CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the nine-month period
ended 30 September 2017

Contents

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Supervisory Board

CREDIT BANK OF MOSCOW (public joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (public joint-stock company) and its subsidiaries (the "Group") as at 30 September 2017, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2017, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2017, and notes to the consolidated interim condensed financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Audited entity: CREDIT BANK OF MOSCOW (public joint-stock company).

Registration No. in the Unified State Register of Legal Entities 1027739555282.

Moscow, Russian Federation.

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

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organisation of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2017 and for the three- and nine-month periods ended 30 September 2017 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Kolosov A.E.

Director

JSC "KPMG"

Moscow, Russian Federation

17 November 2017

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Interest income	4	92 185	84 066	31 893	28 090
Interest expense	4	(60 608)	(52 705)	(21 024)	(17 191)
Net interest income	4	**31 577**	**31 361**	**10 869**	**10 899**
Provision for impairment of loans	12	(10 414)	(24 047)	(3 037)	(7 818)
Net interest income after provision for impairment of loans		**21 163**	**7 314**	**7 832**	**3 081**
Fee and commission income	5	11 614	9 470	3 595	3 156
Fee and commission expense	5	(1 878)	(1 531)	(716)	(535)
Net gain on financial instruments at fair value through profit or loss		493	596	51	221
Net realized gain (loss) on available-for-sale assets		253	957	(33)	595
Net foreign exchange gains		1 976	3 595	741	1 433
State deposit insurance scheme contributions		(945)	(604)	(334)	(208)
Operating lease income		1 259	790	421	428
Other operating (expense) income, net		(979)	184	90	(234)
Non-interest income		**11 793**	**13 457**	**3 815**	**4 856**
Operating income		**32 956**	**20 771**	**11 647**	**7 937**
Salaries and employment benefits	6	(7 274)	(5 683)	(2 123)	(1 882)
Administrative expenses	6	(3 664)	(3 630)	(1 352)	(1 447)
Depreciation of property and equipment		(1 372)	(1 017)	(448)	(471)
Recovery of impairment of other assets and credit related commitments		177	234	135	217
Operating expense		**(12 133)**	**(10 096)**	**(3 788)**	**(3 583)**
Profit before income taxes		**20 823**	**10 675**	**7 859**	**4 354**
Income tax	7	(4 748)	(2 333)	(1 792)	(1 079)
Profit for the period		**16 075**	**8 342**	**6 067**	**3 275**

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Profit for the period		**16 075**	**8 342**	**6 067**	**3 275**
Other comprehensive (loss) income					
Items that are or may be reclassified subsequently to profit or loss:					
Revaluation reserve for available-for-sale securities:					
- net change in fair value		151	1 863	(125)	64
- net change in fair value transferred to profit or loss		(277)	(1 062)	(54)	(538)
Exchange differences on translation		8	28	7	25
Income tax related to other comprehensive income		21	(166)	35	90
Other comprehensive (loss) income for the period, net of income tax		**(97)**	**663**	**(137)**	**(359)**
Total comprehensive income for the period		**15 978**	**9 005**	**5 930**	**2 916**
Basic and diluted earnings per share (in RUB per share)	22	**0.67**	**0.35**	**0.25**	**0.14**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	30 September 2017 (Unaudited)	31 December 2016
ASSETS			
Cash and cash equivalents	8	437 294	373 327
Obligatory reserves with the Central bank of the Russian Federation		9 416	7 287
Deposits in credit and other financial institutions	9	385 413	403 480
Financial instruments at fair value through profit or loss	10	97 952	83 909
- *pledged under sale and repurchase agreements*	*10*	*8 138*	*6 544*
Available-for-sale securities	11	36 035	45 903
- *pledged under sale and repurchase agreements*	*11*	*3 577*	*19 818*
Loans to customers	12	783 456	626 535
- *loans to corporate clients*	*12*	*695 234*	*533 470*
- *loans to individuals*	*12*	*88 222*	*93 065*
Property and equipment		20 322	21 278
Deferred tax asset		336	-
Other assets		9 914	6 250
Total assets		**1 780 138**	**1 567 969**
LIABILITIES AND EQUITY			
Deposits by the Central bank of the Russian Federation	13	34 731	247 170
Deposits by credit institutions	14	491 507	381 624
Due to customers		958 717	689 496
- *due to corporate customers*		*677 152*	*440 842*
- *due to individuals*		*281 565*	*248 654*
Debt securities issued	15	123 085	137 203
Deferred tax liability		4 042	190
Other liabilities		8 646	8 885
Total liabilities		**1 620 728**	**1 464 568**
Equity			
Share capital	16	24 742	24 742
Additional paid-in capital		35 047	35 047
Perpetual debt issued	16	40 612	-
Revaluation surplus for buildings		688	688
Revaluation reserve for available-for-sale securities		350	451
Currency translation reserve		43	39
Retained earnings		57 928	42 434
Total equity		**159 410**	**103 401**
Total liabilities and equity		**1 780 138**	**1 567 969**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		86 100	78 175
Interest payments		(54 601)	(47 189)
Fees and commission receipts		11 554	9 682
Fees and commission payments		(1 869)	(1 531)
Net receipts from operations with securities		622	1 120
Net receipts (payments) from foreign exchange		13 000	(8 197)
State deposit insurance scheme contributions payments		(896)	(592)
Net other operating (expense payments) income receipts		(903)	405
Operating leases income receipts		1 259	790
Salaries and employment benefits paid		(6 847)	(5 440)
Administrative expenses paid		(3 479)	(3 161)
Income tax paid		(4 481)	(3 173)
Operating cash flows before changes in operating assets and liabilities		**39 459**	**20 889**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(2 129)	(2 794)
Deposits in credit and other financial institutions		5 251	(82 236)
Financial instruments at fair value through profit or loss		17 524	3 971
Loans to customers		(166 398)	(70 345)
Other assets		(299)	763
Increase (decrease) in operating liabilities		-	
Deposits by the Central bank of the Russian Federation		(203 290)	473
Deposits by credit institutions except syndicated and subordinated loans		84 927	168 659
Due to customers except subordinated loans		215 029	28 430
Promissory notes issued		(1 113)	217
Other liabilities		(153)	156
Net cash (used in) from operations		**(11 192)**	**68 183**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale securities		(46 144)	(20 139)
Proceeds from disposal and redemption of available-for-sale securities		54 420	43 196
Net payment on acquisition of subsidiary		-	(194)
Net purchase of property and equipment		(1 062)	(523)
Net cash from investing activities		**7 214**	**22 340**

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of perpetual debt		40 818	-
Interest on perpetual debt paid		(932)	-
Proceeds from syndicated borrowings		28 005	-
Proceeds from subordinated deposits		22 000	-
Repayment of subordinated deposits		(582)	(701)
Proceeds from placement and issuance of subordinated bonds		33 933	-
Partial redemption of subordinated bonds		(22 037)	-
Proceeds from placement and issuance of other bonds		12 683	5 885
Repayments of other bonds		(34 283)	(9 933)
Net cash from (used in) financing activities		**79 605**	**(4 749)**
Effect of exchange rates changes on cash and cash equivalents		**(11 660)**	**(9 551)**
Change in cash and cash equivalents		**63 967**	**76 223**
Cash and cash equivalents, beginning of the period		373 327	138 015
Cash and cash equivalents, end of the period	8	**437 294**	**214 238**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «МОСКОВСКИЙ КРЕДИТНЫЙ БАНК» * ЛИЦЕНЗИЯ БАНКА РОССИИ № 1978 * 107045, г. Москва, Луков переулок, д.2, стр. 1

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

(in millions of Russian Roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Perpetual debt issued	Revaluation surplus for buildings	Revaluation reserve for available-for- sale	Currency translation reserve	Retained earnings	Total equity
1 January 2016	**24 742**	**35 047**	**-**	**769**	**220**	**-**	**31 560**	**92 338**
Total comprehensive income for the period (Unaudited)	-	-	-	-	641	22	8 342	9 005
30 September 2016 (Unaudited)	**24 742**	**35 047**	**-**	**769**	**861**	**22**	**39 902**	**101 343**
1 January 2017	**24 742**	**35 047**	**-**	**688**	**451**	**39**	**42 434**	**103 401**
Total comprehensive income for the period (Unaudited)	-	-	-	-	(101)	4	16 075	15 978
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(932)	(932)
Perpetual debt issued (note 16) (Unaudited)	-	-	40 977	-	-	-	-	40 977
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	(365)	-	-	-	365	-
Transaction costs on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(159)	(159)
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	145	145
30 September 2017 (Unaudited)	**24 742**	**35 047**	**40 612**	**688**	**350**	**43**	**57 928**	**159 410**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

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

(in millions of Russian Roubles unless otherwise stated)

1 Background

Principal activities

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

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

The Bank is among the 10 largest banks in Russia by assets and conducts its business in Moscow and the Moscow region with a branch network comprising 99 branches, 1 092 ATMs and 6 085 payment terminals.

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

The principal subsidiaries of the Group are as follows:

			Degree of control, %	
Name	**Country of incorporation**	**Principal activities**	**30 September 2017 (unaudited)**	**31 December 2016**
"CBOM Finance p.l.c."	Ireland	Raising finance	100%	100%
"MKB-Leasing" Group	Russia	Finance leasing	100%	100%
"INKAKHRAN" Group	Russia	Cash handling	100%	100%
"CBM Ireland Leasing Limited"	Ireland	Operating leasing	100%	100%
LLC "Bank SKS"	Russia	Investment banking	100%	100%
CJSC "Mortgage Agent MKB"	Russia	Raising finance	100%	100%
LLC "Mortgage Agent MKB 2"	Russia	Raising finance	100%	100%
LLC "MKB Invest"	Russia	Raising finance	100%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c.", "MKB Invest", CJSC "Mortgage Agent MKB" and LLC "Mortgage Agent MKB 2". "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank. "MKB Invest" is controlled by the Group through an option agreement. CJSC "Mortgage Agent MKB" was established for the purposes of the mortgage loans securitization program launched by the Bank in 2014. LLC "Mortgage Agent MKB 2" was established for the purposes of the mortgage loans securitization program launched by the Bank in 2016. "CBM Ireland Leasing Limited" was established for operating leasing of aircrafts. In August 2016 the Bank acquired 100% of shares in LLC "Bank SKS" to develop investment banking activities.

Shareholders

The Bank's shareholders as at 30 September 2017 are:

- LLC Concern Rossium – 56.83%
- RegionFinanceResurs JSC – 9.97%
- LLC IC Algoritm – 9.41%
- European Bank for Reconstruction and Development (EBRD) – 4.54%
- JSC EG Capital Partners – 2.96%

- Ingosstrakh Insurance Company – 1.62%
- IQG Asset Management JSC– 1.42%
- Sever Assets Management LLC – 1.40%
- Other shareholders – 11.85%.

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

Related party transactions are detailed in note 18.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial risks in the markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

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

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

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2016, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement

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

Functional and presentation currency

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

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

(in millions of Russian Roubles unless otherwise stated)

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

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

	30 September 2017	31 December 2016	30 September 2016
USD	58.0169	60.6569	63.1581
EUR	68.4483	63.8111	70.8823

Use of estimates and judgments

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

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

In preparing these consolidated interim condensed financial statements the critical judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

3 Significant accounting policies

The accounting policies applied by the Group in the preparation of these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2016.

Certain amendments to IFRS became effective from 1 January 2017 and have been adopted by the Group since that date. These changes do not have a significant effect on the Group’s consolidated interim condensed financial statements.

(in millions of Russian Roubles unless otherwise stated)

4 Net interest income

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Interest income				
Loans to customers	61 468	60 508	21 702	20 171
Deposits in credit and other financial institutions and the CBR	23 531	14 202	7 803	5 325
Financial instruments at fair value through profit or loss and available-for-sale securities	7 186	9 356	2 388	2 594
	92 185	**84 066**	**31 893**	**28 090**
Interest expense				
Due to customers	(32 709)	(41 216)	(10 550)	(13 941)
Deposits by credit institutions and the CBR	(19 181)	(3 494)	(7 694)	(671)
Debt securities issued	(8 718)	(7 995)	(2 780)	(2 579)
	(60 608)	**(52 705)**	**(21 024)**	**(17 191)**
Net interest income	**31 577**	**31 361**	**10 869**	**10 899**

5 Net fee and commission income

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Fee and commission income				
Plastic cards	1 921	1 676	705	596
Guarantees and letters of credit	1 768	1 337	483	198
Settlements and wire transfers	1 668	1 237	564	471
Cash handling	1 561	1 921	489	638
Other cash operations	1 521	1 205	519	429
Insurance contracts processing	1 503	1 288	518	579
Currency exchange and brokerage commission	943	357	161	143
Opening and maintenance of bank accounts	455	359	99	93
Other	274	90	57	9
	11 614	**9 470**	**3 595**	**3 156**
Fee and commission expense				
Settlements, wire transfers and plastic cards	(1 723)	(1 395)	(661)	(487)
Other	(155)	(136)	(55)	(48)
	(1 878)	**(1 531)**	**(716)**	**(535)**
Net fee and commission income	**9 736**	**7 939**	**2 879**	**2 621**

(in millions of Russian Roubles unless otherwise stated)

6 Salaries, employment benefits and administrative expenses

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Salaries	5 793	4 443	1 708	1 500
Social security costs	1 481	1 240	415	382
Salaries and employment benefits	**7 274**	**5 683**	**2 123**	**1 882**
Rent expenses	770	788	250	287
Advertising and business development	719	635	303	426
Property maintenance	489	404	182	168
Security	440	435	140	152
Operating taxes	420	361	162	142
Legal and consulting services	158	92	68	34
Write-off of low-value fixed assets	143	235	48	54
Property insurance	139	140	46	46
Communications	131	121	53	45
Computer maintenance and software expenses	120	114	46	35
Transport	100	179	41	8
Other	35	126	13	50
Administrative expenses	**3 664**	**3 630**	**1 352**	**1 447**

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

7 Income tax

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
Current tax charge	1 284	3 951
Deferred taxation	3 464	(1 618)
Income tax expense	**4 748**	**2 333**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate for the Bank is 20% in 2017 and 2016.

(in millions of Russian Roubles unless otherwise stated)

8 Cash and cash equivalents

	30 September 2017 (Unaudited)	31 December 2016
Cash on hand	11 362	18 763
Correspondent account with the Central bank of the Russian Federation	63 652	22 768
Nostro accounts with other banks		
rated from AA+ to AA-	3 898	1 133
rated from A+ to A-	3 491	3 621
rated from BBB+ to BBB-	11 231	74 357
rated from BB+ to BB-	801	873
rated from B+ to B-	18	27
not rated	545	518
Total nostro accounts with other banks	**19 984**	**80 529**
Deposits in credit and other financial institutions with maturity of less than 1 month		
Deposits with the Central bank of the Russian Federation	1 295	-
rated from AA+ to AA-	7	-
rated from A+ to A-	14 913	5 052
rated from BBB+ to BBB-	29 401	9 608
rated from BB+ to BB-	10 149	12 444
rated from B+ to B-	33 157	64 198
not rated	253 374	159 965
Total deposits in credit and other financial institutions with maturity of less than 1 month	**342 296**	**251 267**
Total cash and cash equivalents	**437 294**	**373 327**

Ratings are based on Fitch, Moody’s and Standard & Poor’s rating system.

No cash and cash equivalents are impaired or past due.

The correspondent account with the Central bank of the Russian Federation represents balances held with the Central bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 30 September 2017, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 326 073 million (31 December 2016: RUB 228 616 million).

As at 30 September 2017, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 378 203 million (31 December 2016: RUB 278 955 million).

As at 30 September 2017, deposits in not rated credit and other financial institutions with maturity of less than 1 month include term deposits secured by liquid securities under agreements to resell (reverse repo) in the amount of RUB 253 368 million (31 December 2016: RUB 158 264 million).

As at 30 September 2017, the Group has two counterparties (31 December 2016: three counterparties) whose nostro accounts and deposits with maturity of less than 1 month exceed 10% of total cash and cash equivalents. The gross value of these balances as at 30 September 2017 is RUB 249 266 million (31 December 2016: RUB 256 993 million).

(in millions of Russian Roubles unless otherwise stated)

9 Deposits in credit and other financial institutions

	30 September 2017 (Unaudited)	31 December 2016
Term deposits		
rated from BB+ to BB-	5 474	1 506
rated from B+ to B-	41 555	167 063
rated from CCC+ to CCC-	-	29 558
not rated	338 384	205 353
Total deposits in credit and other financial institutions	**385 413**	**403 480**

No deposits in credit and other financial institutions are impaired or past due.

As at 30 September 2017, receivables under reverse sale and repurchase agreements included in deposits in credit and other financial institutions are RUB 376 363 million (31 December 2016: RUB 397 591 million).

As at 30 September 2017, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 456 330 million (31 December 2016: RUB 483 281 million).

As at 30 September 2017, deposits included in not rated and rated from CCC+ to CCC- credit and other financial institutions are receivables in the amount of RUB 334 955 million (31 December 2016: RUB 232 989 million) secured by liquid securities under agreements to resell (reverse repo).

As at 30 September 2017, the Group has two counterparties (31 December 2016: two counterparties) whose deposit balances exceed 10% of total deposits in credit and other financial institutions. The gross value of these balances as at 30 September 2017 is RUB 344 740 million (31 December 2016: RUB 365 788 million).

(in millions of Russian Roubles unless otherwise stated)

10 Financial instruments at fair value through profit or loss

	30 September 2017 (Unaudited)	31 December 2016
Held by the Group		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	8 026	1 047
Russian Government Eurobonds	10 575	1 745
The Central bank of the Russian Federation bonds	8	-
Regional authorities and municipal bonds	1 894	4 298
Corporate bonds		
from BBB+ to BBB-	21 162	33 602
from BB+ to BB-	9 195	19 614
from B+ to B-	1 743	8 583
not rated	663	5 926
Equity investments	-	1
Derivative financial instruments	36 548	2 549
Total held by the Group	**89 814**	**77 365**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	450	-
Russian Government Eurobonds	3 580	268
Regional authorities and municipal bonds	1 321	-
Corporate bonds		
from BBB+ to BBB-	1 516	315
from BB+ to BB-	1 271	5 961
Total pledged under sale and repurchase agreements	**8 138**	**6 544**
Total financial instruments at fair value through profit or loss	**97 952**	**83 909**

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

As at 30 September 2017, debt instruments at fair value through profit or loss in the amount of RUB 52 880 million (31 December 2016: RUB 64 807 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

(in millions of Russian Roubles unless otherwise stated)

11 Available-for-sale securities

	30 September 2017 (Unaudited)	31 December 2016
Held by the Group		
Corporate bonds		
from BBB+ to BBB-	4 716	1 538
from BB+ to BB-	12 750	8 590
from B+ to B-	9 334	6 265
not rated	5 538	9 580
Equity investments	120	112
Total held by the Group	**32 458**	**26 085**
Pledged under sale and repurchase agreements		
Corporate bonds		
from BBB+ to BBB-	254	5 428
from BB+ to BB-	3 323	14 390
Total pledged under sale and repurchase agreements	**3 577**	**19 818**
Total available-for-sale securities	**36 035**	**45 903**

No available-for-sale securities are past due.

As at 30 September 2017, debt instruments available for sale in the amount of RUB 20 685 million (31 December 2016: RUB 31 536 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

12 Loans to customers

	30 September 2017 (Unaudited)	31 December 2016
Loans to corporate clients	732 703	566 168
Impairment allowance	(37 469)	(32 698)
Total loans to corporate clients, net	**695 234**	**533 470**
Loans to individuals		
Auto loans	554	1 183
Mortgage loans	20 745	23 861
Credit card loans	3 928	3 783
Other loans to individuals	69 558	71 743
Impairment allowance	(6 563)	(7 505)
Total loans to individuals, net	**88 222**	**93 065**
Total gross loans to customers	**827 488**	**666 738**
Impairment allowance	**(44 032)**	**(40 203)**
Net loans to customers	**783 456**	**626 535**

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 September 2017 and 31 December 2016:

	30 September 2017 (Unaudited)	31 December 2016
Loans to customers		
- Not past due	752 534	617 224
- Not past due but impaired	48 866	30 214
- Overdue less than 31 days	3 511	1 857
- Overdue 31-60 days	962	1 210
- Overdue 61-90 days	7 946	964
- Overdue 91-180 days	2 244	1 544
- Overdue 181-360 days	5 718	6 213
- Overdue more than 360 days	5 707	7 512
Total gross loans to customers	**827 488**	**666 738**
Impairment allowance	**(44 032)**	**(40 203)**
Total net loans to customers	**783 456**	**626 535**

As at 30 September 2017, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 26 088 million, which represents 3.2% of the gross loan portfolio (31 December 2016: RUB 19 300 million and 2.9%, respectively).

Non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 13 669 million or 1.7% of the gross loan portfolio (31 December 2016: RUB 15 269 million and 2.3%, respectively).

As at 30 September 2017, the ratio of total impairment allowance to overdue loans equals 168.8%, the ratio of total impairment allowance to NPLs equals 322.1% (31 December 2016: 208.3%, 263.3%, respectively).

Movements in the loan impairment allowance for the nine-month periods ended 30 September 2017 and 30 September 2016 are as follows:

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
Balance at the beginning of the period	**40 203**	**36 874**
Net charge	10 414	24 047
Net write-offs	(6 585)	(24 113)
Balance at the end of the period	**44 032**	**36 808**

As at 30 September 2017, net interest accrued on overdue and impaired loans amounts to RUB 4 028 million (31 December 2016: RUB 1 696 million).

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 30 September 2017 and 31 December 2016:

	30 September 2017 (Unaudited)	31 December 2016
Loans to corporate clients		
- Not past due	667 001	527 212
- Not past due but impaired	48 866	30 214
- Overdue less than 31 days	1 974	534
- Overdue 31-60 days	371	163
- Overdue 61-90 days	7 466	98
- Overdue 91-180 days	820	212
- Overdue 181-360 days	2 327	2 947
- Overdue more than 360 days	3 878	4 788
Total gross loans to corporate clients	**732 703**	**566 168**
Impairment allowance	**(37 469)**	**(32 698)**
Total net loans to corporate clients	**695 234**	**533 470**

As at 30 September 2017, the Group estimates loan impairment for loans to corporate clients based on an analysis of future cash flows for impaired loans and based on its internal credit rating adjusted for the value of collateral for portfolios of loans for which no indications of impairment have been identified. The key assumptions used in the analysis of future cash flows for impaired loans are based on the assessment of the value of collateral pledged to secure these loans when applicable. To estimate net realizable value of collateral for sale, management generally relies on market prices and professional judgment of internal appraisers, applying discount where appropriate.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus two percent, the impairment allowance as at 30 September 2017 would decrease/increase by RUB 13 905 million (31 December 2016: RUB 10 669 million).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the nine-month periods ended 30 September 2017 and 30 September 2016 are as follows:

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
Balance at the beginning of the period	**32 698**	**27 783**
Net charge	7 041	18 323
Net write-offs	(2 270)	(17 627)
Balance at the end of the period	**37 469**	**28 479**

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 30 September 2017:

(Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Loans to individuals					
- Not past due	504	18 939	3 676	62 414	85 533
- Overdue less than 31 days	11	282	37	1 207	1 537
- Overdue 31-60 days	7	112	-	472	591
- Overdue 61-90 days	2	23	24	431	480
- Overdue 91-180 days	8	142	54	1 220	1 424
- Overdue 181-360 days	15	341	92	2 943	3 391
- Overdue more than 360 days	7	906	45	871	1 829
Gross loans to individuals	**554**	**20 745**	**3 928**	**69 558**	**94 785**
Impairment allowance	**(28)**	**(667)**	**(201)**	**(5 667)**	**(6 563)**
Net loans to individuals	**526**	**20 078**	**3 727**	**63 891**	**88 222**

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

	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Loans to individuals					
- Not past due	1 094	21 603	3 511	63 804	90 012
- Overdue less than 31 days	16	182	-	1 125	1 323
- Overdue 31-60 days	8	44	25	970	1 047
- Overdue 61-90 days	9	54	20	783	866
- Overdue 91-180 days	9	176	54	1 093	1 332
- Overdue 181-360 days	33	415	101	2 717	3 266
- Overdue more than 360 days	14	1 387	72	1 251	2 724
Gross loans to individuals	**1 183**	**23 861**	**3 783**	**71 743**	**100 570**
Impairment allowance	**(54)**	**(1 127)**	**(239)**	**(6 085)**	**(7 505)**
Net loans to individuals	**1 129**	**22 734**	**3 544**	**65 658**	**93 065**

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

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the impairment allowance as at 30 September 2017 would decrease/increase by RUB 2 647 million (31 December 2016: RUB 2 792 million).

(in millions of Russian Roubles unless otherwise stated)

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the nine-month period ended 30 September 2017 are as follows:

(Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Balance at the beginning of the period	**54**	**1 127**	**239**	**6 085**	**7 505**
Net charge	2	(95)	116	3 350	3 373
Net write-offs	(28)	(365)	(154)	(3 768)	(4 315)
Balance at the end of the period	**28**	**667**	**201**	**5 667**	**6 563**

Movements in the loan impairment allowance by classes of loans to individuals for the nine-month period ended 30 September 2016 are as follows:

(Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Balance at the beginning of the period	**114**	**902**	**545**	**7 530**	**9 091**
Net charge	6	841	196	4 681	5 724
Net write-offs	(52)	(585)	(460)	(5 389)	(6 486)
Balance at the end of the period	**68**	**1 158**	**281**	**6 822**	**8 329**

Industry and geographical analysis of the loan portfolio

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

	30 September 2017 (Unaudited)	31 December 2016
Loans to individuals	94 785	100 570
Oil and industrial chemicals	277 392	114 564
Financial	52 924	45 984
Property rental	76 974	62 505
Residential and commercial construction and development	56 448	45 749
Automotive, motorcycles and spare parts	48 635	49 693
Food and farm products	44 106	72 255
Services	34 863	44 747
Pharmaceutical and medical products	30 575	20 145
Industrial and infrastructure construction	23 874	21 246
Metallurgical	22 381	39 914
Industrial equipment and machinery	20 486	14 147
Consumer electronics, appliances and computers	13 794	8 251
Construction and decorative materials, furniture	13 725	11 918
Clothing, shoes, textiles and sporting goods	8 493	8 599
Equipment leasing	2 387	318

(in millions of Russian Roubles unless otherwise stated)

	30 September 2017 (Unaudited)	**31 December 2016**
Paper, stationery and packaging products	1 694	2 628
Consumer chemicals, perfumes and hygiene products	1 539	917
Telecommunications	538	35
Government and municipal bodies	404	1 422
Other	1 471	1 131
Total gross loans to customers	**827 488**	**666 738**
Impairment allowance	(44 032)	(40 203)
Net loans to customers	**783 456**	**626 535**

During 2017 the Group revised industry classification of certain borrowers. Comparative information was reclassified to conform to changes in presentation of these consolidated interim condensed financial statements.

13 Deposits by the Central bank of the Russian Federation

	30 September 2017 (Unaudited)	**31 December 2016**
Payables under repurchase agreements	34 731	247 170
Total deposits by the Central bank of the Russian Federation	**34 731**	**247 170**

As at 30 September 2017, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 41 076 million (31 December 2016: RUB 285 678 million).

14 Deposits by credit institutions

	30 September 2017 (Unaudited)	**31 December 2016**
Payables under repurchase agreements	423 626	247 011
Term deposits	35 996	129 999
Syndicated debt	29 369	-
Current accounts	2 516	3 991
Subordinated debt	-	623
Total deposits by credit institutions	**491 507**	**381 624**

As at 30 September 2017, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 475 395 million (31 December 2016: RUB 284 635 million).

As at 30 September 2017, the Group has one counterparty (31 December 2016: two counterparties) whose deposits balances exceed 10% of deposits by credit institutions. The gross value of these balances as at 30 September 2017 is RUB 382 068 million (31 December 2016: RUB 329 968 million).

(in millions of Russian Roubles unless otherwise stated)

15 Debt securities issued

	30 September 2017 (Unaudited)	31 December 2016
Promissory notes issued at nominal value	-	1 145
Total promissory notes issued	**-**	**1 145**
Bonds	70 763	95 252
Subordinated bonds	52 322	40 806
Total bonds issued	**123 085**	**136 058**
Total debt securities issued	**123 085**	**137 203**

16 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital at 30 September 2017 comprises 23 879 709 866 shares (31 December 2016: 23 879 709 866 shares) with par value of 1 RUB per share. In addition, at 30 September 2017 the Bank has 12 396 448 142 authorized but unissued ordinary shares with an aggregate nominal value of RUB 12 396 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 862 million.

In May 2017 the Group issued subordinated perpetual Eurobonds in the amount of USD 700 million at par with a coupon rate of 8.875% per annum. The Group has the right to call the Eurobonds in November 2022 or on any subsequent coupon payment date thereafter at the option of the Group. The coupon is paid on a quarterly basis and the coupon rate is fixed until the first call date after which it is reset every 5 years. The coupon payment is not cumulative and may be cancelled at the discretion of the Group.

As the Group has discretion in relation to coupon and principal repayment, the Group classified subordinated perpetual Eurobonds as an equity instrument in the consolidated interim condensed statement of financial position. The Central bank of the Russian Federation (CBR) approved the inclusion of the perpetual Eurobonds in the calculation of statutory capital adequacy ratio. The Eurobonds are Basel-III compliant and eligible for inclusion into the Group’s Additional Tier 1 capital upon receiving approval from the CBR (note 19).

The USD denominated subordinated perpetual Eurobonds are translated to its RUB equivalent at the period-end exchange rate with exchange differences recorded in retained earnings when incurred. Issuance costs are also recorded in retained earnings when incurred.

17 Contingencies

Insurance

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

Litigation

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

Taxation contingencies

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

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

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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

(in millions of Russian Roubles unless otherwise stated)

18 Related party transactions

The outstanding balances with related parties and related average interest rates as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017 (Unaudited)		**31 December 2016**	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Loans to customers				
Under control of principal beneficiary	24 892	13.2%	18 318	14.2%
Management	90	15.9%	70	16.4%
Total loans to customers	**24 982**		**18 388**	
Due to customers				
Term deposits by customers				
Principal beneficiary	1 461	6.5%	828	9.9%
Under control of principal beneficiary	670	7.3%	241	10.0%
Management	362	4.7%	145	5.0%
Parent company	-	-	977	10.1%
Total term deposits by customers	**2 493**		**2 191**	
Current accounts by customers				
Parent company	698		-	
Under control of principal beneficiary	428		68	
Management	15		64	
Principal beneficiary	3		3	
Total current accounts by customers	**1 144**		**135**	
Total due to customers	**3 637**		**2 326**	
Debt securities issued				
Parent company	287	7.5%	-	
Total debt securities issued	**287**		-	
Other liabilities				
Under control of principal beneficiary	1 061		-	
Total other liabilities	**1 061**		-	
Guarantees issued				
Under control of principal beneficiary	31		343	
Total guarantees	**31**		**343**	

As at 30 September 2017, the parent company has an investment in perpetual debt issued in amount of RUB 333 million.

As at 30 September 2017 the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 900 million (31 December 2016: RUB 900 million).

Amounts included in profit or loss and other comprehensive income for the nine-month periods ended 30 September 2017 and 30 September 2016 in relation to transactions with related parties are as follows:

(in millions of Russian Roubles unless otherwise stated)

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
Interest income on loans to customers		
Under control of principal beneficiary	2 628	416
Parent company	161	2
Management	10	7
Total interest income	**2 799**	**425**
Interest expense on due to customers		
Under control of principal beneficiary	55	229
Principal beneficiary	41	18
Parent company	37	60
Management	11	11
Total interest expense	**144**	**318**
Net foreign exchange losses		
Under control of principal beneficiary	1 061	-
Total net foreign exchange losses	**1 061**	**-**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the nine-month periods ended 30 September 2017 and 30 September 2016 (refer to note 6) is as follows:

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
Board Members of the Management Board	382	73
Members of the Supervisory Board	52	59
	434	**132**

19 Capital management

The CBR sets and monitors capital requirements for the Group.

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

As at 30 September 2017, minimum level of main capital ratio (ratio N20.2) is 6.0%, basic capital ratio (ratio N20.1) is 4.5%, own funds (capital) ratio (ratio N20.0) is 8.0% (31 December 2016: 6.0%, 4.5%, 8.0%, respectively).

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

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

(in millions of Russian Roubles unless otherwise stated)

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 30 September 2017 and 31 December 2016.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 30 September 2017 and 31 December 2016 is as follows:

	30 September 2017 (Unaudited)	**31 December 2016**
Tier 1 capital		
Share capital and additional paid-in capital	59 789	59 789
Retained earnings	57 928	42 434
Intangible assets	(402)	(314)
Core tier 1	**117 315**	**101 909**
Additional capital		
Perpetual debt issued	40 612	-
Total tier 1 capital	**157 927**	**101 909**
Tier 2 capital		
Revaluation surplus for buildings	688	688
Revaluation reserve for investments available-for-sale	350	451
Subordinated loans*	57 025	38 464
Subordinated bonds	42 201	18 294
Total tier 2 capital	**100 264**	**57 897**
Total capital	**258 191**	**159 806**
Risk-weighted assets		
Banking book	912 812	869 092
Trading book	120 679	138 703
Operational risk	77 593	77 593
Total risk weighted assets	**1 111 084**	**1 085 388**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**23.2**	**14.7**
Total tier 1 capital expressed as a percentage of risk-weighted assets (Core tier 1 capital ratio) (%)	**10.6**	**9.4**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**14.2**	**9.4**

* In October 2017 the Central bank of the Russian Federation approved including two subordinated deposits in the total amount of RUB 22 billion received in September 2017 to the Group's tier 2 capital.

In June 2015 the State Corporation "Deposit Insurance Agency" provided a subordinated loan of RUB 20 231 million to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction.

The Group does not recognize securities received and a subordinated obligation to return them to the lender in the consolidated interim condensed statement of financial position of the Group. The obligation to return securities received to the State Corporation "Deposit Insurance Agency" is subordinated to other ordinary obligations of the Group and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its Tier 2 capital for the purpose of statutory regulatory capital and capital calculated for capital management purposes in accordance with Basel III.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees.

20 Analysis by segment

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

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

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

(in millions of Russian Roubles unless otherwise stated)

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

	30 September 2017 (Unaudited)	31 December 2016
ASSETS		
Corporate banking	717 825	552 400
Retail banking	91 687	95 693
Treasury	942 595	887 856
Cash operations	14 327	18 763
Unallocated assets	13 704	13 257
Total assets	**1 780 138**	**1 567 969**
LIABILITIES		
Corporate banking	679 991	440 604
Retail banking	285 484	248 654
Treasury	645 011	763 107
Cash operations	2 492	3 289
Unallocated liabilities	7 750	8 914
Total liabilities	**1 620 728**	**1 464 568**

Segment information for the main reportable segments for the nine-month period ended 30 September 2017 is set below:

(Unaudited)	**Corporate banking**	**Retail banking**	**Treasury**	**Cash operations**	**Unallocated**	**Total**
External interest income	49 338	12 174	30 640	33	-	92 185
Fee and commission income	3 211	4 546	747	3 110	-	11 614
Net gain on securities	-	-	746	-	-	746
Net foreign exchange gain	-	-	1 976	-	-	1 976
Other operating income (expenses), net	1 425	193	(1 321)	(17)	-	280
(Expenses) revenue from other segments	(6 864)	8 204	(1 864)	524	-	-
Revenue	**47 110**	**25 117**	**30 924**	**3 650**	**-**	**106 801**
Impairment losses on loans	(7 041)	(3 373)	-	-	-	(10 414)
Interest expense	(18 265)	(14 936)	(27 407)	-	-	(60 608)
Fee and commission expense	(5)	(1 688)	(170)	(15)	-	(1 878)
General administrative and other expenses	(2 051)	(3 956)	(316)	(3 269)	(3 486)	(13 078)
Expense	**(27 362)**	**(23 953)**	**(27 893)**	**(3 284)**	**(3 486)**	**(85 978)**
Segment result	**19 748**	**1 164**	**3 031**	**366**	**(3 486)**	**20 823**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the nine-month period ended 30 September 2016 is set below:

(Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	46 350	14 158	23 558	-	-	84 066
Fee and commission income	2 540	3 651	153	3 126	-	9 470
Net gain on securities	-	-	1 553	-	-	1 553
Net foreign exchange gain	465	88	3 042	-	-	3 595
Other operating income, net	734	143	97	-	-	974
Revenue (expenses) from other segments	6 027	7 079	(13 418)	312	-	-
Revenue	**56 116**	**25 119**	**14 985**	**3 438**	**-**	**99 658**
Impairment losses on loans	(18 323)	(5 724)	-	-	-	(24 047)
Interest expense	(27 355)	(13 861)	(11 489)	-	-	(52 705)
Fee and commission expense	(1 319)	(135)	(77)	-	-	(1 531)
General administrative and other expenses	(3 516)	(3 094)	(244)	(1 246)	(2 600)	(10 700)
Expense	**(50 513)**	**(22 814)**	**(11 810)**	**(1 246)**	**(2 600)**	**(88 983)**
Segment result	**5 603**	**2 305**	**3 175**	**2 192**	**(2 600)**	**10 675**

Information about geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation. The majority of non-current assets are located in the Russian Federation.

(in millions of Russian Roubles unless otherwise stated)

21 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2017:

(unaudited)	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	437 294	-	-	437 294	437 294
Obligatory reserves with the CBR	-	9 416	-	-	9 416	9 416
Deposits in credit and other financial institutions	-	385 413	-	-	385 413	385 413
Financial instruments at fair value through profit or loss	97 952	-	-	-	97 952	97 952
Available-for-sale securities	-	-	36 035	-	36 035	35 915
Loans to customers	-	783 456	-	-	783 456	785 355
Other financial assets	-	1 294	-	-	1 294	1 294
	97 952	**1 616 873**	**36 035**	**-**	**1 750 860**	**1 752 639**
Deposits by the CBR	-	-	-	34 731	34 731	34 731
Deposits by credit institutions	-	-	-	491 507	491 507	491 507
Due to customers	28 689	-	-	930 028	958 717	969 139
Debt securities issued	-	-	-	123 085	123 085	118 612
Other financial liabilities	2 129	-	-	1 785	3 914	3 914
	30 818	**-**	**-**	**1 581 136**	**1 611 954**	**1 617 903**

The main assumptions used by management to estimate the fair values of financial instruments as at 30 September 2017 are:

- discount rates from 8.1% to 15.4% (roubles) and from 3.2% to 8.0% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 11.3% to 26.8% (roubles) and from 8.6% to 11.3% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 5.0% to 8.9% (roubles) and from 0.1% to 1.5% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 6.5% to 8.5% (roubles) and from 0.6% to 1.6% (foreign currency) are used for discounting future cash flows from retail deposits.

(in millions of Russian Roubles unless otherwise stated)

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

	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	373 327	-	-	373 327	373 327
Obligatory reserves with the CBR	-	7 287	-	-	7 287	7 287
Deposits in credit and other financial institutions	-	403 480	-	-	403 480	403 480
Financial instruments at fair value through profit or loss	83 909	-	-	-	83 909	83 909
Available-for-sale securities	-	-	45 903	-	45 903	45 792
Loans to customers	-	626 535	-	-	626 535	628 248
Other financial assets	-	1 845	-	-	1 845	1 845
	83 909	**1 412 474**	**45 903**	**-**	**1 542 286**	**1 543 888**
Deposits by the CBR	-	-	-	247 170	247 170	247 170
Deposits by credit institutions	-	-	-	381 624	381 624	381 624
Due to customers	-	-	-	689 496	689 496	694 976
Debt securities issued	-	-	-	137 203	137 203	139 661
Other financial liabilities	1 081	-	-	1 885	2 966	2 966
	1 081	**-**	**-**	**1 457 378**	**1 458 459**	**1 466 397**

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

- discount rates from 9.5% to 18.1% (roubles) and from 3.5% to 10.0% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 13.6% to 28.0% (roubles) and from 10.1% to 12.5% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 5.5% to 10.5% (roubles) and from 0.1% to 2.7% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 8.1% to 9.8% (roubles) and from 0.6% to 1.6% (foreign currency) are used for discounting future cash flows from retail deposits.

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist, Monte Carlo and polynomial-option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(in millions of Russian Roubles unless otherwise stated)

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

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

Fair value hierarchy

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

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

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortized cost for which fair value does not approximate their carrying amount as at 30 September 2017 and 31 December 2016:

30 September 2017 (Unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss	61 404	36 548	-	**97 952**
Available-for-sale securities	34 364	1 551	-	**35 915**
Loans to customers	-	-	785 355	**785 355**
Due to customers	-	969 139	-	**969 139**
Debt securities issued	118 612	-	-	**118 612**
Other financial liabilities	-	3 914	-	**3 914**

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss	81 360	2 549	-	**83 909**
Available-for-sale securities	45 792	-	-	**45 792**
Loans to customers	-	-	628 248	**628 248**
Due to customers	-	694 976	-	**694 976**
Debt securities issued	138 516	1 145	-	**139 661**
Other financial liabilities	-	2 966	-	**2 966**

During nine-month period ended 30 September 2017 there were no transfers of assets between Level 1 and Level 2.

(in millions of Russian Roubles unless otherwise stated)

22 Earnings per share

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

Basic earnings per share are calculated as follows:

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Profit for the period	16 075	8 342	6 067	3 275
Weighted average number of ordinary shares in issue	23 879 709 866	23 879 709 866	23 879 709 866	23 879 709 866
Basic and diluted earnings per share (in RUB per share)	**0.67**	**0.35**	**0.25**	**0.14**

23 Events subsequent to the reporting date

In October 2017 the Group placed an additional share issue on Moscow Exchange. A total volume of the offering comprised 3.2 billion shares and the offer price was set at RUB 4.5 per share. Proceeds from the Offering in the amount of RUB 14.4 billion were included to the Group's core tier 1 capital.

In October 2017 Oleg A. Borunov became a member of the Management Board and was appointed Deputy Chairman of the Management Board. Oleg Borunov is in charge of the Group's investment banking business.

In October 2017 Alexander N. Kaznacheev became a member of the Management Board and was appointed Deputy Chairman of the Management Board. Alexander Kaznacheev is in charge of the Group's corporate banking business.

In October 2017 the Group partially repurchased its USD 500 million 8.7% subordinated Loan Participation Notes CBOM-18 due in 2018, of which USD 106.2 million remained outstanding through a tender offer to purchase any and all of the outstanding Notes for cash. The value of the Notes accepted for purchase amounted to USD 25.0 million.

In October 2017 the Group paid out the 1st coupon in the amount of USD 22.5 million on Loan Participation Notes CBOM-27. The issue was originally placed in April 2017 with a maturity of 10.5 years. The nominal value of the issue is USD 600 million.

In October 2017 the Group paid out the 8th coupon in the amount of RUB 119.0 million or RUB 51.64 per bond on domestic bonds series BO-07. The issue was originally placed on 30 October 2013 with a maturity of 5 years. The nominal value of the issue is RUB 7 billion.

In October 2017 the Group paid out the 8th coupon in the amount of RUB 205.9 million or RUB 50.89 per bond on domestic bonds series BO-06. The issue was originally placed on 24 October 2013 with a maturity of 5 years. The nominal value of the issue is RUB 5 billion.

In November 2017 the Group paid out the 2nd coupon in the amount of USD 15.5 million on perpetual subordinated Loan Participation Notes. The issue was originally placed in May 2017. The nominal value of the issue is USD 700 million.

In November 2017 the Group paid out the 2nd coupon in the amount of USD 14.7 million on Loan Participation Notes CBOM-21. The issue was originally placed in November 2016 with a maturity of 5 years. The nominal value of the issue is USD 500 million.

In November 2017 the Group paid out the 10th coupon in the amount of USD 4.6 million on Loan Participation Notes CBOM-18. The issue was originally placed in May 2013 with a maturity of 5.5 years and the nominal value of USD 500 million.

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «МОСКОВСКИЙ КРЕДИТНЫЙ БАНК» СВ. БАНКА РОССИИ № 1978 * 107045, г. Москва, Луков переулок, д.2, стр. 1

17 November 2017