

CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the three-month period
ended 31 March 2016

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Supervisory Board of CREDIT BANK OF MOSCOW (public joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (public joint-stock company) and its subsidiaries as at 31 March 2016, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the consolidated interim condensed financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Audited entity: Credit Bank of Moscow (public joint-stock company).

Registered by the Central Bank of the Russian Federation on 18 August 1999, Registration No.1978.

Entered in the Unified State Register of Legal Entities on 18 November 2002 by the Department of Federal Tax Service, Registration No. 1027739555282, Certificate series 77 No. 004840877.

Address of audited entity: 2 (bldg. 1), Lukov pereulok, Moscow, Russian Federation, 107045.

Independent auditor: JSC KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2016 and for the three-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

A handwritten signature in blue ink, appearing to read 'A. Kolosov', written over a circular blue stamp.



Kolosov A.E.

Director

Power of attorney dated 16 March 2015, No. 44/15

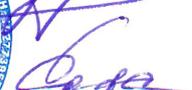
JSC KPMG

30 May 2016

Moscow, Russian Federation

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2016

	Notes	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Interest income	4	27 494 071	18 878 148
Interest expense	4	(18 348 326)	(13 905 208)
Net interest income	4	9 145 745	4 972 940
Provision for impairment of loans	10	(7 148 706)	(4 567 394)
Net interest income after provision for impairment of loans		1 997 039	405 546
Fee and commission income	5	3 010 848	1 699 329
Fee and commission expense	5	(476 685)	(350 783)
Net (loss) gain on financial instruments at fair value through profit or loss		(106 230)	2 882
Net realized (loss) gain on available-for-sale assets		(31 374)	8 829
Net foreign exchange gains		810 609	809 231
State deposit insurance scheme contributions		(184 840)	(171 377)
Other operating income, net		203 707	151 942
Non-interest income		3 226 035	2 150 053
Operating income		5 223 074	2 555 599
Salaries and employment benefits	6	(1 897 047)	(1 366 212)
Administrative expenses	6	(954 328)	(572 892)
Depreciation of property and equipment		(179 982)	(144 592)
Provision for impairment of other assets and credit related commitments		(113 642)	(107 663)
Operating expense		(3 144 999)	(2 191 359)
Profit before income taxes		2 078 075	364 240
Income tax	7	(420 554)	(75 234)
Profit for the period		1 657 521	289 006
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale securities:			
- Net change in fair value		1 001 648	1 200 581
- Net change in fair value transferred to profit or loss		(135 503)	(72 486)
Income tax related to other comprehensive income		(173 229)	(225 619)
Other comprehensive income for the period, net of tax		692 916	902 476
Total comprehensive income for the period		2 350 437	1 191 482

Basic and diluted earnings per share (in RUB per share)	18	0.07	0.02
Chairman of the Management Board			Vladimir A. Chubar
Chief Accountant			Svetlana V. Sass



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

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Financial Position as at 31 March 2016

	Notes	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
ASSETS			
Cash and cash equivalents		208 331 819	138 014 586
Obligatory reserves with the Central Bank of the Russian Federation		7 431 075	5 936 111
Due from credit and other financial institutions		365 054 437	277 295 869
Financial instruments at fair value through profit or loss, including:	8	65 586 905	72 136 989
- Pledged under sale and repurchase agreements	8	4 970 741	2 654 432
Available-for-sale securities, including:	9	93 857 814	87 402 909
- Pledged under sale and repurchase agreements	9	44 131 538	2 115 753
Loans to customers	10	592 315 202	593 065 265
Property and equipment		23 747 411	7 004 418
Current tax asset		26 176	1 759 906
Other assets		7 651 954	25 584 575
Total assets		1 364 002 793	1 208 200 628
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation		20 064 863	4 044 647
Deposits by credit and other financial institutions		225 516 509	84 659 913
Deposits by customers		906 016 280	898 692 231
Debt securities issued	11	109 958 449	121 154 765
Deferred tax liability		1 092 680	2 380 552
Other liabilities		6 665 113	4 930 058
Total liabilities		1 269 313 894	1 115 862 166
Equity			
Share capital	12	24 741 640	24 741 640
Additional paid-in capital		35 047 463	35 047 463
Revaluation surplus for buildings		769 176	769 176
Revaluation reserve for available-for-sale securities		912 986	220 070
Retained earnings		33 217 634	31 560 113
Total equity		94 688 899	92 338 462
Total liabilities and equity		1 364 002 793	1 208 200 628

Chairman of the Management Board

Chief Accountant



Vladimir A. Chubar

Svetlana V. Sass

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

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	24 577 481	16 491 743
Interest payments	(15 822 104)	(12 266 868)
Fees and commission receipts	3 180 891	1 993 636
Fees and commission payments	(476 685)	(395 045)
Net receipts from operations with securities	103 480	720 904
Net receipts from foreign exchange	1 433 471	1 213 596
State deposit insurance scheme contributions payments	(189 554)	(152 625)
Net other operating income receipts	255 887	153 046
Salaries and employment benefits paid	(1 620 608)	(1 302 512)
Administrative expenses paid	(943 905)	(1 149 898)
Income tax paid	(147 925)	(654 435)
Operating cash flows before changes in operating assets and liabilities	10 350 429	4 651 542
(Increase) decrease in operating assets		
Obligatory reserves with the Central Bank of the Russian Federation	(1 494 964)	(344 358)
Due from credit and other financial institutions	(106 944 377)	(2 784 598)
Financial instruments at fair value through profit or loss	5 956 607	(9 955 613)
Loans to customers	(18 919 088)	(4 412 926)
Other assets	567 345	1 130 191
Increase (decrease) in operating liabilities		
Deposits by the Central Bank of the Russian Federation	16 172 289	(10 147 032)
Deposits by credit and other financial institutions except syndicated and subordinated loans	149 004 335	(14 470 172)
Deposits by customers except subordinated loans	39 418 995	32 566 325
Promissory notes	(1 059 000)	(1 759 799)
Other liabilities	787 513	933 821
Net cash from operations	93 840 084	(4 592 619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(18 523 013)	(6 915 930)
Sale of available-for-sale securities	6 864 242	317 699
Net purchase of property and equipment	(255 740)	(38 370)
Net cash used in investing activities	(11 914 511)	(6 636 601)

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

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Cash Flows for the three-month period ended 31 March 2016

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from placement and issuance of other bonds	2 073 924	3 000 000
Repayment of other bonds	(7 190 520)	-
Repayment of syndicated borrowings	-	(18 307 526)
Repayment of subordinated borrowings	(364 414)	-
Proceeds from placement of subordinated bonds	390 787	-
Net cash used in financing activities	(5 090 223)	(15 307 526)
Effect of exchange rates changes on cash and cash equivalents	(6 518 117)	461 288
Change in cash and cash equivalents	70 317 233	(26 075 458)
Cash and cash equivalents, beginning of the period	138 014 586	118 696 921
Cash and cash equivalents, end of the period	208 331 819	92 621 463

Chairman of the Management Board

Vladimir A. Chubar

Chief Accountant

Svetlana V. Sass



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

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Changes in Equity for the three-month period ended 31 March 2016

	Share capital	Additional paid-in capital	Shares in the process of issue	Revaluation surplus for buildings	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
1 January 2015	15 329 692	9 768 757	5 000 000	1 115 928	(1 277 529)	30 050 642	59 987 490
Total comprehensive income for the period (Unaudited)	-	-	-	-	902 476	289 006	1 191 482
Shares issued (Unaudited)	1 272 265	3 727 735	(5 000 000)	-	-	-	-
31 March 2015 (Unaudited)	16 601 957	13 496 492	-	1 115 928	(375 053)	30 339 648	61 178 972
1 January 2016	24 741 640	35 047 463	-	769 176	220 070	31 560 113	92 338 462
Total comprehensive income for the period (Unaudited)	-	-	-	-	692 916	1 657 521	2 350 437
31 March 2016 (Unaudited)	24 741 640	35 047 463	-	769 176	912 986	33 217 634	94 688 899

Chairman of the Management Board

Vladimir A. Chubar

Chief Accountant

Svetlana V. Sass



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

1 Background

Principal activities

These consolidated interim condensed financial statements include the financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint-stock company. On 16 May 2016 Bank was reregistered as a public joint-stock company under the legislation of the Russian Federation. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 15 largest banks in Russia by assets and conducts its business in Moscow and the Moscow region with a branch network comprising 64 branches, 946 ATMs and 5 400 payment terminals.

The Group operates in industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			31 March 2016 (Unaudited)	31 December 2015
CBOM Finance p.l.c.	Ireland	Raising finance	100%	100%
MKB-Leasing Group	Russia	Finance leasing	100%	100%
CJSC Mortgage Agent MKB	Russia	Raising finance	100%	100%
INKAKHRAN Group	Russia	Cash handling	100%	100%
CBM Ireland Leasing Limited	Ireland	Operating leasing	100%	-

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c.", CJSC "Mortgage Agent MKB" and CBM Ireland Leasing Limited. "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank. CJSC "Mortgage Agent MKB" was established for the purposes of the mortgage loans securitization program launched by the Bank in 2014. CBM Ireland Leasing Limited was established for operating leasing of aircrafts.

Shareholders

The Bank's shareholders as at 31 March 2016 are:

- LLC Concern Rossium - 56.83%
- REGION Portfolio investments, LLC - 9.47%
- RegionFinanceResurs, JSC - 8.69%
- European Bank for Reconstruction and Development (EBRD) - 4.54%
- RBOF Holding Company I Ltd - 2.79%
- Powerboom Investments Limited - 2.30%
- International Finance Corporation (IFC) - 1.75%
- LLC NTI – 1.34%
- PJSC Rosgosstrakh - 1.32%
- Other shareholders – 10.97%.

The majority shareholder of Concern Rossium, LLC, is Roman I. Avdeev, who is an ultimate controlling party of the Group.

Related party transactions are detailed in note 14.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display emerging-market characteristics. Legal,

tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2015, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement

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

Functional and presentation currency

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

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

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

Foreign currencies, particularly USD and euro, play significant role in determination of economic parameters for many business operations conducted in the Russian Federation. The table below sets out exchange rates for USD and euro against RUB, defined by the CBR:

	31 March 2016	31 December 2015	31 March 2015
USD	67.6076	72.8827	58.4643
Euro	76.5386	79.6972	63.3695

Use of estimates and judgments

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

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

In preparing these consolidated interim condensed financial statements the critical judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

3 Significant accounting policies

The accounting policies applied by the Group in the preparation of these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2015.

Certain amendments to IFRS became effective from 1 January 2016 and have been adopted by the Group since that date. These changes do not have a significant effect on the consolidated interim condensed financial statements.

4 Net interest income

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Interest income		
Loans to customers	21 442 677	15 453 892
Financial instruments at fair value through profit or loss and available-for-sale securities	3 688 268	1 799 278
Due from credit and other financial institutions and the Central Bank of the Russian Federation	2 363 126	1 624 978
	27 494 071	18 878 148
Interest expense		
Deposits by customers	(13 698 655)	(10 168 382)
Debt securities issued	(2 847 551)	(2 959 618)
Deposits by credit and other financial institutions and the Central Bank of the Russian Federation	(1 802 120)	(777 208)
	(18 348 326)	(13 905 208)
Net interest income	9 145 745	4 972 940

5 Net fee and commission income

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Fee and commission income		
Cash handling	645 174	296 175
Guarantees and letters of credit	551 286	330 148
Plastic cards	515 280	416 695
Other cash operations	370 388	86 313
Settlements and wire transfers	357 231	281 841
Insurance contracts processing	273 889	85 926
Opening and maintenance of bank accounts	163 806	90 416
Currency exchange commission	97 467	67 239
Other	36 327	44 576
	3 010 848	1 699 329

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Fee and commission expense		
Settlements, wire transfers and plastic cards	(436 567)	(317 352)
Other	(40 118)	(33 431)
	<u>(476 685)</u>	<u>(350 783)</u>
Net fee and commission income	<u>2 534 163</u>	<u>1 348 546</u>

6 Salaries, employment benefits and administrative expenses

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Salaries	1 445 148	1 017 081
Social security costs	424 795	316 287
Other	27 104	32 844
Salaries and employment benefits	<u>1 897 047</u>	<u>1 366 212</u>
Occupancy	241 743	217 234
Transport	152 235	21 140
Security	127 237	46 660
Operating taxes	81 823	80 305
Property maintenance	78 780	50 053
Write-off of low-value fixed assets	74 375	6 250
Insurance of property	53 379	23 254
Advertising and business development	51 411	55 790
Communications	29 686	14 007
Computer maintenance and software expenses	22 532	19 229
Other	41 127	38 970
Administrative expenses	<u>954 328</u>	<u>572 892</u>

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to profit or loss in the period the related compensation is earned by the employee.

7 Income tax

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Current tax charge	1 881 655	6 198
Deferred taxation	(1 461 101)	69 036
Income tax expense	<u>420 554</u>	<u>75 234</u>

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate for the Bank is 20% in 2016 and 2015.

8 Financial instruments at fair value through profit or loss

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
<u>Held by the Group</u>		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	350 106	508 810
Moscow Government bonds	229 891	223 936
Regional authorities and municipal bonds	3 884 380	3 391 004
Corporate bonds		
rated AAA	-	170 475
from BBB+ to BBB-	14 296 448	22 847 946
from BB+ to BB-	19 831 192	20 382 401
from B+ to B-	14 655 415	15 260 063
not rated	7 204 201	5 771 732
Derivative financial instruments	164 531	926 190
Total held by the Group	60 616 164	69 482 557
<u>Pledged under sale and repurchase agreements</u>		
Government and municipal bonds		
Regional authorities and municipal bonds	1 434 209	2 303 352
Corporate bonds		
from BBB+ to BBB-	3 534 488	219 288
from BB+ to BB-	2 044	131 792
Total pledged under sale and repurchase agreements	4 970 741	2 654 432
Total financial instruments at fair value through profit or loss	65 586 905	72 136 989

No financial instruments at fair value through profit or loss are past due.

As at 31 March 2016, debt instruments in the amount of RUB 56 735 942 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2015: RUB 64 464 969 thousand).

9 Available-for-sale securities

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
<u>Held by the Group</u>		
Corporate bonds		
from BBB+ to BBB-	11 864 438	23 519 257
from BB+ to BB-	16 713 104	40 615 035
from B+ to B-	6 521 992	5 827 315
from CCC+ to CCC-	33 710	121 821
not rated	3 283 271	3 159 347
Promissory notes		
from BB+ to BB-	7 878 363	8 389 557
from B+ to B-	3 319 736	3 543 557

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Equity investments	111 662	111 267
Total held by the Group	49 726 276	85 287 156
<u>Pledged under sale and repurchase agreements</u>		
Corporate bonds		
from BBB+ to BBB-	13 262 360	249 696
from BB+ to BB-	30 869 178	1 866 057
Total pledged under sale and repurchase agreements	44 131 538	2 115 753
Total available-for-sale securities	93 857 814	87 402 909

No available-for-sale securities are past due.

As at 31 March 2016, debt instruments in the amount of RUB 69 709 748 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2015: RUB 62 223 479 thousand).

10 Loans to customers

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to corporate clients	516 291 379	510 205 763
Impairment allowance	(32 380 570)	(27 782 541)
Loans to corporate clients, net	483 910 809	482 423 222
Loans to individuals		
Auto loans	2 071 908	3 307 156
Mortgage loans	23 563 821	21 559 432
Credit card loans	3 876 883	4 141 275
Other loans to individuals	87 927 472	90 725 254
Impairment allowance	(9 035 691)	(9 091 074)
Total loans to individuals, net	108 404 393	110 642 043
Gross loans to customers	633 731 463	629 938 880
Impairment allowance	(41 416 261)	(36 873 615)
Net loans to customers	592 315 202	593 065 265

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 31 March 2016 and 31 December 2015:

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to customers		
- Not past due	567 361 207	562 343 490
- Not past due but impaired	18 787 721	21 794 590
- Overdue less than 31 days	2 413 950	7 398 954
- Overdue 31-60 days	2 248 025	4 356 496
- Overdue 61-90 days	8 907 564	1 606 736
- Overdue 91-180 days	8 631 874	10 882 199

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
- Overdue 181-360 days	13 735 263	18 205 851
- Overdue more than 360 days	11 645 859	3 350 564
Total gross loans to customers	633 731 463	629 938 880
Impairment allowance	(41 416 261)	(36 873 615)
Total net loans to customers	592 315 202	593 065 265

Movements in the loan impairment allowance for the three-month periods ended 31 March 2016 and 31 March 2015 are as follows:

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Balance at the beginning of the period	36 873 615	16 176 196
Net charge	7 148 706	4 567 394
Net write-offs	(2 606 060)	(1 355 398)
Balance at the end of the period	41 416 261	19 388 192

As at 31 March 2016, net interest accrued on overdue and impaired loans amounts to RUB 572 462 thousand (31 December 2015: RUB 803 123 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 31 March 2016 and 31 December 2015:

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to corporate clients		
- Not past due	463 729 451	456 119 669
- Not past due but impaired	18 787 721	21 794 590
- Overdue less than 31 days	455 344	5 906 042
- Overdue 31-60 days	946 388	3 180 256
- Overdue 61-90 days	7 908 081	213 323
- Overdue 91-180 days	6 447 905	7 965 233
- Overdue 181-360 days	9 085 923	14 148 922
- Overdue more than 360 days	8 930 566	877 728
Total gross loans to corporate clients	516 291 379	510 205 763
Impairment allowance	(32 380 570)	(27 782 541)
Total net loans to corporate clients	483 910 809	482 423 222

As at 31 March 2016, the Group estimates loan impairment for loans to corporate clients based on an analysis of the future cash flows for impaired loans and based on its internal credit rating adjusted for the value of collateral for portfolios of loans for which no indications of impairment have been identified. The key assumptions used in the analysis of future cash flows for impaired loans are based on the assessment of the value of collateral pledged to secure these loans when applicable. To estimate net realizable value of collateral for sale, management generally relies on market prices and professional judgment of internal appraisers, applying discount where appropriate.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus two percent, the impairment allowance as at 31 March 2016 would decrease/increase by RUB 9 678 216 thousand (31 December 2015: RUB 9 648 464 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the three-month periods ended 31 March 2016 and 31 March 2015 are as follows:

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Balance at the beginning of the period	27 782 541	8 366 428
Net charge	5 260 719	2 560 280
Net write-offs	(662 690)	(91 431)
Balance at the end of the period	32 380 570	10 835 277

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 31 March 2016:

RUB'000 (Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
- Not past due	1 907 453	20 620 777	3 304 829	77 798 697	103 631 756
- Overdue less than 31 days	35 734	246 084	-	1 676 788	1 958 606
- Overdue 31-60 days	15 001	208 313	69 773	1 008 550	1 301 637
- Overdue 61-90 days	11 587	137 292	-	850 604	999 483
- Overdue 91-180 days	22 157	150 621	85 726	1 925 465	2 183 969
- Overdue 181-360 days	44 411	1 319 823	253 904	3 031 202	4 649 340
- Overdue more than 360 days	35 565	880 911	162 651	1 636 166	2 715 293
Gross loans to individuals	2 071 908	23 563 821	3 876 883	87 927 472	117 440 084
Impairment allowance	(95 976)	(944 572)	(448 428)	(7 546 715)	(9 035 691)
Net loans to individuals	1 975 932	22 619 249	3 428 455	80 380 757	108 404 393

The following table provides information on the credit quality of loans to individuals as at 31 December 2015:

RUB'000	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Not past due	3 138 330	18 746 326	3 439 798	80 899 367	106 223 821
Overdue less than 31 days	23 724	221 695	98	1 247 395	1 492 912
Overdue 31-60 days	9 525	78 073	39 944	1 048 698	1 176 240
Overdue 61-90 days	9 985	125 636	33 930	1 223 862	1 393 413
Overdue 91-180 days	33 199	1 085 725	122 832	1 675 210	2 916 966
Overdue 181-360 days	57 814	461 521	331 872	3 205 722	4 056 929
Overdue more than 360 days	34 579	840 456	172 801	1 425 000	2 472 836
Gross loans to individuals	3 307 156	21 559 432	4 141 275	90 725 254	119 733 117
Impairment allowance	(113 863)	(902 046)	(545 475)	(7 529 690)	(9 091 074)
Net loans to individuals	3 193 293	20 657 386	3 595 800	83 195 564	110 642 043

Management estimates loan impairment based on historical loss experience for these types of loans using historical loss migration patterns for the past twenty four months. The significant assumptions used by management in determining the impairment losses for loans to individuals is that loss migration rates and recovery rates are stable and can be estimated based on the historic loss migration pattern for the past twenty four months.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by three percent, the impairment allowance as at 31 March 2016 would increase/decrease by RUB 3 252 132 thousand (31 December 2015: RUB 3 319 261 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the three-month period ended 31 March 2016 are as follows:

RUB'000 (Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Balance at the beginning of the period	113 863	902 046	545 475	7 529 690	9 091 074
Net charge	4 420	42 526	68 085	1 772 956	1 887 987
Net write-offs	(22 307)	-	(165 132)	(1 755 931)	(1 943 370)
Balance at the end of the period	95 976	944 572	448 428	7 546 715	9 035 691

Movements in the loan impairment allowance by classes of loans to individuals for the three-month period ended 31 March 2015 are as follows:

RUB'000 (Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Balance at the beginning of the period	120 461	305 563	618 437	6 765 307	7 809 768
Net charge	51 263	91 629	157 610	1 706 612	2 007 114
Net write-offs	(42 021)	-	(147 537)	(1 074 409)	(1 263 967)
Balance at the end of the period	129 703	397 192	628 510	7 397 510	8 552 915

Industry and geographical analysis of the loan portfolio

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

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to individuals	117 440 084	119 733 117
Oil and industrial chemicals	102 448 169	95 427 480
Services	66 924 760	61 159 187
Food and farm products	56 083 456	63 578 011
Financial	48 049 317	46 866 680
Metallurgical	44 872 163	39 150 165
Automotive, motorcycles and spare parts	43 852 792	42 089 711
Residential and commercial construction and development	37 112 762	38 573 473
Property rental	30 728 400	30 297 150
Industrial and infrastructure construction	27 715 306	24 808 966
Pharmaceutical and medical products	13 931 198	12 742 011
Construction and decorative materials, furniture	10 939 503	10 017 245
Clothing, shoes, textiles and sporting goods	10 419 588	10 503 336
Industrial equipment and machinery	6 953 112	6 098 559
Consumer electronics, appliances and computers	5 827 999	10 325 576
Paper, stationery and packaging products	2 861 268	2 916 325
Electric utility	2 018 320	2 002 940
Consumer chemicals, perfumes and hygiene products	1 490 003	2 689 256
Telecommunications	1 424 485	4 023 846
Gardening and pet products	350 298	329 515
Books, video, print and copy	332 415	323 184

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Products for home, gifts, jewelry and business accessories	65 164	184 218
Equipment leasing	18 466	32 812
Other	1 872 435	6 066 117
	633 731 463	629 938 880
Impairment allowance	(41 416 261)	(36 873 615)
	592 315 202	593 065 265

11 Debt securities issued

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Promissory notes issued at nominal value	-	1 059 000
Accrued interest	-	265
Unamortized discount	-	(14 706)
Total promissory notes issued	-	1 044 559
Bonds	64 669 294	73 901 654
Subordinated bonds	45 289 155	46 208 552
Total bonds issued	109 958 449	120 110 206
Total debt securities issued	109 958 449	121 154 765

12 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital as at 31 March 2016 comprises 23 879 709 866 shares (31 December 2015: 23 879 709 866 shares) with par value of 1 RUB per share. In addition, at 31 March 2016 the Bank has 12 396 448 142 authorized but unissued ordinary shares with an aggregate nominal value of RUB 12 396 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 861 930 thousand.

In 2015 the Bank issued 8 139 683 500 additional ordinary shares with a par value of 1 RUB per share under initial and secondary public offerings. The Bank raised RUB 29 690 654 thousand during these offerings.

13 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer-pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, 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.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

14 Related party transactions

The outstanding balances with related parties and related average interest rates as at 31 March 2016 and 31 December 2015 are as follows:

	31 March 2016 (Unaudited)		31 December 2015	
	Amount RUB'000	Average effective interest rate	Amount RUB'000	Average effective interest rate
Loans to customers				
Under control of majority shareholder	782 554	18.0%	991 190	17.4%
Management	62 952	15.7%	114 800	16.4%
Total loans to customers	845 506		1 105 990	
Deposits by customers				
Term deposits by customers				
Parent company	1 494 525	10.0%	14 207	10.0%
Under control of majority shareholder	283 083	10.2%	266 381	10.8%
Majority shareholder	245 614	9.2%	282 176	13.2%
Management	209 066	7.4%	191 100	7.8%
Total term deposits by customers	2 232 288		753 864	
Current accounts by customers				
Under control of majority shareholder	24 097 053		210 502	
Majority shareholder	102 369		355	
Parent company	14 070		41 817	
Management	10 558		8 485	
Total current accounts by customers	24 224 050		261 159	
Total deposits by customers	26 456 338		1 015 023	
Guarantees issued				
Under control of majority shareholder	4 401 321		4 287 052	
Total guarantees	4 401 321		4 287 052	

Amounts included in consolidated interim condensed statement of profit or loss and other comprehensive income for the three-month periods ended 31 March 2016 and 31 March 2015 in relation to transactions with related parties are as follows:

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Interest income on loans to customers		
Under control of majority shareholder	28 261	29 147
Management	3 798	826
Majority shareholder	-	28 411
Total interest income	32 059	58 384
Interest expense on deposits by customers		
Under control of majority shareholder	7 995	1 925
Majority shareholder	5 293	4 247
Management	2 138	3 288
Parent company	2 082	63 847
Total interest expense	17 508	73 307

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the three-month periods ended 31 March 2016 and 31 March 2015 (refer to note 6) is as follows:

	Three-Month Period Ended 31 March 2016 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2015 RUB'000 (Unaudited)
Members of the Management Board	29 077	22 888
Members of the Supervisory Board	20 716	17 694
	49 793	40 582

15 Capital management

The CBR sets and monitors capital requirements for the Bank.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. The Group calculates the amount of capital in accordance with Provision of the CBR dated 28 December 2012 No 395-P *On Methodology of Calculation of Own Funds (Capital) of the Credit Organizations (Basel III)* (Provision of the CBR No 395-P).

As at 31 March 2016 minimum level of main capital ratio (ratio N20.2) is 6.0%, basic capital ratio (ratio N20.1) is 4.5%, own funds (capital) ratio (ratio N20.0) is 8.0% (31 December 2015: 6.0%, 5.0%, 10.0%, respectively).

Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR offices that supervise the Bank with information on mandatory ratios in accordance with regulatory requirements. The accounting department controls on a daily basis compliance with capital adequacy ratios.

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 31 March 2016 and 31 December 2015.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 31 March 2016 and 31 December 2015 is as follows:

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Tier 1 capital		
Share capital and additional paid-in capital	59 789 103	59 789 103
Retained earnings	33 217 634	31 560 113
Intangible assets	(293 684)	(354 719)
Core tier 1	92 713 053	90 994 497
Additional capital	-	-
Total tier 1 capital	92 713 053	90 994 497
Tier 2 capital		
Revaluation surplus for buildings	769 176	769 176
Revaluation reserve for investments available-for-sale	912 986	220 070
Subordinated loans		
Subordinated loans	40 634 974	42 291 275
Subordinated bonds	25 898 582	28 277 204
Total tier 2 capital	68 215 718	71 557 725
Total capital	160 928 771	162 552 222
Risk-weighted assets		
Banking book	770 176 938	749 365 459
Trading book	180 227 783	179 465 196
Operational risk	57 449 960	57 449 960
Total risk weighted assets	1 007 854 681	986 280 615
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	16.0	16.5
Total tier 1 capital expressed as a percentage of risk-weighted assets (Core tier 1 capital ratio) (%)	9.2	9.2
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	9.2	9.2

Included in subordinated bonds in tier 2 capital are subordinated bonds in the amount of RUB 20 759 946 thousand (31 December 2015: RUB 23 398 755 thousand) which are fully in compliance with Basel III requirements as adopted in the Russian Federation. Other subordinated loans are subject to accelerated amortization, following the transition rules applied by the CBR for inclusion in tier 2 capital of subordinated loans received before March 2013.

In June 2015 the State Corporation “Deposit Insurance Agency” provided a subordinated loan of RUB 20 231 000 thousand to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction. The Group does not recognize securities received and a subordinated obligation to return them to the lender in the consolidated statement of financial position of the Group. The obligation to return securities received to the State Corporation “Deposit Insurance Agency” is subordinated to other ordinary obligations of the Group, and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its Tier 2 capital for the purpose of statutory regulatory capital and capital calculated for capital management purposes in accordance with Basel III requirements.

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

16 Analysis by segment

The Group has four reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking: comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guarantees, corporate deposit taking, settlements and money transfers, currency conversion
- Retail banking: comprises retail demand and term deposit services; retail lending, including car loans, mortgages and other loans to individuals, money transfers and private banking services; banking card products, settlements and money transfers, currency conversion for individuals
- Treasury: comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and promissory notes
- Cash operations: comprises all operations connected with cash, cash handling, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The segment breakdown of assets and liabilities is set out below:

	31 March 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
ASSETS		
Corporate banking	489 685 680	487 032 141
Retail banking	110 060 597	111 969 235
Treasury	721 507 425	557 505 468
Cash operations	11 323 550	17 344 885
Unallocated assets	31 425 541	34 348 899
Total assets	1 364 002 793	1 208 200 628
LIABILITIES		
Corporate banking	704 087 567	697 763 224
Retail banking	201 928 713	200 929 007
Treasury	355 539 821	209 859 325
Unallocated liabilities	7 757 793	7 310 610
Total liabilities	1 269 313 894	1 115 862 166

Segment information for the main reportable segments for the three-month period ended 31 March 2016 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	16 408 865	5 033 812	6 051 394	-	-	27 494 071
Fee and commission income	808 250	1 152 186	48 008	1 002 404	-	3 010 848
Net loss on securities	-	-	(137 604)	-	-	(137 604)
Net foreign exchange gain	110 044	23 916	676 649	-	-	810 609
Other operating income, net	127 242	52 057	24 408	-	-	203 707
Revenue (expenses) from other segments	442 334	1 084 407	(1 605 809)	79 068	-	-
Revenue	17 896 735	7 346 378	5 057 046	1 081 472	-	31 381 631
Impairment losses on loans	(5 260 719)	(1 887 987)	-	-	-	(7 148 706)
Interest expense	(8 962 694)	(4 735 961)	(4 649 671)	-	-	(18 348 326)
Fee and commission expense	(394 949)	(59 150)	(22 586)	-	-	(476 685)
General administrative and other expenses	(1 059 144)	(984 988)	(61 268)	(391 826)	(832 613)	(3 329 839)
Expense	(15 677 506)	(7 668 086)	(4 733 525)	(391 826)	(832 613)	(29 303 556)
Segment result	2 219 229	(321 708)	323 521	689 646	(832 613)	2 078 075

Segment information for the main reportable segments for the three-month period ended 31 March 2015 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	10 201 203	5 252 689	3 424 256	-	-	18 878 148
Fee and commission income	496 309	724 993	30 469	447 558	-	1 699 329
Net gain on securities	-	-	11 711	-	-	11 711
Net foreign exchange gain	282 856	91 865	434 510	-	-	809 231
Other operating income, net	32 464	71 853	47 625	-	-	151 942
(Expenses) revenue from other segments	(713 580)	288 005	355 347	70 228	-	-
Revenue	10 299 252	6 429 405	4 303 918	517 786	-	21 550 361
Impairment losses on loans	(2 560 280)	(2 007 114)	-	-	-	(4 567 394)
Interest expense	(4 900 042)	(5 268 340)	(3 736 826)	-	-	(13 905 208)
Fee and commission expense	(302 941)	(19 469)	(28 373)	-	-	(350 783)
General administrative and other expenses	(302 038)	(889 113)	(55 714)	(359 835)	(756 036)	(2 362 736)
Expense	(8 065 301)	(8 184 036)	(3 820 913)	(359 835)	(756 036)	(21 186 121)
Segment result	2 233 951	(1 754 631)	483 005	157 951	(756 036)	364 240

Information about major customers and geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation. There are no external customers (groups of related customers) with individual income from operations which exceed 10% of total income from operations. The majority of non-current assets are located in the Russian Federation.

17 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 March 2016:

RUB'000 (Unaudited)	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	208 331 819	-	-	208 331 819	208 331 819
Obligatory reserves with the CBR	-	7 431 075	-	-	7 431 075	7 431 075
Due from credit and other financial institutions	-	365 054 437	-	-	365 054 437	365 054 437
Financial instruments at fair value through profit or loss	65 586 905	-	-	-	65 586 905	65 586 905
Available-for-sale securities	-	-	93 857 814	-	93 857 814	93 857 814
Loans to customers	-	592 315 202	-	-	592 315 202	587 052 295
Other financial assets	-	3 239 242	-	-	3 239 242	3 239 242
	65 586 905	1 176 371 775	93 857 814	-	1 335 816 494	1 330 553 587
Deposits by the CBR	-	-	-	20 064 863	20 064 863	20 064 863
Deposits by credit and other financial institutions	-	-	-	225 516 509	225 516 509	225 516 509
Deposits by customers	-	-	-	906 016 280	906 016 280	923 537 299
Debt securities issued	-	-	-	109 958 449	109 958 449	110 622 053
Other financial liabilities	428 102	-	-	1 325 360	1 753 462	1 753 462
	428 102	-	-	1 262 881 461	1 263 309 563	1 281 494 186

The main assumptions used by management to estimate the fair values of financial instruments as at 31 March 2016 are:

- discount rates from 14.6% to 15.8% (roubles) and from 4.1% to 10.8% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 13.9 to 28.7% (roubles) and from 11.1% to 18.0% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 9.0% to 11.3 (roubles) and from 1.5% to 2.8% (foreign currency) are used for discounting future cash flows from retail deposits;
- discount rates from 6.5% to 11.1% (roubles) and from 0.2% to 4.9% (foreign currency) are used for discounting future cash flows from corporate deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

RUB'000	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	138 014 586	-	-	138 014 586	138 014 586
Obligatory reserves with the CBR	-	5 936 111	-	-	5 936 111	5 936 111
Due from credit and other financial institutions	-	277 295 869	-	-	277 295 869	277 295 869
Financial instruments at fair value through profit or loss	72 136 989	-	-	-	72 136 989	72 136 989
Available-for-sale securities	-	-	87 402 909	-	87 402 909	87 402 909
Loans to customers	-	593 065 265	-	-	593 065 265	598 244 308
Other financial assets	-	2 433 915	-	-	2 433 915	2 433 915
	72 136 989	1 016 745 746	87 402 909	-	1 176 285 644	1 181 464 687

RUB'000	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Deposits by the CBR	-	-	-	4 044 647	4 044 647	4 044 647
Deposits by credit and other financial institutions	-	-	-	84 659 913	84 659 913	84 659 913
Deposits by customers	-	-	-	898 692 231	898 692 231	912 243 118
Debt securities issued	-	-	-	121 154 765	121 154 765	119 441 817
Other financial liabilities	782 834	-	-	911 320	1 694 154	1 694 154
	782 834	-	-	1 109 462 876	1 110 245 710	1 122 083 649

The main assumptions used by management to estimate the fair values of financial instruments as 31 December 2015 are:

- discount rates from 12.1% to 15.5% (roubles) and from 4.5% to 10.8% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 13.3% to 28.2% (roubles) and from 10.4% to 19.0% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 8.0% to 12.0% (roubles) and from 1.3% to 3.0% (foreign currency) are used for discounting future cash flows from retail deposits;
- discount rates from 9.5% to 12.0% (roubles) and from 2.0% to 4.9% (foreign currency) are used for discounting future cash flows from corporate deposits.

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates used in estimating discount rates and foreign currency exchange rates.

The Group uses widely recognized valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

There is no active market for loans to customers. The estimation of fair value for loans to customers is based on management's assumptions.

Fair value hierarchy

The Group measures fair values for financial instruments recorded in the consolidated interim condensed statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued

based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortized cost for which fair value does not approximate their carrying amount as at 31 March 2016 and 31 December 2015:

31 March 2016 (Unaudited)	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Valuation technique used for Level 2 and 3	Total RUB'000
Financial assets at fair value through profit or loss	65 422 374	164 531	-	Discounted cash flows	65 586 905
Available-for-sale securities	81 601 547	12 256 267	-	Discounted cash flows	93 857 814
Loans to customers	-	-	592 993 769	Discounted cash flows	592 993 769
Deposits by customers	-	923 537 299	-	Discounted cash flows	923 537 299
Debt securities issued	110 622 053	-	-	Discounted cash flows	110 622 053
Other financial liabilities - Derivatives	-	428 102	-	Discounted cash flows	428 102
31 December 2015	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Valuation technique used for Level 2 and 3	Total RUB'000
Financial assets at fair value through profit or loss	71 210 799	926 190	-	Discounted cash flows	72 136 989
Available-for-sale securities	74 338 170	13 064 739	-	Discounted cash flows	87 402 909
Loans to customers	-	-	598 244 308	Discounted cash flows	598 244 308
Deposits by customers	-	912 243 118	-	Discounted cash flows	912 243 118
Debt securities issued	118 397 258	1 044 559	-	Discounted cash flows	119 441 817
Other financial liabilities - Derivatives	-	782 834	-	Discounted cash flows	782 834

During three-month periods, ended 31 March 2016 and 31 March 2015 there were no transfers of assets between Level 1 and Level 2.

18 Earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

	31 March 2016 RUB'000 (Unaudited)	31 March 2015 RUB'000 (Unaudited)
Profit for the period	1 657 521	289 006
Weighted average number of ordinary shares in issue	23 879 709 866	14 934 258 766
Basic and diluted earnings per share in RUB (per share)	0.07	0.02

