	13,606	234	(27)	13,813
Fee and commission income	39,470	190	385	40,045
Net realised gains on financial assets available for sale	4,973	-	-	4,973
Other operating income	69	-	-	69

Operating expenses for the six months ended 30 June 2017 included the total remuneration due to members of the Board of Directors and key management personnel of RR 36,924 thousand (six months ended 30 June 2016: RR 50,748 thousand). Operating expenses for the three months ended 30 June 2017 included the total remuneration due to members of the Board of Directors and key management personnel of RR 17,374 thousand (three months ended 30 June 2016: RR 23,658 thousand). These amounts include only short-term payments.

**29 Events after the End of the Reporting Period**

In July 2017, for the purposes of more efficient asset management the Group partly sold impaired loans and non-core properties for RR 11 billion to two independent companies, with acquisitions financed by the shareholders. The Group's exposure to the risks related to the transferred assets ceased upon the transfer. Jointly with its shareholders, the Group considers selling the second part of impaired loans and non-core properties to these companies with similar sources of financing in Q4 2017. These transactions are aimed at enhancing the efficiency of the Group's business.