

PSC “ORIENT EXPRESS BANK”

**International Financial Reporting Standards
Consolidated Condensed Interim Financial
Information (Unaudited)**

31 March 2016

CONTENTS

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 Financial Statements

1	Introduction.....	5
2	Operating Environment of the Group.....	6
3	Summary of Significant Accounting Policies.....	6
4	Critical Accounting Estimates, and Judgements in Applying Accounting Policies	7
5	New Accounting Pronouncements.....	8
6	Cash and Cash Equivalents	9
7	Securities and Securities Pledged under Repurchase Agreements.....	9
8	Due from Other Banks	12
9	Loans and Advances to Customers.....	12
10	Investment Properties.....	19
11	Other Assets.....	20
12	Due to Other Banks	21
13	Customer Accounts	21
14	Debt Securities in Issue	22
15	Other Liabilities.....	23
16	Subordinated Debt.....	23
17	Share Capital.....	24
18	Interest Income and Expense	25
19	Fee and Commission Income and Expense	26
20	Administrative and Other Operating Expenses.....	27
21	Income Taxes	27
22	Segment Analysis	28
23	Management of Capital.....	32
24	Contingencies and Commitments.....	33
25	Fair Value Disclosures.....	36
26	Related Party Transactions	41
27	Events after the End of the Reporting Period	42

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Financial Position (Unaudited)

<i>In thousands of Russian Roubles</i>	Note	31 March 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6	11 297 642	18 736 126
Mandatory balances with the CBRF		745 389	783 522
Securities	7	25 045 751	18 262 558
Securities pledged under repurchase agreements	7	31 123 841	32 209 279
Due from other banks	8	1 049 370	850 049
Loans and advances to customers	9	79 226 440	87 568 069
Investment properties	10	1 491 000	1 491 000
Premises and equipment		3 323 769	3 460 925
Intangible assets		559 799	607 980
Deferred income tax asset	21	7 026 787	6 737 575
Other assets	11	3 183 755	4 660 793
TOTAL ASSETS		164 073 543	175 367 876
LIABILITIES			
Due to other banks	12	28 867 028	30 557 911
Customer accounts	13	108 534 669	117 935 620
Debt securities in issue	14	42 746	267 315
Other liabilities	15	2 403 260	1 578 847
Subordinated debt	16	14 638 628	15 447 268
TOTAL LIABILITIES		154 486 331	165 786 961
EQUITY			
Share capital	17	3 421 528	3 421 528
Share premium		11 601 336	11 601 336
Retained (loss)		(6 697 656)	(5 591 915)
Revaluation reserve for available for sale securities		1 079 303	(31 675)
Translation reserve		(880)	(1 940)
Equity component of convertible debt	16	183 581	183 581
TOTAL EQUITY		9 587 212	9 580 915
TOTAL LIABILITIES AND EQUITY		164 073 543	175 367 876

Approved for issue and signed on 30 May 2016.



A.S. Kordichev
 Chief Executive Officer

K.V. Rogov
 Chief Financial Officer

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
(Unaudited)

<i>In thousands of Russian Roubles</i>	Note	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Interest income	18	7 314 121	9 949 251
Interest expense	18	(3 862 777)	(5 007 268)
Net interest income		3 451 344	4 941 983
Provision for loan impairment	9	(3 845 659)	(9 471 870)
Net interest loss after provision for loan impairment		(394 315)	(4 529 887)
Fee and commission income	19	1 006 008	1 330 431
Fee and commission expense	19	(178 692)	(273 320)
Result on sale of loans	9	68 307	-
(Losses less gains)/gains less losses/from operations with securities, net		(107 425)	297 892
Gains less losses from trading in foreign currencies		744 311	80 279
Foreign exchange translation gains less losses		12 495	131 053
Other operating income		15 770	30 981
Administrative and other operating expenses	20	(2 266 813)	(2 420 854)
Other provisions	11,15	(151 718)	(54 096)
Loss before tax		(1 252 072)	(5 407 521)
Income tax benefit	21	146 331	1 055 089
LOSS FOR THE PERIOD		(1 105 741)	(4 352 432)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Revaluation of available for sale securities, net of tax	21	1 110 978	-
Exchange differences on translation to presentation currency		1 060	(315)
Other comprehensive income/(loss) for the period		1 112 038	(315)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		6 297	(4 352 747)

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

	Note	Share capital	Share premium	Retained Earnings / (loss)	Revaluation reserve for available for sale securities	Translation reserve	Equity-settled employee benefits reserve	Equity component of convertible debt	Total Equity
<i>In thousands of Russian Roubles</i>									
At 1 January 2015		863 528	11 601 286	5 061 833	-	702	12 500	183 581	17 723 430
Loss for the period		-	-	(4 352 432)	-	-	-	-	(4 352 432)
Other comprehensive loss for the period	21	-	-	-	-	(315)	-	-	(315)
Total comprehensive loss for the period		-	-	(4 352 432)	-	(315)	-	-	(4 352 747)
Balance at 31 March 2015		863 528	11 601 286	709 401	-	387	12 500	183 581	13 370 683
Balance at 1 January 2016		3 421 528	11 601 336	(5 591 915)	(31 675)	(1 940)	-	183 581	9 580 915
Loss for the period		-	-	(1 105 741)	-	-	-	-	(1 105 741)
Other comprehensive income for the period	21	-	-	-	1 110 978	1 060	-	-	1 112 038
Total comprehensive income for the period		-	-	(1 105 741)	1 110 978	1 060	-	-	6 297
Balance at 31 March 2016		3 421 528	11 601 336	(6 697 656)	1 079 303	(880)	-	183 581	9 587 212

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

<i>In thousands of Russian Roubles</i>	Note	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Cash flows from operating activities			
Interest received		7 497 266	10 270 631
Interest paid		(3 696 768)	(4 981 613)
Fees and commissions received		1 006 008	1 338 840
Fees and commissions paid		(178 692)	(199 736)
Net gains/(losses) arising from dealing in securities		1 319 739	167 341
Income received from dealing in foreign currencies		584 816	(681)
Other operating income received		15 770	24 985
Administrative and other operating expenses paid		(1 831 186)	(2 272 432)
Income tax (paid)/ received		(6 829)	71 317
Cash flows from operating activities before changes in operating assets and liabilities		4 710 124	4 418 652
<i>Net (increase)/decrease in:</i>			
- mandatory cash balances with the CBRF		38 133	51 406
- due from other banks		(195 942)	926 137
- trading securities and trading securities pledged under repurchase agreements		2 300 631	(4 121 732)
- loans and advances to customers		4 058 657	7 607 368
- sale of loans		75 917	29 468
- other assets		1 202 610	641 163
<i>Net increase/(decrease) in:</i>			
- due to other banks		173 162	(2 810 446)
- customer accounts		(8 711 406)	(687 076)
- other liabilities		471 891	(20 280)
Net cash from operating activities		4 123 777	6 034 660
Cash flows from investing activities			
Acquisition of investment securities available for sale		(11 485 101)	-
Proceeds from disposal of investment securities available for sale		306 398	-
Acquisition of premises and equipment		(16 192)	(26 551)
Proceeds from disposal of premises and equipment		3 203	22 970
Acquisition of intangible assets		(4 056)	(133 330)
Acquisition of investment property		-	(1)
Net cash used in investing activities		(11 195 748)	(136 912)
Cash flows from financing activities			
Proceeds from debt securities issued		11 586	490
Repayment of debt securities issued		(230 372)	(3 851 639)
Repayment of other borrowed funds		-	(1 340 767)
Repayment of subordinated debt		(222 000)	-
Net cash used in financing activities		(440 786)	(5 191 916)
Effect of exchange rate changes on cash and cash equivalents		74 273	557 328
Net (decrease)/increase in cash and cash equivalents		(7 438 484)	1 263 160
Cash and cash equivalents at the beginning of the period		18 736 126	21 208 608
Cash and cash equivalents at the end of the period	6	11 297 642	22 471 768

The notes set out on pages 5 to 43 form an integral part of these consolidated financial statements.

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the three-month period ended 31 March 2016 for Public Stock Company “Orient Express Bank” (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 public stock company limited by shares and was set up in accordance with Russian regulations.

The ultimate controlling party of the Bank as at 31 March 2016 and 31 December 2015 is Evizon Holdings Limited owned by Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund.

As at 31 March 2016 and 31 December 2015 the shareholders of the Bank were:

	31 March 2016	31 December 2015
Shareholder		
Evizon Holdings Limited (on behalf of Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund)	63.8	74.4
Troyte Investments Limited (controlled by Russia Partners III, L.P.)	15.3	15.3
Grigory Zhdanov	5.3	-
Marina Ushakova	5.3	-
Other shareholders – each less than 5%	10.3	10.3
Total	100	100

Principal activity. The Group’s principal business activity is retail banking operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 12 May 1991. The Bank participates in the State deposit insurance scheme, which was introduced by 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 (before 29 December 2014: RR 700 thousand) per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 31 March 2016 the Group had 7 branches and 441 offices located across the Russian Federation (31 December 2015: 7 branches and 368 offices). As at 31 March 2016 the Bank had 5,802 employees (at 31 December 2015: 5,264).

Registered address and place of business. The Bank’s registered office is located at 1 Svyatitelya Innokentiya Pereulok, Blagoveschensk, Amursky Region, 675000, Russian Federation.

The Bank’s principal place of business is 22, Frunze Street, Khabarovsk, 680000, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in thousands of Russian Roubles (“RR”), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. 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

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

At 31 March 2016 the 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 = RR 76.5386 (31 December 2015: EUR 1 = RR 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.

This consolidated condensed interim financial information does not contain all the explanatory notes as required for a full set of financial statements, including certain disclosures introduced by IFRS 7 "Financial Instruments: Disclosures".

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.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current period amounts.

The effect of reclassifications for presentation purposes was as follows on amounts for the three-month period ended 31 March 2015:

<i>In thousands of Russian Roubles</i>	As originally presented 31 March 2015	Reclassification	As reclassified 31 March 2015
Interest expense	(4 988 157)	(19 111)	(5 007 268)
Fee and commission expense	(199 736)	(73 584)	(273 320)
Administrative and other operating expenses	(2 513 549)	92 695	(2 420 854)

Those reclassifications were made to improve the representation in line with current market practices.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

In preparing this consolidated condensed interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

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

Based on the business plan, the Bank management estimates that it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Key assumptions in the business plan are stated below:

- Improvement of the credit quality of the loans to individuals as a result of measures currently implemented by the Group. The Group expects that it will lead to a decrease of cost of risk (charge of provision for loans impairment divided on average loans portfolio) from 20,5% for 2016 down to 14% starting from 2021;
- Increase of interest yields calculated as interest income divided on average loan and debt securities portfolio from 23,1% for 2016 up to 26,7% starting from 2021;
- Increase of commission income divided on average loan portfolio from 9,7% for 2016 up to 13,3% starting from 2021;

Impairment losses on loans and advances to individuals. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. 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 2 396 668 thousand (31 December 2015: RR 2 997 031 thousand).

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

Valuation of investment properties using income capitalisation method. Investment property is stated at its fair value based on reports prepared independent appraiser (refer to Note 10 and 25). As a result of the current economic environment and market conditions as described in Note 2, the frequency of property transactions is low in Russian Federation. Nevertheless, in management's assessment there remains sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value for the Group's investment properties.

For these properties, the valuation was based principally on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation, and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period. Notwithstanding the above, management considers that the valuation of its investment properties is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds on a sale may differ from the carrying value.

The principal assumptions underlying the estimation of the fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group, and those reported by the market.

The investment properties were valued on 31 December 2015 at fair value, by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category.

On the date of revaluation, the principal assumptions made and the impact on the aggregate valuations of reasonably possible changes in these assumptions, with all other variables held constant, are as follows:

- The future rental rates from RR 30 thousand to RR 50 thousand per square meter per annum. Had these rental rates been increased or decreased by 10 percent, the total carrying value of investment properties would be RR 48 120 thousand higher or RR 48 299 thousand lower, respectively.
- Vacancy loss rate was assumed to be 10%. Should the vacancy loss rate increase / decrease by 1 percentage point, the carrying value of the investment properties would be RR 5 559 thousand lower / RR 5 559 thousand higher.
- Repair expenses and property management fees are assumed to be RR 5 thousand a year for one square metre. Should these expenses increase / decrease by 10 percent, the carrying value of the investment property would be RR 7 393 thousand lower / higher.
- The capitalisation rate was assumed to be 10,75%. Should this capitalisation rate increase / decrease by 1 percentage point, the carrying value of the investment property would be RR 32 692 thousand lower / RR 38 860 thousand higher.

5 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements, no new standards and interpretations were issued that are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later in addition to those that are already disclosed in the Group's IFRS consolidated financial statements for the year ended 31 December 2015.

6 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Cash on hand	4 832 911	8 230 214
Cash balances with the CBRF (other than mandatory reserve deposits)	4 679 519	2 898 386
Correspondent accounts with other banks:		
- Russian Federation	885 579	864 184
- Other countries	899 633	6 743 342
Total cash and cash equivalents	11 297 642	18 736 126

At 31 March 2016 the Group had no banks (31 December 2015: 1 bank) with aggregated cash and cash equivalent balances above RR 500 000 thousand. At 31 December 2015 the total aggregate amount of these balances was RR 6 300 399 thousand or 34% of the cash and cash equivalents.

7 Securities and Securities Pledged under Repurchase Agreements

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Investment securities available for sale pledged under repurchase agreements	19 635 861	10 433 079
Investment securities available for sale	11 422 773	9 970 205
Trading securities pledged under repurchase agreements	9 863 243	15 497 580
Trading securities	7 348 268	5 750 180
Investment securities held to maturity	6 301 891	2 569 354
Securities held to maturity pledged under repurchase agreements	1 624 737	6 278 620
Less: Provision for impairment of investment securities held to maturity	(27 181)	(27 181)
Total securities and securities pledged under repurchase agreements	56 169 592	50 471 837

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 1 550 841 thousand of trading securities (31 December 2015: RR 1 514 670 thousand). The Group did not use the overdraft facility as at 31 March 2016 and 31 December 2015.

7 Securities and Securities Pledged under Repurchase Agreements (Continued)

Trading securities

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Trading securities		
Corporate bonds	3 709 502	1 890 007
Russian Federation bonds	2 752 658	1 207 154
Municipal bonds	451 773	735 183
Foreign government bonds	366 261	503 848
Bonds of credit and finance organisations	68 074	1 413 988
Total trading securities	7 348 268	5 750 180
Trading securities pledged under repurchase agreements		
Corporate bonds	5 688 638	7 392 272
Municipal bonds	3 126 109	2 915 165
Bonds of credit and finance organisations	802 902	4 546 950
Russian Federation bonds	245 594	643 193
Total trading securities pledged under repurchase agreements	9 863 243	15 497 580
Total trading securities and trading securities pledged under repurchase agreements	17 211 511	21 247 760

Bonds of credit and finance organisations represent bonds of domestic banks and financial companies of large domestic corporations.

Corporate bonds represent bonds of large domestic corporations.

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

As at 31 March 2016 securities pledged under repurchase agreements represent securities sold under direct sale and repurchase agreements, which the counterparty has the right, by contract, to sell or repledge (Note 12, 13). The repurchase agreements were short-term in nature and matured in April 2016 (31 December 2015: January 2016).

7 Securities and Securities Pledged under Repurchase Agreements (Continued)

Investment Securities Available for Sale

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Investment securities available for sale		
Corporate bonds	7 859 904	6 215 535
Foreign government bonds	2 694 268	2 709 906
Bonds of credit and finance organisations	836 153	1 012 316
Shares	32 448	32 448
Total Investment securities available for sale	11 422 773	9 970 205
Investment securities available for sale pledged under repurchase agreements		
Corporate bonds	16 559 013	9 472 481
Bonds of credit and finance organisations	3 076 848	960 598
Total Investment securities available for sale pledged under repurchase agreements	19 635 861	10 433 079
Total Investment securities available for sale and Investment securities available for sale pledged under repurchase agreements	31 058 634	20 403 284

Investment Securities Held to Maturity and Investment Securities Held to Maturity Pledged under Repurchase Agreements

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Investment securities held to maturity		
Corporate bonds	5 081 270	939 880
Bonds of credit and finance organisations	1 220 621	1 629 474
Less: Provision for impairment of investment securities held to maturity	(27 181)	(27 181)
Total investment securities held to maturity	6 274 710	2 542 173
Investment securities held to maturity pledged under repurchase agreements		
Corporate bonds	1 318 391	5 964 534
Bonds of credit and finance organisations	306 346	314 086
Total investment securities held to maturity pledged under repurchase agreements	1 624 737	6 278 620
Total investment securities held to maturity and investment securities held to maturity pledged under repurchase agreements	7 899 447	8 820 793

8 Due from Other Banks

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Reverse sale and repurchase agreement	1 049 370	850 049
Interbank loans	70 000	70 000
Less allowance for impairment	(70 000)	(70 000)
Total due from other banks	1 049 370	850 049

9 Loans and Advances to Customers

This note covers loans originated as well as loans purchased by the Group.

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Loans and advances to individuals	99 984 793	113 067 605
Loans and advances to corporate customers	4 323 348	4 841 527
Total gross loans and advances to customers	104 308 141	117 909 132
Less: Provision for loan impairment	(25 081 701)	(30 341 063)
Total loans and advances to customers	79 226 440	87 568 069

As at 31 March 2016 and 31 December 2015 loans and advances to individuals comprise:

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Consumer loans	58 751 350	71 176 270
Credit cards	28 179 855	27 213 031
Car loans	4 801 132	5 573 271
SME loans	2 136 656	2 940 849
Mortgage loans	1 702 673	1 488 131
Other loans	4 413 127	4 676 053
Total gross loans and advances to individuals	99 984 793	113 067 605
Less: Provision for loan impairment	(24 711 753)	(29 970 314)
Total loans and advances to individuals	75 273 040	83 097 291

At 31 March 2016 other loans include RR 3 613 627 thousand of mortgage loans purchased from third parties (31 December 2015: RR 3 849 168 thousand).

Other loans represent retail loans purchased from other banks.

9 Loans and Advances to Customers (Continued)

As at 31 March 2016 and 31 December 2015 loans and advances to corporate customers comprise:

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Corporate loans	4 182 430	4 443 498
SME loans	140 918	157 843
Reverse sale and repurchase agreements	-	240 186
Total gross loans and advances to corporate customers	4 323 348	4 841 527
Less: Provision for loan impairment	(369 948)	(370 749)
Total loans and advances to corporate customers	3 953 400	4 470 778

Movements in the provision for loan impairment during the three-month period ended 31 March 2016 and 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	SME loans	Mortgage loans	Other loans	Total
Provision for impairment of loans to individuals at 1 January 2015	23 037 893	5 849 361	3 007 824	2 019 075	185 661	910 634	35 010 448
Provision for impairment during the period	6 812 061	1 760 046	390 917	471 818	5 003	38 134	9 477 979
Provision used on sale of loans	(6 493)	(5 537)	(1 006)	(1 651)	(2 178)	(31 102)	(47 967)
Write-off of loans against allowance for impairment	(8 184 701)	(2 007 727)	-	(782 838)	-	(2 260)	(10 977 526)
Recovery of written-off loans	65 705	40 453	-	7 630	-	-	113 788
Provision for impairment of loans to individuals at 31 March 2015 (Unaudited)	21 724 465	5 636 596	3 397 735	1 714 034	188 486	915 406	33 576 722
Provision for impairment of loans to individuals at 1 January 2016	21 264 900	4 099 314	2 711 381	834 882	188 607	871 230	29 970 314
Provision/(recovery of provision) for impairment during the period	3 083 541	856 759	(191 413)	97 400	13 161	(12 988)	3 846 460
Provision used on sale of loans	(135 970)	(160 122)	(3 021)	(3 018)	-	(2 396)	(304 527)
Write-off of loans against allowance for impairment	(6 833 700)	(1 730 345)	-	(405 375)	-	(1 147)	(8 970 567)
Recovery of written-off loans	113 113	48 351	-	8 609	-	-	170 073
Provision for impairment of loans to individuals at 31 March 2016 (Unaudited)	17 491 884	3 113 957	2 516 947	532 498	201 768	854 699	24 711 753

9 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans to corporate customers during the three-month period ended 31 March 2016 and 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
Provision for impairment of loans to corporate customers at 1 January 2015	306 497	45 747	352 244
(Recovery of provision) for impairment during the period	(1 352)	(4 757)	(6 109)
Provision for impairment of loans to corporate customers at 31 March 2015 (Unaudited)	305 145	40 990	346 135
Provision for impairment of loans to corporate customers at 1 January 2016	329 417	41 332	370 749
Provision/(recovery of provision) for impairment during the period	2 958	(3 759)	(801)
Provision for impairment of loans to corporate customers at 31 March 2016 (Unaudited)	332 375	37 573	369 948

During the three-month period ended 31 March 2016 the Bank disposed of loans and advances to customers under cession agreements with the total gross value of RR 312 137 thousand (three-month period ended 31 March 2015: RR 77 435 thousand) for cash proceeds of RR 7 610 thousand (three-month period ended 31 March 2015: RR 29 468 thousand) and receivable cash proceeds of zero (three-month period ended 31 March 2015: zero). As of the date of disposal these loans were provided for impairment in the total amount of RR 304 527 thousand (three-month period ended 31 March 2015: RR 47 967 thousand). In addition the Bank disposed loans previously written-off in the amount of RR 4 526 855 thousand from cash proceeds RR 68 307 thousand recognised in the consolidated statement of profit or loss and other comprehensive income. The loans were disposed of by transferring the contractual rights to receive the cash flows to other banks and collection agencies.

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

<i>In thousands of Russian Roubles</i>	31 March 2016		31 December 2015	
	Amount	%	Amount	%
Individuals	99 984 793	95.9	113 067 605	95.9
Financial services	3 677 150	3.5	3 791 163	3.2
Trade	326 040	0.3	475 484	0.4
Manufacturing	226 889	0.2	234 019	0.2
Other	93 269	0.1	340 861	0.3
Total loans and advances to customers (before impairment)	104 308 141	100.0	117 909 132	100.0

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 31 March 2016 is as follows:

<i>In thousands of Russian Rouble</i>	Consumer loans	Credit cards	Car loans	SME loans	Mortgage loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	1 135 796	1 792 520	-	-	148 462	-	3 076 778
Loans without overdue payments at reporting date							
- Loans with all payments (more than six), from origination date to reporting date, being done on time	9 254 606	2 759 814	459 111	317 162	316 972	-	13 107 665
- Loans with history of 1 to 6 on-time payments and no past due payments	2 856 016	6 938 065	1 450	-	363 716	337 695	10 496 942
- Loans with history of past due payments of up to 15 days	14 968 246	8 729 248	974 927	798 335	281 459	590 670	26 342 885
- Loans with history of past due payments of up to 30 days.	3 013 237	2 024 091	224 372	118 514	77 744	301 838	5 759 796
- Loans with history of past due payments over 30 days	4 298 189	1 347 337	279 931	194 394	142 013	783 667	7 045 531
Total neither past due nor impaired (gross)	35 526 090	23 591 075	1 939 791	1 428 405	1 330 366	2 013 870	65 829 597
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	2 695 530	1 121 745	110 341	85 680	93 115	190 318	4 296 729
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	15 574	-	129 438	15 488	91 912	1 046 057	1 298 469
Total overdue but not impaired loans	2 711 104	1 121 745	239 779	101 168	185 027	1 236 375	5 595 198
Loans determined to be impaired							
Loans with payments that are overdue by 31 – 90 days	2 396 095	621 516	69 610	77 622	1 250	1 062	3 167 155
Non-performing loans (loans overdue by 91 or more days)							
- Loans with payments that are overdue by 91 – 180 days	4 550 521	776 370	97 482	105 122	1 963	9 346	5 540 804
- Loans with payments that are overdue by 181 – 360 days	13 567 540	2 069 149	366 786	424 339	9 821	19 793	16 457 428
- Loans with payments that are overdue over 360 days	-	-	2 087 684	-	174 246	1 132 681	3 394 611
Total non-performing loans (loans overdue by 91 or more days)	18 118 061	2 845 519	2 551 952	529 461	186 030	1 161 820	25 392 843
Total overdue loans (gross)	20 514 156	3 467 035	2 621 562	607 083	187 280	1 162 882	28 559 998
Total loans and advances to individuals (gross)	58 751 350	28 179 855	4 801 132	2 136 656	1 702 673	4 413 127	99 984 793
Less impairment provisions	(17 491 884)	(3 113 957)	(2 516 947)	(532 498)	(201 768)	(854 699)	(24 711 753)
Total loans and advances to individuals	41 259 466	25 065 898	2 284 185	1 604 158	1 500 905	3 558 428	75 273 040

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 31 March 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
<i>Neither past due nor impaired</i>			
Non classified loans	95 919	-	95 919
Loans with all payments (more than six), from origination date to reporting date, being done on time	237 673	23 347	261 020
Other current loans	3 529 629	71 005	3 600 634
Total neither past due nor impaired (gross)	3 863 221	94 352	3 957 573
<i>Overdue but not impaired loans</i>			
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	5 015	2 625	7 640
Total overdue but not impaired loans	5 015	2 625	7 640
<i>Loans individually determined to be impaired</i>			
Non-performing loans			
- Loans with payments that are overdue over 360 days	314 194	43 941	358 135
Total non-performing loans (loans overdue by 91 or more days)	314 194	43 941	358 135
Total individually impaired loans (gross)	314 194	43 941	358 135
Total loans and advances to legal entities (gross)	4 182 430	140 918	4 323 348
Less impairment provisions	(332 375)	(37 573)	(369 948)
Total loans and advances to legal entities	3 850 055	103 345	3 953 400

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 31 December 2015 is as follows:

<i>In thousands of Russian Rouble</i>	Consumer loans	Credit cards	Car loans	SME loans	Mortgage loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	1 277 607	2 207 583	-	-	136 761	-	3 621 951
Loans without overdue payments at reporting date							
- Loans with all payments (more than six), from origination date to reporting date, being done on time	12 446 516	2 750 419	667 648	504 145	339 005	-	16 707 733
- Loans with history of 1 to 6 on-time payments and no past due payments	4 892 854	4 585 780	1 460	-	198 270	400 668	10 079 032
- Loans with history of past due payments of up to 15 days	17 773 009	8 522 093	1 212 872	1 036 028	271 896	657 755	29 473 653
- Loans with history of past due payments of up to 30 days	3 471 221	2 140 499	277 892	158 856	76 575	354 820	6 479 863
- Loans with history of past due payments over 30 days	2 943 036	1 381 583	272 215	171 197	119 969	862 250	5 750 250
Total neither past due nor impaired (gross)	42 804 243	21 587 957	2 432 087	1 870 226	1 142 476	2 275 493	72 112 482
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	2 718 950	921 765	121 125	87 863	80 977	214 973	4 145 653
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	21 608	443	159 662	20 456	79 925	1 012 623	1 294 717
Total overdue but not impaired loans	2 740 558	922 208	280 787	108 319	160 902	1 227 596	5 440 370
Loans determined to be impaired							
Loans with payments that are overdue by 31 – 90 days	4 294 069	693 666	96 191	92 371	1 683	2 020	5 180 000
Non-performing loans (loans overdue by 91 or more days)							
- Loans with payments that are overdue by 91 – 180 days	7 833 570	1 001 595	160 999	182 192	6 387	9 097	9 193 840
- Loans with payments that are overdue by 181 – 360 days	13 503 830	3 007 605	570 862	687 741	12 537	40 247	17 822 822
- Loans with payments that are overdue over 360 days	-	-	2 032 345	-	164 146	1 121 600	3 318 091
Total non-performing loans (loans overdue by 91 or more days)	21 337 400	4 009 200	2 764 206	869 933	183 070	1 170 944	30 334 753
Total overdue loans (gross)	25 631 469	4 702 866	2 860 397	962 304	184 753	1 172 964	35 514 753
Total loans and advances to individuals (gross)	71 176 270	27 213 031	5 573 271	2 940 849	1 488 131	4 676 053	113 067 605
Less impairment provisions	(21 264 900)	(4 099 314)	(2 711 381)	(834 882)	(188 607)	(871 230)	(29 970 314)
Total loans and advances to individuals	49 911 370	23 113 717	2 861 890	2 105 967	1 299 524	3 804 823	83 097 291

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 31 December 2015 is as follows:

	Corporate loans	Reverse sale and repurchase agreements	SME loans	Total
<i>In thousands of Russian Roubles</i>				
Neither past due nor impaired				
Non classified loans	3 604 584	-	-	3 604 584
Loans with all payments (more than six), from origination date to reporting date, being done on time	317 723	-	23 987	341 710
Other current loans	195 649	240 186	890	436 725
Total neither past due nor impaired (gross)	4 117 956	240 186	24 877	4 383 019
Overdue but not impaired loans				
- Loans with payments that are overdue by no more than 30 days at reporting date	-	-	73 704	73 704
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	5 016	-	3 317	8 333
Total overdue but not impaired loans	5 016	-	77 021	82 037
Loans individually determined to be impaired				
Non-performing loans (loans overdue by 90 or more days)				
- Loans with payments that are overdue over 360 days	320 526	-	55 945	376 471
Total non-performing loans (loans overdue by 91 or more days)	320 526	-	55 945	376 471
Total individually impaired loans (gross)	320 526	-	55 945	376 471
Total loans and advances to legal entities (gross)	4 443 498	240 186	157 843	4 841 527
Less impairment provisions	(329 417)	-	(41 332)	(370 749)
Total loans and advances to legal entities	4 114 081	240 186	116 511	4 470 778

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

9 Loans and Advances to Customers (Continued)

The Group's internal ratings scale includes the following categories:

- Non classified loans – loans originated close to the reporting date. No payments were due on those loans from the date of origination to the reporting date, and there is no evidence of impairment at the reporting date.
- Loans without overdue payments at reporting date, consisting of:
 - Loans with all payments (more than six payments), from origination date to reporting date, being done on time;
 - Other loans without overdue payments at reporting date – loans with no overdue payments at reporting date, but with at least one past due payment, from origination date to reporting date, which was paid by the reporting date.
- Other loans – include all other loans that do not fall into categories set out above.

Loans to entrepreneurs-individuals are classified as SME loans to individuals, loans to SME legal entities are classified as SME corporate loans.

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

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

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

10 Investment Properties

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Investment properties at fair value at 1 January	1 491 000	1 440 521
Expenditure on enhancements	-	1
Investment properties at fair value at 31 March	1 491 000	1 440 522

The investment properties were valued on 31 December 2015 at fair value, by an independent, professionally qualified valuer who has recent experience in valuing similar properties in the Russian Federation.

11 Other Assets

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Other financial assets		
Settlements with exchanges	1 566 633	3 363 322
Accounts receivable	569 205	182 365
Settlements with payment systems	496 363	567 286
Debtors for sale of loans	178 067	178 067
Other financial assets	290 803	142 410
Total gross other financial assets	3 101 071	4 433 450
Less: Provision for impairment of other financial assets	(518 380)	(387 556)
Total other financial assets	2 582 691	4 045 894
Other non-financial assets		
Prepayments for services and equipment	367 597	350 606
Repossessed collateral	289 052	291 741
Prepayment for profit tax	6 610	34 747
Total gross other non-financial assets	663 259	677 094
Less: Provision for impairment of other non-financial assets	(62 195)	(62 195)
Total other non-financial assets	601 064	614 899
Total other assets	3 183 755	4 660 793

Settlements with exchanges represent a security deposit for trade in foreign currency. The amount of the deposit depends on the size of the deals. The exchanges block the balances and the Bank's access to money is thus restricted until the relevant deals are complete.

Settlements with payment systems represent amounts placed with international credit card companies to insure continuous processing of credit card payments.

Repossessed collateral is represented by real estate, cars, inventory and other items acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future.

Movements in the provision for impairment of other financial assets during the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Other financial assets	Total
Provision for impairment at 1 January 2016	85 400	62 195	178 067	124 089	449 751
Provision for impairment during the year	11 169	-	-	120 548	131 717
Write-off of accounts receivable against allowance for impairment	(893)	-	-	-	(893)
Provision for impairment at 31 March 2016 (Unaudited)	95 676	62 195	178 067	244 637	580 575

11 Other Financial Assets (Continued)

Movements in the provision for impairment of other financial assets during the three-month period ended 31 March 2015 are as follows:

	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Other financial assets	Total
<i>In thousands of Russian Roubles</i>					
Provision for impairment at 1 January 2015	79 321	62 195	144 288	95 926	381 730
Provision for impairment during the year	3 939	-	21 648	3 508	29 095
Write-off of accounts receivable against allowance for impairment	(2 721)	-	-	-	(2 721)
Provision for impairment at 31 March 2015 (Unaudited)	80 539	62 195	165 936	99 434	408 104

12 Due to Other Banks

	31 March 2016	31 December 2015
<i>In thousands of Russian Roubles</i>		
Direct sale and repurchase agreements with CBRF	16 012 056	29 197 264
Liability to return collateral sold or repledged	12 540 406	996 491
Loans from Russian commercial banks	307 066	356 687
Correspondent accounts and overnight placements of other banks	7 500	7 469
Total due to other banks	28 867 028	30 557 911

13 Customer Accounts

	31 March 2016	31 December 2015
<i>In thousands of Russian Roubles</i>		
Individuals		
- Term deposits	94 438 481	100 608 321
- Current/settlement accounts	10 555 687	11 946 215
Corporate customers		
- Term deposits	1 085 553	2 286 010
- Current/settlement accounts	2 025 144	2 258 247
- Liability to return collateral sold or repledged	-	285 290
State and public organisations		
- Term deposits	359 315	490 508
- Current/demand accounts	70 489	61 029
Total customer accounts	108 534 669	117 935 620

13 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2016		31 December 2015	
	Amount	%	Amount	%
Individuals	104 994 168	96.7	112 554 536	95.5
Financial services	684 008	0.7	1 482 806	1.3
Wholesale and retail trade	656 041	0.6	853 265	0.7
Construction	441 414	0.4	508 482	0.4
Real estate, renting	370 661	0.4	358 820	0.3
Trade unions, non-for-profit organizations, individuals entrepreneurs	271 837	0.3	282 751	0.2
Manufacturing	244 855	0.2	637 716	0.6
Transport, storage and communications	136 135	0.1	150 067	0.1
Agriculture, hunting and forestry	63 626	0.1	159 666	0.1
Education	37 089	-	36 657	-
Hotels and restaurants	28 621	-	81 516	0.1
Health and social work	25 070	-	37 363	-
Electricity, gas and water supply	21 467	-	70 184	0.1
Fishing	6 555	-	4 572	-
Other	553 122	0.5	717 219	0.6
Total customer accounts	108 534 669	100	117 935 620	100

At 31 March 2016 deposits and current accounts of the Group's ten largest depositors amounted to RR 1 776 302 thousand or 1.6% of total customer accounts (31 December 2015: RR 2 672 937 thousand or 2.3%).

Refer to Note 25 for the disclosure of the fair value of each class of customer accounts. Information on related party balances is disclosed in Note 26.

14 Debt Securities in Issue

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Bonds issued on domestic market, 7th tranche (RR 5 000 000 thousand), matures in July 2018	27 853	29 593
Promissory notes	14 893	237 722
Total debt securities in issue	42 746	267 315

In July 2013 the Bank issued on the Moscow Exchange a tranche of non-convertible bonds with a nominal amount of RR 5 000 000 thousand with a coupon rate of 10.4% per annum. The holders of the bonds had a right to require the Bank to repurchase these bonds at nominal amount on 22 January 2015, around the date of interest rate change. On 22 January 2015 at official offer the Bank redeemed 3 851 639 bonds of this tranche at par value. Starting from 22 January 2015 the coupon rate is set at 18.5% per annum. On 25 June 2015 at official offer the Bank redeemed 1 044 133 bonds of this tranche. On 23 July 2015 at official offer the Bank redeemed 75 053 bonds of this tranche.

15 Other Liabilities

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Other financial liabilities		
Settlements of purchase and sale of securities	351 038	-
Accrued expenses	324 425	310 513
Accounts payable	83 831	92 344
Foreign currency spots	119	159 614
Foreign currency forwards	-	11 444
Other	58 333	51 993
Total other financial liabilities	817 746	625 908
Other non-financial liabilities		
Taxes other than on income	429 464	419 794
Current tax liability	414 060	14 349
Provision for legal claims	289 001	269 001
Accrued vacation liability to employees	180 715	101 892
Accrued salary	147 077	15
Accrued short-term bonuses	121 357	145 547
Other	3 840	2 341
Total other non-financial liabilities	1 585 514	952 939
Total other liabilities	2 403 260	1 578 847

The provision for legal claims represents the present value of the director's best estimate of the future outflows of economic benefits that will be required under the Group's obligation to reimburse some credit related commissions that the Group collected from its customers before such practice of Russian banks was questioned by the courts. The estimate has been made on the basis of historical trends for such claims and court practice and may vary as a result of new developments in the legislation and business practice.

16 Subordinated Debt

<i>In thousands of Russian Roubles</i>		31 March 2016	31 December 2015
Subordinated USD denominated notes due in May 2019	a	8 497 994	8 892 505
Subordinated RR denominated bonds due in Aug 2018	b	3 530 045	3 880 993
Subordinated USD denominated notes due in June 2017	c	1 994 259	2 095 139
Subordinated convertible RR denominated bonds due in May 2020	d	616 330	578 631
Total subordinated debt		14 638 628	15 447 268

16 Subordinated Debt (Continued)

- a) In November 2013 the Bank issued USD denominated subordinated notes in the amount of USD 125 000 thousand (equivalent of RR 4 141 650 thousand). The notes bear a fixed interest rate of 12% per annum payable semi-annually from the issuance until 29 May 2019. In December 2014 the Bank repurchased subordinated notes with the nominal amount of USD 3 283 thousand (the equivalent of RUR 185 438 thousand). On 28 April 2015 the Bank sold previously repurchased subordinated notes back to the open market.
- b) In February 2013 the Bank issued on the Moscow Exchange a tranche of non-convertible subordinated bonds with a nominal amount of RR 4 500 000 thousand with a coupon rate of 13.6% per annum payable semi-annually until maturity on 9 August 2018. In March 2016 the Bank repurchased subordinated notes with the nominal amount of RUR 222 000 thousand.
- c) In June 2007 the Group issued USD denominated subordinated notes in the amount of USD 43 000 thousand (equivalent of RR 1 115 300 thousand). The notes bear a fixed interest rate of 11% per annum payable semi-annually from the issuance until 26 June 2012 and an interest rate thereafter set at 8.17% representing the aggregate of the US Treasury Rate in effect on 26 June 2012 plus 7.45 per cent per annum payable semi-annually until maturity on 26 June 2017. In December 2014 the Bank repurchased subordinated notes with the nominal amount of USD 12 901 thousand (the equivalent of RUR 701 583 thousand). On 28 April 2015 the Bank sold previously repurchased subordinated notes back to the open market.
- d) In December 2014 the Bank issued on the Moscow Exchange a tranche of convertible subordinated bonds with a nominal amount of RR 733 919 thousand with a coupon rate of 18% per annum payable semi-annually until maturity on 28 May 2020. The equity component of this instrument is disclosed as a separate line item in the balance sheet.

The debt ranks after all other creditors in the case of liquidation.

17 Share Capital

Statutory capital authorised, issued and fully paid comprises:

<i>In thousands of Russian Roubles except for number of shares</i>	Number of Ordinary outstanding shares	Number of Preference outstanding shares	Ordinary shares	Preference shares	Total
At 1 January 2015	86 352 829 088	20 000	863 528	-	863 528
At 31 March 2015	86 352 829 088	20 000	863 528	-	863 528
At 1 January 2016	342 152 829 088	20 000	3 421 528	-	3 421 528
At 31 March 2016	342 152 829 088	20 000	3 421 528	-	3 421 528

All ordinary shares carry equal rights and have a nominal value of RR 0.01. Preference shares have a nominal value of RR 0.01 and are not redeemable, carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. Holders of the preference shares are entitled to receive annual dividends of RR 0.017 per share subject to approval at the general meeting of shareholders. Share premium represents the excess of contributions received over the nominal value of shares issued. If the dividends are not paid, preference shares carry the right to vote at annual and general meetings until the dividends are paid.

17 Share Capital (Continued)

In June 2015 the Bank issued 255 800 000 000 ordinary shares with nominal value of RR 0.01 per share. The Evizon Holdings Limited purchased 200 000 000 000 shares, the Troyte Investments Limited – 49 000 000 000 shares, Alexander Taranov – 6 800 000 000 shares. Issue of shares resulted in increase in share capital of RR 2 558 000 thousand.

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Russian Accounting Rules.

18 Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Interest income		
Loans and advances to individuals	6 264 983	9 265 475
Securities and securities pledged under repurchase agreements	903 936	520 841
Loans and advances to corporate customers	102 577	55 796
Interest income on reverse repo	38 345	40 486
Due from other banks	4 280	66 653
Total interest income	7 314 121	9 949 251
Interest expense		
Term deposits of individuals	2 877 090	3 700 976
Interest expense on direct repo transactions	472 027	88 501
Subordinated debt	395 100	391 666
Term deposits of legal entities	58 771	316 791
Term deposits of other banks	36 639	161 414
Debt securities issued	19 753	241 926
Current/settlement accounts	3 397	22 010
Other borrowed funds	-	83 984
Total interest expense	3 862 777	5 007 268
Net interest income	3 451 344	4 941 983

19 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Fee and commission income		
Insurance agency commissions	770 839	1 067 011
Commission on settlement and foreign currency exchange	120 688	47 300
Commission on sms information	40 290	42 879
Agency fees	35 375	9 410
Commission on cash transactions	8 361	37 831
Commission on plastic cards	6 713	44 924
Commissions received for withdrawals of cash from ATMs of other banks	5 780	15 573
Commission for account maintenance	2 700	46 403
Other	15 262	19 100
Total fee and commission income	1 006 008	1 330 431
Fee and commission expense		
Collection agency fees	119 098	211 554
Commission on settlement and foreign currency exchange	31 108	24 569
Cash collection	14 180	14 889
Commissions paid to other banks for clients' withdrawals from their ATMs	5 780	15 573
Commission on cash transactions	2 378	3 801
Other	6 148	2 934
Total fee and commission expense	178 692	273 320
Net fee and commission income	827 316	1 057 111

Insurance agency commissions represent commissions earned by the Bank on the effective commencement dates of the related insurance policies. The purchase of insurance policy by clients is not a precondition of loan origination, does not affect terms of the loan, and, therefore, insurance agency commissions are not part of the loan effective interest rate, and are recognised as commission income on the effective commencement dates of the related insurance policies.

20 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Staff costs	823 750	999 873
Social security	217 409	273 904
Communication and postage	183 265	52 116
Taxes other than on income	139 372	83 418
Depreciation of premises and equipment	121 693	143 776
Advertising and marketing	112 326	85 368
Fines and penalties	106 969	108 764
Deposit insurance fee	102 395	126 044
Expenses related to premises and equipment	90 603	84 569
Rent expense	64 656	173 763
Amortisation of intangible assets	52 237	57 474
IT expenses	37 139	30 420
Security	23 216	35 608
Legal and arbitration costs	20 212	61 980
Insurance	14 050	16 657
Business trip expenses	8 452	14 881
Other expenses	149 069	72 239
Total administrative and other operating expenses	2 266 813	2 420 854

21 Income Taxes

Income tax benefit comprises the following:

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2016	Three-Month Period Ended 31 March 2015
Current tax	420 889	(157 531)
Deferred tax	(567 220)	(897 558)
Income tax benefit for the period	(146 331)	(1 055 089)

The income tax rate applicable to the majority of the Group's income was 20% (three-month period ended 31 March 2015: 20%).

For the three-month period ended 31 March 2016 the income tax recorded in other comprehensive loss amounts to RR 278 010 thousand (three-month period ended 31 March 2015: RR 79 thousand).

22 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 Chief Executive Officer and executive directors from the Board of Directors of the Group.

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

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

- Retail banking – includes deposit taking and lending to individuals and individual entrepreneurs, money transfer and foreign exchange services, settlements and cash management;
- Corporate banking – includes deposit taking and lending to corporate clients, small and medium enterprises and settlements, cash management and cash collection;
- Mortgage lending – includes issuing loans to potential owners of certain types of residential properties and secured by the properties. The segment also includes purchase of portfolios of such loans from other banks and selling them both to banks and State Agency for Mortgage Lending;
- Treasury operations – includes trading in securities and currencies, subordinated and interbank loans taking and lending.

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

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

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

The Group uses IFRS as a measurement basis for segment reporting and evaluates performance of its operating segments on the basis of profit or loss before tax. The accounting policies used for preparation of the segment information are the same as those described in the summary of significant accounting policies.

The CODM reviews financial information prepared based on IFRS accounting policies. Income taxes are not allocated to segments.

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

22 Segment Analysis (Continued)

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

Segment breakdown of assets and liabilities of the Group is set out below:

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Retail banking	110 794 872	118 415 658
Treasury	72 701 085	75 708 738
Corporate banking	4 908 292	5 478 611
Mortgage lending	4 635 543	4 637 750
Unallocated assets	7 484 246	7 170 614
Eliminations	(36 450 495)	(36 043 495)
Total assets	164 073 543	175 367 876
Retail banking	105 497 682	113 049 200
Treasury	69 225 189	72 277 707
Corporate banking	4 673 622	5 230 326
Mortgage lending	4 413 914	4 427 572
Unallocated liabilities	7 126 419	6 845 651
Eliminations	(36 450 495)	(36 043 495)
Total liabilities	154 486 331	165 786 961

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

22 Segment Analysis (Continued)

Segment information for the three months ended 31 March 2016 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallo- cated	Elimina- tions	Total
Interest income	102 577	6 804 031	946 561	367 128	-	(906 176)	7 314 121
Interest expense	(76 706)	(2 708 493)	(1 683 764)	(299 990)	-	906 176	(3 862 777)
Net interest income	25 871	4 095 538	(737 203)	67 138	-	-	3 451 344
Reversal of provision/ (provision) for loan impairment	801	(3 621 057)	-	(225 403)	-	-	(3 845 659)
Net interest income/(expense after provision for loan impairment	26 672	474 481	(737 203)	(158 265)	-	-	(394 315)
Fee and commission income	86 360	919 648	-	-	-	-	1 006 008
Fee and commission expense	-	(155 986)	-	-	(22 706)	-	(178 692)
Result on sale of loans	68 307	-	-	-	-	-	68 307
Operations with securities, net	-	-	(107 425)	-	-	-	(107 425)
Gains less losses arising from dealing in foreign currencies	-	-	744 311	-	-	-	744 311
Foreign exchange translation gain, net	-	-	12 495	-	-	-	12 495
Other operating income	11 700	355	-	-	3 715	-	15 770
Administrative and Other Operating Expenses	(6 800)	(2 069 373)	(163 211)	(227)	(27 202)	-	(2 266 813)
Other provisions	-	(20 001)	-	-	(131 717)	-	(151 718)
Profit/(loss) before tax	186 239	(850 876)	(251 033)	(158 492)	(177 910)	-	(1 252 072)
Income tax credit	-	-	-	-	146 331	-	146 331
PROFIT/(LOSS) FOR THE PERIOD	186 239	(850 876)	(251 033)	(158 492)	(31 579)	-	(1 105 741)

22 Segment Analysis (Continued)

Segment information for the reportable segments for the three months ended 31 March 2015 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Eliminations	Total
Interest income	320 754	9 143 455	627 980	350 235	-	(493 173)	9 949 251
Interest expense	(338 801)	(3 811 856)	(1 234 626)	(115 158)	-	493 173	(5 007 268)
Net interest income	(18 047)	5 331 599	(606 646)	235 077	-	-	4 941 983
Reversal of provision/(provision) for loan impairment	6 109	(9 434 842)	-	(43 137)	-	-	(9 471 870)
Net interest (expense)/ income after provision for loan impairment	(11 938)	(4 103 243)	(606 646)	191 940	-	-	(4 529 887)
Fee and commission income	57 686	1 258 543	-	-	14 202	-	1 330 431
Fee and commission expense	-	(251 696)	-	-	(21 624)	-	(273 320)
Result on sale of loans	-	-	-	-	-	-	-
Operations with securities, net	-	-	297 892	-	-	-	297 892
Gains less losses arising from dealing in foreign currencies	-	-	80 279	-	-	-	80 279
Foreign exchange translation gain, net	-	-	131 053	-	-	-	131 053
Other operating income	3 388	705	6 247	196	20 445	-	30 981
Administrative and Other Operating Expenses	(11 060)	(2 281 855)	(84 455)	-	(43 484)	-	(2 420 854)
Other provisions	(21 749)	(25 000)	-	-	(7 347)	-	(54 096)
Profit/(loss) before tax	16 327	(5 402 546)	(175 630)	192 136	(37 808)	-	(5 407 521)
Income tax credit	-	-	-	-	1 055 089	-	1 055 089
PROFIT/(LOSS) FOR THE PERIOD	16 327	(5 402 546)	(175 630)	192 136	1 017 281	-	(4 352 432)

Capital expenditures and depreciation and amortisation charge by the segment for the three months ended 31 March 2016 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	396	8 947	5 870	374	604	16 191
Depreciation and amortisation	4 258	96 100	63 059	4 021	6 492	173 930

22 Segment Analysis (Continued)

Capital expenditures and depreciation and amortisation charge by the segment for the three months ended 31 March 2015 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	3 648	48 328	17 200	1 901	2 134	73 211
Depreciation and amortisation	10 029	132 850	47 282	5 224	5 865	201 250

Outstanding credit related commitments (Note 24) by the segment are set out below:

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Retail banking	28 057 901	27 760 566
Corporate banking	978 137	904 184
Total credit related commitments	29 036 038	28 664 750

23 Management of Capital

The Bank's international risk based capital adequacy ratio, computed in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The ratio exceeds the minimum ratio of 8% recommended by Basle Accord for the total capital and of 4% for Tier 1 capital.

The capital adequacy as at 31 March 2016 and 31 December 2015 was computed as follows:

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Constituents of capital		
Core capital (Tier 1)		
Share capital, ordinary and fully paid up	3 421 528	3 421 528
Disclosed reserves	4 903 680	6 009 421
Total Tier 1	8 325 208	9 430 949
Supplementary capital (Tier 2)		
Subordinated term debt	4 162 604	4 715 475
Translation and revaluation reserves	1 078 423	(33 615)
Total Tier 2	5 241 027	4 681 860
Total capital	13 566 235	14 112 809
Capital adequacy ratio	8.2%	8.6%

The Bank complied with the statutory capital adequacy requirements set by the CBRF as at 31 March 2016 and for the three-month period then ended.

24 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. The Group was engaged in litigations in relation to fees that were charged to borrowers in previous periods. A provision of RR 289 001 thousand (at 31 December 2015: RR 269 001 thousand) was created by Management for these litigations as professional advice has indicated that it is likely that a loss will eventuate (Note 15).

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

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

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 Group.

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 is subject to a 20% tax rate. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes for temporary differences that arise from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes. Refer to Note 21.

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

Capital expenditure commitments. As at 31 March 2016 and 31 December 2015 the Group had no contractual commitments for the acquisition of property, plant and equipment.

24 Contingencies and Commitments (Continued)

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>	31 March 2016	31 December 2015
Not later than 1 year	217 281	197 872
Later than 1 year and not later than 5 years	220 267	209 841
Later than 5 years	35 496	37 574
Total operating lease commitments	473 044	445 287

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.

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

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Undrawn credit lines and unused limits on credit cards	28 199 488	27 828 200
Financial guarantees issued to third parties	836 550	836 550
Total credit related commitments, net of provision and cash covered exposures	29 036 038	28 664 750

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments is close to zero because these commitments are not unconditional and depend upon counterparties' ability to meet certain credit quality requirements.

Compliance with laws and regulations. As Russian banking industry regulation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that improve statutory capital adequacy ratio (H 1). While management currently estimates that interpretations that it has taken can probably be sustained, there is a possible risk that Central Bank of Russian Federation will challenge them which may influence statutory capital adequacy ratio (H 1). The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position of the Group.

24 Contingencies and Commitments (Continued)

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

<i>In thousands of Russian Roubles</i>	31 March 2016	31 December 2015
Guarantee of performance under insurance contracts	299 581	242 190
Guarantee of rendering of services	173 311	361 316
Total	472 892	603 506

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

<i>In thousands of Russian Roubles</i>	Notes	31 March 2016		31 December 2015	
		Asset pledged	Related liability	Asset pledged	Related liability
Investment securities available for sale pledged under repurchase agreements	7, 12	19 635 861	17 257 919	10 433 079	9 478 865
Trading securities pledged under repurchase agreements	7, 12	9 863 243	8 668 785	15 497 580	14 275 898
Investment securities held to maturity pledged under repurchase agreements	7, 12	1 624 737	1 427 978	6 278 620	5 442 501
Loans to customers pledged under loans from other banks	12	312 921	307 066	397 737	356 687
Total		31 436 762	27 661 748	32 607 016	29 553 951

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 1 550 841 thousand of trading securities (31 December 2015: RR 1 514 670 thousand). The Group did not use the overdraft facility as at 31 March 2016 and 31 December 2015.

Mandatory cash balances with the CBRF of RR 745 389 thousand (31 December 2015: RR 783 522 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

25 Fair Value Disclosures

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

(a) Recurring fair value measurements

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

<i>In thousands of Russian Roubles</i>	31 March 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Trading securities								
- Corporate bonds	3 709 502	-	-	3 709 502	1 890 007	-	-	1 890 007
- Bonds of credit and finance organizations	68 074	-	-	68 074	1 413 988	-	-	1 413 988
- Russian federation bonds	2 752 658	-	-	2 752 658	1 207 154	-	-	1 207 154
- Municipal bonds	451 773	-	-	451 773	735 183	-	-	735 183
- Foreign government bonds	366 261	-	-	366 261	503 848	-	-	503 848
Trading securities pledged under repurchase agreements								
- Corporate bonds	5 688 638	-	-	5 688 638	7 392 272	-	-	7 392 272
- Bonds of credit and finance organizations	802 902	-	-	802 902	4 546 950	-	-	4 546 950
- Municipal bonds	3 126 109	-	-	3 126 109	2 915 165	-	-	2 915 165
- Russian Federation bonds	245 594	-	-	245 594	643 193	-	-	643 193
Investment securities available for sale								
- Corporate bonds	7 859 904	-	-	7 859 904	6 215 535	-	-	6 215 535
- Foreign government bonds	2 694 268	-	-	2 694 268	2 709 906	-	-	2 709 906
- Bonds of credit and finance organizations	836 153	-	-	836 153	1 012 316	-	-	1 012 316
- Shares	-	-	32 448	32 448	-	-	32 448	32 448
Investment securities available for sale pledged under repurchase agreements								
- Corporate bonds	16 559 013	-	-	16 559 013	9 472 481	-	-	9 472 481
- Bonds of credit and finance organizations	3 076 848	-	-	3 076 848	960 598	-	-	960 598
Other financial assets								
- Foreign currency spots	-	18 756	-	18 756	-	118	-	118
Non-financial assets								
- Investment property	-	-	1 491 000	1 491 000	-	-	1 491 000	1 491 000
TOTAL ASSETS								
RECURRING FAIR VALUE MEASUREMENTS								
	48 237 697	18 756	1 523 448	49 779 901	41 618 596	118	1 523 448	43 142 162

25 Fair Value Disclosures (Continued)

<i>In thousands of Russian Roubles</i>	31 March 2016			31 December 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
LIABILITIES CARRIED AT FAIR VALUE						
FINANCIAL LIABILITIES						
Due to other banks						
- Liability to return collateral sold or repledged	12 540 406	-	12 540 406	996 491	-	996 491
Customer accounts						
- Liability to return collateral sold or repledged	-	-	-	285 290	-	285 290
Other financial liabilities						
- Foreign currency spots	-	119	119	-	159 614	159 614
- Foreign currency forwards	-	-	-	-	11 444	11 444
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	12 540 406	119	12 540 525	1 281 781	171 058	1 452 839

A reconciliation of movements in Level 3 of the fair value hierarchy for the three-month period ended 31 March 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Investment property
Fair value at 1 January 2016	1 491 000
Investment properties at fair value at 31 March 2016	1 491 000

Please refer to Note 4 for the valuation methodology, major assumptions used and their sensitivity for the Level 3 fair value measurement of investment property.

25 Fair Value Disclosures (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:

<i>In thousands of Russian Roubles</i>	31 March 2016				31 December 2015			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial assets								
Cash and cash equivalents	4 832 911	6 464 731	-	11 297 642	8 230 214	10 505 912	-	18 736 126
- Cash on hand	4 832 911	-	-	4 832 911	8 230 214	-	-	8 230 214
- Cash balances with the CBRF	-	4 679 519	-	4 679 519	-	2 898 386	-	2 898 386
- Correspondent accounts	-	1 785 212	-	1 785 212	-	7 607 526	-	7 607 526
Mandatory balances with the CBRF	-	745 389	-	745 389	-	783 522	-	783 522
Due from other banks	-	1 049 370	-	1 049 370	-	850 049	-	850 049
- Reverse sale and repurchase agreement	-	1 049 370	-	1 049 370	-	850 049	-	850 049
Loans and advances to customers	-	-	91 316 595	79 226 440	-	-	98 786 472	87 568 069
Loans to individuals	-	-	87 297 236	75 273 040	-	-	94 275 343	83 097 291
- Consumer loans	-	-	54 444 691	41 259 466	-	-	62 108 876	49 911 370
- Credit cards	-	-	25 030 552	25 065 898	-	-	23 427 803	23 113 717
- Car loans	-	-	1 796 864	2 284 185	-	-	2 240 707	2 861 890
- Mortgage loans	-	-	1 205 364	1 500 905	-	-	1 044 489	1 299 524
- Other loans	-	-	4 819 765	5 162 586	-	-	5 453 468	5 910 790
Loans to legal entities	-	-	4 019 359	3 953 400	-	-	4 511 129	4 470 778
- Corporate loans	-	-	3 926 690	3 850 055	-	-	4 163 444	4 114 081
- SME loans	-	-	92 669	103 345	-	-	107 499	116 511
- Reverse sale and repurchase agreements	-	-	-	-	-	-	240 186	240 186
Investment securities held to maturity	6 535 068	-	-	6 274 710	2 475 888	-	-	2 542 173
- Corporate bonds	5 286 241	-	-	5 054 089	844 576	-	-	912 699
- Bonds of credit and finance organisations	1 248 827	-	-	1 220 621	1 631 312	-	-	1 629 474
Investment securities held to maturity pledged under repurchase agreements	1 604 039	-	-	1 624 737	6 055 715	-	-	6 278 620
- Corporate bonds	1 311 746	-	-	1 318 391	5 750 461	-	-	5 964 534
- Bonds of credit and finance organisations	292 292	-	-	306 346	305 254	-	-	314 086
Other financial assets	-	2 062 996	500 939	2 563 935	-	3 930 608	115 168	4 045 776
- Settlements with exchanges	-	1 566 633	-	1 566 633	-	3 363 322	-	3 363 322
- Settlements with payment systems	-	496 363	-	496 363	-	567 286	-	567 286
- Accounts receivable	-	-	473 529	473 529	-	-	96 965	96 965
- Other financial assets	-	-	27 410	27 410	-	-	18 203	18 203
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	12 972 018	10 322 486	91 817 534	102 782 223	16 761 817	16 070 091	98 901 640	120 804 335

25 Fair Value Disclosures (Continued)

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

<i>{In thousands of Russian Roubles}</i>	31 March 2016			31 December 2015		
	Level 2	Level 3	Carrying amount	Level 2	Level 3	Carrying amount
Financial liabilities						
Due to other banks	-	28 867 028	28 867 028	-	30 557 911	30 557 911
Customer accounts	-	111 266 169	108 534 669	-	120 355 796	117 935 620
<i>Individuals</i>						
- Current/demand accounts	-	10 555 687	10 555 687	-	11 946 215	11 946 215
- Term deposits	-	97 136 023	94 438 481	-	102 953 428	100 608 321
<i>Corporate customers</i>						
- Current/settlement accounts	-	2 025 144	2 025 144	-	2 258 247	2 258 247
- Term deposits	-	1 112 410	1 085 553	-	2 343 857	2 286 010
- Liability to return collateral sold or repledged	-	-	-	-	285 290	285 290
<i>State and public organisations</i>						
- Current/settlement accounts	-	70 489	70 489	-	61 029	61 029
- Term deposits	-	366 416	359 315	-	507 730	490 508
Debt securities issued	28 132	14 893	42 746	28 113	237 722	267 315
- Bonds issued on domestic market	28 132	-	27 853	28 113	-	29 593
- Promissory notes	-	14 893	14 893	-	237 722	237 722
Other financial liabilities	-	817 627	817 627	-	454 850	454 850
- Settlements of purchase and sale of securities	-	351 038	351 038	-	-	-
- Accrued expenses	-	324 425	324 425	-	310 513	310 513
- Accounts payable	-	83 831	83 831	-	92 344	92 344
- Other	-	58 333	58 333	-	51 993	51 993
Subordinated debt	8 148 227	1 958 051	14 638 628	8 275 914	1 552 893	15 447 268
- Subordinated USD denominated notes	6 033 576	1 958 051	10 492 253	6 313 679	1 552 893	10 987 644
- Subordinated RR denominated bonds	2 114 651	-	4 146 375	1 962 235	-	4 459 624
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	8 176 359	142 923 768	152 900 698	8 304 027	153 159 172	164 662 964

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of 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 assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

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

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

25 Fair Value (Continued)

Fair value is 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where quoted market prices were not available, the Group used valuation techniques. 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.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	31 March 2016	31 December 2015
Loans and advances to customers		
<i>Loans to individuals</i>		
- Consumer loans	22.40% to 25.66% p.a.	17.36% to 28.74% p.a.
- Credit cards	28.93% to 31.70% p.a.	28.64% to 33.23% p.a.
- Mortgage loans	18.64% to 24.15% p.a.	17.16% to 22.19% p.a.
- Car loans	15.88% to 43.18% p.a.	15.88% to 44.42% p.a.
- Other loans	13.13% to 43.52% p.a.	13.18% to 43.52% p.a.
<i>Loans to legal entities</i>		
- Corporate loans	6.00% to 17.00% p.a.	6.00% to 17.50% p.a.
- SME loans	16.62% to 25.00% p.a.	15.00% to 19.00% p.a.
Customer accounts		
<i>Individuals</i>		
- Term deposits	1.50% to 5.97% p.a.	3.22% to 7.59% p.a.
<i>Corporate customers</i>		
- Term deposits	0.41% to 1.10% p.a.	0.33% to 4.39% p.a.
<i>State and public organisations</i>		
- Term deposits	0.63% to 2.80% p.a.	0.63% to 3.77% p.a.
Subordinated debt		
- Subordinated debt	13.41% p.a.	13.35% p.a.

The fair value of financial assets and liabilities other than those disclosed in the table above approximates their carrying amount due to their short term nature.

26 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.

All transactions with related parties are conducted on an arm's length basis and material ones are subject to the approval of the majority of members of the Board of Directors, who are not affiliated with the related party in question.

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

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of the Board of Directors (BOD)	Management (excluding BOD)	Other related parties
Balances as at 31 March 2016				
Securities (contractual interest rate: 15% - 17 % p.a.)	-	-	-	1 653 362
Loans issued (contractual interest rate: 6.0% -24.9% p.a.)	-	-	10 678	3 526 478
Other assets (contractual interest rate: 0% p.a.)	-	-	-	34 166
Customer accounts (contractual interest rate: 12.0%-16.0% p.a.)	-	5 167	11 087	19 183
Other liabilities (contractual interest rate: 0% p.a.)	-	-	-	2 801
Credit related commitments	836 550	-	3 019	50 346

Other related parties represent companies under control of shareholders and key management personnel of the Bank.

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

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of BOD	Key management (excluding BOD)	Other related parties
Transactions during the period				
Interest income	-	-	252	150 772
Interest expense	-	-	304	715
Fee and commission income	-	1	54	15 182
Gains from operations with securities, net	-	-	-	33 137
Other operating income	-	-	-	733
Administrative and other operating expenses	-	1 291	-	13 861

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

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of the Board of Directors (BOD)	Management (excluding BOD)	Other related parties
Balances as at 31 December 2015				
Securities (contractual interest rate: 17 % p.a.)	-	-	-	1 259 477
Loans issued (contractual interest rate: 6.0% -19.0% p.a.)	-	-	15 397	3 601 178
Other assets (contractual interest rate: 0% p.a.)	-	-	-	1 264
Customer accounts (contractual interest rate: 11.5%-16.0% p.a.)	-	4 846	8 995	76 319
Other liabilities (contractual interest rate: 0% p.a.)	-	-	-	10
Credit related commitments	836 550	-	3 674	1 384

26 Related Party Transactions (Continued)

“Other related parties” category above is represented by balances and income and expenses from transactions with the companies controlled by shareholders with significant influence on the Group.

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

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
Interest income	1	-	339 104	3 579
Interest expense	1 541	338	1 610	85 931
Fee and commission income	17	10	26	936 578
Fee and commission expense	2	-	4	-
Other operating income	-	-	-	4 348
Administrative and other operating expenses	-	-	-	10 851

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	Three-month ended 31 Mar 2016 Expense	31 March 2016 Accrued liability	Three-month ended 31 March 2015 Expense	31 December 2015 Accrued liability
Short-term benefits	54 143	-	35 103	49 062
Long-term benefits	1 327	20 038	262	16 051
Total	55 470	20 038	35 365	65 563

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

27 Events after the End of the Reporting Period

On 25 May 2016 the Bank issued 300 000 000 000 additional uncertificated ordinary shares with the nominal value of RR 0.01 per share.