

VOZROZHDENIE BANK

**International Financial Reporting Standards
Interim Summarised Consolidated Financial
Statements**

(unaudited)

June 30, 2016

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Vozrozhdenie Bank
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In millions of Russian Rubles</i>	Note	6M ended June 30 (unaudited)		3M ended June 30 (unaudited)	
		2016	2015	2016	2015
Interest income	16	12 102	11 998	6 074	6 080
Interest expense	16	(7 445)	(6 847)	(3 649)	(3 491)
Net interest income		4 657	5 151	2 425	2 589
Provision for loan impairment	6	(2 314)	(3 932)	(1 404)	(2 517)
Net interest income after provision for loan impairment		2 343	1 219	1 021	72
Fee and commission income	17	2 408	2 198	1 245	1 124
Fee and commission expense	17	(395)	(351)	(200)	(164)
Gains less losses from trading securities		(37)	226	(15)	40
Gains less losses from trading in foreign currencies		(1 285)	381	(122)	53
Foreign exchange translation gains less losses		1 471	(63)	259	172
Gains less losses from investments securities available for sale		816	124	799	36
Other operating income		108	148	59	69
Administrative and other operating expenses	18	(4 245)	(4 690)	(2 019)	(2 276)
Provision for losses on non-credit related commitments		(2)	-	-	-
Provision for losses on credit related commitments		-	92	-	92
Provision for impairment of other assets	9	(41)	(35)	(49)	(16)
Evaluation of investment properties at fair value		29	-	2	-
Expense from initial recognition of assets at rates below the market		(516)	-	-	-
Profit / (Loss) before tax		654	(751)	980	(798)
Income tax		(150)	182	(207)	189
(PROFIT / (LOSS) FOR THE REPORTING PERIOD		504	(569)	773	(609)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Available-for-sale investments:					
- Change in revaluation reserve		(724)	136	(708)	26
- Income tax recorded directly in other comprehensive income		156	(30)	157	(60)
Items that may not be reclassified subsequently to profit or loss					
Premises and equipment:					
- Change in revaluation reserve	10	(1)	-	(1)	-
- Income tax recorded directly in other comprehensive income		-	-	-	-
Other comprehensive income for the reporting period		(569)	106	(551)	(34)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE REPORTING PERIOD		(65)	(463)	222	(643)
Earnings per share for profit / (loss) attributable to the equity holders of the Group, basic and diluted (expressed in RR per share)					
Ordinary shares		20	(23)	31	(24)

The notes set out on pages 5 to 48 form an integral part of these Interim Summarised Consolidated Financial Statements.

Vozrozhdenie Bank
Interim Consolidated Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve for securities available for sale	Revaluation reserve for premises and equipment	Retained earnings	Total
<i>In millions of Russian Rubles</i>						
Balance at December 31, 2015	250	7 306	766	1 886	12 003	22 211
Profit for the six months ended June 30, 2016	-	-	-	-	504	504
Other comprehensive income / (loss) for the six months ended June 30, 2016	-	-	(568)	(1)	-	(569)
Total comprehensive income / (loss) for six months	-	-	(568)	(1)	504	(65)
Dividends declared	-	-	-	-	-	-
Balance at June 30, 2016	250	7 306	198	1 885	12 507	22 146

	Share capital	Share premium	Revaluation reserve for securities available for sale	Revaluation reserve for premises and equipment	Retained earnings	Total
<i>In millions of Russian Rubles</i>						
Balance at December 31, 2014	250	7 306	456	-	15 792	23 804
Loss for the six months ended June 30, 2015	-	-	-	-	(569)	(569)
Other comprehensive income / (loss) for the six months ended June 30, 2015	-	-	106	-	-	106
Total comprehensive income / (loss) for six months	-	-	106	-	(569)	(463)
Dividends declared	-	-	-	-	(14)	(14)
Balance at June 30, 2015	250	7 306	562	-	15 209	23 327

The notes set out on pages 5 to 48 form an integral part of these Interim Summarised Consolidated Financial Statements.

Vozrozhdenie Bank
Interim Consolidated Statement of Cash Flows

<i>In millions of Russian Rubles</i>	6M ended June 30, 2016 (unaudited)	6M ended June 30, 2015 (unaudited)
Cash flows from operating activities		
Interest received	11 839	11 608
Interest paid	(7 782)	(7 093)
Fees and commissions received	2 391	2 190
Fees and commissions paid	(395)	(378)
Net income received from trading in trading securities	15	26
Net (expense paid) / income received from trading in foreign currencies	(1 311)	381
Other operating (expenses paid) / income received	(11)	148
Administrative and other operating expenses paid	(3 948)	(4 391)
Income tax received / (paid)	248	(251)
Cash flows from operating activity before changes in operating assets and liabilities	1 046	2 240
(Net increase) / net decrease in operating assets		
Mandatory cash balances with the Bank of Russia	(152)	94
Trading securities	3 138	7 407
Due from other banks	(221)	(360)
Loans and advances to customers	(6 358)	2 702
Other financial assets	(304)	(360)
Other assets	238	178
Net increase / (net decrease) in operating liabilities		
Due to other banks	(14 500)	(8 290)
Customer accounts	19 540	(3 094)
Debt securities in issue	(1 236)	3 474
Other financial liabilities	(253)	(182)
Other borrowed funds	64	(35)
Net cash from operating activities	1 002	3 774
Cash flows from investing activities		
Acquisition of investment securities available for sale	(9 512)	(6 185)
Proceeds from disposal of investment securities available for sale	5 821	6 416
Acquisition of premises and equipment	(159)	(67)
Proceeds from disposal of premises and equipment	69	11
Proceeds from disposal of non-current assets held for sale	192	293
Proceeds from disposal of investment properties	32	-
Dividend income received	2	2
Net cash (used in) / received from investing activities	(3 555)	470
Cash flows from financing activities		
Dividends paid	-	(14)
Repayment of funds from international financial institution	-	(379)
Net cash used in financing activities	-	(393)
Effect of exchange rate changes on cash and cash equivalents	(696)	(995)
(Net decrease) / net increase in cash and cash equivalents	(3 249)	2 856
Cash and cash equivalents at the beginning of the year	31 263	35 627
Cash and cash equivalents at the end of the reporting period	28 014	38 483

1 Introduction

These interim summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards - IAS 34 - for the 6 months ended on June 30, 2016 for Vozrozhdenie Bank (the "Bank"), its subsidiaries and its securitisation structured entities, CJSC "MAV 1", CJSC "MAV IAV 2", CJSC "MAV 3", and "MAV 4" LLC (together referred to as the "Group").

The Bank was incorporated and performs the activity in the Russian Federation. The Bank is a Public Joint-Stock Company.

Principal activity. The Bank's principal business activity is banking and other operations within the Russian Federation. The Bank has operated under a general banking license issued by the Bank of Russia since 1991. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand (before 29 December 2014: RR 700 thousand) per individual if a licence is withdrawn from a bank or the Bank of Russia has imposed moratorium on payments.

The Bank has 52 (2015: 53) branches within the Russian Federation, the majority of which are in Moscow and Moscow region.

The Bank's Head Office is located at the following address: 7/4 Luchnikov Pereulok, Bldg. 1, Moscow 101000, Russian Federation.

As at June 30, 2016, the Bank's principal shareholder is Promsvyaz Capital B.V. (the Netherlands) holding 52.73% of ordinary shares. The owners of Promsvyaz Capital B.V. (the Netherlands) are Antracite Investment Limited (UK) and Urgula Platinum Limited (UK), each holding a 50% interest. Antracite Investment Limited (UK) is owned by Mr A.N. Ananyev. Urgula Platinum Limited (UK) is owned by Mr D.N. Ananyev.

At June 30, 2016, the Bank also has the following shareholders:

	Percentage of the total number of ordinary shares, %	
	June 30, 2016	December 31, 2015
OOO VectorInvest (Limited Liability Company)	10.53	10.53
Victor Alexandrovich Pichugov	10.00	10.00
MOSCOW CREDIT BANK (Open Joint-Stock Company)	9.07	7.61
Nikolai Dmitrievich Orlov	6.98	6.98
Other shareholders owning less than 5%	10.69	12.15

The Bank is the head credit unit of the banking group (the Group) which includes the following members:

Name of the member	Location	Interest held rounded to the nearest whole number, %
CJSC "MAV 1"	Moscow	0
CJSC "MAV 2"	Moscow	0
CJSC "MAV 3"	Moscow	0
"MAV 4" LLC	Moscow	0
OOO Vozrozhdenie-Finance	Moscow	100
ZAO V-REGISTER	Moscow	100
OAO YUNOST	Moscow Region	55
OOO Baltic Resort	Kaliningrad Region	51

Presentation currency. These interim summarised consolidated financial statements are presented in millions of Russian Rubles ("RR millions").

2 Critical Accounting Estimates and Judgements in Applying Accounting Policies

These interim summarised consolidated financial statements are to be considered along with the Group's annual financial statements for the year ended December 31, 2015.

These interim summarised consolidated financial statements do not contain all notes which are obligatory to disclosure in a full version of financial statements.

Principles and methods of accounting policy applied in these interim summarised consolidated financial statements comply with the principles and methods applied and described in the Group's annual Financial Statements for the year ended December 31, 2015.

Judgments made by the Group's management while applying accounting policy comply with the judgments described in the Group's annual Financial Statements for 2015.

To be compliant with the Accounting policies of the Group's Parent company, the Bank implemented the method of investment properties accounting at fair value starting from 2016. This change has not influenced materially these Statements.

3 Cash and Cash Equivalents

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Cash on hand	6 270	10 388
Correspondent accounts and overnight placements with banks		
- Russian Federation	1 323	965
- other countries	14 547	14 306
Cash balances with the Bank of Russia (other than mandatory cash balances)	5 874	5 604
Total cash and cash equivalents	28 014	31 263

Geographical, interest rate analysis and currency analysis of cash and equivalents are disclosed in Note 20.

4 Trading Securities

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Corporate Eurobonds	1 501	4 898
Corporate bonds	446	445
Total debt securities	1 947	5 343
Corporate shares	-	6
Total trading securities	1 947	5 349

Corporate Eurobonds are interest bearing securities denominated in USD and Euro, issued by large Russian and foreign companies and banks, and freely tradable internationally.

Corporate bonds are interest bearing securities denominated in Russian Rubles issued by large Russian companies and freely tradable in the Russian Federation.

Maturities, coupon rates and yields to maturity of the debt trading securities at June 30, 2016 are presented below:

	Maturity date		Annual coupon rate		Annual yield to maturity	
	Earliest	Latest	Minimum	Maximum	Minimum	Maximum
Corporate Eurobonds	July 2016	March 2017	3.2%	7.5%	-1.6%	2.4%
Corporate bonds	September 2016	September 2016	11.7%	11.7%	10.5%	10.5%

Maturities, coupon rates and yields to maturity of the debt trading securities at December 31, 2015 are presented below:

	Maturity date		Annual coupon rate		Annual yield to maturity	
	Earliest	Latest	Minimum	Maximum	Minimum	Maximum
Corporate Eurobonds	February 2016	October 2016	5.0%	7.5%	1.8%	3.1%
Corporate bonds	September 2016	September 2016	11.7%	11.7%	12.2%	12.2%

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. Debt securities are not collateralised or pledged.

At December 31, 2015 trading securities in the amount of RR 3 201 million were pledged under direct sale and repurchase agreements with the Bank of Russia.

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

Trading securities are used by the Group basically for managing liquidity risk.

Geographical, currency, maturity and interest rate analyses are disclosed in Note 20.

5 Due from Other Banks

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Short-term placements with other banks	2 762	2 209
Insurance deposits with non-resident banks	756	1 199
Total due from other banks	3 518	3 408

Geographical, currency, maturity and interest rate analyses are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of amounts due from other banks.

6 Loans and Advances to Customers

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Corporate loans - large	51 666	51 071
Corporate loans – medium and small	68 611	69 637
Mortgage loans	39 610	35 938
Other loans to individuals	17 072	16 733
Total gross loans and advances to customers (before provision for loan impairment)	176 959	173 379
Less: Provision for loan impairment	(17 033)	(15 925)
Total loans and advances to customers less provision for loan impairment	159 926	157 454

Corporate loans are divided on the basis of total amount owed by the customer to the Bank into the following categories: large – in excess of RR 750 million, medium and small – RR 750 million and less.

Retail loans are divided into categories by product: mortgage loans and other loans to individuals including consumer loans, car loans, and bank card loans.

At June 30, 2016, mortgage loans include loans securitised in 2011-2015 amounting to RR 7 812 million (less impairment provision), at December 31, 2015 – amounting to RR 8 739 million (less impairment provision). Management of the Group determined that the Group had not transferred main risks with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition. Refer to Note 13.

The Group classifies loans with principal and/or interest overdue more than 90 days into the non-performing loans category.

The non-performing loans at June 30, 2016 are as follows:

<i>In millions of Russian Rubles</i>	Loans before provision for impairment	Impairment loss provision	Loans less provision for impairment	Provision-to- loan ratio before provision
Corporate loans - large	5 348	(4 082)	1 266	76,3%
Corporate loans - medium and small	6 834	(6 072)	762	88,8%
Mortgage loans	547	(527)	20	96,3%
Other loans to individuals	1 052	(1 037)	15	98,6%
Total non-performing loans	13 781	(11 718)	2 063	85,0%

The non-performing loans at 31 December 2015 are as follows:

<i>In millions of Russian Rubles</i>	Loans before provision for impairment	Impairment loss provision	Loans less provision for impairment	Provision-to- loan ratio before provision
Corporate loans - large	5 422	(3 997)	1 425	73,7%
Corporate loans - medium and small	7 353	(6 288)	1 065	85,5%
Mortgage loans	547	(475)	72	86,8%
Other loans to individuals	787	(777)	10	98,7%
Total non-performing loans	14 109	(11 537)	2 572	81,8%

6 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during the six months of 2016 are as follows:

	Corporate loans - large	Corporate loans - medium and small	Mortgage loans	Other loans to individuals	Total
<i>In millions of Russian Rubles</i>					
Provision for loan impairment at January 1, 2016	6 032	8 386	537	970	15 925
Provision for impairment during the reporting period	473	1 513	117	320	2 423
Loans and advances to customers written off during the reporting period	-	(155)	-	(2)	(157)
Result from disposal of loans under cession agreements	-	(1 158)	-	-	(1 158)
Provision for loan impairment at June 30, 2016	6 505	8 586	654	1 288	17 033

The provision for loan impairment during the six months of 2016 differs from the amount presented in profit or loss for the year due to RR 109 million recovery of provision for loans previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

Movements in the provision for loan impairment during the six months of 2015 are as follows:

	Corporate loans - large	Corporate loans - medium and small	Mortgage loans	Other loans to individuals	Total
<i>In millions of Russian Rubles</i>					
Provision for loan impairment at January 1, 2015	8 964	4 529	330	609	14 432
Provision for impairment during the reporting period	1 704	2 058	38	201	4 001
Loans and advances to customers written off during the reporting period	(2 719)	(638)	-	(1)	(3 358)
Provision for loan impairment at June 30, 2015	7 949	5 949	368	809	15 075

The provision for loan impairment during the six months of 2015 differs from the amount presented in profit or loss for the reporting period due to RR 69 million, recovery of provision for loans previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the reporting period.

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

<i>In millions of Russian Rubles</i>	June 30, 2016 (Unaudited)				December 31, 2015			
	Loans	%	Provision	%	Loans	%	Provision	%
Individuals	56 682	32	1 942	10	52 671	30	1 507	9
Manufacturing	41 054	23	5 867	34	39 856	23	6 208	39
Trade	24 540	14	4 388	26	27 357	16	3 578	22
Construction	12 817	7	2 548	15	11 290	7	2 240	14
Real estate	8 919	5	539	3	8 993	5	460	3
State and municipal organisations	8 362	5	89	1	10 571	6	92	1
Agriculture	7 826	4	84	0	7 598	4	441	3
Finance	4 167	2	31	0	3 636	2	104	1
Transport and communication	2 695	2	621	4	3 599	2	1 000	6
Other	9 897	6	924	5	7 808	5	295	2
Total gross loans and advances to customers	176 959	100	17 033	100	173 379	100	15 925	100

6 Loans and Advances to Customers (Continued)

State and municipal organisations exclude government owned profit orientated businesses.

As at June 30, 2016, loans and advances to customers include loans with the carrying amount of RR 3 138 million (2015: RR 3 585 million) with the rights of claim pledged as collateral with respect to term placements of AO MSP Bank. Refer to Notes 11 and 21.

As at June 30, 2016, the Group has no loans and advances to customers with the rights of claim pledged as collateral with respect to term placements of the Bank of Russia (2015: RR 2 966 million). Refer to Notes 11 and 21.

As at June 30, 2016, the Group had 33 large borrowers, the total aggregate amount of these loans was RR 48 996 million, or 28% of the gross loan portfolio.

As at December 31, 2015, the Group had 33 large borrowers, the total aggregate amount of these loans was RR 51 071 million, or 29% of the gross loan portfolio.

Analysis by credit quality of loans outstanding as at June 30, 2016 is as follows:

	Loans before provision for impairment	Impairment loss provision	Loans less provision for impairment	Provision- to-loan ratio before provision
<i>In millions of Russian Rubles</i>				
Corporate loans - large				
Not individually impaired loans	38 325	(435)	37 890	1,1%
Not individually impaired loans with impairment indicators	6 383	(1 342)	5 041	21,0%
Individually impaired loans				
- not past due	1 610	(646)	964	40,1%
- less than 30 days overdue	-	-	-	-
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	986	(986)	-	100,0%
- over 360 days overdue	4 362	(3 096)	1 266	71,0%
Total individually impaired loans	6 958	(4 728)	2 230	68,0%
Total corporate loans - large	51 666	(6 505)	45 161	12,6%
Corporate loans - medium and small				
Not impaired loans	58 006	(1 243)	56 763	2,1%
Impaired loans				
- not past due	23	(4)	19	17,4%
- less than 30 days overdue	1 321	(576)	745	43,6%
- 31 to 60 days overdue	1 750	(457)	1 293	26,1%
- 61 to 90 days overdue	677	(234)	443	34,6%
- 91 to 180 days overdue	404	(226)	178	55,9%
- 181 to 360 days overdue	2 483	(1 910)	573	76,9%
- over 360 days overdue	3 947	(3 936)	11	99,7%
Total impaired loans	10 605	(7 343)	3 262	69,2%
Total corporate loans - medium and small	68 611	(8 586)	60 025	12,5%
Total corporate loans	120 277	(15 091)	105 186	12,5%

6 Loans and Advances to Customers (Continued)

Analysis by credit quality of corporate portfolio loans outstanding as at December 31, 2015 is as follows:

	Loans before provision for impairment	Impairment loss provision	Loans less provision for impairment	Provision- to-loan ratio before provision
<i>In millions of Russian Rubles</i>				
Corporate loans - large				
Not individually impaired loans	36 410	(556)	35 854	1,5%
Not individually impaired loans with impairment indicators	6 576	(993)	5 583	15,1%
Individually impaired loans				
- not past due	1 463	(462)	1 001	31,6%
- less than 30 days overdue	1 200	(25)	1 175	2,1%
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	986	(882)	104	89,5%
- 181 to 360 days overdue	1 232	(270)	962	21,9%
- over 360 days overdue	3 204	(2 845)	359	88,8%
Total individually impaired loans	8 085	(4 484)	3 601	55,5%
Total corporate loans - large	51 071	(6 033)	45 038	11,8%
Corporate loans - medium and small				
Not impaired loans	60 226	(1 191)	59 035	2,0%
Impaired loans				
- not past due	1 114	(643)	471	57,7%
- less than 30 days overdue	69	(8)	61	11,6%
- 31 to 60 days overdue	748	(201)	547	26,9%
- 61 to 90 days overdue	127	(54)	73	42,5%
- 91 to 180 days overdue	1 788	(1 197)	591	66,9%
- 181 to 360 days overdue	1 225	(751)	474	61,3%
- over 360 days overdue	4 340	(4 340)	-	100,0%
Total impaired loans	9 411	(7 194)	2 217	76,4%
Total corporate loans - medium and small	69 637	(8 385)	61 252	12,0%
Total corporate loans	120 708	(14 418)	106 290	11,9%

6 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail portfolio loans outstanding as at June 30, 2016 is as follows:

	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision- to-loan ratio before provision
<i>In millions of Russian Rubles</i>				
Mortgage loans				
- not past due	37 934	(68)	37 866	0,2%
- less than 30 days overdue	1 050	(25)	1 025	2,4%
- 31 to 60 days overdue	58	(22)	36	37,9%
- 61 to 90 days overdue	21	(12)	9	57,1%
- 91 to 180 days overdue	112	(92)	20	82,1%
- 181 to 360 days overdue	167	(167)	-	100,0%
- over 360 days overdue	268	(268)	-	100,0%
Total mortgage loans	39 610	(654)	38 956	1,7%
Other loans to individuals				
Consumer loans				
- not past due	13 509	(41)	13 468	0,3%
- less than 30 days overdue	454	(103)	351	22,7%
- 31 to 60 days overdue	93	(51)	42	54,8%
- 61 to 90 days overdue	45	(33)	12	73,3%
- 91 to 180 days overdue	160	(148)	12	92,5%
- 181 to 360 days overdue	250	(250)	-	100,0%
- over 360 days overdue	433	(433)	-	100,0%
Total consumer loans	14 944	(1 059)	13 885	7,1%
Car loans				
- not past due	92	-	92	0,0%
- less than 30 days overdue	3	-	3	0,0%
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	9	(1)	8	11,1%
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	-	-	-	-
- over 360 days overdue	33	(33)	-	100,0%
Total car loans	137	(34)	103	24,8%
Bank card loans				
- not past due	1 743	(5)	1 738	0,3%
- less than 30 days overdue	54	(6)	48	11,1%
- 31 to 60 days overdue	10	(5)	5	50,0%
- 61 to 90 days overdue	8	(6)	2	75,0%
- 91 to 180 days overdue	21	(18)	3	85,7%
- 181 to 360 days overdue	37	(37)	-	100,0%
- over 360 days overdue	118	(118)	-	100,0%
Total bank card loans	1 991	(195)	1 796	9,8%
Total other loans to individuals	17 072	(1 288)	15 784	7,5%
Total loans to individuals	56 682	(1 942)	54 740	3,4%

6 Loans and Advances to Customers (Continued)

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

	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision- to-loan ratio before provision
<i>In millions of Russian Rubles</i>				
Mortgage loans				
- not past due	34 725	(36)	34 689	0.1%
- less than 30 days overdue	567	(5)	562	0.9%
- 31 to 60 days overdue	99	(21)	78	21.2%
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	258	(186)	72	72.1%
- 181 to 360 days overdue	96	(96)	-	100.0%
- over 360 days overdue	193	(193)	-	100.0%
Total mortgage loans	35 938	(537)	35 401	1.5%
Other loans to individuals				
Consumer loans				
- not past due	13 583	(31)	13 552	0.2%
- less than 30 days overdue	236	(44)	192	18.6%
- 31 to 60 days overdue	105	(55)	50	52.4%
- 61 to 90 days overdue	55	(40)	15	72.7%
- 91 to 180 days overdue	117	(110)	7	94.0%
- 181 to 360 days overdue	216	(216)	-	100.0%
- over 360 days overdue	279	(279)	-	100.0%
Total consumer loans	14 591	(775)	13 816	5.3%
Car loans				
- not past due	120	-	120	0.0%
- less than 30 days overdue	13	(1)	12	7.7%
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	1	(1)	-	100.0%
- over 360 days overdue	34	(34)	-	100.0%
Total car loans	168	(36)	132	21.4%
Bank card loans				
- not past due	1 782	(5)	1 777	0.3%
- less than 30 days overdue	31	(5)	26	16.1%
- 31 to 60 days overdue	13	(6)	7	46.2%
- 61 to 90 days overdue	8	(6)	2	75.0%
- 91 to 180 days overdue	19	(16)	3	84.2%
- 181 to 360 days overdue	35	(35)	-	100.0%
- over 360 days overdue	86	(86)	-	100.0%
Total bank card loans	1 974	(159)	1 815	8.1%
Total other loans to individuals	16 733	(970)	15 763	5.8%
Total loans to individuals	52 671	(1 507)	51 164	2.9%

The Group's policy is to classify each loan as 'neither past due nor impaired' until objective evidence of impairment of the loan is identified. The primary factors that the Group considers in determining whether a loan is impaired are its overdue status, debt restructuring due to the client's financial difficulties and realisability of related collateral. The Group has no past due but not impaired loans.

Provision is calculated individually for large loans with impairment indicators and for loans that are subject to oversight by the specialised units of the Group and have indicators of impairment.

6 Loans and Advances to Customers (Continued)

The Group estimates loan impairment provision, for which no impairment indicators have been identified on an individual basis, based on its past experience with actual losses incurred and after considering the industry of the borrowers.

The Group estimates provision for impairment of the retail loan portfolio by credit product on the basis of historical migration matrix for actual losses incurred over the last 12 months.

The Group usually issues loans in case there is a liquid and sufficient collateral that is documented in accordance with legally established procedures (except for some credit products used for lending to individuals, overdrafts without collateral, loans to RF constituents and municipal organisations, factoring financing, loans assessed on an individual basis and authorised for issue without collateral). Loans to legal entities may be collateralised by the following:

- real estate;
- equipment;
- motor vehicles;
- goods in turnover;
- guarantee deposit;
- banking guarantee;
- state (municipal) guarantee;
- own promissory notes;
- highly liquid securities;
- refined precious metals (gold, silver, platinum and palladium);
- vested interest (for demand) implied from commitments under an agreement.

Loans collateralised by third parties may be issued once the third parties provide their guarantees as collateral. In this case:

- the financial position of a legal entity guarantor should be classified as not worse than average in accordance with the Group's internal methodologies on evaluation of financial position;
- the financial position of an individual guarantor should be classified as good in accordance with the Group's internal methodologies on evaluation of financial position.

Pledged real estate property (except for land), equipment, motor vehicles and inventory items should be insured. The insured amount of the collateral should be not less than its collateral value, the term of the insurance contract should expire not earlier than one month after the loan maturity date.

Loans to individuals may be collateralised by the following:

- real estate purchased under the sale and purchase agreement with use of credit sources, provided by the Group, and burdened with a mortgage by law;
- pledge of rights under the contract on acquisition of residential real estate at a construction stage;
- pledge of a share - for the residential real estate purchased under the contract on participation in ZhSK;
- real estate owned by individuals or legal entities, burdened with a mortgage;
- motor vehicles;
- guarantees of third parties, in particular employers of the individual borrower;
- pledge of right of claim on the individual's deposit; and
- other property owned by the borrower.

In addition, to mitigate the credit risk, the Group uses insurance by borrowers of the pledged item, the individual borrower's life and disability or accident and illness insurance, and also insurance of the risks connected with loss of work.

Obligations of the borrowers can be collateralised with various types of collateral simultaneously. The collateral should be sufficient to repay the principal, interest and the amount of the Group's potential expenses associated with the fulfilment of debtor's obligations.

6 Loans and Advances to Customers (Continued)

The collateral value of property is determined when a loan is issued in accordance with the Group's effective procedure.

In addition, the Group has a right for write-off from the borrower's settlement and current accounts with the Group in case of non-fulfilment of loan contract obligations by the borrower.

Market value of property is assumed to be the collateral value of security in respect of credit products of retail portfolio. Market value of property is confirmed by the report on real estate market valuation prepared by a valuation company.

Depending on the credit limit, profession and current employer of the borrower, life and disability insurance can be taken as security for bank card loans. The Group can also require additional collateral.

The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on impairment provisions recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the impairment provisions would be higher by the following amounts:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Corporate loans - large	7 075	5 414
Corporate loans - medium and small	2 660	1 758
Other loans to individuals	-	-

Mortgage loans are not included in the table above as the Group issues such loans without any collateral.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of loans and advances to customers.

7 Investment Securities Available for Sale

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Corporate Eurobonds	6 882	3 936
Corporate bonds	4 797	4 713
OFZ bonds	2 508	-
Russian Federation Eurobonds	131	1 762
Bonds of the Russian Federation constituents	-	186
Total debt securities available for sale	14 318	10 597
Corporate shares	382	1 192
Total investment securities available for sale	14 700	11 789

Corporate Eurobonds are interest bearing securities denominated in USD and EUR, issued by large Russian and foreign companies and banks, and freely tradable internationally.

Corporate bonds are interest bearing securities denominated in Russian Rubles issued by large Russian companies and banks and freely tradable in the Russian Federation.

Russian Federation Eurobonds represent interest-bearing securities denominated in USD.

OFZ bonds are state securities denominated in Russian rubles and issued by the Ministry of Finance of the Russian Federation.

7 Investment Securities Available for Sale (Continued)

Maturities, coupon rates and yields to maturity of the debt securities available for sale at June 30, 2016 are presented below:

	Maturity date		Annual coupon rate		Annual yield to maturity	
	Earliest	Latest	Minimum	Maximum	Minimum	Maximum
Corporate Eurobonds	February 2017	June 2023	3.0%	9.3%	1.1%	4.5%
Corporate bonds	July 2016	November 2020	7.7%	17.0%	7.9%	12.6%
OFZ bonds	June 2017	February 2027	6.4%	12.3%	8.3%	11.6%
Russian Federation Eurobonds	April 2017	April 2017	3.3%	3.3%	1.6%	1.6%

Maturities, coupon rates and yields to maturity of the debt securities available for sale at December 31, 2015 are presented below:

	Maturity date		Annual coupon rate		Annual yield to maturity	
	Earliest	Latest	Minimum	Maximum	Minimum	Maximum
Corporate bonds	January 2016	April 2017	7.7%	17.0%	10.4%	13.8%
Corporate Eurobonds	February 2016	April 2017	3.8%	5.7%	3.3%	4.8%
Russian Federation Eurobonds	April 2017	April 2017	3.3%	3.3%	3.3%	3.3%
Bonds of the Russian Federation constituents	June 2016	June 2016	7.0%	7.0%	10.9%	10.9%

The primary factor that the Group considers in determining whether a debt security is impaired is its overdue status. Debt investment securities available for sale are carried at fair value which also reflects any credit risk related write-downs. Debt securities available for sale are not collateralised and not pledged.

At December 31, 2015, investment securities available for sale in the amount of RR 1 477 million were pledged under direct sale and repurchase agreements with the Bank of Russia.

Geographical, currency, interest rate and maturity analyses of investment securities available for sale are disclosed in Note 20.

8 Other Financial Assets

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Settlements with currency and stock exchanges	1 427	729
Receivables	280	760
Banking cards receivables	235	320
Other	31	5
Total other financial assets	1 973	1 814

Other financial assets are not impaired and are not collateralised.

Geographical, currency and maturity analyses of financial assets are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of other financial assets.

9 Other Assets

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Inventory	5 838	5 267
Prepayments	335	282
Non-current assets held for sale	301	425
Investment properties	69	62
Income tax overpayment	5	288
Other	173	399
Total other assets before provision for impairment of other assets	6 721	6 723
Less: Provision for impairment of other assets	(1 818)	(1 833)
Total other assets	4 903	4 890

Inventories represent real estate assets, equipment and property rights acquired by the Group in settlement of overdue loans. The assets do not meet the definition of investment property and non-current assets held for sale, and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at cost when acquired. All of the above assets are expected to be realised within more than twelve months after the year-end.

Under IAS 40, investment property includes non-residential premises and land plots repossessed by the Group in settlements of overdue loans and leased out under operating lease or retained until the growth of their value.

Movements in the carrying value of investment properties were as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Investment properties at carrying amount at January 1	54	961
Additions	7	-
Disposals/Reclassifications	(29)	(898)
Depreciation	-	(1)
Recovery of/ (charges to) provision for impairment	8	(8)
Adjustment for market changes	29	-
Investment properties at carrying amount at the end of the reporting period	69	54

The rental income from investment properties was RR 3 million (2015: RR 4 million). Direct operating expenses for investment properties that generate rental income amounted to RR 0.6 million (2015: RR 7 million) and consisted of costs related to property tax, land tax, insurance, security, valuation, utility services and other payments, as well as depreciation charges. The Group had no direct operating expenses related to investment properties that did not generate any rental income in 2016 (2015: no direct operating expenses).

The portfolio of assets held for sale (IFRS 5) consists of real estate, vehicles and equipment acquired by the Group in settlements of overdue loans. The Group is actively marketing these assets and expects the sale to complete by April 2017.

Tangible assets acquired by the Group in settlements of overdue loans did not require the use of cash and cash equivalents and therefore were not included in the consolidated statement of cash flows.

9 Other Assets (Continued)

Movements in the provision for other assets impairment during 2016 are as follows:

	Inventory	Non-current assets held for sale	Investment properties	Total
<i>In millions of Russian Rubles</i>				
Provision for impairment at January 1, 2016	1 765	60	8	1 833
Charges to / (recovery of) provision for impairment during the year	48	-	(8)	40
Disposals	(38)	(17)	-	(55)
Provision for impairment at June 30, 2016	1 775	43	-	1 818

Movements in the provision for other assets impairment during 2015 are as follows:

	Inventory	Non-current assets held for sale	Investment properties	Total
<i>In millions of Russian Rubles</i>				
Provision for impairment at January 1, 2015	1 000	110	-	1 110
Charges to / (recovery of) provision for impairment during the year	1 021	(6)	8	1 023
Disposals	(204)	(96)	-	(300)
Transfer to non-current assets held for sale	(52)	52	-	-
Provision for impairment at December 31, 2015	1 765	60	8	1 833

10 Premises and Equipment and Intangible Assets

<i>In millions of Russian Rubles</i>	Note	Operating Office and properties banking equipment	IT- equipment	Transport	Intangible assets	Other	Total	
Carrying amount at January 1, 2015		1 960	286	280	185	-	499	3 210
Cost at January 1, 2015								
Balance at the beginning of the year		2 490	1 280	1 166	566	-	1 151	6 653
Additions		37	61	171	54	-	24	347
Disposals		(18)	(60)	(239)	(57)	-	(73)	(447)
Cost at the end of the year		2 509	1 281	1 098	563	-	1 102	6 553
Accumulated depreciation								
Balance at the beginning of the year		530	994	886	381	-	652	3 443
Depreciation charge	18	55	74	103	69	-	55	356
Disposals		-	(57)	(238)	(57)	-	(35)	(387)
Balance at the end of the year		585	1 011	751	393	-	672	3 412
Carrying amount at December 31, 2015		1 924	270	347	170	-	430	3 141
Revaluation at December 31, 2015		2 176	-	-	-	-	-	2 176
Cost at 31 December 2015								
Balance at the beginning of the year		4 100	1 281	1 098	563	-	1 102	8 144
Additions		-	3	2	26	125	3	159
Transfers		137	-	-	-	-	(137)	-
Disposals		(4)	(32)	(38)	(128)	-	(13)	(215)
Cost at the end of the reporting period		4 233	1 252	1 062	461	125	955	8 088
Accumulated depreciation								
Balance at the beginning of the year		-	1 011	751	393	-	672	2 827
Depreciation charge	18	50	36	55	27	19	27	214
Disposals		-	(32)	(37)	(98)	-	(10)	(177)
Balance at the end of the reporting period		50	1 015	769	322	19	689	2 864
Carrying amount at June 30, 2016		4 183	237	293	139	106	266	5 224

11 Due to Other Banks

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Placements of other banks	5 050	7 230
Correspondent accounts of other banks	36	269
Cash received under sale and repurchase agreements with the Bank of Russia	-	9 503
Deposits of the Bank of Russia	-	2 809
Total due to other banks	5 086	19 811

At June 30, 2016 the total amount of five major aggregated balances of amounts due to other banks was RR 5 081 million, or 99.9% (2015: RR 19 534 million or 98.6%) of the total amount of due to other banks.

At June 30, 2016 placements of other banks include a deposit attracted under the programme on providing government support to SME from AO MSP Bank of RR 3 550 million at a rate from 6.2% to 10.3% p.a. with maturity from September 2017 to April 2023 (2015: RR 3 769 million at a rate from 6.4% to 10.3% p.a. with maturity from December 2016 to November 2022). The rights of claim for the loans issued under this agreement with carrying value of RR 3 138 million (2015: RR 3 585 million) were pledged for the Group's obligations to the creditor. Refer to Notes 6 and 21.

Refer to Note 4, 7, 21 for the debt securities transferred under sale and repurchase agreements with the Bank of Russia.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of amounts due to other banks.

12 Customer Accounts

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Current accounts and demand deposits		
- Legal entities	31 986	26 078
- Individuals	16 118	18 270
Total current accounts and demand deposits	48 104	44 348
Term deposits		
- Legal entities	18 405	16 343
- Individuals	118 512	108 967
Total term deposits	136 917	125 310
Total customer accounts	185 021	169 658

12 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)		December 31, 2015	
	Amount	%	Amount	%
Individuals	134 630	73	127 237	75
Trade and services	14 830	8	15 443	9
Finance	8 974	5	5 267	3
Manufacturing	7 464	4	7 285	5
Transport and communication	5 427	3	4 020	2
Construction	3 443	2	4 676	3
State and municipal organisations	2 865	1	239	-
Real estate	2 565	1	2 540	1
Agriculture	1 948	1	1 584	1
Other	2 875	2	1 367	1
Total customer accounts	185 021	100	169 658	100

State and municipal organisations exclude government owned profit orientated businesses.

At June 30, 2016, the Group had 32 customers with balances above RR 300 million. The aggregate balance of these customers was RR 28 881 million, or 16% of total customer accounts.

At 31 December 2015, the Group had 25 customers with balances above RR 300 million. The aggregate balance of these customers was RR 13 245 million or 8% of total customer accounts.

Geographical, currency, maturity and interest rate analyses are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of customer accounts.

13 Debt Securities in Issue

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Mortgage backed bonds, including issued:	4 907	5 869
in June 2015	2 273	2 581
in March 2014	1 650	1 894
in April 2013	845	1 071
in December 2011	139	323
Promissory notes	1 246	1 427
Deposit certificates	33	137
Total debt securities in issue	6 186	7 433

At June 30, 2016, mortgage backed bonds had “Baa3” rating affirmed by Moody’s Investors’ Service.

At June 30, 2016, promissory notes in issue had maturity dates from July 2016 to October 2018 (2015: from January 2016 to October 2018) and effective interest rates from 0.0% to 15.5% p.a. (2015: from 0.0% to 16.5% p.a.).

Terms of issue of mortgage backed bonds under securitisation transactions are as follows:

Issue date	Maturity date	Amount of issue RR million	Class A notes RR million	Class B notes RR million	Coupon rate %	Rating on Moody’s scale
June 2015	27 January 2048	3 450	3 000	450	9.00%	Baa3
March 2014	26 October 2046	3 450	3 000	450	9.00%	Baa2
April 2013	25 August 2045	4 000	2 960	1 040	8.50%	Baa3
December 2011	10 August 2044	4 071	2 931	1 140	8.95%	Baa2

13 Debt Securities in Issue (Continued)

Class A notes were placed through open subscription on the MICEX and class B notes were bought out by the Group and, therefore, were not shown in these consolidated financial statements. Under the terms of issue of bonds, any funds received from early repayment of mortgage loans are to be used to repay the balance of nominal value of Class A notes.

The terms of issue of bonds assume discharge of obligations on class B notes only when obligations on class A notes are discharged.

Geographical, currency, maturity and interest rate analyses of debt securities in issue are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of debt securities in issue.

14 Subordinated Loans

Subordinated loans represent long-term deposits of the Group's customers. The subordinated debt ranks after all other creditors in case of the Group's liquidation. The details of subordinated loans attracted by the Group are disclosed in the table below:

No.	Start date	Maturity	Currency	June 30, 2016 (unaudited)		December 31, 2015	
				Contractual interest rate, %	Value, RR million	Contractual interest rate, %	Value, RR million
1	August 2010	August 2018	USD	8.00	193	8.00	219
2	July 2012	July 2020	Russian Rubles	9.25	1 000	9.25	1 000
3	December 2012	July 2020	Russian Rubles	9.25	1 000	9.25	1 000
4	February 2013	July 2020	Russian Rubles	9.25	1 000	9.25	1 000
5	January 2014	January 2022	USD	8.50	450	8.50	511
Total subordinated loans					3 643	3 730	

Geographical, currency, maturity and interest rate analyses are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of subordinated loans.

15 Other Financial Liabilities

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Trade payables	168	382
Banking cards payables	52	71
Settlements on conversion operations	3	1
Other liabilities	12	37
Total other financial liabilities	235	491

Geographical, currency, maturity and interest rate analyses are disclosed in Note 20.

Refer to Note 22 for the estimated fair value of each class of other financial liabilities.

16 Interest Income and Expense

<i>In millions of Russian Rubles</i>	6M ended June 30, 2016 (unaudited)	6M ended June 30, 2015 (unaudited)
Interest income		
Loans and advances to customers - legal entities	7 137	7 634
Loans and advances to customers - individuals	4 351	3 553
Investment securities available for sale	398	388
Trading securities	110	198
Correspondent accounts and due from other banks	106	225
Total interest income	12 102	11 998
Interest expense		
Term deposits of individuals	5 275	4 721
Term deposits of legal entities	939	1 115
Due to other banks	635	433
Debt securities in issue	306	362
Subordinated loans	172	166
Current/settlement accounts of legal entities	118	50
Total interest expense	7 445	6 847
Net interest income	4 657	5 151

17 Fee and Commission Income and Expense

<i>In millions of Russian Rubles</i>	6M ended June 30, 2016 (unaudited)	6M ended June 30, 2015 (unaudited)
Fee and commission income		
Settlement transactions	822	566
Bank cards and cheques settlements	684	672
Cash transactions	368	409
Guarantees issued	148	166
Cash collection	98	103
Payroll projects	85	117
Other	203	165
Total fee and commission income	2 408	2 198
Fee and commission expense		
Bank cards and cheques settlements	283	285
Settlement transactions	50	35
Settlements with currency and stock exchanges	18	16
Cash transactions	4	8
Other	40	7
Total fee and commission expense	395	351
Net fee and commission income	2 013	1 847

18 Administrative and Other Operating Expenses

<i>In millions of Russian Rubles</i>	6M ended June 30, 2016 (unaudited)	6M ended June 30, 2015 (unaudited)
Staff costs	2 574	2 847
Administrative expenses	296	351
Other costs of premises and equipment	288	248
Contributions to the State Deposit Insurance Agency	261	249
Depreciation of premises and equipment	214	178
Rent expenses	161	187
Taxes other than on income	123	146
Repairs of premises and equipment	28	40
Advertising and marketing services	22	48
Other	278	396
Total administrative and other operating expenses	4 245	4 690

Included in staff costs are statutory contributions to non-budget funds of RR 580 million (2015: RR 562 million).

19 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 chief operating decision maker (CODM) are performed by the Management Board of the Group.

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

For the purpose of management, the Group's operations are split by types of products and services and by classes of clients acquiring them, into the following operating segments:

- Corporate business – representing settlement and cash services of settlement and current accounts of organizations, collection services, attraction of deposits of legal entities, issue of bills and deposit certificates, carrying out of factoring operations, lending, guarantees, overdrafts, credit lines and other types of financing, operation with foreign currency and derivative financial instruments.
- Retail business – representing private banking services and bank cards services. Private banking services include: opening and maintaining settlement accounts, settlement and cash services, attraction of deposits and lending to individuals, operations with foreign currency, services in safe custody of values. Bank cards services include: representing remote bank services for bank cards holders, settlement and cash services with the use of bank cards, overdrafts and revolving loans with the use of bank cards, payroll project services, acquiring, self-service operations at ATMs, information service to bank cards holders.
- Financial business – representing interbank and financial markets transactions, including securities transactions.
- Liquidity – representing reallocation of funds between operating segments.

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

The Group's segments are strategic lines of business that focus on different categories of customers. For the purposes of these consolidated financial statements each operating segment of the Bank is presented as a reportable segment. The "other" category includes unallocated items.

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

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM reviews financial information prepared based on Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- (i) the fair value changes in available for sale securities are reported within the segments' profits or losses rather than in other comprehensive income;
- (ii) funds are generally reallocated between segments at internal interest rates set by the treasury department, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances;
- (iii) income taxes are not allocated to segments;
- (iv) loan provisions are recognised based on the regulations of the Bank of Russia, rather than based on the incurred loss model prescribed in IAS 39;
- (v) commission income relating to lending is recognised immediately rather than deferred using the effective interest method.

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

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

Segment information on allocating reportable segment assets at June 30, 2016 and December 31, 2015 is set out below. Total assets and liabilities do not include the subsequent events.

The Bank does not disclose geographical information in its segment analysis as the majority of transactions and revenues of the reportable segments are concentrated in Russia. The analysis of the reportable segments is based on the banking products and services but not on the geographical factors.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Financial business	Other	Total
June 30, 2016					
Total assets of reportable segments	111 957	49 766	40 122	13 731	215 576
Total liabilities of reportable segments	58 913	134 661	1 530	1 061	196 165
December 31, 2015					
Total assets of reportable segments	110 702	51 043	38 116	15 714	215 575
Total liabilities of reportable segments	51 786	127 304	15 990	677	195 757

19 Segment Analysis (Continued)

The table below represents the information on income and expense per reportable segments for the reporting period ended June 30, 2016. The Bank's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Financial business	Liquidity	Other	Total
June 30, 2016						
Interest income	7 213	4 135	634	-	(56)	11 926
Non-interest income	1 530	1 168	40	-	808	3 546
Transfer income	2 051	6 757	250	1 008	69	10 135
Total revenues	10 794	12 060	924	1 008	821	25 607
Interest expense	(1 452)	(5 273)	(242)	-	(304)	(7 271)
Non-interest expense	(63)	(300)	(14)	-	(9)	(386)
Transfer expense	(6 807)	(2 945)	(333)	-	(50)	(10 135)
Total expenses	(8 322)	(8 518)	(589)	-	(363)	(17 792)
Operating income before provision for loan impairment	2 472	3 542	335	1 008	458	7 815
Provision for loan impairment	(2 974)	(552)	-	-	154	(3 372)
Operating income	(502)	2 990	335	1 008	612	4 443
Administrative and other operating expenses	(1 714)	(2 186)	(74)	-	(90)	(4 064)
Depreciation of premises and equipment	(95)	(115)	(4)	-	(1)	(215)
Profit/(loss) before tax (Segment result)	(2 311)	689	257	1 008	521	164

19 Segment Analysis (Continued)

The table below represents segment information on the major reportable business lines of the Bank for the reporting period ended June 30, 2015:

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
June 30, 2015							
Interest income	7 448	2 927	178	1 148	-	-	11 701
Non-interest income	1 487	535	812	202	-	25	3 061
Transfer income	2 308	5 984	403	215	87	-	8 997
Total revenues	11 243	9 446	1 393	1 565	87	25	23 759
Interest expense	(1 767)	(4 661)	(90)	(247)	-	-	(6 765)
Non-interest expense	(50)	(34)	(280)	(23)	-	(10)	(397)
Transfer expense	(6 219)	(2 224)	(99)	(416)	-	(39)	(8 997)
Total expenses	(8 036)	(6 919)	(469)	(686)	-	(49)	(16 159)
Operating income before provision for loan impairment	3 207	2 527	924	879	87	(24)	7 600
Provision for loan impairment	(3 648)	95	(63)	-	-	(24)	(3 640)
Operating income	(441)	2 622	861	879	87	(48)	3 960
Administrative and other operating expenses	(1 829)	(1 249)	(844)	(68)	-	(71)	(4 061)
Depreciation of premises and equipment	(77)	(51)	(43)	(3)	-	(1)	(175)
Financial result from cession	(426)	-	-	-	-	60	(366)
Profit/(loss) before tax (Segment result)	(2 773)	1 322	(26)	808	87	(60)	(642)

19 Segment Analysis (Continued)

(e) Reconciliation of reportable segment revenues, profit, loss and assets and liabilities

The reconciliation of reportable segment assets and liabilities of the Bank is as follows:

Reconciliation of reportable segment assets:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Total reportable segment assets	215 576	215 575
Adjustment of provision for impairment of loans and credit related commitments	2 428	1 390
Loss from loans issued at non-market rate	(495)	-
Adjustment of provision for impairment of other assets	(347)	(265)
Recognition of financial instruments using the effective interest method	(396)	(403)
Adjustment of carrying value of premises and equipment	1 596	1 599
Differences in deferred tax asset	(245)	41
Consolidation	4 881	5 813
Other	-	138
Total assets under IFRS	222 998	223 888

Reconciliation of reportable segment liabilities:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Total reportable segment liabilities	196 165	195 757
Accrued expenses	162	429
Recognition of fee and commission income temporary basis	148	165
Recovery of deferred tax liability	(359)	(332)
Consolidation	4 736	5 658
Total liabilities under IFRS	200 852	201 677

19 Segment Analysis (Continued)

Reconciliation of income or expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the reporting period ended June 30, 2016 is as follows:

<i>(in millions of Russian Rubles)</i>	Before tax profit	Interest income	Non-interest income	Interest expense	Non-interest expense	Provision for loan impairment	Administrative and other operating expenses
Total amount for all reportable segments	164	11 926	2 796	(7 271)	(386)	(3 372)	(3 529)
Recognition of interest income from lending using the effective interest method	7	7	-	-	-	-	-
Recognition of fee and commission income by reference to completion of the specific transaction	17	-	17	-	-	-	-
Adjustment of provisions for loan impairment	683	-	-	-	(91)	774	-
Expenses arisen with initial assets recognition at rates below the market	(495)	21	-	-	-	-	(516)
Accrued expenses	89	-	-	-	-	-	89
Differences in depreciation charges on premises and equipment	2	-	-	-	-	-	2
Provision for impairment of non-core assets and non-credit related commitments	193	-	-	-	-	193	-
Reclassification of management accounts items	-	(47)	668	78	46	10	(755)
Consolidation	(80)	195	-	(252)	-	-	(23)
Other	74	-	-	-	36	38	-
Total under IFRS	654	12 102	3 481	(7 445)	(395)	(2 357)	(4 732)

19 Segment Analysis (Continued)

Reconciliation of profit before tax and other material income or expenses for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the six months ended June 30, 2015 is as follows:

	Before tax profit	Interest income	Non- interest income	Interest expense	Non- interest income	Provision for loan impair- ment	Administ- rative and other operating expenses
<i>(in millions of Russian Rubles)</i>							
Total reportable segment result	(642)	11 701	3 061	(6 765)	(397)	(4 006)	(4 236)
Recognition of interest income from lending using the effective interest method	15	15	-	-	-	-	-
Recognition of commission income by reference to completion of the specific transaction	8	-	8	-	-	-	-
Adjustment of provisions for impairment of loans and credit-related commitments	(131)	-	-	-	(54)	(77)	-
Accrued expenses	(317)	-	-	-	-	-	(317)
Differences in depreciation charges on premises and equipment	(3)	-	-	-	-	-	(3)
Provision for impairment of non-core assets	292	-	-	-	-	292	-
Reclassification of management accounts items	-	25	(56)	136	74	(84)	(95)
Consolidation	-	257	-	(218)	-	-	(39)
Other	27	-	1	-	26	-	-
Total under IFRS	(751)	11 998	3 014	(6 847)	(351)	(3 875)	4 690

20 Financial Risk Management

The operations of the Group's members are affected by a wide range of risks, among which, due to the nature of the Group's business, the most significant are: credit risk, market risk (including currency, interest rate and other price risk), liquidity risk, operational risk.

Key planned measures of risk mitigation policy are established within the scope of the Group's strategy, which complies with the Group members' strategic goals and is aimed at further improvement of risk management system in accordance with the business objectives, the number and the size of accepted risks and the optimal balance between profitability and risk level.

The Group's risk management system ensures timely risk identification, analysis, measurement and assessment of risk positions and also application of risk management methods (prevention, mitigation, distribution and absorption). Risk assessment and management procedures are integrated into current operations.

The decisions on the development of new lines of business (new products) are taken with account for preliminary analysis of potential risks, to which particular line of business (product) can be exposed.

Risk management is performed by allocating authority and responsibility, through the system of management reports on the results of control over significant risks and procedures for their management, as well as feedback (corrective actions) based upon the results of control.

Policy and methods of financial risk management corresponds to the policy and the methods applied to and described in the Group's Annual Consolidated Financial Statements for the year ended on December 31, 2015.

Credit risk. The Group takes exposure to credit risk, which is defined by the Group as the risk of losses as a result of the default, untimely or partial discharge of obligations by borrower under the contract terms.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to provide loans, the maximum exposure to credit risk is the amount of the commitment. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 6.

The credit policy which is annually designed in view of the overall development strategy constitutes a basis of the credit risk management system of the Group.

The key elements of the credit risk management system include review of borrower creditworthiness, multileveled system of lending transaction authorisation, system of limits, regular credit risk monitoring and non-performing loans management.

Market risk. Market risk is defined by the Group as the risk of losses resulting from unfavourable movements in the market value of financial instruments of trade portfolio and derivative financial instruments of the credit organisation and also of foreign currency exchange rates and (or) precious metals. Market risk includes equity, currency and interest rate risks.

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements.

20 Financial Risk Management (Continued)

Currency risk. The Group is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions. The Group manages currency risk by ensuring maximum possible consistency between the currency of its assets and the currency of its liabilities by currency within established limits. The Assets and Liabilities Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at June 30, 2016:

	RR	USD	Euro	Other	Total
<i>In millions of Russian Rubles</i>					
Monetary financial assets					
Cash and cash equivalents	11 826	12 693	3 420	75	28 014
Mandatory cash balances with the Bank of Russia	975	203	95	1	1 274
Trading securities	446	1 054	447	-	1 947
Due from other banks	2 727	791	-	-	3 518
Loans and advances to customers	154 953	2 440	2 533	-	159 926
Investment securities available for sale	7 304	4 127	2 887	-	14 318
Other financial assets	537	5	1 431	-	1 973
Total monetary financial assets	178 768	21 313	10 813	76	210 970
Monetary financial liabilities					
Due to other banks	3 585	-	1 501	-	5 086
Customer accounts	154 902	20 492	9 522	105	185 021
Debt securities in issue	6 091	64	31	-	6 186
Other financial liabilities	213	14	8	-	235
Subordinated loans	3 000	643	-	-	3 643
Total monetary financial liabilities	167 791	21 213	11 062	105	200 171
Net balance sheet position	10 997	100	(249)	(29)	10 799

20 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at December 31, 2015:

<i>In millions of Russian Rubles</i>	RR	USD	EUR	Other	Total
Monetary financial assets					
Cash and cash equivalents	14 464	11 188	5 556	55	31 263
Mandatory cash balances with the Bank of Russia	841	192	88	1	1 122
Trading securities	444	3 456	1 443	-	5 343
Due from other banks	2 169	1 239	-	-	3 408
Loans and advances to customers	151 481	3 246	2 727	-	157 454
Investment securities available for sale	4 899	2 929	2 769	-	10 597
Other financial assets	1 012	734	68	-	1 814
Total monetary financial assets	175 310	22 984	12 651	56	211 001
Monetary financial liabilities					
Due to other banks	17 380	-	2 431	-	19 811
Customer accounts	136 747	22 404	10 337	170	169 658
Debt securities in issue	7 433	-	-	-	7 433
Other financial liabilities	480	4	7	-	491
Subordinated loans	3 000	730	-	-	3 730
Total monetary financial liabilities	165 040	23 138	12 775	170	201 123
Net balance sheet position	10 270	(154)	(124)	(114)	9 878

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

If as of June 30, 2016, the US Dollar exchange rate were 20.0% higher (or 20.0% lower) while all other variables would remain unchanged, the pre-tax profit for the 6 months ended on June 30, 2016 would be RR 20 million higher (RR 20 million lower).

At 31 December 2015, if the US Dollar exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, loss before tax for the year would have been RR 31 million higher (RR 31 million lower).

If as of June 30, 2016, the Euro exchange rate were 20.0% higher (or 20.0% lower) while all other variables would remain unchanged, the pre-tax profit for the 6 months ended on June 30, 2016 would be RR 50 million lower (RR 50 million higher).

At 31 December 2015, if the Euro exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, loss before tax for the year would have been RR 25 million higher (RR 25 million lower).

Interest rate risk. The Group undertakes risk related to the effect of market fluctuations in interest rates on its financial condition and cash flows. These fluctuations may increase the level of interest margin, however, in the event of an unexpected change in interest rates, the interest margin may be reduced or lead to losses.

Interest risk at the Group is assessed using gap analysis by financial instruments that are sensitive to interest rate change (SFI). The main systemic approach of gap analysis as part of interest risk assessment is representing future cash flows in SFI at their carrying amount. This carrying amount is divided by interest rate review dates according to the contractual maturity dates, whichever (the interest rate review date or the maturity date) is the earliest.

20 Financial Risk Management (Continued)

Change of the net interest income due to a change in the SFI value at the time of their maturity or interest rate review determines the interest risk value. A change in the net interest income depends on the value of the net cumulative gap in SFI and possible interest rate change at the end of the six-month reporting period. For the analysis of financial instruments that are sensitive to interest rate change, a yearly period is selected as the maximum analyzed interval.

The main methods used by the Group to mitigate its interest rate risk is balancing the assets and liabilities in terms of repricing/rescheduling as well as regular (at least quarterly) revision of current interest rates. The table below summarises the Group's exposure to interest rate risks at the annual reporting dates.

A general analysis of the Group's interest risk as of June, 30, 2016 is presented in the table below.

<i>In millions of Russian Rubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Non-interest	Total
Financial assets							
Cash and cash equivalents	15 870	-	-	-	-	12 144	28 014
Mandatory cash balances with the Bank of Russia	-	-	-	-	-	1 274	1 274
Trading securities	1 947	-	-	-	-	-	1 947
Due from other banks	2 674	88	-	-	756	-	3 518
Loans and advances to customers	14 226	36 314	27 779	52 010	29 597	-	159 926
Investment securities available for sale	628	2 613	5 286	4 899	892	382	14 700
Other financial assets	-	-	-	-	-	1 973	1 973
Total assets	35 345	39 015	33 065	56 909	31 245	15 773	211 352
Financial liabilities							
Due to other banks	288	444	435	2 819	1 100	-	5 086
Customer accounts	67 403	35 046	37 977	44 589	6	-	185 021
Debt securities in issue	601	1 317	884	3 363	-	21	6 186
Other financial liabilities	-	-	-	-	-	235	235
Subordinated loans	-	-	-	3 193	450	-	3 643
Total liabilities	68 292	36 807	39 296	53 964	1 556	256	200 171
Net interest sensitivity gap	(32 947)	2 208	(6 231)	2 945	29 689	15 517	11 181
Gap coefficient (aggregate relative cumulative gap)	0.52	0.71	0.74	0.83	1.22		

20 Financial Risk Management (Continued)

A general analysis of the Group's interest risk as of December, 31, 2015 is presented in the table below.

<i>In millions of Russian Rubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Non-interest	Total
Financial assets							
Cash and cash equivalents	15 271	-	-	-	-	15 992	31 263
Mandatory cash balances with the Bank of Russia	-	-	-	-	-	1 122	1 122
Trading securities	5 343	-	-	-	-	6	5 349
Due from other banks	2 169	-	40	-	1 199	-	3 408
Loans and advances to customers	5 129	37 411	40 362	48 593	25 959	-	157 454
Investment securities available for sale	309	1 811	2 366	6 111	-	1 192	11 789
Other financial assets	-	-	-	-	-	1 814	1 814
Total assets	28 221	39 222	42 768	54 704	27 158	20 126	212 199
Financial liabilities							
Due to other banks	10 073	4 373	844	3 867	654	-	19 811
Customer accounts	61 993	51 257	26 534	29 863	11	-	169 658
Debt securities in issue	630	1 551	1 069	3 980	199	4	7 433
Other financial liabilities	-	-	-	-	-	491	491
Subordinated loans	-	-	-	3 220	510	-	3 730
Total liabilities	72 696	57 181	28 447	40 930	1 374	495	201 123
Net interest sensitivity gap	(44 475)	(17 959)	14 321	13 774	25 784	19 631	11 076
Gap coefficient (aggregate relative cumulative gap)	0.39	0.52	0.70	0.83	1.28		

If as of June 30, 2016, the interest rates were 200 base points higher (2015: 200 base points higher) while the other variables would remain unchanged, the pre-tax profit for the 6 months ended on June 30, 2016 would be RR 631 million lower (2015: the pre-tax loss would be RR 1 035 million higher) due to higher interest costs under the term deposits of individuals and legal entities and funds of other banks. The other equity components as of June 30, 2016, would be RR 75 million (2015: RR 43 million) more mainly due to an increase of the fair value of fixed-rate financial instruments classified as available for sale.

The principle of interest risk management is the minimization of the net gap obtained as a result of the analysis of assets and liabilities that are sensitive to interest rate change. Depending on the net gap, the Group makes decisions on granting or raising resources at certain rates for certain terms for the purpose of minimising possible losses due to a change of interest rates on the market.

20 Financial Risk Management (Continued)

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on effective interest rates at the end of the reporting period used for amortisation of the respective assets/liabilities. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

<i>In % p.a.</i>	30 June 2016			31 December 2015		
	RR	USD	EUR	RR	USD	EUR
Assets						
Cash and cash equivalents	0%	0%	0%	0%	0%	0%
Trading securities	10%	0%	1%	12%	3%	2%
Due from other banks	11%	0%	-	11%	0%	-
Loans and advances to customers						
- legal entities	14%	8%	5%	14%	8%	6%
- individuals	15%	11%	10%	16%	11%	10%
Investment securities available for sale	10%	3%	1%	11%	4%	4%
Liabilities						
Due to other banks	9%	0%	1%	11%	0%	1%
Customer accounts						
- current and settlement accounts	1%	0%	0%	0%	0%	0%
- term deposits of legal entities	11%	2%	2%	11%	2%	1%
- term deposits of individuals	10%	3%	3%	12%	4%	4%
Debt securities in issue	9%	0%	0%	9%	-	-
Subordinated loans	9%	8%	-	9%	8%	-

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

Other price risk. This risk is not material for the Group, as the scope of transactions with equity financial instruments is not significant.

The Group is exposed to the risk of premature repayment because it grants loans at a fixed interest rate including mortgage loans, which entitle borrowers to repay them prematurely. The financial result and capital of the Group in the current year and at the current reporting date would not depend significantly on the change of rates in case of premature repayment, as such loans are accounted at an amortized cost, and the amount of premature repayment is fully or almost equivalent to the amortized cost of loans and advances to customers.

20 Financial Risk Management (Continued)

Geographical risk concentration. An analysis of the geographical concentration of assets and liabilities of the Group as of June 30, 2016, is presented below:

<i>In millions of Russian Rubles</i>	Russia	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	13 467	14 547	-	28 014
Mandatory cash balances with the Bank of Russia	1 274	-	-	1 274
Trading securities	446	1 501	-	1 947
Due from other banks	2 762	756	-	3 518
Loans and advances to customers	159 895	-	31	159 926
Investment securities available for sale	7 796	6 904	-	14 700
Other financial assets	1 972	1	-	1 973
Total financial assets	187 612	23 709	31	211 352
Non-financial assets	11 646	-	-	11 646
Total assets	199 258	23 709	31	222 998
Financial liabilities				
Due to other banks	3 585	1 500	1	5 086
Customer accounts	184 026	488	507	185 021
Debt securities in issue	6 186	-	-	6 186
Other financial liabilities	235	-	-	235
Subordinated loans	3 000	-	643	3 643
Total financial liabilities	197 032	1 988	1 151	200 171
Non-financial liabilities	681	-	-	681
Total liabilities	197 713	1 988	1 151	200 852
Net balance sheet position	1 545	21 721	(1 120)	22 146
Credit related commitments (Note 21)	19 276	-	-	19 276

Assets, liabilities, and commitments are classified according to the country of the counterparty's location. Cash and cash equivalents are classified according to the country of their physical location.

20 Financial Risk Management (Continued)

An analysis of the geographical concentration of assets and liabilities of the Group as of December 31, 2015, is presented below:

<i>In millions of Russian Rubles</i>	Russia	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	16 956	14 306	1	31 263
Mandatory cash balances with the Bank of Russia	1 122	-	-	1 122
Trading securities	5 349	-	-	5 349
Due from other banks	2 209	1 199	-	3 408
Loans and advances to customers	157 421	-	33	157 454
Investment securities available for sale	10 957	832	-	11 789
Other financial assets	1 811	3	-	1 814
Total financial assets	195 825	16 340	34	212 199
Non-financial assets	11 689	-	-	11 689
Total assets	207 514	16 340	34	223 888
Financial liabilities				
Due to other banks	17 378	2 431	2	19 811
Customer accounts	168 572	524	562	169 658
Debt securities in issue	7 433	-	-	7 433
Other financial liabilities	491	-	-	491
Subordinated loans	3 000	-	730	3 730
Total financial liabilities	196 874	2 955	1 294	201 123
Non-financial liabilities	554	-	-	554
Total liabilities	197 428	2 955	1 294	201 677
Net balance sheet position	10 086	13 385	(1 260)	22 211
Credit related commitments (Note 21)	20 175	-	-	20 175

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

The process of control over liquidity risk is regulated by the Bank of Russia instructions and internal regulations of the Group.

For the purpose of liquidity loss risk assessment and analysis, the Bank applies various methods, including the method of liquidity analysis based on cash flows.

20 Financial Risk Management (Continued)

Liquidity risk management is exercised through agreeing repayment dates for assets placed and liabilities attracted by the Bank and through maintaining a required volume of highly liquid funds. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 69.8% at 30 June 2016 (2015: 72.4%). At 30 June 2016 and 31 December 2015 the minimum required level for N2 ratio was 15%.
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 85.2% at 30 June 2016 (2015: 80.9%). At 30 June 2016 and 31 December 2015 the minimum required level for N3 ratio was 50%.
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to Bank's regulatory capital and liabilities maturing after one year. The ratio was 85.5% at 30 June 2016 (2015: 95.8%). At 30 June 2016 and 31 December 2015 the maximum required level for N4 ratio was 120%.

The Group monitors compliance with the liquidity ratios set by the Bank of Russia on a daily basis.

To analyse the liquidity risk the Group analyses its dependence on interbank market transactions, transactions of large customers and credit risk concentration. The Group seeks to maintain a stable resource base which primarily comprises deposits of legal entities, individual deposits and due to other banks. Special attention is given to quality and diversity of assets.

When forming its securities portfolio the Group focuses on the Bank of Russia's Lombard List to get access to refinancing instruments.

20 Financial Risk Management (Continued)

For managing liquidity risk the Group monitors expected maturities, which may be summarised as follows at June 30, 2016:

<i>In millions of Russian Rubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	28 014	-	-	-	-	28 014
Mandatory cash balances with the Bank of Russia	455	239	256	321	3	1 274
Trading securities	1 947	-	-	-	-	1 947
Due from other banks	2 674	88	-	-	756	3 518
Loans and advances to customers	14 226	36 314	27 779	52 010	29 597	159 926
Investment securities available for sale	628	2 613	5 286	4 899	1 274	14 700
Other financial assets	1 973	-	-	-	-	1 973
Total financial assets	49 917	39 254	33 321	57 230	31 630	211 352
Non-financial assets	-	-	258	1 519	9 869	11 646
Total assets	49 917	39 254	33 579	58 749	41 499	222 998
Financial liabilities						
Due to other banks	288	444	435	2 819	1 100	5 086
Customer accounts	67 403	35 046	37 977	44 589	6	185 021
Debt securities in issue	622	1 317	884	3 363	-	6 186
Other financial liabilities	235	-	-	-	-	235
Subordinated loans	-	-	-	3 193	450	3 643
Total financial liabilities	68 548	36 807	39 296	53 964	1 556	200 171
Non-financial liabilities	-	45	-	-	636	681
Total liabilities	68 548	36 852	39 296	53 964	2 192	200 852
Net liquidity gap of financial assets and financial liabilities	(18 631)	2 447	(5 975)	3 266	30 074	11 181
Cumulative liquidity gap	(18 631)	(16 184)	(22 159)	(18 893)	11 181	
Credit related commitments (Notes 21)	19 276	-	-	-	-	19 276

The above analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's liquidity.

The expected maturity of investment securities available for sale is based on offer agreement date.

20 Financial Risk Management (Continued)

The analysis by expected maturities at December 31, 2015 is as follows:

<i>In millions of Russian Rubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	31 263	-	-	-	-	31 263
Mandatory cash balances with the Bank of Russia	409	341	175	197	-	1 122
Trading securities	5 349	-	-	-	-	5 349
Due from other banks	2 169	-	40	-	1 199	3 408
Loans and advances to customers	5 129	37 411	40 362	48 593	25 959	157 454
Investment securities available for sale	309	1 811	2 366	6 111	1 192	11 789
Other financial assets	1 814	-	-	-	-	1 814
Total financial assets	46 442	39 563	42 943	54 901	28 350	212 199
Non-financial assets	-	-	365	1 482	9 842	11 689
Total assets	46 442	39 563	43 308	56 383	38 192	223 888
Financial liabilities						
Due to other banks	10 073	4 373	844	3 867	654	19 811
Customer accounts	61 993	51 257	26 534	29 863	11	169 658
Debt securities in issue	634	1 551	1 069	3 980	199	7 433
Other financial liabilities	491	-	-	-	-	491
Subordinated loans	-	-	-	3 220	510	3 730
Total financial liabilities	73 191	57 181	28 447	40 930	1 374	201 123
Non-financial liabilities	-	43	-	-	511	554
Total liabilities	73 191	57 224	28 447	40 930	1 885	201 677
Net liquidity gap of financial assets and financial liabilities	(26 749)	(17 618)	14 496	13 971	26 976	11 076
Cumulative liquidity gap	(26 749)	(44 367)	(29 871)	(15 900)	11 076	
Credit related commitments (Notes 21)	20 175	-	-			20 175

In the opinion of the Group's management, coincidence or/and controlled non-coincidence of the terms of placement and maturity and interest rates by assets and liabilities is a basic factor for the Group's successful management. Full coincidence of such positions is usually not the case at banks, as operations often have uncertain maturities and a different nature. The non-coincidence of such positions potentially raises the business profitability, but the risk of losses is raised at the same time. The repayment terms for assets and liabilities and the possibility of the replacement of interest liabilities at an acceptable cost as their maturities come close are important factors for assessing the Bank's liquidity and risks, should there be a change in interest rates and foreign exchange rates.

The Group's management believes that despite a material share of customers' funds with 'on demand' status, the diversification of such funds by amounts and types of depositors, and experience gained by the Group in previous periods indicate that such funds establish a long-term and stable source of funding for the Group's operations.

20 Financial Risk Management (Continued)

Operational risk. Operational risk is defined by the Group as the risk of losses arising from insufficient organisation of the Group's processes, deliberate or non-deliberate actions of employees or third parties, failure of information, technology or other systems and as a result of external events.

The organisational process of operational risk management, the structure, roles and functions of the process participants are set out in internal documents of the Group's head credit unit in accordance with the recommendations of the Bank of Russia and the Basel Committee for Bank Supervision (Basel II).

21 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's management believes that the allowance of RR 45 million recognised at June 30, 2016 (December 31, 2015: RR 43 million) is sufficient for possible payments under legal proceedings.

Tax legislation. 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.

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.

At June 30, 2016, the management has not made any provision for potential tax liabilities (December 31, 2015: nil), as the management of the Group believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations by the Group's management to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. 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.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. 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.

21 Contingencies and Commitments (Continued)

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
Unused limits on overdraft loans and credit lines with debt limit	17 082	18 357
Undrawn credit lines with a payment limit	1 760	1 487
Financial guarantees	425	331
Import letters of credit	9	-
Total credit related commitments	19 276	20 175
Performance guarantees	12 092	12 556
Undrawn limits on issuance of guarantees	1 319	260
Total credit related commitments and performance guarantees	32 687	32 991

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

In April, 2016 the Bank issued an irrevocable financial guarantee to a related party in the amount of RR 40 billion (2015: RR 331 million).

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

<i>In millions of Russian Rubles</i>	Note	June 30, 2016 (unaudited)		December 31, 2015	
		Assets pledged	Related liabilities	Assets pledged	Related liabilities
Pledged debt securities under sale and repurchase agreements with the Bank of Russia	4, 7, 11	-	-	9 889 ¹	9 503
Pledged loans on funds attracted from AO SME Bank	6, 11	3 138	3 550	3 585	3 769
Pledged loans on funds attracted from the Bank of Russia	6, 11	-	-	2 966	2 809
Total		3 138	3 550	16 440	16 081

Mandatory cash balances with the Bank of Russia in the amount of RR 1 274 million (2015: RR 1 122 million) represent mandatory reserve deposits with the Bank of Russia which are not available to finance the Group's day-to-day operations.

22 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.

¹ This amount includes the following: debt securities of RR 4 678 million (Refer to Notes 4 and 7) and OFZ of RR 5 211 million received within the programme for government support.

22 Fair Value Disclosures (Continued)

(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 millions of Russian Rubles</i>	June 30, 2016 (unaudited)			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Trading securities						
- Corporate Eurobonds	-	1 501	-	-	4 898	-
- Corporate bonds	-	446	-	-	445	-
- Corporate shares	-	-	-	6	-	-
Investment securities available for sale						
- Corporate Eurobonds	-	6 882	-	-	3 936	-
- Corporate bonds	-	4 797	-	-	4 713	-
- OFZ bonds	2 508	-	-	-	-	-
- Russian Federation Eurobonds	131	-	-	1 762	-	-
- Bonds of the Russian Federation constituents	-	-	-	-	186	-
- Corporate shares	23	-	359	833	-	359
Other financial assets						
- Term deals	-	31	-	-	5	-
Total assets recurring fair value measurements	2 662	13 657	359	2 601	14 183	359

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments is as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)	December 31, 2015
	Securities available for sale	Securities available for sale
Fair value at 1 January	359	359
Reclassification	-	-
Recovery of provision for impairment	-	-
Fair value at the end of the reporting period	359	359
Revaluation losses less gains recognised in profit or loss for the year for assets held at June 30	-	-

At December 31, 2015, the fair value of non-quoted securities available for sale was assessed based on the amount calculated by an independent appraiser.

22 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 millions of Russian Rubles</i>	June 30, 2016 (unaudited)			December 31, 2015		
	Level 2	Level 3	Carrying value	Level 2	Level 3	Carrying value
FINANCIAL ASSETS						
<i>Due from other banks</i>						
- Short-term placements with other banks	2 762	-	2 762	2 209	-	2 209
- Insurance deposits with non-resident banks	756	-	756	1 199	-	1 199
<i>Loans and advances to customers</i>						
- Corporate loans - large	-	44 510	45 161	-	44 059	45 038
- Corporate loans - medium and small	-	58 338	60 025	-	62 002	61 252
- Mortgage loans	-	38 624	38 956	-	34 389	35 401
- Other loans to individuals	-	15 890	15 784	-	15 128	15 763
<i>Other financial assets</i>						
- Settlements with currency and stock exchanges	1 427	-	1 427	729	-	729
- Receivables	-	280	280	-	760	760
- Banking cards receivables	-	235	235	-	320	320
- Other assets	-	31	31	-	5	5
TOTAL	4 945	157 911	165 417	4 137	156 663	162 676

22 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 millions of Russian Rubles</i>	June 30, 2016 (unaudited)			December 31, 2015		
	Level 2	Level 3	Carrying value	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES						
<i>Due to other banks</i>						
- Placements of other banks	4 925	-	5 050	6 706	-	7 230
- Correspondent accounts of other banks	36	-	36	269	-	269
- Cash received under sale and repurchase agreements with the Bank of Russia	-	-	-	9 503	-	9 503
- Deposits of the Bank of Russia	-	-	-	2 815	-	2 809
<i>Customer accounts</i>						
<i>Current accounts and demand deposits</i>						
- Legal entities	31 986	-	31 986	26 078	-	26 078
- Individuals	16 118	-	16 118	18 270	-	18 270
<i>Term deposits</i>						
- Legal entities	18 437	-	18 405	16 440	-	16 343
- Individuals	120 023	-	118 512	110 342	-	108 967
<i>Debt securities in issue</i>						
- Promissory notes	1 245	-	1 246	1 434	-	1 427
- Mortgage backed bonds in issue	4 931	-	4 907	4 862	-	5 869
- Deposit certificates	32	-	33	137	-	137
<i>Other financial liabilities</i>						
- Trade payables	-	168	168	-	382	382
- Banking cards payables	-	52	52	-	71	71
- Settlements on conversion operations	-	3	3	-	1	1
- Other liabilities	-	12	12	-	37	37
<i>Subordinated loans</i>						
	-	3 555	3 643	-	3 620	3 730
TOTAL	197 733	3 790	200 171	196 856	4 111	201 123

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 this factor.

23 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.

The Group does not classify non-controlling members as related parties due to their insignificant influence on financial and operating decisions of the Group.

The outstanding balances with related parties at June 30, 2016 and December 31, 2015 were as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)			December 31, 2015		
	Shareholders with significant influence	Key management personnel	Related and other companies	Shareholders with significant influence	Key management personnel	Related and other companies
Loans and advances to customers						
Gross amount of loans and advances to customers (contractual interest rate: June 30, 2016: 9.0%-19.9%; December 31, 2015: 10.0%-22.0%)	-	-	3 986	-	11	2 160
Provision for impairment of loans and advances to customers	-	-	(183)	-	-	(185)
Customer accounts						
Current/settlement accounts (contractual interest rate: June 30, 2016: 0.0%; December 31, 2015: 0.0%)	-	15	87	-	21	3
Term deposits (contractual interest rate: June 30, 2016: 0.9%-13.2%; December 31, 2015: 4.5%-16.0%)	-	76	15	-	106	45
Financial guarantee	331	-	40	331	-	-
Performance guarantees	-	-	-	-	-	48

Aggregate amounts lent to and repaid by related parties during the six months of 2016 and 2015 were as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)			December 31, 2015		
	Shareholders with significant influence	Key management personnel	Related and other companies	Shareholders with significant influence	Key management personnel	Related and other companies
Amounts lent to related parties during the period	-	-	3 252	-	2	1 921
Amounts repaid by related parties during the period	-	11	1 426	-	16	348

23 Related Party Transactions (Continued)

The income and expense items with related parties for the six months ended on June 30, 2016 and for the six months ended on June 30, 2015 were as follows:

<i>In millions of Russian Rubles</i>	June 30, 2016 (unaudited)			December 31, 2015		
	Shareholders with significant influence	Key management personnel	Related and other companies	Shareholders with significant influence	Key management personnel	Related and other companies
Interest income:						
Loans and advances to customers	-	-	186	-	1	25
Interest expense:						
Term deposits	-	1	-	66	139	-
Subordinated loans	-	-	-	29	-	-
Fee and commission income						
Financial guarantee	-	-	-	-	-	-
Dividend income received						
	-	-	-	-	-	-

Key management personnel include the members of the Management Board and of the Board of Directors.

In the first half-year of 2016, the total remuneration of the Group's key management personnel comprised salaries, discretionary bonuses and other short-term benefits of RR 92 million (2015: RR 232 million), including payments to social funds of RR 11 million (2015: RR 27 million).