

**AO Raiffeisenbank**

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

**31 March 2016**

## CONTENTS

### REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

### CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

Consolidated Condensed Interim Statement of Financial Position .....	1
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income.....	2
Consolidated Condensed Interim Statement of Changes in Equity .....	3
Consolidated Condensed Interim Statement of Cash Flows .....	4

### NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

1	Introduction.....	5
2	Operating Environment of the Group .....	5
3	Summary of Significant Accounting Policies.....	6
4	Critical Accounting Estimates, and Judgements in Applying Accounting Policies.....	6
5	New Accounting Pronouncements.....	7
6	Cash and Cash Equivalents.....	7
7	Trading Securities Repurchase Receivables Related to Trading Securities .....	8
8	Other Securities at Fair Value Through Consolidated Profit or Loss .....	8
9	Due from Other Banks .....	9
10	Loans and Advances to Customers .....	9
11	Investment Securities Available for Sale.....	16
12	Investment Securities Held to Maturity .....	16
13	Derivatives and Other Financial Assets .....	16
14	Due to Other Banks.....	17
15	Customer Accounts.....	17
16	Term Borrowings from the Parent Bank.....	18
17	Derivatives and Other Financial Liabilities .....	19
18	Interest Income and Expense .....	20
19	Fee and Commission Income and Expense .....	21
20	Unrealized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments .....	21
21	Realized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments .....	22
22	Administrative and Other Operating Expenses.....	22
23	Segment Analysis .....	22
24	Financial Risk Management.....	30
25	Management of Capital.....	37
26	Contingencies and Commitments.....	39
27	Fair Value of Financial Instruments .....	43
28	Related Party Transactions.....	48



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

To the Shareholders and Supervisory Board of AO Raiffeisenbank:

### **Introduction**

We have reviewed the accompanying consolidated condensed interim statement of financial position of AO Raiffeisenbank and its subsidiaries (the "Group") as of 31 March 2016 and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim 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 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.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*AO PricewaterhouseCoopers Audit*

13 May 2016

Moscow, Russian Federation

*N.V. Kossova*  
N.V. Kossova, Director (licence no. 02-000396), AO PricewaterhouseCoopers Audit



Audited entity: AO Raiffeisenbank

State registration certificate № 3292 issued by the Central Bank of Russian Federation on 10 June 1996

17/1 Troitskaya Str., 129090 Moscow, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

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 on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organization.

**AO Raiffeisenbank**  
**Consolidated Condensed Interim Statement of Financial Position**

	Note	31 March 2016 (unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>			
<b>ASSETS</b>			
Cash and cash equivalents	6	141 882 809	159 565 835
Mandatory cash balances with the Central Bank of the Russian Federation		4 559 178	4 368 109
Trading securities	7	19 664 016	18 906 171
Repurchase receivables related to trading securities	7	-	615 718
Other securities at fair value through consolidated profit or loss	8	28 324 756	26 749 433
Due from other banks	9	23 464 783	34 972 177
Loans and advances to customers	10	494 484 723	522 321 580
Investment securities available for sale	11	1 535 537	1 507 038
Fixed assets and intangible assets		15 971 242	16 558 801
Deferred income tax asset		198 092	1 449 386
Investment securities held to maturity	12	6 127 868	9 426 637
Current income tax asset		1 088 390	-
Derivatives and other financial assets	13	49 734 378	57 637 717
Investment in associates		2 109 628	2 000 561
Assets held for sale		131 922	-
Other assets		2 218 802	2 466 445
<b>TOTAL ASSETS</b>		<b>791 496 124</b>	<b>858 545 608</b>
<b>LIABILITIES</b>			
Due to other banks	14	27 622 218	45 681 336
Customer accounts	15	558 753 418	581 270 437
Term borrowings from the Parent Bank	16	42 409 316	55 241 445
Debt securities in issue		13 027 321	13 594 144
Current income tax liability		-	1 809 027
Derivatives and other financial liabilities	17	44 272 679	60 739 577
Other liabilities		5 808 263	5 497 096
<b>TOTAL LIABILITIES</b>		<b>691 893 215</b>	<b>763 833 062</b>
<b>EQUITY</b>			
Share capital		43 268 888	43 268 888
Share premium		591 083	591 083
Additional paid-in capital		1 520 016	1 520 016
Retained earnings and other reserves		54 222 922	49 332 559
<b>TOTAL EQUITY</b>		<b>99 602 909</b>	<b>94 712 546</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>791 496 124</b>	<b>858 545 608</b>

Approved for issue and signed on 13 May 2016.

Sergei Monin  
Chairman of the Board



Gert Hebenstreit  
Chief Financial Officer

**AO Raiffeisenbank**  
**Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income**

	Note	Three-Month Period Ended 31 March 2016 (Unaudited)	Three-Month Period Ended 31 March 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Interest income	18	22 974 565	27 123 848
Interest expense	18	(12 441 810)	(15 233 392)
<b>Net interest income</b>		<b>10 532 755</b>	<b>11 890 456</b>
Charge of provision for loan impairment	10	(4 051 715)	(3 732 347)
<b>Net interest income after provision for loan impairment</b>		<b>6 481 040</b>	<b>8 158 109</b>
Fee and commission income	19	5 117 100	4 211 999
Fee and commission expense	19	(1 897 443)	(1 529 061)
Gains less losses from trading securities		314 112	190 982
Gains less losses from other securities at fair value through profit or loss		120 743	167 269
Gains less losses from trading in foreign currencies		1 041 685	1 546 314
Unrealized gains less losses from derivative financial instruments	20	6 985 318	29 391 229
Realized gains less losses /( losses less gains) from derivative financial instruments	21	1 826 964	(19 891)
Foreign exchange translation losses less gains		(7 873 466)	(28 558 378)
Ineffectiveness from the hedge accounting and other derivative instruments		(88 865)	279 610
Release of provision for credit related commitments		8 974	15 845
Gains from the sale of loans	10	5 790	10 031
Other operating income		33 378	168 384
Share of profit of associate		109 066	132 216
Income from realization of assets held for sale		49 735	-
Provision for investment securities held to maturity		(21)	(27)
<b>Operating income</b>		<b>12 234 110</b>	<b>14 164 631</b>
Administrative and other operating expenses	22	(6 079 077)	(5 646 062)
<b>Profit before tax</b>		<b>6 155 033</b>	<b>8 518 569</b>
Income tax expense		(1 287 950)	(1 631 438)
<b>Profit for the period</b>		<b>4 867 083</b>	<b>6 887 131</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Revaluation of investment securities available for sale		29 100	-
Income tax recorded directly in other comprehensive income		(5 820)	-
<b>Other comprehensive income for the period, net of tax</b>		<b>23 280</b>	<b>-</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>4 890 363</b>	<b>6 887 131</b>

The notes set out on pages 5 to 51 form an integral part of this consolidated condensed interim financial information.

**AO Raiffeisenbank**  
**Consolidated Condensed Interim Statement of Changes in Equity**

<i>In thousands of Russian Roubles</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Other reserves</b>	<b>Total</b>
<b>Balance at 1 January 2015</b>	<b>43 268 888</b>	<b>591 083</b>	<b>1 520 016</b>	<b>55 039 208</b>	<b>239 196</b>	<b>100 658 391</b>
Profit for the period	-	-	-	6 887 131	-	6 887 131
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 887 131</b>	<b>-</b>	<b>6 887 131</b>
Dividends paid	-	-	-	(15 000 000)	-	(15 000 000)
<b>Balance at 31 March 2015</b>	<b>43 268 888</b>	<b>591 083</b>	<b>1 520 016</b>	<b>46 926 339</b>	<b>239 196</b>	<b>92 545 522</b>
<b>Balance at 1 January 2016</b>	<b>43 268 888</b>	<b>591 083</b>	<b>1 520 016</b>	<b>49 102 363</b>	<b>230 196</b>	<b>94 712 546</b>
Profit for the period	-	-	-	4 867 083	-	4 867 083
Other comprehensive income for the period	-	-	-	-	23 280	23 280
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 867 083</b>	<b>23 280</b>	<b>4 890 363</b>
<b>Balance at 31 March 2016</b>	<b>43 268 888</b>	<b>591 083</b>	<b>1 520 016</b>	<b>53 969 446</b>	<b>253 476</b>	<b>99 602 909</b>

**AO Raiffeisenbank**  
**Consolidated Condensed Interim Statement of Cash Flows**

	Note	Three-Month Period Ended 31 March 2016 (Unaudited)	Three-Month Period Ended 31 March 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>			
<b>Cash flows from operating activities</b>			
Interest received		22 031 006	25 735 938
Interest paid		(13 086 365)	(12 337 929)
Fees and commissions received		5 124 001	4 253 492
Fees and commissions paid		(1 897 443)	(1 529 061)
Realized gains, net of losses/(losses, net of gains) from trading in trading securities		246 312	(566 638)
(Realized losses, net of gains) /gains, net of losses arising from other securities at fair value through profit or loss		(30 330)	333 544
Realized gains, net of losses/(losses, net of gains) from financial derivative instruments		1 826 964	(19 891)
(Realized losses, net of gains) /gains, net of losses arising from trading in foreign currencies		(466 826)	1 546 314
Cash proceeds from sale of loans	10	82 916	801 156
Other operating income received		46 157	376 622
Staff costs paid		(2 846 294)	(2 785 908)
Administrative and other operating expenses paid		(2 008 241)	(2 459 523)
Income tax paid		(2 928 561)	(3 458 062)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>6 093 296</b>	<b>9 890 054</b>
Net (increase) in mandatory cash balances with the Central Bank of the Russian Federation		(191 069)	(994 191)
Net (increase)/decrease in trading securities		(327 489)	734 470
Net (increase)/decrease in other securities at fair value through consolidated profit and loss		(3 149 492)	7 516 247
Net decrease in due from other banks		11 421 201	1 766 026
Net decrease in loans and advances to customers		7 460 591	29 967 790
Net decrease/(increase) in derivatives and other financial assets		428 994	(549 863)
Net decrease in other assets		614 155	1 184 493
Net (decrease) in due to other banks		(18 880 941)	(18 186 363)
Net (decrease) in customer accounts		(4 213 737)	(328 375)
Insurance premiums received		-	140
Insurance claims paid		-	(8 241)
Net (decrease)/increase in derivatives and other financial liabilities		(503 802)	1 275 635
Net (decrease) in other liabilities		(166 647)	(514 164)
<b>Net cash (used in)/from operating activities</b>		<b>(1 414 940)</b>	<b>31 753 658</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment and intangible assets		(677 822)	(945 394)
Proceeds from sale of premises and equipment		886	18 935
Acquisition of investment securities held to maturity		-	(2 750 825)
Proceeds from redemption investment securities held to maturity		3 150 580	-
Proceeds from sale of assets held for sale		88 444	-
<b>Net cash from/(used in) investing activities</b>		<b>2 562 088</b>	<b>(3 677 284)</b>
<b>Cash flows from financing activities</b>			
Proceeds from term borrowings from the Parent Bank and other financial institutions		222 215	475 271
Repayment of term borrowings from the Parent Bank and other financial institutions		(10 110 969)	(1 462 685)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(1 164 767)	(811 105)
Proceeds from issuance of debt securities		14 771	38 619
Repayment of debt securities in issue		(403 016)	(103 172)
Interest paid on debt securities		(516 615)	(520 700)
<b>Net cash used in financing activities</b>		<b>(11 958 381)</b>	<b>(2 383 772)</b>
Change in accrued interest on cash and cash equivalents		20 604	27 072
Effect of exchange rate changes on cash and cash equivalents		(6 892 397)	(36 444 006)
<b>Net decrease in cash and cash equivalents</b>		<b>(17 683 026)</b>	<b>(10 724 332)</b>
Cash and cash equivalents at the beginning of the period	6	159 565 835	185 376 922
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>141 882 809</b>	<b>174 652 590</b>

The notes set out on pages 5 to 51 form an integral part of this consolidated condensed interim financial information.

## **1 Introduction**

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the three months period ended 31 March 2016 for AO Raiffeisenbank (hereinafter – the “Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with the Russian regulations. The Bank is owned by Raiffeisen CIS Region Holding GmbH and Raiffeisen-Invest-Gesellschaft m.b.H, subsidiaries of Raiffeisen Zentralbank Österreich AG (the “Parent Bank”), which is the ultimate controlling parent of the Group.

**Principal activity.** The Bank has operated under a full banking license issued by the Central Bank the Russian Federation (“CBRF”) since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law No. 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 case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 31 March 2016 the Group had 5 branches within the Russian Federation and 176 outlets (31 December 2015: 5 branches and 179 outlets).

The number of the Group’s employees at 31 March 2016 was 7 600 (31 December 2015: 7 554).

**Registered address and place of business.** The Bank’s registered address is: 17/1 Troitskaya Str., 129090, Moscow, Russian Federation. The Bank’s main place of business is: 28 Smolenskaya-Sennaya, 119002, Moscow, Russian Federation.

**Presentation currency.** This consolidated condensed interim 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. During first quarter 2016, the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing 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.

Management determined loan impairment provisions using the “incurred loss” model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.



### **3 Summary of Significant Accounting Policies**

**Basis of preparation.** This consolidated condensed interim financial information has been prepared in accordance with IAS 34. This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2015.

**Foreign currency translation.** 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 Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

At 31 March 2016 principal rate of exchange used for translating foreign currency balances was USD 1 = RR 67.6076 (31 December 2015: USD 1 = RR 72.8827) and EUR 1 = 76.5386(31 December 2015: EUR 1 = 79.6972).

The accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2015. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2015, became effective for the Group from 1 January 2016. They have not significantly affected this consolidated condensed interim financial information of the Group.

**Interim period measurement.** Interim period income tax expense is accrued using the effective tax rate that would be applied to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

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

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim 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 consolidated condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**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 period, 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.

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 of RR 1 783 517 thousand (2015: RR 1 465 921 thousand), respectively. Impairment losses for individually significant loans 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 the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 1 396 582 thousand (2015: RR 1 060 093 thousand), respectively.

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

**Fair value of derivatives.** The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

#### **5 New Accounting Pronouncements**

Since the Group published its last annual consolidated financial statements, no new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2016 apart from those disclosed in annual consolidated financial statements of the Group.

#### **6 Cash and Cash Equivalents**

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
Cash on hand	29 466 790	33 564 017
Cash balances with the CBRF (other than mandatory reserve deposits)	17 455 613	34 350 735
Correspondent accounts and overnight placements with other banks		
- Russian Federation	10 836 776	9 949 251
- Other countries	38 962 740	59 782 420
Placements with other banks with original maturities of less than three months	4 914 627	1 762 041
Reverse securities sale and repurchase agreements with other banks and other financial institutions with original maturities of less than three months	40 246 263	20 157 371
<b>Total cash and cash equivalents</b>	<b>141 882 809</b>	<b>159 565 835</b>

At 31 March 2016 cash equivalents in the amount of RR 40 246 263 thousand (31 December 2015: RR 20 157 371 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 46 577 887 thousand (31 December 2015: RR 24 337 615 thousand) which the Group has a right to sell or repledge.

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months and deals with securities purchased under "reverse-repo agreements" with original maturities of less than three months represent balances with large and well-known foreign banks and top-rated Russian banks and financial institutions.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

## **7 Trading Securities and Repurchase Receivables Related to Trading securities**

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
Corporate bonds	13 114 210	11 590 934
Corporate Eurobonds	4 054 617	1 229 765
Federal loan bonds (OFZ)	1 775 841	3 611 148
Russian Federation Eurobonds	445 566	2 900 053
Municipal bonds	273 782	189 989
<b>Total trading securities and repurchase receivables related to trading securities</b>	<b>19 664 016</b>	<b>19 521 889</b>

Estimation of fair value of trading securities is based on their market quotations.

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

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

At 31 March 2016 and 31 December 2015 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

At 31 March 2016 and 31 December 2015 no debt trading securities are past due or impaired.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 24.

## **8 Other Securities at Fair Value Through Consolidated Profit or Loss**

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
US Treasury Bonds	20 439 973	21 906 734
Corporate Eurobonds	2 897 818	1 154 656
Federal loan bonds (OFZ)	2 728 796	2 147 502
Corporate bonds	1 718 941	1 031 275
Municipal bonds	539 228	509 266
<b>Total other debt securities at fair value through consolidated profit and loss</b>	<b>28 324 756</b>	<b>26 749 433</b>

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Asset and Liability Committee of the Group ("ALCO") assesses performance of the investments based on their fair values in accordance with a strategy documented in the business plan.

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

Currency, geographical and liquidity analysis of other securities at fair value through consolidated profit or loss and Repurchase Receivables related to Other securities at Fair Value Through Consolidated Profit or Loss are disclosed in Note 24.

**9 Due from Other Banks**

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
Long-term placements with other banks with original maturities of more than one year	14 135 226	7 498 618
Short-term placements with other banks with original maturities of more than three months and less than one year	9 329 557	27 473 559
<b>Total due from other banks</b>	<b>23 464 783</b>	<b>34 972 177</b>

At 31 March 2016 and 31 December 2015 due from other banks are neither past due nor impaired.

Disclosure of the fair value of due from other banks is presented in Note 27.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

**10 Loans and Advances to Customers**

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
Loans to corporate customers (Corporate loans)	318 636 257	341 165 219
Loans to individuals (Retail loans)	176 430 658	181 915 470
Loans to medium entities (Middle business)	20 738 042	20 182 967
Loans to small and micro entities (SME loans)	14 541 504	14 806 975
Loans to state and municipal organisations (Public sector)	655	801
<b>Total gross loans and advances to customers</b>	<b>530 347 116</b>	<b>558 071 432</b>
Less: Provision for loan impairment	(35 862 393)	(35 749 852)
<b>Total loans and advances to customers</b>	<b>494 484 723</b>	<b>522 321 580</b>

Movements in the provision for loan impairment during three-month period ended 31 March 2016 are as follows:

	<b>Loans to corporate customers</b>	<b>Loans to medium entities</b>	<b>Retail loans</b>	<b>Loans to small and micro entities</b>	<b>Total</b>
<i>In thousands of Russian Roubles</i>					
<b>Provision for loan impairment at 1 January 2016</b>	<b>19 008 009</b>	<b>871 487</b>	<b>13 775 402</b>	<b>2 094 954</b>	<b>35 749 852</b>
Charge of provision for impairment during the period	2 238 925	122 207	1 584 735	122 564	4 068 431
Disposal of provisions as a result of disposal of loans	(3 298)	-	(78 551)	(10 518)	(92 367)
Amounts written off during the period as uncollectible	(2 636 431)	-	(59 993)	(25 481)	(2 721 905)
Exchange differences on provision for loan impairment	(950 356)	(18 049)	(173 209)	(4)	(1 141 618)
<b>Provision for loan impairment at 31 March 2016 (Unaudited)</b>	<b>17 656 849</b>	<b>975 645</b>	<b>15 048 384</b>	<b>2 181 515</b>	<b>35 862 393</b>

## 10 Loans and Advances to Customers (Continued)

The provision for loan impairment during 3 months 2016 differs from the amount presented in Consolidated Condensed Interim Statement of Profit or Loss for the period due to RR 16 716 thousand recovery of amounts previously written-off as uncollectible (three-month period ended 31 March 2015: RR nil thousand). This amount relates to Loans to corporate customers and was credited directly to the provisions line in Consolidated Condensed Interim Statement of Profit or Loss for the period.

Movements in the Retail provision by product for loan impairment during three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Unsecured customer loans</b>	<b>Mortgage loans</b>	<b>Car loans</b>	<b>Credit cards and overdrafts</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2016</b>	<b>7 430 901</b>	<b>1 819 434</b>	<b>2 012 247</b>	<b>2 512 820</b>	<b>13 775 402</b>
Charge of provision for impairment during the period	856 892	367 164	113 269	247 408	1 584 733
Disposal of provisions as a result of disposal of loans	(92)	(77 787)	(653)	(19)	(78 551)
Amounts written off during the period as uncollectible	(15 210)	(38 719)	(2 661)	(3 402)	(59 992)
Exchange differences on provision for loan impairment	(5 244)	(139 648)	(13 201)	(15 115)	(173 208)
<b>Provision for loan impairment at 31 March 2016</b>	<b>8 267 247</b>	<b>1 930 444</b>	<b>2 109 001</b>	<b>2 741 692</b>	<b>15 048 384</b>

Movements in the provision for loan impairment during three-month period ended 31 March 2015 are as follows:

	<b>Loans to corporate customers</b>	<b>Loans to medium entities</b>	<b>Retail loans</b>	<b>Loans to small and micro entities</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2015</b>	<b>11 852 959</b>	<b>901 549</b>	<b>11 240 462</b>	<b>1 259 172</b>	<b>25 254 142</b>
Charge of provision for impairment during the period	400 853	69 393	2 562 030	700 071	3 732 347
Disposal of provisions as a result of disposal of loans	-	(498)	(4 313)	(17 483)	(22 294)
Amounts written off during the period as uncollectible	(251 440)	(37 933)	(7 082)	(8 021)	(304 476)
Exchange differences on provision for loan impairment	198 147	(71 947)	12 021	(22)	138 199
<b>Provision for loan impairment at 31 March 2015 (Unaudited)</b>	<b>12 200 519</b>	<b>860 564</b>	<b>13 803 118</b>	<b>1 933 717</b>	<b>28 797 918</b>

## 10 Loans and Advances to Customers (Continued)

Movements in the Retail provision by product for loan impairment during three-month period ended 31 March 2015 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Unsecured customer loans</b>	<b>Mortgage loans</b>	<b>Car loans</b>	<b>Credit cards and overdrafts</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2015</b>	<b>6 633 389</b>	<b>838 226</b>	<b>1 579 864</b>	<b>2 188 983</b>	<b>11 240 462</b>
Charge/(release) of provision for impairment during the period	1 532 949	367 800	265 838	395 443	2 562 030
Disposal of provisions as a result of disposal of loans	(1 795)	-	(2 272)	(246)	(4 313)
Amounts written off during the period as uncollectible	(3 797)	-	(2 456)	(829)	(7 082)
Exchange differences on provision for loan impairment	906	3 573	6 802	740	12 021
<b>Provision for loan impairment at 31 March 2015</b>	<b>8 161 652</b>	<b>1 209 599</b>	<b>1 847 776</b>	<b>2 584 091</b>	<b>13 803 118</b>

During the three-month period ended 31 March 2016 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 208 550 thousand (three-month period ended 31 March 2015: RR 925 309 thousand) for cash proceeds of RR 82 916 thousand (three-month period ended 31 March 2015: RR 801 156) and other assets with carrying value of RR 39 057 thousand (three-month period ended 31 March 2015: RR 111 890 thousand). As of the date of disposal during the three-month period ended 31 March 2016 these loans were provided for impairment in the total amount of RR 92 367 thousand (three-month period ended 31 March 2015: RR 22 294 thousand). The net financial result of a loan disposal during the three-month period ended 31 March 2016 recognized in the consolidated condensed interim statement of profit or loss and other comprehensive income was a gain of RR 5 790 thousand (three-month period ended 31 March 2015: RR 10 031 thousand).

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

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>		<b>31 December 2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	176 430 658	33,27%	181 915 470	32,60%
Manufacturing	109 797 623	20,70%	124 111 385	22,24%
Real estate	100 455 633	18,94%	110 142 839	19,74%
Trade	41 080 301	7,75%	44 636 173	8,00%
Mining	31 728 057	5,98%	33 970 092	6,09%
Transport, storage and communication	25 908 048	4,89%	29 123 848	5,22%
Financial Services	25 432 964	4,80%	19 854 673	3,56%
Electricity, gas and water supply	7 571 510	1,43%	3 755 499	0,67%
Health and social work	6 283 787	1,18%	3 605 638	0,65%
Hotels and restaurants	1 749 946	0,33%	1 954 213	0,35%
Other	3 908 589	0,73%	5 001 602	0,88%
<b>Total loans and advances to customers (before provision for loan impairment)</b>	<b>530 347 116</b>	<b>100,00%</b>	<b>558 071 432</b>	<b>100,00%</b>

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

Analysis by credit quality of loans granted to legal entities outstanding at 31 March 2016 is as follows:

	Loans to corporate customers	Loans to medium entities	Loans to small and micro entities	Public sector	Total
<i>In thousands of Russian Roubles</i>					
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	6 579 406	-	-	260	6 579 666
Excellent credit standing	45 325 454	-	-	-	45 325 454
Very good credit standing	30 197 034	-	-	54	30 197 088
Good credit standing	105 868 711	368 946	327 402	-	106 565 059
Sound credit standing	43 332 791	5 809 844	892 299	-	50 034 934
Acceptable credit standing	45 509 678	9 395 581	2 716 519	-	57 621 778
Marginal credit standing	2 349 279	3 144 335	6 430 074	341	11 924 029
Weak credit standing	2 490 733	159 317	941 934	-	3 591 984
Very weak credit standing	3 430 921	282 255	427 358	-	4 140 534
<b>Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)</b>	<b>285 084 007</b>	<b>19 160 278</b>	<b>11 735 586</b>	<b>655</b>	<b>315 980 526</b>
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	2 408 221	197 147	268 005	-	2 873 373
- 31 – 60 days overdue	1 138 040	49 128	73 744	-	1 260 912
- 61 – 90 days overdue	-	-	51 122	-	51 122
<b>Total past due but not impaired loans, assessed for impairment on collective basis (gross)</b>	<b>3 546 261</b>	<b>246 275</b>	<b>392 871</b>	<b>-</b>	<b>4 185 407</b>
<i>Loans individually determined to be impaired</i>					
- not overdue	10 802 278	129 536	35 538	-	10 967 352
- less than 30 days overdue	32	-	5 134	-	5 166
- 31 – 60 days overdue	-	-	5 485	-	5 485
- 61 – 90 days overdue	409 600	-	20 808	-	430 408
- 91 – 180 days overdue	-	56 957	260 492	-	317 449
- 181 – 364 days overdue	1 568 572	411 886	631 174	-	2 611 632
- over 365 days overdue	17 225 507	733 110	1 454 416	-	19 413 033
<b>Total loans individually determined to be impaired (gross)</b>	<b>30 005 989</b>	<b>1 331 489</b>	<b>2 413 047</b>	<b>-</b>	<b>33 750 525</b>
<b>Total gross loans and advances to customers</b>	<b>318 636 257</b>	<b>20 738 042</b>	<b>14 541 504</b>	<b>655</b>	<b>353 916 458</b>
Less: Provision for loan impairment	(17 656 849)	(975 645)	(2 181 515)	-	(20 814 009)
<b>Total loans and advances to customers</b>	<b>300 979 408</b>	<b>19 762 397</b>	<b>12 359 989</b>	<b>655</b>	<b>333 102 449</b>

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

Analysis by credit quality of loans granted to legal entities outstanding at 31 December 2015 is as follows:

	Loans to corporate customers	Loans to medium entities	Loans to small and micro entities	Public sector	Total
<i>In thousands of Russian Roubles</i>					
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	9 154 697	-	-	15	9 154 712
Excellent credit standing	46 392 307	-	-	-	46 392 307
Very good credit standing	44 869 201	-	-	105	44 869 306
Good credit standing	120 924 371	561 334	885 583	-	122 371 288
Sound credit standing	37 174 660	4 923 281	1 953 468	-	44 051 409
Acceptable credit standing	39 605 960	8 554 402	2 645 173	-	50 805 535
Marginal credit standing	2 815 183	4 217 039	5 341 163	681	12 374 066
Weak credit standing	9 185 071	164 306	1 021 200	-	10 370 577
Very weak credit standing	3 463 544	296 660	241 907	-	4 002 111
<b>Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)</b>	<b>313 584 994</b>	<b>18 717 022</b>	<b>12 088 494</b>	<b>801</b>	<b>344 391 311</b>
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	-	129 413	221 003	-	350 416
- 31 – 60 days overdue	-	-	61 335	-	61 335
- 61 – 90 days overdue	-	8 324	73 109	-	81 433
- 91 – 180 days overdue	-	-	1 539	-	1 539
<b>Total past due but not impaired loans, assessed for impairment on collective basis (gross)</b>	<b>-</b>	<b>137 737</b>	<b>356 986</b>	<b>-</b>	<b>494 723</b>
<i>Loans individually determined to be impaired</i>					
- not overdue	4 916 581	134 684	39 553	-	5 090 818
- less than 30 days overdue	127 443	693	15 054	-	143 190
- 31 – 60 days overdue	-	-	98 849	-	98 849
- 61 – 90 days overdue	-	-	10 726	-	10 726
- 91 – 180 days overdue	1 568 572	59 209	307 416	-	1 935 197
- 181 – 364 days overdue	5 780 022	428 997	712 583	-	6 921 602
- over 365 days overdue	15 187 607	704 625	1 177 314	-	17 069 546
<b>Total loans individually determined to be impaired (gross)</b>	<b>27 580 225</b>	<b>1 328 208</b>	<b>2 361 495</b>	<b>-</b>	<b>31 269 928</b>
<b>Total gross loans and advances to customers</b>	<b>341 165 219</b>	<b>20 182 967</b>	<b>14 806 975</b>	<b>801</b>	<b>376 155 962</b>
Less: Provision for loan impairment	(19 008 009)	(871 487)	(2 094 954)	-	(21 974 450)
<b>Total loans and advances to customers</b>	<b>322 157 210</b>	<b>19 311 480</b>	<b>12 712 021</b>	<b>801</b>	<b>354 181 512</b>



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

Analysis by credit quality of retail loans outstanding at 31 March 2016 is as follows:

<i>In thousands of Russian Roubles</i>	<b>Unsecured consumer loans</b>	<b>Mortgage loans</b>	<b>Car loans</b>	<b>Credit cards and overdrafts</b>	<b>Total Retail Loans</b>
<i>Current and not impaired loans, assessed for impairment on a collective basis</i>					
Very good credit standing	-	46 591 726	16 888 682	-	63 480 408
Good credit standing	76 127 707	-	-	13 767 020	89 894 727
<b>Total current and not impaired loans, assessed for impairment on a collective basis</b>	<b>76 127 707</b>	<b>46 591 726</b>	<b>16 888 682</b>	<b>13 767 020</b>	<b>153 375 135</b>
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 937 071	943 072	598 431	1 627 977	5 106 551
- 31 – 60 days overdue	598 507	574 257	192 513	318 044	1 683 321
- 61 – 90 days overdue	419 374	396 276	120 908	-	936 558
<b>Total past due but not impaired loans, assessed for impairment on a collective basis</b>	<b>2 954 952</b>	<b>1 913 605</b>	<b>911 852</b>	<b>1 946 021</b>	<b>7 726 430</b>
<i>Loans individually determined to be impaired</i>					
- not overdue	173 311	160 826	23 902	44 827	402 866
- less than 30 days overdue	49 598	32 896	10 859	10 576	103 929
- 31 – 60 days overdue	30 677	77 848	6 503	14 086	129 114
- 61 – 90 days overdue	28 399	34 793	7 013	1 013	71 218
- 91 – 180 days overdue	1 096 498	697 487	257 447	291 327	2 342 759
- 181 – 364 days overdue	2 051 445	628 354	431 608	963 959	4 075 366
- over 365 days overdue	4 210 829	1 409 749	1 333 115	1 250 148	8 203 841
<b>Total individually impaired loans (gross)</b>	<b>7 640 757</b>	<b>3 041 953</b>	<b>2 070 447</b>	<b>2 575 936</b>	<b>15 329 093</b>
<b>Total gross loans and advances to customers</b>	<b>86 723 416</b>	<b>51 547 284</b>	<b>19 870 981</b>	<b>18 288 977</b>	<b>176 430 658</b>
Less: Provision for loan impaired	(8 267 247)	(1 930 444)	(2 109 001)	(2 741 692)	(15 048 384)
<b>Total loans and advances to customers</b>	<b>78 456 169</b>	<b>49 616 840</b>	<b>17 761 980</b>	<b>15 547 285</b>	<b>161 382 274</b>

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

Analysis by credit quality of retail loans outstanding at 31 December 2015 is as follows:

<i>In thousands of Russian Roubles</i>	<b>Unsecured consumer loans</b>	<b>Mortgage loans</b>	<b>Car loans</b>	<b>Credit cards and overdrafts</b>	<b>Total Retail Loans</b>
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Very good credit standing	-	47 001 505	20 559 753	-	67 561 258
Good credit standing	79 754 604	-	-	14 362 870	94 117 474
<b>Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)</b>	<b>79 754 604</b>	<b>47 001 505</b>	<b>20 559 753</b>	<b>14 362 870</b>	<b>161 678 732</b>
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 474 019	803 586	514 855	840 409	3 632 869
- 31 – 60 days overdue	637 599	333 976	209 254	186 837	1 367 666
- 61 – 90 days overdue	434 261	267 737	126 550	132 519	961 067
<b>Total past due but not impaired loans, assessed for impairment on a collective basis</b>	<b>2 545 879</b>	<b>1 405 299</b>	<b>850 659</b>	<b>1 159 765</b>	<b>5 961 602</b>
<i>Loans individually determined to be impaired</i>					
- not overdue	147 549	164 093	28 942	55 684	396 268
- less than 30 days overdue	28 573	201 344	8 984	9 980	248 881
- 31 – 60 days overdue	21 476	143 154	7 380	8 647	180 657
- 61 – 90 days overdue	22 127	60 820	8 105	4 967	96 019
- 91 – 180 days overdue	1 080 964	664 656	265 598	307 558	2 318 776
- 181 – 364 days overdue	2 373 785	668 916	507 753	1 126 780	4 677 234
- over 365 days overdue	3 149 285	1 188 011	1 147 641	872 364	6 357 301
<b>Total individually impaired loans (gross)</b>	<b>6 823 759</b>	<b>3 090 994</b>	<b>1 974 403</b>	<b>2 385 980</b>	<b>14 275 136</b>
<b>Total gross loans and advances to customers</b>	<b>89 124 242</b>	<b>51 497 798</b>	<b>23 384 815</b>	<b>17 908 615</b>	<b>181 915 470</b>
Less: Provision for loan impairment	(7 430 901)	(1 819 434)	(2 012 247)	(2 512 820)	(13 775 402)
<b>Total loans and advances to customers</b>	<b>81 693 341</b>	<b>49 678 364</b>	<b>21 372 568</b>	<b>15 395 795</b>	<b>168 140 068</b>

Disclosure of the fair value of the Group's loans and advances to customers at 31 March 2016 and 31 December 2015 is presented in Note 27. Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

## 11 Investment Securities Available for Sale

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
Eurobonds of the European Bank for Reconstruction and Development	1 535 537	1 507 038
<b>Total investment securities available for sale</b>	<b>1 535 537</b>	<b>1 507 038</b>

At 31 March 2016 and 31 December 2015 eurobonds were neither past due nor impaired and had minimal risk rating.

This bond is denominated in the Russian Roubles and matures in 2016 and has coupon rates of 11,34%.

For the disclosure of credit risk management refer to Note 24.

Currency, geographical and liquidity analysis of investment securities available for sale are disclosed in Note 24.

## 12 Investment Securities Held to Maturity

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
Eurobonds of the European Bank for Reconstruction and Development	2 905 439	5 702 822
Corporate eurobonds	2 698 142	3 213 641
Corporate bonds	525 048	510 914
<b>Total gross investment securities held to maturity</b>	<b>6 128 629</b>	<b>9 427 377</b>
Less: Provision for impairment	(761)	(740)
<b>Total investment securities held to maturity</b>	<b>6 127 868</b>	<b>9 426 637</b>

Refer to Note 27 for the disclosure of the fair value of each class of investment securities held to maturity. Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 24.

## 13 Derivatives and Other Financial Assets

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
Fair value of currency rate based financial derivatives	44 963 378	52 923 698
Fair value of interest rate based financial derivatives	2 965 512	2 479 537
Plastic card receivables	1 645 930	2 197 591
Trade receivables	159 558	36 891
<b>Total derivatives and other financial assets</b>	<b>49 734 378</b>	<b>57 637 717</b>

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

## 14 Due to Other Banks

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
Correspondent accounts and overnight placements of other banks	20 011 458	29 026 143
Short-term placements of other banks	6 187 502	11 819 992
Long-term placements of other banks	719 260	4 265 554
Direct sale and repurchase agreements with securities with the CBRF and other banks and other financial institutions	703 998	569 647
<b>Total due to other banks</b>	<b>27 622 218</b>	<b>45 681 336</b>

At 31 March 2016 included in due to banks are deposits of RR 337 705 thousand (31 December 2015: nil thousand) held as collateral for irrevocable commitments under guarantees.

At 31 March 2016 included in amounts due to other banks are liabilities of RR 703 998 thousand (31 December 2015: RR 569 647) from sale and repurchase agreements. Refer to Note 26. At 31 March 2016 the fair value of securities purchased under reverse securities sale and repurchase agreements and sold under direct sale and repurchase agreements with other banks amounted to RR 801 060 thousand (31 December 2015: nil thousand).

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

## 15 Customer Accounts

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
<b>State and public organisations</b>		
- Current/settlement accounts	1 100 334	1 090 778
- Term deposits	8 095	15 666
<b>Legal entities</b>		
- Current/settlement accounts	152 260 343	141 382 802
- Term deposits	51 590 064	71 491 436
<b>Individuals</b>		
- Current/demand accounts	157 327 273	158 000 772
- Term deposits	196 467 309	209 288 983
<b>Total customer accounts</b>	<b>558 753 418</b>	<b>581 270 437</b>

At 31 March 2016 the Group had no customers (31 December 2015: no customers) with a balance above 10% of consolidated equity of the Group at this date.

At 31 March 2016 included in customer accounts are deposits of RR 664 195 thousand (31 December 2015: RR 170 151 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 26.

At 31 March 2016 included in customer accounts are deposits of RR 1 877 888 thousand (31 December 2015: RR 1 916 237 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 26.

## 15 Customer Accounts (Continued)

Disclosure of the fair value of the Group's customer accounts at 31 March 2016 is presented in Note 27, Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

Analysis of customer accounts by segments is set out below:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
Customer accounts of individuals (Retail)	353 794 582	367 289 755
Customer accounts of corporates (Corporate)	151 673 546	161 244 399
Customer accounts of small and micro entities (SME)	30 165 633	28 742 021
Customer accounts of medium entities (Middle business)	22 011 228	22 887 818
Customer accounts of state and municipal organisations (Public sector)	1 108 429	1 106 444
<b>Total customer accounts</b>	<b>558 753 418</b>	<b>581 270 437</b>

## 16 Term Borrowings from the Parent Bank

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
Subordinated Loans from the Parent Bank	35 859 987	38 662 422
Loans from the Parent Bank maturing in 2016 – 2017	6 549 329	16 579 023
<b>Total term borrowings from the Parent Bank</b>	<b>42 409 316</b>	<b>55 241 445</b>

In August 2014 the Group raised two Subordinated loans from the Parent Bank. Loan in the amount of USD 130 193 thousand is made available for an indefinite period of time. Borrower may repay the loan at its option but only with the consent of the lender and a written consent of CBRF, on the 5th anniversary of the date of inclusion the loan into own funds and each subsequent anniversary of the date. Loan in the amount USD 165 091 thousand has a maturity date on 16 August 2021. For both loans the Group shall pay interest on the outstanding principal amounts based on the Libor dependent floating interest rates.

In April 2015 the Group raised a Subordinated loan from the Parent Bank in amount of USD 228 160 thousand. The loan has maturity date on 22 April 2020. The Group shall pay interest on the outstanding principal amount based on the Libor dependent floating interest rates.

Carrying value of each class of term borrowings from the Parent Bank approximates fair value at 31 March 2016 and 31 December 2015 as all these liabilities bear a floating interest rate. Refer to Note 27.

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

## **17 Derivatives and Other Financial Liabilities**

Derivatives and other financial liabilities comprise the following:

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
Fair value of currency rate based financial derivatives	33 961 258	49 136 336
Fair value of interest rate based financial derivatives	5 622 544	6 399 970
Shortselling of trading assets	2 865 038	3 328 953
Other accrued expenses	1 384 974	1 220 517
Deferred income on disposal	168 442	168 442
Plastic cards payables	165 852	181 100
Settlements on conversion operations	58 116	242 467
Provision for credit related commitments	35 564	46 146
Trade payables	6 125	13 316
Other	4 766	2 330
<b>Total derivatives and other financial liabilities</b>	<b>44 272 679</b>	<b>60 739 577</b>

Movement in the provisions for credit related commitments during three-months period ended 31 March 2016 includes provision release of RR 8 974 thousand (during three-months period ended 31 March 2015: release of RR 15 845 thousand). Fx effect in amount RR 1 608 (during three-months period ended 31 March 2015: RR (2 037) thousand) was removed from Release of provisions for credit related commitments to Foreign exchange translation gains less losses.

Shortselling of trading assets are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently doesn't keep in its own securities' portfolio.

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 24. Information on related party transactions is presented in Note 28.

**18 Interest Income and Expense**

	<b>Three-Month Period Ended 31 March 2016 (Unaudited)</b>	<b>Three-Month Period Ended 31 March 2015 (Unaudited)</b>
<i>In thousands of Russian Roubles</i>		
<b>Interest income</b>		
Loans and advances to legal entities	7 055 859	8 030 909
Loans and advances to retail customers	6 826 094	7 639 540
Interest rate swap contracts	3 149 477	3 796 641
Cross-currency interest rate swap contracts	2 143 815	993 295
Foreign exchange swap contracts	2 075 780	5 335 209
Interest income from reverse repo transactions	575 534	111 218
Trading securities	462 545	207 125
Due from other banks	301 528	495 469
Other securities at fair value through profit and loss	177 416	373 998
Debt securities held to maturity	129 505	5 670
Investment securities available for sale	72 067	49 358
Interest income on impaired financial assets	4 945	85 416
<b>Total interest income</b>	<b>22 974 565</b>	<b>27 123 848</b>
<b>Interest expense</b>		
Interest rate swap contracts	3 151 889	2 837 678
Term deposits of individuals	2 652 798	2 125 181
Term deposits of legal entities	1 125 063	2 535 921
Cross-currency interest rate swap contracts	1 119 554	1 103 461
Foreign exchange swap contracts	1 116 193	1 241 182
Term borrowings from the Parent Bank	1 067 181	579 695
Current/settlement accounts	925 953	2 342 773
Term placements of other banks	790 462	603 210
Debt securities in issue	365 098	388 516
Placements of the Central Bank	98 361	1 095 177
Interest expense from repo transactions	15 007	46 033
Correspondent accounts of other banks	14 251	23 357
Term borrowings from other financial institutions	-	101 750
Interest expense on Insurance liabilities	-	209 458
<b>Total interest expense</b>	<b>12 441 810</b>	<b>15 233 392</b>
<b>Net interest income</b>	<b>10 532 755</b>	<b>11 890 456</b>

**19 Fee and Commission Income and Expense**

	Three-Month Period Ended 31 March 2016 (Unaudited)	Three-Month Period Ended 31 March 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>		
<b>Fee and commission income</b>		
Commissions on operations with plastic cards	2 524 017	2 106 456
Commissions on settlement transactions	658 682	357 096
Commissions on documentary business and guarantees	352 459	356 853
Insurance commission income	332 987	332 408
Fiduciary activities	293 880	220 450
Consulting service income	226 657	115 297
Commissions on cash operations	188 779	210 304
Early and late repayment fees	171 421	164 374
Commissions on export operations	145 228	124 388
Commissions on transactions with securities	71 814	77 175
Credit facility fee	60 861	54 897
Other	90 315	92 301
<b>Total fee and commission income</b>	<b>5 117 100</b>	<b>4 211 999</b>
<b>Fee and commission expense</b>		
Commissions on operations with plastic cards	1 585 737	1 213 951
Commissions on cash operations	85 380	99 439
Commissions on settlement transactions	74 221	134 396
Commissions on transactions with securities	41 894	34 731
Credit facility fee	27 275	2 716
Commissions for agency services	13 030	-
Commissions on documentary business	10 170	-
Other	59 736	43 828
<b>Total fee and commission expense</b>	<b>1 897 443</b>	<b>1 529 061</b>
<b>Net fee and commission income</b>	<b>3 219 657</b>	<b>2 682 938</b>

**20 Unrealized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments**

	Three-Month Period Ended 31 March 2016 (Unaudited)	Three-Month Period Ended 31 March 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>		
Foreign exchange swaps	8 388 708	30 119 410
Cross currency interest rate swaps	185 363	21 740
Interest rate swaps	27 630	(696 886)
Foreign exchange options	2 989	92 636
Forwards with securities	313	(4 345)
Foreign exchange forwards	(1 619 685)	(141 326)
<b>Total unrealized gains less losses/(losses less gains) from derivative financial instruments</b>	<b>6 985 318</b>	<b>29 391 229</b>



## 21 Realized Gains less Losses from Derivative Financial Instruments

	Three-Month Period Ended 31 March 2016 (Unaudited)	Three-Month Period Ended 31 March 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>		
Foreign exchange forwards	1 784 076	(18 086)
Foreign exchange options	36 767	10 667
Foreign exchange futures	3 781	(12 472)
Securities Futures	2 340	-
<b>Total realized gains less losses from derivative financial instruments</b>	<b>1 826 964</b>	<b>(19 891)</b>

## 22 Administrative and Other Operating Expenses

	Three-Month Period Ended 31 March 2016 (Unaudited)	Three-Month Period Ended 31 March 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>		
Staff costs	3 304 265	2 534 062
Amortisation of intangible assets	469 005	405 724
Rent expenses	379 584	510 522
Deposit insurance fee	363 978	312 636
IT services	331 303	323 930
Depreciation of premises and equipment	297 564	347 406
Professional services	235 201	226 785
Premises and equipment maintenance expenses	228 652	231 832
Advertising and marketing	85 363	84 902
Communication expenses	74 412	80 735
Taxes other than on income	50 362	52 952
Security expenses	22 729	30 482
Other	236 659	504 094
<b>Total administrative and other operating expenses</b>	<b>6 079 077</b>	<b>5 646 062</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 Managing board of the Group.

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

The Group is organized on a basis of three primary business divisions:

- Corporate banking – comprises corporate lending, loans to corporate entities and state and municipal organizations, corporate deposit services, trade finance operations, structured corporate lending, corporate finance advisory services and leasing services.
- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal instalment loans and loans to small and micro entities, auto loans and mortgages, money transfers and private banking services.

## **23 Segment Analysis (Continued)**

- Proprietary business – comprises securities trading, debt and equity capital markets services, foreign currency and derivative products, structured financing, lending, including loans and advances to banks and other financial institutions and other transactions.

In addition to the primary business divisions, the performance of the Group is being assessed on a basis of seven geographical regions (“Hubs”) located across the Russian Federation. These geographical hubs are: Moscow, Centre, North-West, Siberia, South, Ural and Volga.

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

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

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

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments’ profits or losses rather than in other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis. In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates, which are determined by reference to market interest rate benchmarks.

Segment assets and liabilities are reported to the CODM net of inter-segment assets and liabilities.

### **(d) Information about reportable segment profit or loss, assets and liabilities by business divisions**

Assets and liabilities of business segments of the Group are set out below:

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<i>In thousands of Russian Roubles</i>		
Corporate business	306 302 756	321 502 286
Retail business	176 750 734	184 520 666
Proprietary business	307 467 828	349 141 453
<b>Total business division assets</b>	<b>790 521 318</b>	<b>855 164 405</b>
Corporate business	154 510 313	161 276 447
Retail business	385 224 992	397 440 050
Proprietary business	153 091 586	203 514 327
<b>Total business division liabilities</b>	<b>692 826 891</b>	<b>762 230 824</b>

## 23 Segment Analysis (Continued)

Business divisions of the Group for the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Corporate business (Unaudited)</b>	<b>Retail business (Unaudited)</b>	<b>Proprietary business (Unaudited)</b>	<b>Total (Unaudited)</b>
Net interest result	2 987 380	5 911 039	1 395 468	10 293 887
Net fee and commission result	1 260 294	3 216 653	9 113	4 486 060
Provision for loan impairment	(2 288 484)	(1 674 043)	8 784	(3 953 743)
Trading result	(2 989)	2 589	917 937	917 537
Valuation result from hedge accounting and other derivative instruments	-	-	56 266	56 266
Net income from investments	-	-	123 204	123 204
General administrative expenses	(1 177 774)	(4 372 398)	(275 899)	(5 826 071)
Other operating loss	-	-	(86 487)	(86 487)
<b>Total business division result before tax</b>	<b>778 427</b>	<b>3 083 840</b>	<b>2 148 386</b>	<b>6 010 653</b>
Income taxes	-	-	-	(1 279 686)
<b>Total business division result after tax</b>	<b>778 427</b>	<b>3 083 840</b>	<b>2 148 386</b>	<b>4 730 967</b>

Business divisions of the Group for the three-month period ended 31 March 2015 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Corporate business (Unaudited)</b>	<b>Retail business (Unaudited)</b>	<b>Proprietary business (Unaudited)</b>	<b>Total (Unaudited)</b>
Net interest result	3 963 906	6 111 907	1 782 889	11 858 702
Net fee and commission result	1 060 524	2 815 328	75 887	3 951 739
Provision for loan impairment	(260 276)	(3 245 767)	(1 161)	(3 507 204)
Trading result	40 481	-	1 844 925	1 885 406
Valuation result from hedge accounting and other derivative instruments	-	-	(640 045)	(640 045)
Net income from investments	(24 377)	-	382 989	358 612
General administrative expenses	(950 133)	(4 227 556)	(327 865)	(5 505 554)
Other operating loss	-	-	(258 550)	(258 550)
<b>Total business division result before tax</b>	<b>3 830 125</b>	<b>1 453 912</b>	<b>2 859 069</b>	<b>8 143 106</b>
Income taxes	-	-	-	(1 614 356)
<b>Total business division result after tax</b>	<b>3 830 125</b>	<b>1 453 912</b>	<b>2 859 069</b>	<b>6 528 750</b>

## 23 Segment Analysis (Continued)

### Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues. Based on domicile of the customers substantially all of the revenues are from Russian customers.

Major ratio calculations for the reportable segment of the Group annualized for the three-months period ended 31 March 2016 and actual the year ended 31 December 2015 are set out below:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<b>Capital expenditure</b>	<b>677 822</b>	<b>3 107 677</b>
Cost/income ratio	37,35%	35,96%
Average equity	97 157 728	97 685 469
Return on equity before tax	25,34%	31,89%
Return on equity after tax	20,04%	25,44%

Capital expenditure represents additions to non-current assets other than financial instruments.

### (e) Information about reportable segment profit or loss, assets and liabilities by geographical location

Hubs of the Group at 31 March 2016 and 31 December 2015 are as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
Head Office	301 370 730	344 504 646
Moscow	296 912 948	300 697 284
Centre	19 770 772	18 979 870
North-West	61 761 686	67 867 911
Siberia	29 267 963	28 313 946
South	23 313 005	30 897 695
Ural	29 811 470	33 981 392
Volga	28 312 744	29 921 661
<b>Total hub assets</b>	<b>790 521 318</b>	<b>855 164 405</b>
Head Office	132 217 226	181 458 441
Moscow	414 861 250	430 399 231
Centre	7 683 018	8 004 573
North-West	78 099 191	84 522 302
Siberia	13 290 293	11 753 025
South	14 978 757	14 164 216
Ural	10 578 185	10 637 945
Volga	21 118 971	21 291 091
<b>Total hub liabilities</b>	<b>692 826 891</b>	<b>762 230 824</b>

## 23 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Head Office (Unaudited)</b>	<b>Moscow (Unaudited)</b>	<b>Centre (Unaudited)</b>	<b>North-West (Unaudited)</b>	<b>Siberia (Unaudited)</b>	<b>South (Unaudited)</b>	<b>Ural (Unaudited)</b>	<b>Volga (Unaudited)</b>	<b>Total (Unaudited)</b>
Net interest result	1 269 425	5 397 475	374 305	1 320 178	465 786	449 005	484 996	532 717	10 293 887
Net fee and commission result	(80 153)	2 791 904	169 756	785 528	218 735	182 789	183 821	233 680	4 486 060
Provision for loan impairment	15 623	(2 810 512)	(157 983)	(219 916)	(176 597)	(252 001)	(156 578)	(195 779)	(3 953 743)
Trading result	917 984	(32 420)	(320)	8 595	-	-	23 059	639	917 537
Valuation result from hedge accounting and other derivative instruments	56 266								56 266
Net income from investments	123 204								123 204
General administrative expenses	(180 747)	(2 784 610)	(340 504)	(881 664)	(433 195)	(381 102)	(350 516)	(473 733)	(5 826 071)
Other operating loss	(86 487)			-	-	-	-	-	(86 487)
<b>Total hub result before tax</b>	<b>2 035 115</b>	<b>2 561 837</b>	<b>45 254</b>	<b>1 012 721</b>	<b>74 729</b>	<b>(1 309)</b>	<b>184 782</b>	<b>97 524</b>	<b>6 010 653</b>
Income taxes	(1 279 686)	-	-	-	-	-	-	-	(1 279 686)
<b>Total hub result after tax</b>	<b>755 429</b>	<b>2 561 837</b>	<b>45 254</b>	<b>1 012 721</b>	<b>74 729</b>	<b>(1 309)</b>	<b>184 782</b>	<b>97 524</b>	<b>4 730 967</b>

## 23 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 31 March 2015 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Head Office (Unaudited)</b>	<b>Moscow (Unaudited)</b>	<b>Centre (Unaudited)</b>	<b>North-West (Unaudited)</b>	<b>Siberia (Unaudited)</b>	<b>South (Unaudited)</b>	<b>Ural (Unaudited)</b>	<b>Volga (Unaudited)</b>	<b>Total (Unaudited)</b>
Net interest result	1 570 493	5 915 566	398 750	1 522 799	628 533	601 637	550 348	670 576	11 858 702
Net fee and commission result	(5 797)	2 388 158	135 420	631 166	252 910	174 633	159 829	215 420	3 951 739
Provision for loan impairment	3 994	(948 615)	(208 550)	(207 919)	(1 097 351)	(357 147)	(301 975)	(389 641)	(3 507 204)
Trading result	1 844 894	30 953	622	5 506	-	518	2 913	-	1 885 406
Valuation result from hedge accounting and other derivative instruments	(640 045)	-	-	-	-	-	-	-	(640 045)
Net income from investments	358 612	-	-	-	-	-	-	-	358 612
General administrative expenses	(265 462)	(2 593 232)	(275 147)	(734 658)	(512 471)	(357 476)	(325 313)	(441 795)	(5 505 554)
Other operating loss	(258 550)	-	-	-	-	-	-	-	(258 550)
<b>Total hub result before tax</b>	<b>2 608 139</b>	<b>4 792 830</b>	<b>51 095</b>	<b>1 216 894</b>	<b>(728 379)</b>	<b>62 165</b>	<b>85 802</b>	<b>54 560</b>	<b>8 143 106</b>
Income taxes	(1 614 356)	-	-	-	-	-	-	-	(1 614 356)
<b>Total hub result after tax</b>	<b>993 783</b>	<b>4 792 830</b>	<b>51 095</b>	<b>1 216 894</b>	<b>(728 379)</b>	<b>62 165</b>	<b>85 802</b>	<b>54 560</b>	<b>6 528 750</b>

**23 Segment Analysis (Continued)**

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

Reconciliation of segment revenues, segment result and other material items is presented below.

<i>In thousands of Russian Roubles</i>	<b>Three-Month Period Ended 31 March 2016 (Unaudited)</b>	<b>Three-Month Period Ended 31 March 2015 (Unaudited)</b>
<b>Total interest and fee and commission result for segment</b>	<b>14 779 947</b>	<b>15 810 441</b>
Reclassification of interest result to trading result and net income from investments	221 870	(270 483)
Reclassification of commission result to trading result	(1 375 874)	(1 338 408)
Effect of the consolidation of the subsidiaries and other adjustments	126 469	371 844
<b>Total net interest and fee and commission result</b>	<b>13 752 412</b>	<b>14 573 394</b>

Total revenue comprises interest and similar income and fee and commission income.

Reconciliation of reportable segment result is presented below.

<i>In thousands of Russian Roubles</i>	<b>Three-Month Period Ended 31 March 2016 (Unaudited)</b>	<b>Three-Month Period Ended 31 March 2015 (Unaudited)</b>
<b>Total segment result</b>	<b>4 730 967</b>	<b>6 528 750</b>
Consolidation of subsidiaries and associate	135 968	184 522
Intercompany adjustments and other	148	173 859
<b>Profit after tax</b>	<b>4 867 083</b>	<b>6 887 131</b>

## 23 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the three-month period ended 31 March 2016 is as follows:

	<b>Total amount for reportable segment</b>	<b>Reclassifi- cations</b>	<b>Consolidation of the subsi- diaries and associate and other</b>	<b>As reported under IFRS</b>
<i>In thousands of Russian Roubles</i>				
<b>Main income or expenses for the Three- month period ended 31 March 2016</b>				
Net interest result	10 293 887	221 870	16 998	10 532 755
Net fee and commission result	4 486 060	(1 375 874)	109 471	3 219 657
Provision for loan impairment	(3 953 743)	-	(83 208)	(4 036 951)
Trading result	917 537	1 154 004	77 942	2 149 483
Valuation result from hedge accounting and other derivative instruments	56 266	-	-	56 266
Net income from investments	123 204		47 252	170 456
Depreciation and amortization	(765 344)		(1 225)	(766 569)
Other administrative expenses	(5 060 727)		(15 122)	(5 075 849)
Share of profit of associates	-	-	109 066	109 066
Other operating loss	(86 487)		(116 794)	(203 281)
Income taxes	(1 279 686)		(8 264)	(1 287 950)

Reconciliation of other material items of income or expenses for the three-month period ended 31 March 2015 is as follows:

	<b>Total amount for reportable segment</b>	<b>Reclassifi- cations</b>	<b>Consolidation of the subsi- diaries and associate and other</b>	<b>As reported under IFRS</b>
<i>In thousands of Russian Roubles</i>				
<b>Main income or expenses for the Three- Month period ended 31 March 2015</b>				
Net interest result	11 858 702	(270 483)	302 237	11 890 456
Net fee and commission result	3 951 739	(1 338 408)	69 607	2 682 938
Provision for loan impairment	(3 507 204)	-	(199 267)	(3 706 471)
Trading result	1 885 406	1 608 891	(24 386)	3 469 911
Valuation result from hedge accounting and other derivative instruments	(640 045)	-	-	(640 045)
Net income from investments	358 612	-	(191 370)	167 242
Depreciation and amortization	(751 220)	-	(1 910)	(753 130)
Other administrative expenses	(4 754 334)	-	365 495	(4 388 839)
Share of profit of associates	-	-	132 216	132 216
Other operating loss	(258 550)	-	(77 160)	(335 710)
Income taxes	(1 614 356)	-	(17 082)	(1 631 438)

Provision for loan impairment comprises of provision for impairment of loans and advances to customers, provision for credit related commitments and gains from the sale of loans.

Trading result, Net income from investments and valuation result from hedge accounting and other derivative instruments comprises gains less losses from trading securities, gains less losses from trading in foreign currencies, unrealised and realized gains less losses from derivative financial instruments and foreign exchange translation losses, less gains, ineffectiveness from hedge accounting, gain from redemption of investment securities available for sale, gains less losses from other securities at fair value through profit or loss and provision for investment securities held to maturity.



## **24 Financial Risk Management**

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate) operational risks and credit risk concentrations. The primary objectives of the financial risk management function are to identify and assess risks establish risk limits assume risk mitigation measures ensure that all material risks are measured and limited and that business in general is evaluated under a risk/return perspective. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual consolidated financial statements for the year ended 31 December 2015.

**Market risk.** Market risk is the risk of loss due to adverse changes in interest rates exchange rates equity prices commodity prices and credit spreads which may affect the Group's equity, profit or the market value of its assets and liabilities. Market risk derives from on and off balance sheet positions in the Bank's treasury investment banking and lending operations.

The Group's market risk management approach encompasses the recognition measurement monitoring and management of market risk that results from the Group's banking business on a group basis. The Group encounters market risk in both trading and non-trading activities (including interest rate positions balance sheet structures and hedging positions).

The Group's market risk management unit is in charge of identifying and assessing market risks and establishing procedures to control market risks including monitoring position limits and exposures.

The Group's market risk management unit also assesses market risk for new businesses and products including structured products. The Assets and Liabilities Management Department and Markets and Investment Banking Directorate, which trade within the trading limits set by the market risk management unit and approved by the ALCO/Parent Bank' MACO/CC, performs trading and market positioning for the Bank. The Bank is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Group's market risk management unit is in charge of daily limit monitoring and weekly reporting to the Parent Bank and is responsible for reporting any limited breach to the Parent Bank. In the case of a limit breach the Parent Bank board member responsible for global treasury has the right to intervene in the Group's risk management activities and practices.

The Group uses an interest rate sensitivity analysis to assess interest rate risk for its banking portfolio which consists of loans, deposits, interbank, money market transactions, fixed-income, held-to-maturity securities and interest rate derivatives and for its trading portfolio which consists of fixed income trading securities. The Group creates an interest rate repricing gap for each portfolio by comparing the present market value of all future cash flows calculated taking the current market interest rate that the Group uses for internal pricing against the value of all future cash flows in the current market increased by one basis point.

The Group uses set of position limits to prevent the concentration of certain financial instruments including trading securities and open foreign exchange positions as well as in the Group's overall portfolio in order to maintain the market value of the overall portfolio. The position limits are set for individual positions and for the overall portfolio and account for certain market conditions including liquidity.

**Currency risk.** Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign currency exchange risk on open positions (mainly USD/RR and EUR/RR exchange rate fluctuations).

Foreign exchange risk management is done centrally by the Treasury Directorate for the Group's Head Office and all regional and Moscow branches.

The Group's Treasury Directorate undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Bank's currency position on a minimum level. The Group uses swaps forwards and USD futures contracts tradable on MICEX and RTS as the main instruments for hedging risk.

## 24 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 March 2016:

<i>In thousands of Russian Roubles</i>	<b>RR</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
Cash and cash equivalents	54 567 682	67 753 932	18 500 477	1 060 718	141 882 809
Mandatory cash balances with the Central bank of the Russian Federation	4 559 178	-	-	-	4 559 178
Trading securities and repurchase receivables related to trading securities	15 609 399	3 648 783	405 834	-	19 664 016
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	5 068 387	23 053 452	202 917	-	28 324 756
Due from other banks	2 535 125	13 552 680	-	7 376 978	23 464 783
Loans and advances to customers	268 905 498	193 680 347	25 907 804	5 991 074	494 484 723
Investment securities available for sale	1 535 537	-	-	-	1 535 537
Investment securities held-to-maturity	3 429 726	-	2 698 142	-	6 127 868
Derivatives and other financial assets	44 585 004	4 859 720	159 227	130 427	49 734 378
<b>Total monetary financial assets</b>	<b>400 795 536</b>	<b>306 548 914</b>	<b>47 874 401</b>	<b>14 559 197</b>	<b>769 778 048</b>
Due to other banks	25 089 203	887 483	1 628 306	17 226	27 622 218
Customer accounts	294 264 826	172 229 757	87 613 672	4 645 163	558 753 418
Term borrowings from the Parent Bank	-	42 409 316	-	-	42 409 316
Debt securities in issue	12 655 447	293 798	78 076	-	13 027 321
Derivatives and other financial liabilities	13 835 731	29 642 355	646 529	148 064	44 272 679
<b>Total monetary financial liabilities</b>	<b>345 845 207</b>	<b>245 462 709</b>	<b>89 966 583</b>	<b>4 810 453</b>	<b>686 084 952</b>
<b>Less fair value of currency derivatives</b>	<b>35 510 066</b>	<b>(24 186 658)</b>	<b>(187 585)</b>	<b>(133 704)</b>	<b>11 002 119</b>
<b>Currency derivatives</b>	<b>66 923 888</b>	<b>(88 050 123)</b>	<b>41 309 873</b>	<b>(9 181 519)</b>	<b>11 002 119</b>
<b>Net position including currency derivatives</b>	<b>86 364 151</b>	<b>(2 777 260)</b>	<b>(594 724)</b>	<b>700 929</b>	<b>83 693 096</b>

## 24 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2015 is presented below:

<i>In thousands of Russian Roubles</i>	<b>RR</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
Cash and cash equivalents	66 458 288	57 566 293	34 245 440	1 295 814	159 565 835
Mandatory cash balances with the Central bank of the Russian Federation	4 368 109	-	-	-	4 368 109
Trading securities and repurchase receivables related to trading securities	18 292 124	822 314	407 451	-	19 521 889
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	3 768 970	22 777 062	203 401	-	26 749 433
Due from other banks	1 059 138	21 900 846	12 012 193	-	34 972 177
Loans and advances to customers	264 654 660	224 178 362	27 188 312	6 300 246	522 321 580
Investment securities available for sale	1 507 038	-	-	-	1 507 038
Securities held-to-maturity	6 212 996	-	3 213 641	-	9 426 637
Derivatives and other financial assets	49 106 772	7 648 890	723 067	158 988	57 637 717
<b>Total monetary financial assets</b>	<b>415 428 095</b>	<b>334 893 767</b>	<b>77 993 505</b>	<b>7 755 048</b>	<b>836 070 415</b>
Due to other banks	39 445 239	4 483 308	1 707 409	45 380	45 681 336
Customer accounts	297 647 228	185 059 115	93 612 592	4 951 502	581 270 437
Term borrowings from the Parent Bank	-	53 674 067	1 567 378	-	55 241 445
Debt securities in issue	12 800 506	398 268	395 370	-	13 594 144
Derivatives and other financial liabilities	14 408 138	45 701 659	627 893	1 887	60 739 577
<b>Total monetary financial liabilities</b>	<b>364 301 111</b>	<b>289 316 417</b>	<b>97 910 642</b>	<b>4 998 769</b>	<b>756 526 939</b>
<b>Less fair value of currency derivatives</b>	<b>40 953 726</b>	<b>(37 349 768)</b>	<b>26 062</b>	<b>157 343</b>	<b>3 787 363</b>
<b>Currency derivatives</b>	<b>73 942 895</b>	<b>(88 779 981)</b>	<b>20 180 382</b>	<b>(1 555 933)</b>	<b>3 787 363</b>
<b>Net position including currency derivatives</b>	<b>84 116 153</b>	<b>(5 852 863)</b>	<b>237 183</b>	<b>1 043 003</b>	<b>79 543 476</b>

The above analysis includes only monetary financial assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

## 24 Financial Risk Management (Continued)

**Geographical risk concentrations.** The geographical concentration of the Group's financial assets and liabilities at 31 March 2016 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russia</b>	<b>Austria</b>	<b>Other European Union</b>	<b>Other countries</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	99 452 291	35 558 753	3 617 477	3 254 288	141 882 809
Mandatory cash balances with the Central bank of the Russian Federation	4 559 178	-	-	-	4 559 178
Trading securities and repurchase receivables related to trading securities	15 609 399	-	4 054 617	-	19 664 016
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	4 986 965	-	2 897 818	20 439 973	28 324 756
Due from other banks	2 535 124	10 159 009	10 770 650	-	23 464 783
Loans and advances to customers	444 850 710	3 658	39 267 583	10 362 772	494 484 723
Investment securities available for sale	-	-	1 535 537	-	1 535 537
Investment securities held-to- maturity	524 287	2 698 142	2 905 439	-	6 127 868
Derivatives and other financial assets	23 010 956	23 536 679	1 253 185	1 933 558	49 734 378
<b>Total financial assets</b>	<b>595 528 910</b>	<b>71 956 241</b>	<b>66 302 306</b>	<b>35 990 591</b>	<b>769 778 048</b>
<b>Liabilities</b>					
Due to other banks	22 215 976	883 221	4 048 806	474 215	27 622 218
Customer accounts	544 524 904	1 934 616	10 034 789	2 259 109	558 753 418
Term borrowings from the Parent Bank	-	42 409 316	-	-	42 409 316
Debt securities in issue	12 733 523	-	293 798	-	13 027 321
Derivatives and other financial liabilities	8 444 929	32 682 102	3 120 776	24 872	44 272 679
<b>Total financial liabilities</b>	<b>587 919 332</b>	<b>77 909 255</b>	<b>17 498 169</b>	<b>2 758 196</b>	<b>686 084 952</b>
<b>Net balance sheet position</b>	<b>7 609 578</b>	<b>(5 953 014)</b>	<b>48 804 137</b>	<b>33 232 395</b>	<b>83 693 096</b>
<b>Credit related commitments (Note 26)</b>	<b>185 206 984</b>	<b>1 692 984</b>	<b>12 182 971</b>	<b>1 133 085</b>	<b>200 216 024</b>

Assets liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

## 24 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2015 is set out below:

	Russia	Austria	Other European Union	Other countries	Total
<i>In thousands of Russian Roubles</i>					
<b>Assets</b>					
Cash and cash equivalents	99 783 001	39 831 091	6 507 647	13 444 096	159 565 835
Mandatory cash balances with the Central bank of the Russian Federation	4 368 109	-	-	-	4 368 109
Trading securities and repurchase receivables related to trading securities	18 292 124	-	1 229 765	-	19 521 889
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	3 688 043	-	1 154 656	21 906 734	26 749 433
Due from other banks	1 059 138	10 954 927	22 958 112	-	34 972 177
Loans and advances to customers	470 429 318	3 710	41 748 069	10 140 483	522 321 580
Investment securities available for sale	-	-	1 507 038	-	1 507 038
Securities held to maturity	510 174	3 213 641	5 702 822	-	9 426 637
Derivatives and other financial assets	26 267 585	25 244 592	1 530 019	4 595 521	57 637 717
<b>Total financial assets</b>	<b>624 397 492</b>	<b>79 247 961</b>	<b>82 338 128</b>	<b>50 086 834</b>	<b>836 070 415</b>
<b>Liabilities</b>					
Due to other banks	33 242 984	5 246 593	6 014 834	1 176 925	45 681 336
Customer accounts	566 868 267	1 794 150	9 778 601	2 829 419	581 270 437
Term borrowings from the Parent Bank	-	55 241 445	-	-	55 241 445
Debt securities in issue	13 263 701	-	330 443	-	13 594 144
Derivatives and other financial liabilities	9 297 847	47 892 955	3 479 651	69 124	60 739 577
<b>Total financial liabilities</b>	<b>622 672 799</b>	<b>110 175 143</b>	<b>19 603 529</b>	<b>4 075 468</b>	<b>756 526 939</b>
<b>Net balance sheet position</b>	<b>1 724 693</b>	<b>(30 927 182)</b>	<b>62 734 599</b>	<b>46 011 366</b>	<b>79 543 476</b>
<b>Credit related commitments (Note 28)</b>	<b>187 900 497</b>	<b>1 894 912</b>	<b>12 859 450</b>	<b>2 388 961</b>	<b>205 043 820</b>

**Credit risk concentrations.** Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group had 4 borrowers with significant risk concentration at 31 March 2016 (31 December 2015: 2 borrowers).

**Liquidity risk.** Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

## 24 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the CB RF.

The Bank monitors expected maturities which may be summarised as follows at 31 March 2016 and 31 December 2015:

<i>In thousands of Russian Roubles, 31 March 2016</i>	<b>Demand and less than 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Cash and cash equivalents	141 882 809	-	-	-	141 882 809
Mandatory cash balances with the Central bank of the Russian Federation	4 559 178	-	-	-	4 559 178
Trading securities and repurchase receivables related to trading securities	19 664 016	-	-	-	19 664 016
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	28 324 756	-	-	-	28 324 756
Due from other banks	4 940 027	4 389 530	14 135 226	-	23 464 783
Loans and advances to customers	103 701 017	114 055 924	205 633 285	71 094 497	494 484 723
Investment securities available for sale	1 535 537	-	-	-	1 535 537
Investment securities held-to- maturity	983 951	1 836 959	3 306 958	-	6 127 868
Derivatives and other financial assets	6 898 857	19 078 137	23 446 522	310 862	49 734 378
<b>Total financial assets</b>	<b>312 490 148</b>	<b>139 360 550</b>	<b>246 521 991</b>	<b>71 405 359</b>	<b>769 778 048</b>
Due to other banks	26 565 253	337 705	719 260	-	27 622 218
Customer accounts	40 766 232	175 242 279	320 799 922	21 944 985	558 753 418
Term borrowings from the Parent bank	-	2 871 475	19 432 856	20 104 985	42 409 316
Debt securities in issue	43 504	50 648	12 933 169	-	13 027 321
Derivatives and other financial liabilities	9 181 860	16 887 362	17 568 874	634 583	44 272 679
<b>Total financial liabilities</b>	<b>76 556 849</b>	<b>195 389 469</b>	<b>371 454 081</b>	<b>42 684 553</b>	<b>686 084 952</b>
<b>Net liquidity gap at 31 March 2016</b>	<b>235 933 299</b>	<b>(56 028 919)</b>	<b>(124 932 090)</b>	<b>28 720 806</b>	<b>83 693 096</b>
<b>Cumulative gap at 31 March 2016</b>	<b>235 933 299</b>	<b>179 904 380</b>	<b>54 972 290</b>	<b>83 693 096</b>	<b>-</b>

**24 Financial Risk Management (Continued)**

<i>In thousands of Russian Roubles, 31 December 2015</i>	<b>Demand and less than 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Cash and cash equivalents	159 565 835	-	-	-	159 565 835
Mandatory cash balances with the Central bank of the Russian Federation	4 368 109	-	-	-	4 368 109
Trading securities and repurchase receivables related to trading securities	19 521 889	-	-	-	19 521 889
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	26 749 433	-	-	-	26 749 433
Due from other banks	24 024 952	3 649 713	7 297 512	-	34 972 177
Loans and advances to customers	100 421 437	114 789 842	234 478 807	72 631 494	522 321 580
Investment securities available for sale	1 507 038	-	-	-	1 507 038
Investment securities held- to-maturity portfolio	3 202 085	2 896 862	3 327 690	-	9 426 637
Derivatives and other financial assets	7 606 150	19 971 060	29 757 638	302 869	57 637 717
<b>Total financial assets</b>	<b>346 966 928</b>	<b>141 307 477</b>	<b>274 861 647</b>	<b>72 934 363</b>	<b>836 070 415</b>
Due to other banks	45 059 918	-	621 418	-	45 681 336
Customer accounts	44 936 067	167 415 417	347 823 793	21 095 160	581 270 437
Term borrowings from the Parent bank	1 168 892	10 026 667	22 425 375	21 620 511	55 241 445
Debt securities in issue	428 317	37 358	13 128 469	-	13 594 144
Derivatives and other financial liabilities	11 205 883	18 808 779	30 351 221	373 694	60 739 577
<b>Total financial liabilities</b>	<b>102 799 077</b>	<b>196 288 221</b>	<b>414 350 276</b>	<b>43 089 365</b>	<b>756 526 939</b>
<b>Net liquidity gap at 31 December 2015</b>	<b>244 167 851</b>	<b>(54 980 744)</b>	<b>(139 488 629)</b>	<b>29 844 998</b>	<b>79 543 476</b>
<b>Cumulative gap at 31 December 2015</b>	<b>244 167 851</b>	<b>189 187 107</b>	<b>49 698 478</b>	<b>79 543 476</b>	<b>-</b>

The above given analyses are based on expected maturities except for 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.

## 25 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBRF (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on principles of the Basel Accord.

Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. According to requirements set by the CBRF statutory capital ratio has to be maintained above minimum level of 8%. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Management believes the Bank meets all the requirements in relation to the minimum amount of regulatory capital set by the CBRF.

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

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
<b>Tier 1 capital</b>		
Net assets under Russian GAAP	86 637 004	79 619 894
Less: intangible assets, The negative value of the additional capital and shares of subsidiaries	(1 951 253)	(747 543)
Subordinated debt	8 802 063	9 488 847
<b>Total Tier 1 Capital</b>	<b>93 487 814</b>	<b>88 361 198</b>
<b>Tier 2 capital</b>		
Subordinated debt	24 272 927	26 998 274
Current year profit and Increase in the value of the property of a credit institution due to revaluation	4 542 171	9 466 287
<b>Total Tier 2 capital</b>	<b>28 815 098</b>	<b>36 464 561</b>
<b>Total regulatory capital</b>	<b>122 302 912</b>	<b>124 825 759</b>

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements including capital adequacy levels calculated in accordance with the requirements of the Basel Accord as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998), Amendment to the Capital Accord to incorporate market risks (updated November 2005) and Group of Governors and Heads of Supervision higher global minimum capital standards (updated September 2010) commonly known as Basel III.



## 25 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with the Austrian Banking Act which assumes major principles and requirements of Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<b>Tier 1 capital</b>		
Share capital	43 268 888	43 268 888
Share premium	591 083	591 083
Additional paid-in capital	1 520 016	1 520 016
Retained earnings and other reserves	54 222 922	49 332 559
Less: revaluation of debt instruments through Capital	(14 100)	-
Less: deferred tax	(198 092)	(1 449 386)
<b>Total Tier 1 capital before deductions</b>	<b>99 390 717</b>	<b>93 263 160</b>
Less: intangible assets	(3 478 864)	(3 562 954)
<b>Total Tier 1 capital</b>	<b>95 911 853</b>	<b>89 700 206</b>
<b>Tier 2 capital</b>		
Revaluation reserve for debt instruments through Capital	6 345	(6 750)
Subordinated debt	32 303 723	34 824 229
Less: insurance holding companies	(173 709)	(173 709)
Items from additional own funds plus LLP surplus	1 851 647	2 170 593
<b>Total Tier 2 capital</b>	<b>33 988 006</b>	<b>36 814 363</b>
<b>Total capital</b>	<b>129 899 859</b>	<b>126 514 569</b>

The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
<b>Common Equity Tier 1 capital</b>		
Share capital	43 268 888	43 268 888
Share premium	591 083	591 083
Additional paid-in capital	1 520 016	1 520 016
Retained earnings	54 222 922	49 332 559
<b>Total Tier 1 capital before deductions</b>	<b>99 602 909</b>	<b>94 712 546</b>
Less: deferred tax	(198 092)	(1 449 386)
<b>Total Tier 1 capital</b>	<b>99 404 817</b>	<b>93 263 160</b>
<b>Tier 2 capital</b>		
Subordinated debt	32 303 723	34 824 229
Items from additional own funds plus LLP surplus	1 851 647	2 170 593
<b>Total Tier 2 capital</b>	<b>34 155 370</b>	<b>36 994 822</b>
<b>Total capital</b>	<b>133 560 187</b>	<b>130 257 982</b>

The Group and the Bank have complied with all externally imposed capital requirements throughout 2016 and 2015.

## 25 Management of Capital (Continued)

### *Risk weighted assets*

	31 March 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
<b>Total Risk weighted assets</b>	<b>578 253 725</b>	<b>631 485 090</b>
Capital Adequacy Ratio by Austrian Banking Act	22,46%	20,03%
Capital Adequacy Ratio by Basel III	23,10%	20,63%

The Bank manages capital ratios using different capital amounts calculated in accordance with the above mentioned Capital Adequacy regulations.

## 26 Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business claims against the Group may be received. On the basis of its own estimates and internal professional advice Management is of the opinion that certain losses could be incurred in respect of claims and accordingly has made provisions for the legal cases in this consolidated condensed interim financial information.

**Tax legislation.** Russian tax and customs 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 successfully challenged by relevant 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 of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2012 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties as determined under the Russian Tax Code all cross-border transactions (irrespective of whether performed between related or unrelated parties) transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time and barter transactions. Significant difficulties exist in interpreting and applying the transfer pricing legislation in practice. Any prior existing court decisions may provide guidance but are not legally binding for decisions by other or higher level courts in the future.

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; however it may be significant to the financial position and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income will be subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation will apply to.

## 26 Contingencies and Commitments (Continued)

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 relevant authorities. The impact of any such challenge cannot be reliably estimated; however it may be significant to the financial position and/or the overall operations of the Group.

**Operating lease commitments.** Where the Group is the lessee the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
Not later than 1 year	594 535	622 647
Later than 1 year and not later than 5 years	2 907	2 907
<b>Total operating lease commitments</b>	<b>597 442</b>	<b>625 554</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. 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.

In March 2016 the Group received a credit line from Central Bank of Russia in the amount of 18 billion rubles for a period of one year. At 31 March 2016, the Group did not use these funds.

Outstanding credit related commitments by products are as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
Undrawn credit lines and Overdraft facilities (revocable)	86 356 631	88 467 316
Guarantees issued (irrevocable)	70 798	948 313
Undrawn commitments to issue documentary instruments (revocable)	14 859 302	20 348 963
Undrawn commitments to issue documentary instruments (irrevocable)	21 489 751	20 912 186
Undrawn credit lines and Overdraft facilities (irrevocable)	2 120 776	1 833 422
Import letters of credit (irrevocable)	13 403 355	13 549 808
Export letters of credit (irrevocable)	740 140	2 333 327
<b>Credit related commitments before provision</b>	<b>139 040 753</b>	<b>148 393 335</b>
Performance guarantees issued (irrevocable)	61 175 271	56 650 485
<b>Credit related commitments and performance guarantees before provision</b>	<b>200 216 024</b>	<b>205 043 820</b>
Less: Provision for credit related commitments and performance guarantees	(35 564)	(46 146)
<b>Total credit related commitments and performance guarantees</b>	<b>200 180 460</b>	<b>204 997 674</b>

## **26 Contingencies and Commitments (Continued)**

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

The total outstanding contractual amount of undrawn credit lines letters of credit and guarantees does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Fair value of guarantee contracts was RR 96 378 thousand at 31 March 2016 (31 December 2015: RR 89 147 thousand).

Outstanding credit related commitments by segments as of 31 March 2016 are as follows:

	<b>Credit lines, Overdraft facilities and Commitments to issue documentary instruments</b>	<b>Financial guarantees and Letters of credit</b>	<b>Performance guarantees</b>	<b>Total contingencies and commitments</b>
<i>In thousands of Russian Roubles</i>				
Credit related commitments to corporate customers (Corporate business)	83 990 410	12 587 445	54 816 696	151 394 551
Credit related commitments to individuals (Retail business)	29 526 867	687 157	11 055	30 225 079
Credit related commitments to medium entities (Middle business)	8 446 509	939 691	5 981 268	15 367 468
Credit related commitments to small and micro entities (SME business)	2 862 239	-	366 252	3 228 491
Credit related commitments to state and municipal organisations (Public sector)	435	-	-	435
<b>Credit related commitments and performance guarantees before provision</b>	<b>124 826 460</b>	<b>14 214 293</b>	<b>61 175 271</b>	<b>200 216 024</b>
Less: Provision for credit related commitments and performance guarantees	(565)	(13 982)	(21 017)	(35 564)
<b>Total contingencies and commitments</b>	<b>124 825 895</b>	<b>14 200 311</b>	<b>61 154 254</b>	<b>200 180 460</b>

## 26 Contingencies and Commitments (Continued)

Outstanding credit related commitments by segments as of 31 December 2015 are as follows:

<i>In thousands of Russian Roubles</i>	<b>Credit lines, Overdraft facilities and Commitments to issue documentary instruments</b>	<b>Financial guarantees and Letters of credit</b>	<b>Performance guarantees</b>	<b>Total contingencies and commitments</b>
Credit related commitments to corporate customers (Corporate business)	88 774 176	15 875 517	50 434 686	155 084 379
Credit related commitments to individuals (Retail business)	29 594 461	194 060	-	29 788 521
Credit related commitments to medium entities (Middle business)	10 175 328	756 273	5 842 318	16 773 919
Credit related commitments to small and micro entities (SME business)	3 017 292	5 598	373 481	3 396 371
Credit related commitments to state and municipal organisations (Public sector)	630	-	-	630
<b>Credit related commitments and performance guarantees before provision</b>	<b>131 561 887</b>	<b>16 831 448</b>	<b>56 650 485</b>	<b>205 043 820</b>
Less: Provision for credit related commitments and performance guarantees	(1 094)	(19 336)	(25 716)	(46 146)
<b>Total contingencies and commitments</b>	<b>131 560 793</b>	<b>16 812 112</b>	<b>56 624 769</b>	<b>204 997 674</b>

Outstanding credit related commitments by currency are as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015</b>
Russian Roubles	147 705 758	148 056 132
US Dollars	35 717 325	40 323 664
Euro	16 427 442	16 260 976
Other	365 499	403 048
<b>Total credit related commitments before provision</b>	<b>200 216 024</b>	<b>205 043 820</b>

**Assets pledged and restricted.** The Group had assets pledged as collateral with the following carrying value:

		31 March 2016 (Unaudited)		31 December 2015	
<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>Asset pledged</b>	<b>Related liability</b>	<b>Asset pledged</b>	<b>Related liability</b>
Repurchase receivables related to trading securities	<b>14</b>	-	-	615 718	569 647
<b>Total</b>		<b>-</b>	<b>-</b>	<b>615 718</b>	<b>569 647</b>

## **26 Contingencies and Commitments (Continued)**

At 31 March 2016 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Note 6) which the Group has the right to sell or repledge in the absence of default of the counterparty was RR 40 246 263 thousand (31 December 2015: RR 20 157 371 thousand). At 31 March 2016 the fair value of such securities repledged under direct sale and repurchase agreements with other banks amounted to RR 801 060 thousand (31 December 2015: RR nil thousand). Refer to Note 14.

Mandatory cash balances with the Bank of Russia in the amount of RR 4 559 178 thousand (31 December 2015: RR 4 368 109 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

At 31 March 2016 restricted cash represents monetary funds in the amount of RR 664 195 thousand which collateralise settlements on irrevocable letters of credit (31 December 2015: RR 170 151 thousand).

At 31 March 2016 restricted cash represents monetary funds in the amount of RR 1 877 888 thousand which collateralise settlements on irrevocable commitments under guarantees (31 December 2015: RR 1 916 237 thousand).

## **27 Fair Value of Financial Instruments**

Fair value measurements are analyzed 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 judgment in categorizing 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.

**27 Fair Value of Financial Instruments (Continued)**

**(a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated condensed interim 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 categorized are as follows:

	31 March 2016			31 December 2015		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total
<i>In thousands of Russian Roubles</i>						
<b>Assets at fair value</b>						
<b>Financial assets</b>						
<b>Trading securities</b>						
- Corporate bonds	13 008 365	105 845	<b>13 114 210</b>	11 489 247	101 687	<b>11 590 934</b>
- Corporate eurobonds	4 054 617	-	<b>4 054 617</b>	1 229 765	-	<b>1 229 765</b>
- Federal loan bonds (OFZ)	1 775 841	-	<b>1 775 841</b>	3 611 148	-	<b>3 611 148</b>
- Russian Federation Eurobonds	445 566	-	<b>445 566</b>	2 900 053	-	<b>2 900 053</b>
- Municipal bonds	273 782	-	<b>273 782</b>	189 989	-	<b>189 989</b>
<b>Other securities at fair value through profit and loss</b>						
- US Treasury Bonds	20 439 973	-	<b>20 439 973</b>	21 906 734	-	<b>21 906 734</b>
- Corporate Eurobonds	2 897 818	-	<b>2 897 818</b>	1 154 656	-	<b>1 154 656</b>
- Federal loan bonds (OFZ)	2 728 796	-	<b>2 728 796</b>	2 147 502	-	<b>2 147 502</b>
- Corporate bonds	1 716 229	2 712	<b>1 718 941</b>	1 028 485	2 790	<b>1 031 275</b>
- Municipal bonds	539 228	-	<b>539 228</b>	509 266	-	<b>509 266</b>
<b>Investment securities available for sale</b>						
	-	1 535 537	<b>1 535 537</b>	1 507 038	-	<b>1 507 038</b>
<b>Derivatives and other financial assets carried at fair value</b>						
- Fair value of currency rate based financial derivatives	-	44 963 378	<b>44 963 378</b>	-	52 923 698	<b>52 923 698</b>
- Fair value of interest rate based financial derivatives	-	2 965 512	<b>2 965 512</b>	-	2 479 537	<b>2 479 537</b>
<b>Total assets recurring fair value measurements</b>						
	<b>47 880 215</b>	<b>49 572 984</b>	<b>97 453 199</b>	<b>47 673 883</b>	<b>55 507 712</b>	<b>103 181 595</b>

**27 Fair Value of Financial Instruments (Continued)**

	31 March 2016			31 December 2015		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total
<i>In thousands of Russian Roubles</i>						
<b>Liabilities carried at fair value</b>						
<b>Financial liabilities</b>						
<b>Derivatives and other financial liabilities</b>						
- Fair value of currency rate based financial derivatives	-	33 961 258	<b>33 961 258</b>	-	49 136 336	<b>49 136 336</b>
- Fair value of interest rate based financial derivatives	-	5 622 544	<b>5 622 544</b>	-	6 399 970	<b>6 399 970</b>
- Shortselling of trading assets	2 865 038	-	<b>2 865 038</b>	3 328 953	-	<b>3 328 953</b>
<b>Total liabilities recurring fair value measurements</b>	<b>2 865 038</b>	<b>39 583 802</b>	<b>42 448 840</b>	<b>3 328 953</b>	<b>55 536 306</b>	<b>58 865 259</b>

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 31 March 2016. The following main inputs are relevant:

- **Spot and Forward currency exchange rates.** Cash Rate, Interest Rate Futures quotes and IRS quotes are used for foreign currencies, implied RUB rates are derived from foreign exchange forward contracts.
- **Cross currency interest rate swaps (CCIRS) curves.** CCIRS are used for discounting and projection of cash flows and are derived from Cash Rate quotes, Futures quotes and Interest Rate Swap quotes available from Chicago Merchandile (for futures) and contributors which quote these instruments on Over the counter market.
- **Adjustment for credit risk.** The Bank has the Credit Value Adjustment (also known as Credit Risk Adjustment or Default Risk Adjustment) which reflects the probability of default of the counterparty and Debit Value Adjustment which reflects the possibility of our default. Credit Value Adjustment (CVA) is an adjustment to the price of derivatives reflecting expected losses arising from the possible default of the counterparty both by counterparty and by instrument.  
  
CVA is calculated with a Monte-Carlo methodology simulating both expected exposure coming from derivative positions with counterparty (estimated with Group market risk calculation approach) and the default event coming from counterparty Default Probability and Recovery Rate. CVA itself is calculated for each counterparty by calculating Bank's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate. The adjustment is calculated based on observable market inputs.
- **Shortselling of trading assets** are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently doesn't keep in its own securities' portfolio.

The fair value of shares is determined by multiplying the number of shares by the market price as the share of the shareholding is immaterial.



**27 Fair Value of Financial Instruments (Continued)**

**(b) 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:

	31 March 2016				31 December 2015			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
In thousands of Russian Roubles								
<b>FINANCIAL ASSETS CARRIED AT AMORTIZED COST</b>								
<b><i>Due from other banks</i></b>								
- Short-term placements with other banks with original maturities of more than three months	-	9 329 557	-	<b>9 329 557</b>	-	27 473 559	-	<b>27 473 559</b>
- Long-term placements with other banks with original maturities of more than one year	-	14 135 226	-	<b>14 135 226</b>	-	7 498 618	-	<b>7 498 618</b>
<b><i>Loans and advances to customers</i></b>								
- Corporate loans	-	-	300 924 990	<b>300 979 408</b>	-	-	322 014 493	<b>322 157 210</b>
- Retail loans	-	-	156 584 945	<b>161 382 274</b>	-	-	157 962 479	<b>168 140 068</b>
- Small and micro entities loans	-	-	11 824 044	<b>12 359 989</b>	-	-	12 231 598	<b>12 712 021</b>
- Loans to middle business	-	-	19 701 181	<b>19 762 397</b>	-	-	19 250 109	<b>19 311 480</b>
- Public sector loans	-	-	655	<b>655</b>	-	-	801	<b>801</b>
<b><i>Investment securities held to maturity</i></b>								
- Corporate bonds	524 621	-	-	<b>524 287</b>	506 746	-	-	<b>510 173</b>
- Eurobonds of EBRD	2 878 646	-	-	<b>2 905 439</b>	2 736 250	2 911 680	-	<b>5 702 822</b>
- Corporate eurobonds	2 697 138	-	-	<b>2 698 142</b>	3 182 835	-	-	<b>3 213 641</b>
<b><i>Assets Held for Sale</i></b>	-	131 922	-	<b>131 922</b>	-	-	-	-
<b>Total</b>	<b>6 100 405</b>	<b>23 596 705</b>	<b>489 035 815</b>	<b>524 209 296</b>	<b>6 425 831</b>	<b>37 883 857</b>	<b>511 459 480</b>	<b>566 720 393</b>

**27 Fair Value of Financial Instruments (Continued)**

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

	31 March 2016				31 December 2015			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
<i>In thousands of Russian Roubles</i>								
<b>FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST</b>								
<b><i>Due to other banks</i></b>								
- Correspondent accounts and overnight placements of other banks	-	20 011 458	-	<b>20 011 458</b>	-	29 026 143	-	<b>29 026 143</b>
- Short-term placements of other banks	-	6 187 502	-	<b>6 187 502</b>	-	11 819 992	-	<b>11 819 992</b>
- Long-term placements of other banks	-	785 622	-	<b>719 260</b>	-	4 298 802	-	<b>4 265 554</b>
- Sale and repurchase agreements with securities with CBRF	-	703 998	-	<b>703 998</b>	-	569 647	-	<b>569 647</b>
<b><i>Customer accounts</i></b>								
- Current/settlement accounts of legal entities	-	152 260 343	-	<b>152 260 343</b>	-	141 382 802	-	<b>141 382 802</b>
- Term deposits of legal entities	-	53 121 648	-	<b>51 590 064</b>	-	72 859 666	-	<b>71 491 436</b>
- Current/demand accounts of individuals	-	157 327 273	-	<b>157 327 273</b>	-	158 000 772	-	<b>158 000 772</b>
- Term deposits of individuals	-	197 379 152	-	<b>196 467 309</b>	-	210 547 565	-	<b>209 288 983</b>
- Current/settlement accounts of state and public organisations	-	1 100 334	-	<b>1 100 334</b>	-	1 090 778	-	<b>1 090 778</b>
- Term deposits of state and public organisations	-	8 095	-	<b>8 095</b>	-	15 666	-	<b>15 666</b>
<b><i>Debt securities in issue</i></b>								
- Bonds issued on domestic market	12 733 234	-	-	<b>12 641 489</b>	12 731 390	-	-	<b>12 798 329</b>
- Promissory notes	-	92 034	-	<b>92 034</b>	-	465 372	-	<b>465 372</b>
- Bonds issued on external market	-	293 798	-	<b>293 798</b>	-	324 865	-	<b>330 443</b>
<b><i>Term borrowings from the Parent Bank</i></b>	-	42 409 316	-	<b>42 409 316</b>	-	55 241 445	-	<b>55 241 445</b>
<b><i>Other financial liabilities</i></b>								
- Provision for other credit related commitments	-	-	35 564	<b>35 564</b>	-	-	46 146	<b>46 146</b>
<b>Total</b>	<b>12 733 234</b>	<b>631 680 573</b>	<b>35 564</b>	<b>641 847 837</b>	<b>12 731 390</b>	<b>685 643 515</b>	<b>46 146</b>	<b>695 833 508</b>

## 27 Fair Value of Financial Instruments (Continued)

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate 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.

For assessment of fair value of loans and advances to customer categorized at Level 3, the Bank uses Discounted cash flows model.

The Bank calculates FV for loans with fixed interest rate with remaining maturity of more than one year. The Bank uses the following assumptions:

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement;
- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

For corporate loans with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for loans issued by the Bank during the last quarter before the reporting date.

For loans to private individuals with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on the loans issued at the end of the last quarter before the reporting date.

## 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.

At 31 March 2016 the outstanding balances with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0,00% – 11,75% p.a.)	15 264 317	55 717	-	-	-
Due from other banks (contractual interest rate: 0,95% – 11,91% p.a.)	6 769 333	10 770 650	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 1,40% – 16,69% p.a.)	-	12 317 142	6 033 085	180 881	-
Investment securities held to maturity	2 698 142	-	-	-	-
Purchased intangible assets less accumulated depreciation	192 508	-	-	-	-
Derivatives and other financial assets	23 531 731	16 906	-	-	-
Investments in associate	-	-	2 109 628	-	-
Due to other banks (contractual interest rate: 0,00% – 3,52% p.a.)	453 104	299 537	-	-	3 549
Customer accounts (contractual interest rate: 0,00% – 12,40%p.a.)	-	-	2 698 139	-	-
Term borrowings from the Parent Bank (contractual interest rate: 1,39% – 9,63% p.a.)	42 409 316	-	-	-	-
Debt securities in issue (contractual interest rate: 5,46% p.a.)	-	322 957	-	-	-
Derivatives and other financial liabilities	32 748 915	12 537	-	-	-
Other liabilities	-	-	-	514 365	134 286

## 28 Related Party Transactions (Continued)

The income and expense items with related parties for the three-month period ended 31 March 2016 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	5 555 552	246 979	70 414	5 535	-
Interest expense	(4 012 397)	(5 609)	(46 579)	-	-
Fee and commission income	2 694	1 015	2 197	-	123
Fee and commission expense	(27 830)	(15)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	720 540	40 502	2 188	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	12 698 921	53 516	-	-	-
Administrative and other operating expenses	(248 446)	-	-	(102 272)	(28 936)
Other operating income	2	-	2 131	-	-
Share of profit of associate	-	-	108 051	-	-

At 31 March 2016 other rights and obligations with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Other related parties
<i>In thousands of Russian Roubles</i>				
Guarantees issued by the Group at the period end	1 586 123	216 145	-	-
Guarantees received by the Group at the period end	1 036 036	41 525	-	84 800
Letters of credit issued by the Group	-	66 480	11 328	-
Undrawn credit lines and overdraft facilities	1 890	-	1 014	-
Interest rate swap agreements – notional amount as at the period end	282 259 579	-	-	-
Interest rate swap agreements – fair values as at the period end	(1 859 740)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	118 937 021	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	130 073 089	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	(9 938 717)	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	133 438 628	6 073 562	-	-
Foreign currency derivative financial instruments – principal amount sold	129 021 873	6 061 944	-	-
Foreign currency derivative financial instruments – fair value	2 802 942	16 033	-	-
Currency Options purchased - notional amount	-	-	-	-
Currency Options purchased - fair value	-	-	-	-

## 28 Related Party Transactions (Continued)

At 31 December 2015 the outstanding balances with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0,00% – 0,30% p.a.)	39 831 075	56 748	-	-	-
Due from other banks (contractual interest rate: 00,70% – 1,90% p.a.)	10 954 927	22 958 112	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 1,89% – 16,69% p.a.)	-	12 821 757	3 640 588	181 900	-
Investment securities held to maturity	3 213 641	-	-	-	-
Purchased intangible assets less accumulated depreciation	285 166	-	-	-	-
Derivatives and other financial assets	25 301 875	12 031	-	-	-
Investments in associates	-	-	2 000 561	-	-
Due to other banks (contractual interest rate: 0,00% – 9,75% p.a.)	4 788 223	498 874	-	-	164 879
Customer accounts (contractual interest rate: 0,66% – 12,40% p.a.)	-	-	3 075 641	-	-
Term borrowings from the Parent Bank (contractual interest rate: 1,39% – 9,53% p.a.)	55 241 445	-	-	-	-
Debt securities in issue (contractual interest rate: 5,46% – 5,46% p.a.)	-	359 614	-	-	-
Other liabilities	-	-	-	485 604	110 939
Derivatives and other financial liabilities	47 935 136	61 177	-	-	-

The income and expense items with related parties for the three-month period ended 31 March 2015 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	7 031 175	116 889	57 778	3 529	-
Interest expense	(2 958 055)	(40 544)	(75 720)	-	-
Fee and commission income	3 986	2 305	337	-	-
Fee and commission expense	(34 198)	(2)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	3 906	(75 266)	4 050	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	32 483 156	(32 196)	-	-	-
Administrative and other operating expenses	(213 169)	-	-	(51 651)	(21 398)
Other operating income	6	-	923	-	-
Share of profit of associate	-	-	132 216	-	-

## 28 Related Party Transactions (Continued)

At 31 December 2015 other rights and obligations with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Parent bank	Subsidiaries of the Parent Bank	Associates	Other related parties
Guarantees issued by the Group at the year end	1 789 740	91 416	-	-
Guarantees received by the Group at the year end	1 587 908	147 565	-	84 800
Letters of credit issued by the Group at the year end	-	1 097 279	11 795	-
Undrawn credit lines	-	-	1 051	-
Interest rate swap agreements – notional amount as at the year end	377 461 961	-	-	-
Interest rate swap agreements – fair values as at the year end	(2 343 978)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the year end	148 101 896	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	162 091 756	-	-	-
Cross currency interest rate swap agreements – fair values as at the year end	(13 321 521)	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	130 969 778	4 999 821	-	-
Foreign currency derivative financial instruments – principal amount sold	135 920 002	5 033 102	-	-
Foreign currency derivative financial instruments – fair value	(6 928 840)	(49 181)	-	-

The Bank's immediate parent is Raiffeisen CIS Region Holding GmbH (2015: Raiffeisen CIS Region Holding GmbH). The Bank is ultimately controlled by Raiffeisen Zentralbank Österreich AG (2015: Raiffeisen Zentralbank Österreich AG).

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	31 March 2016 Expense	31 March 2016 Accrued liability	31 March 2015 Expense	31 December 2015 Accrued liability
<b>Short-term benefits:</b>				
- Salaries	73 511	-	50 728	-
- Short-term bonuses	26 178	495 827	1 387	469 650
- SB payment	28 936	134 286	21 398	110 939
<b>Share-based compensation:</b>				
- Cash-settled share-based compensation	2 583	18 538	(464)	15 954
<b>Total</b>	<b>131 208</b>	<b>648 651</b>	<b>73 049</b>	<b>596 543</b>

Short-term bonuses fall due within twelve months after the end of the period in which Management rendered the related services.

N.V. Kossova, Director,  
AO PricewaterhouseCoopers Audit

13 May 2016



55 (fifty five) pages are numbered, bound and sealed.