

Sberbank of Russia and its subsidiaries

Interim Condensed Consolidated Financial Statements
and Report on Review

31 March 2017

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and the Supervisory Board of Sberbank of Russia

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Sberbank of Russia and its subsidiaries (the "Group") as at 31 March 2017 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

23 May 2017
Moscow, Russian Federation

E.N. Kriventsey, engagement leader (licence no. 01-000198)
AO PricewaterhouseCoopers Audit

Audited entity: Sberbank of Russia

Main state registration number: 1027700132195, issued on 16 August 2002.

Address: 117997, Russian Federation, Moscow, Vavilova 19

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate number 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration number 1027700148431

Member of Self-regulated organisation of auditors "Russian Union of auditors" (Association)

Main registration record number 11603050547 in the register of auditors and audit organizations

Interim Consolidated Statement of Financial Position

<i>in billions of Russian Roubles</i>	Note	31 March 2017 (unaudited)	31 December 2016
ASSETS			
Cash and cash equivalents		2,179.9	2,560.8
Mandatory cash balances with central banks		375.7	402.0
Financial assets at fair value through profit or loss	5	592.5	605.5
Due from banks	6	1,208.0	965.4
Loans and advances to customers	7	16,835.3	17,361.3
Securities pledged under repurchase agreements	8	91.2	113.9
Investment securities available-for-sale	9	1,645.1	1,658.9
Investment securities held-to-maturity	10	578.6	545.8
Deferred tax asset		15.2	13.9
Premises and equipment		487.2	482.9
Assets of the disposal groups and non-current assets held for sale		4.1	5.8
Other financial assets	11	331.3	314.5
Other non-financial assets	11	311.3	337.8
TOTAL ASSETS		24,655.4	25,368.5
LIABILITIES			
Due to banks	12	556.5	561.9
Due to individuals	13	12,325.4	12,449.6
Due to corporate customers	13	5,717.6	6,235.2
Debt securities in issue	14	957.2	1,161.0
Other borrowed funds		231.4	261.4
Financial liabilities at fair value through profit or loss other than debt securities in issue	15	170.1	212.9
Deferred tax liability		33.2	55.1
Liabilities of the disposal groups		—	0.8
Provisions on insurance and pension fund operations	16	581.1	479.2
Other financial liabilities	16	307.9	312.6
Other non-financial liabilities	16	84.0	77.3
Subordinated debt	17	732.1	739.9
TOTAL LIABILITIES		21,696.5	22,546.9
EQUITY			
Share capital		87.7	87.7
Treasury shares		(7.8)	(7.9)
Share premium		232.6	232.6
Revaluation reserve for office premises		66.2	66.9
Fair value reserve for investment securities available-for-sale		18.6	24.0
Foreign currency translation reserve		(42.7)	(19.8)
Remeasurement of defined benefit pension plans		(1.2)	(1.1)
Retained earnings		2,604.2	2,435.7
Total equity attributable to shareholders of the Bank		2,957.6	2,818.1
Non-controlling interest		1.3	3.5
TOTAL EQUITY		2,958.9	2,821.6
TOTAL LIABILITIES AND EQUITY		24,655.4	25,368.5

Approved for issue and signed on behalf of the Executive Board on 23 May 2017.



Herman Gref,
Chairman of the Executive Board and CEO




Marina Lukianova,
Chief Accountant

Interim Consolidated Statement of Profit or Loss

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Note	Three months ended 31 March	
		2017	2016
Interest income	18	565.6	613.0
Interest expense	18	(214.8)	(276.1)
Deposit insurance expenses	18	(14.2)	(11.4)
Net interest income		336.6	325.5
Net provision charge for impairment of debt financial assets	6,7,10	(67.3)	(83.9)
Net interest income after provision charge for impairment of debt financial assets		269.3	241.6
Fee and commission income	19	103.2	94.6
Fee and commission expense	19	(22.8)	(17.4)
Net gains from trading securities		0.6	2.3
Net gains from securities designated as at fair value through profit or loss		0.2	1.6
Net gains from investment securities available-for-sale		16.8	1.3
Impairment of investment securities available-for-sale		(0.1)	(0.3)
Net losses from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	20	(10.6)	(24.9)
Net gains from operations with precious metals, precious metals derivatives and precious metals accounts translation		2.0	2.6
Net gains / (losses) from operations with other derivatives		0.7	(1.1)
Impairment of premises, equipment and intangible assets		(2.5)	—
Goodwill impairment		(3.7)	—
Net charge for other provisions	11,16	(7.2)	(15.8)
Revenue of non-core business activities	21	9.5	7.5
Cost of sales and other expenses of non-core business activities	21	(9.3)	(6.3)
Net premiums from insurance and pension fund operations	22	129.0	115.9
Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	22	(122.8)	(112.3)
Other net operating income		2.9	4.4
Operating income		355.2	293.7
Operating expenses	23	(147.3)	(143.8)
Profit before tax		207.9	149.9
Income tax expense		(41.3)	(32.2)
Profit for the period		166.6	117.7
Attributable to:			
- shareholders of the Bank		167.8	118.0
- non-controlling interest		(1.2)	(0.3)
Earnings per ordinary share attributable to the shareholders of the Bank, basic and diluted	24	7.79	5.49
(expressed in RR per share)			

Approved for issue and signed on behalf of the Executive Board on 23 May 2017.



Herman Gref,
Chairman of the Executive Board and CEO



Marina Lukianova,
Chief Accountant

Interim Consolidated Statement of Comprehensive Income

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Profit for the period	166.6	117.7
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Investment securities available-for-sale:		
- Net gains on revaluation of investment securities available-for-sale, net of tax	7.9	35.8
- Impairment of investment securities available-for-sale transferred to profit or loss, net of tax	0.1	0.2
- Accumulated gains transferred to profit or loss upon disposal of investment securities available-for-sale, net of tax	(13.4)	(1.0)
Exchange differences on translating foreign operations	(22.9)	(27.6)
Total other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods, net of tax	(28.3)	7.4
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Remeasurement of defined benefit pension plans	(0.1)	(0.6)
Total other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(0.1)	(0.6)
Total other comprehensive (loss) / income	(28.4)	6.8
Total comprehensive income for the period	138.2	124.5
Attributable to:		
- shareholders of the Bank	139.4	124.8
- non-controlling interest	(1.2)	(0.3)

Interim Consolidated Statement of Changes in Equity

<i>in billions of Russian Roubles</i>	Attributable to shareholders of the Bank										
	Share capital	Treasury shares	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available-for-sale	Foreign currency translation reserve	Remeasurement of defined benefit pension plans	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 31 December 2015	87.7	(6.7)	232.6	69.3	(45.7)	101.1	(0.7)	1,935.2	2,372.8	2.2	2,375.0
Changes in equity for the three months ended 31 March 2016 (unaudited)											
Net result from treasury shares transactions	—	—	—	—	—	—	—	0.2	0.2	—	0.2
Transfer of revaluation reserve for office premises upon disposal or depreciation	—	—	—	(0.9)	—	—	—	0.9	—	—	—
<i>Profit / (loss) for the period</i>	—	—	—	—	—	—	—	118.0	118.0	(0.3)	117.7
<i>Other comprehensive income / (loss) for the period</i>	—	—	—	—	35.0	(27.6)	(0.6)	—	6.8	—	6.8
Total comprehensive income / (loss) for the period	—	—	—	—	35.0	(27.6)	(0.6)	118.0	124.8	(0.3)	124.5
Balance as at 31 March 2016 (unaudited)	87.7	(6.7)	232.6	68.4	(10.7)	73.5	(1.3)	2,054.3	2,497.8	1.9	2,499.7
Balance as at 31 December 2016	87.7	(7.9)	232.6	66.9	24.0	(19.8)	(1.1)	2,435.7	2,818.1	3.5	2,821.6
Changes in equity for the three months ended 31 March 2017 (unaudited)											
Net result from treasury shares transactions	—	0.1	—	—	—	—	—	—	0.1	—	0.1
Transfer of revaluation reserve for office premises upon disposal or depreciation	—	—	—	(0.7)	—	—	—	0.7	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1.0)	(1.0)
<i>Profit / (loss) for the period</i>	—	—	—	—	—	—	—	167.8	167.8	(1.2)	166.6
<i>Other comprehensive loss for the period</i>	—	—	—	—	(5.4)	(22.9)	(0.1)	—	(28.4)	—	(28.4)
Total comprehensive (loss) / income for the period	—	—	—	—	(5.4)	(22.9)	(0.1)	167.8	139.4	(1.2)	138.2
Balance as at 31 March 2017 (unaudited)	87.7	(7.8)	232.6	66.2	18.6	(42.7)	(1.2)	2,604.2	2,957.6	1.3	2,958.9

Interim Consolidated Statement of Cash Flows

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Cash flows from operating activities		
Interest received	510.9	546.1
Interest paid	(189.4)	(246.3)
Deposit insurance expenses paid	(13.8)	(10.7)
Fees and commissions received	104.7	97.1
Fees and commissions paid	(21.5)	(17.0)
Net gains received on trading securities	0.8	1.8
Dividends received	0.1	0.2
Net (losses incurred) / gains received on securities designated as at fair value through profit or loss	(1.2)	0.2
Net gains received from trading in foreign currencies and from operations with foreign currency derivatives	25.6	12.3
Net gains received from operations with other derivatives	1.2	5.5
Net gains received from operations with precious metals and precious metals derivatives	1.5	1.5
Revenue received from non-core business activities	8.1	8.8
Expenses paid on non-core business activities	(6.6)	(6.0)
Insurance premiums received	25.9	18.9
Claims, benefits and acquisition costs on insurance operations paid	(0.8)	(0.6)
Pension fund premiums received	102.5	96.3
Claims, benefits and acquisition costs on pension fund operations paid	(20.1)	(18.2)
Other net operating income received	2.7	2.2
Operating expenses paid	(92.0)	(89.2)
Income tax paid	(63.6)	(3.5)
Cash flows from operating activities before changes in operating assets and liabilities	375.0	399.4
Changes in operating assets and liabilities		
Net decrease / (increase) in mandatory cash balances with central banks	3.0	(63.5)
Net (increase) / decrease in financial assets at fair value through profit or loss	(26.6)	15.4
Net (increase) / decrease in due from banks	(309.7)	67.5
Net decrease / (increase) in loans and advances to customers	29.7	(384.0)
Net (increase) / decrease in other assets	(15.6)	172.3
Net increase / (decrease) in due to banks	17.5	(160.9)
Net increase / (decrease) in due to individuals	97.4	(181.3)
Net (decrease) / increase in due to corporate customers	(228.3)	273.1
Net (decrease) / increase in debt securities in issue except for loan participation notes issued under the MTN programme of Sberbank	(20.4)	48.0
Net decrease in financial liabilities at fair value through profit or loss other than debt securities in issue	(8.0)	(4.5)
Net decrease in other liabilities	(27.7)	(92.3)
Net cash (used in) / from operating activities	(113.7)	89.2

Interim Consolidated Statement of Cash Flows (Continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Cash flows from investing activities		
Purchase of investment securities available-for-sale	(353.4)	(411.0)
Proceeds from disposal and redemption of investment securities available-for-sale	325.4	321.0
Interest received on investment securities available-for-sale	35.4	37.5
Purchase of investment securities held-to-maturity	(30.1)	(9.9)
Proceeds from redemption of investment securities held-to-maturity	1.3	9.8
Interest received on investment securities held-to-maturity	10.8	9.8
Acquisition of premises, equipment and intangible assets	(17.0)	(11.8)
Proceeds from disposal of premises, equipment and intangible assets including insurance payments	2.2	3.1
Acquisition of investment property	—	(0.1)
Proceeds from disposal of investment property	0.2	0.1
Proceeds from disposal of subsidiaries net of cash disposed	0.1	—
Net cash used in investing activities	(25.1)	(51.5)
Cash flows from financing activities		
Other borrowed funds received	49.1	85.7
Redemption of other borrowed funds	(55.8)	(126.2)
Interest on other borrowed funds paid	(1.6)	(2.6)
Funds received from subordinated debt issued or reissued	—	0.2
Redemption of subordinated debt	—	(10.1)
Interest on subordinated debt paid	(1.8)	(2.7)
Funds received from loan participation notes issued or reissued	—	1.7
Redemption of loan participation notes issued	(156.8)	(34.7)
Interest on loan participation notes issued paid	(9.3)	(11.0)
Cash received from non-controlling shareholders	0.1	0.1
Purchase of treasury shares	(0.2)	(0.2)
Proceeds from disposal of treasury shares	0.2	0.4
Net cash used in financing activities	(176.1)	(99.4)
Effect of exchange rate changes on cash and cash equivalents	(66.0)	(66.6)
Net effect of changes in cash and cash equivalents included in disposal groups	—	(4.6)
Net decrease in cash and cash equivalents	(380.9)	(132.9)
Cash and cash equivalents as at the beginning of the period	2,560.8	2,333.6
Cash and cash equivalents as at the end of the period	2,179.9	2,200.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

1 Introduction

These interim condensed consolidated financial statements of Sberbank of Russia (Sberbank, the “Bank”) and its subsidiaries (together referred to as the “Group” or “Sberbank Group”) have been prepared in accordance with IAS 34 “Interim Financial Reporting” for the three months ended 31 March 2017. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these interim condensed consolidated financial statements is disclosed in Note 33.

The Bank is a public joint-stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (the “Bank of Russia”), owns 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares as at 31 March 2017 (31 December 2016: 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares).

As at 31 March 2017 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank’s principal shareholder and other shareholders as well as independent directors.

The Bank operates under a general banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian. The Bank is regulated and supervised by the Bank of Russia as a united regulator for banking, insurance and financial markets activities in the Russian Federation. The Group’s banks/companies operate under the banking/companies regulatory regimes of their respective countries.

The Group’s principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients’ export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. As at 31 March 2017 the Group conducts its business in Russia through Sberbank with its network of 14 (31 December 2016: 14) regional head offices, 78 (31 December 2016: 79) branches and 14 854 (31 December 2016: 15,016) sub-branches, and through principal subsidiaries located in Russia such as JSC Sberbank Leasing, LLC Sberbank Capital, companies of ex-Troika Dialog Group Ltd., JSC Non-state Pension Fund of Sberbank, LLC Insurance company “Sberbank insurance life”, LLC Insurance company “Sberbank insurance”, LLC Sberbank Factoring and Cetelem Bank LLC (former BNP Paribas Vostok LLC). The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and companies of ex-Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group’s full-time employees as at 31 March 2017 was 314,158 (31 December 2016: 319,153).

Registered address and place of business. The Bank’s registered address is: Vavilova str., 19, Moscow, Russian Federation.

Presentation currency. These interim condensed consolidated financial statements are presented in Russian Roubles (“RR”). All amounts are expressed in RR billions unless otherwise stated.

At 31 March 2017 the principal rates of exchange used for translating each entity’s functional currency into the Group’s presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.479	0.033	5.583	0.017	0.018	0.065
USD/	56.378	27.015	1.872	314.784	0.930	0.997	3.641
EUR/	60.595	29.036	2.012	338.331	1.000	1.071	3.913

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

1 Introduction (continued)

At 31 December 2016 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.447	0.032	5.505	0.016	0.017	0.058
USD/	60.657	27.100	1.960	333.946	0.951	1.021	3.526
EUR/	63.811	28.509	2.062	351.311	1.000	1.074	3.709

2 Operating Environment of the Group

The Group conducts its business in the Russian Federation, Turkey, Belarus, Kazakhstan, Ukraine, Austria, Switzerland and other countries of Central and Eastern Europe, and also conducts operations through a branch office in India, representative offices in Germany and China and companies of ex-Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

Russian Federation. The most part of the Group operations is conducted in the Russian Federation.

During the first quarter of 2017 the Russian economy demonstrated a slight recovery. The economy has adapted to the deteriorated oil and gas market conjuncture and the international sectoral sanctions imposed against the Russian Federation. GDP dynamics returned to the positive zone; GDP growth in the first quarter of 2017 is estimated at 0.5%¹ year-on-year; while in the first quarter of 2016 GDP declined by 0.4%¹ year-on-year.

Economic growth remained unstable. The industrial output index comprised 100.1%¹ year-on-year compared to 101.1%¹ in the first quarter of 2016. Positive growth was demonstrated by the cargo turnover of transport, which grew by 5.4%¹ year-on-year, compared to 1.5%¹ in the first quarter of 2016. The growth rate of agriculture sector slowed to 0.7%¹ compared to 3.6%¹ in the first quarter of 2016. Construction sector continued to decline, falling by 4.3%¹ against a 4.6%¹ decrease in the first quarter of 2016.

The situation in the labour market has improved. The unemployment rate in the first quarter of 2017 decreased to 5.6%¹ against 5.9%¹ year-on-year. The real accrued wages increased by 1.9%¹ in annual terms against a decrease of 0.6%¹ in the first quarter of 2016. At the same time the growth of wages in the economy is restrained by a low indexation of wages in the budget sector. The real disposable income of households decreased by 0.2%¹ in the first quarter of 2017 in annual terms. The households' income reduction rate decreased significantly compared to the first quarter of the previous year (3.7%¹ in annual terms) and 2016 as a whole (5.9%¹). The income of households was supported by the growth of wages, indexation of pensions and one-time payments to pensioners. Following the substantial decrease of the households' income reduction rate, the decline in retail sales slowed down and amounted to 1.8%¹; in the same period of 2016 the decline in retail sales according to the revised data amounted to 5.0%¹.

Annualized inflation slowed down to 4.3%¹ in March 2017 against 5.4%¹ in December 2016. The trend to lower inflation allowed the Bank of Russia to reduce the key rate step-by-step. In March 2017 the key rate was reduced by 25 basis points to 9.75% p.a. In April 2017 the key rate was reduced by 50 basis points to 9.25% p.a.

Oil prices remained relatively stable. The average price for Urals oil in the first quarter of 2017 amounted to 52 US dollars per barrel. In January - February 2017, prices fluctuated in the range of 52-55 US dollars per barrel, but in March 2017, they decreased to 48 US dollars. The decline in prices was caused by the accumulation of significant oil reserves, increased production in the US and OPEC countries. The dependence of the Russian Rouble exchange rate on oil prices decreased. The US dollar rate decreased from 60.7 to 56.4 Russian Roubles, reaching the average rate of 58.7 Russian Roubles per US dollar in the first quarter of 2017.

¹ Rosstat data

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

2 Operating Environment of the Group (continued)

The surplus in the current account of the balance of payments of the Russian Federation reached USD 22.8 billion¹ in the first quarter of 2017 compared to USD 12.9 billion¹ in the first quarter of 2016. The rise in the surplus resulted from the increase in oil and gas export due to higher oil prices. The outflow of capital amounted to USD 15.4 billion¹ compared to USD 8.8 billion¹ in the first quarter of 2016. The outflow was formed mainly by the banking sector's operations to increase foreign assets. The external debt of the Russian Federation for the first quarter of 2017 increased by USD 16.2 billion¹ to USD 529.7 billion¹ due to currency revaluation of Russian Rouble obligations and attraction of foreign investments.

In the first quarter of 2017 the Russian banking sector earned profit of RR 339.0 billion¹ against RR 109.0 billion¹ in the first quarter of 2016. In the first quarter of 2017 assets of the Russian banking system adjusted for the foreign exchange revaluation decreased by 1.1%¹ compared to the beginning of 2017. The loan portfolio of the banking sector declined by 2.1%¹ in the first quarter of 2017 due to the decrease in corporate loan portfolio by 3.1%¹ (adjusted for the foreign exchange revaluation). At the same time retail loan portfolio grew by 0.6%¹ in the first quarter of 2017 (adjusted for the foreign exchange revaluation). In the first quarter of 2017 deposits of individuals increased by 0.7%¹, while deposits and current accounts of corporate clients increased by 1.5%¹ (adjusted for the foreign exchange revaluation).

During the first quarter of 2017 the share of overdue loans in the corporate loan portfolio of the Russian banking sector grew up from 6.3%¹ to 7.1%¹, and in the retail loan portfolio - from 7.9%¹ to 8.1%¹. Total provisions for loan impairment increased by 2.8%¹ from the beginning of 2017, or by RR 156.0 billion¹. Dependence of the Russian banking sector on the borrowings from the Bank of Russia decreased almost by half, at the same time the volume of deposits attracted by banks from the Federal Treasury more than doubled.

The situation on the Russian stock markets has worsened moderately. The RTS index decreased by 3% for the first quarter of 2017, the MICEX index - by 11%. Russian Rouble capitalization of the Bank decreased by 7.7% in the first quarter of 2017.

International rating agencies improved the outlook for the sovereign credit ratings of the Russian Federation. In February 2017 Moody's agency changed the outlook from "negative" to "stable", keeping the rating at Ba1. In March 2017 Standard & Poor's agency changed the outlook from "stable" to "positive", keeping the rating at BB+. Fitch Ratings agency has affirmed the rating at BBB- and "stable" outlook.

In February 2017 Moody's international rating agency changed the outlook for the long-term foreign currency deposit rating of the Bank from "negative" to "stable", keeping the rating at Ba2. In March 2017 the national rating agency ACRA (JSC) assigned the Bank the credit rating of AAA (RU) based on the national scale with the "stable" outlook.

Other jurisdictions. In addition to Russia the Group conducts operations in Belarus, Kazakhstan, Ukraine, Central and Eastern Europe (Austria, Czech Republic, Bosnia and Herzegovina, Slovenia, Serbia, Hungary, Croatia), Turkey, Switzerland and some other countries.

For the first quarter of 2017 GDP of Belarus increased by 0.3%² year-on-year against a decrease of 2.6%² for the previous year. Industrial output increased by 4.3%² year-on-year, and annualized retail sales showed an increase of 2.8%² in March 2017. Inflation slowed down to 6.4%² p.a. in March 2017, which allowed the National Bank of the Republic of Belarus to reduce the refinancing rate step-by-step to 15%² p.a.

During the first quarter of 2017, Kazakhstan's economy continued to recover gradually and GDP increased by 3%³ year-on-year. Positive dynamics was mainly due to growth in oil prices. The industrial output increased by 5.8%⁴ in annual terms, trade industry increased by 2.9%⁴, construction industry - by 7.1%⁴, transport - by 3.4%⁴, agriculture industry - by 2.9%⁴. The industrial output is supported by high oil prices, construction industry - by infrastructure projects, trade - by an increase in real wages.

¹ Bank of Russia data, Russian Accounting Standards data

² National Bank of the Republic of Belarus data

³ Ministry of national economy of the Republic of Kazakhstan data

⁴ Committee of statistics of the Republic of Kazakhstan data

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

2 Operating Environment of the Group (continued)

For Ukraine the first quarter of 2017 was characterized by a high level of political and economic uncertainty. The indicators of the extractive industries declined: the decline in coal production comprised 13.3%¹ in the first quarter of 2017 as compared to the same period of 2016, the decrease in the metal mining in the first quarter of 2017 was 9.4%¹ against the same period of 2016. As a result, the industrial output decreased by 0.7%¹ in annual terms for the first quarter of 2017. Inflation in the first quarter of 2017 accelerated to 15.1%¹ p.a.

In March 2017 the decree of the President of Ukraine put in force the decision of National Security and Defense Council of Ukraine to impose for a period of one year special economic and other restrictive actions (hereafter “sanctions”) against a number of Ukrainian banks which are owned by Russian banks with state participation including subsidiary banks of the Group. Sanctions are applied to a number of operations and withdrawal of capital from Ukraine in favour of related parties of subjects under sanctions. As at 31 March 2017, the Group’s exposure to Ukrainian risk amounted to approximately 0.07% of total consolidated assets (31 December 2016: 0.1%). The exposure consists of net assets of and the Group funding to the Group’s Ukrainian subsidiaries, as well as exposure of the Group (excluding that of its Ukrainian subsidiaries) to equity and debt instruments issued by and loans to the Ukrainian government and corporate clients.

The economic situation in Turkey in the first quarter of 2017 remained challenging. Political uncertainty led to the depreciation of the Turkish Lira at the end of 2016, which caused a medium-term acceleration of inflation. Political uncertainty went on throughout the first quarter of 2017 on the eve of a constitutional referendum.

Economic growth in the countries of Central and Eastern Europe accelerated in the first quarter of 2017 after a slight decline in the previous year. The acceleration of GDP growth was supported by low interest rates in the economy. Investment demand has grown due to high utilization of current production capacity.

3 Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016.

These interim condensed consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statements.

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of Revised Standards, and Reclassifications

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2016, except for income tax expense which is recognized in these interim condensed consolidated financial statements based on management’s best estimates of the weighted average income tax rate expected for the full financial year, and except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2017 or as at the date indicated, noted below:

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealized losses on debt instruments. The entity will have to recognize deferred tax asset for unrealized losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

¹ State Statistics Service of Ukraine data

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of Revised Standards, and Reclassifications (continued)

Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

The above mentioned amended standards effective for the Group from 1 January 2017 did not have a material impact on the accounting policies, financial position or performance of the Group.

Management's estimates and judgements. Judgements and critical estimates made by Management in the process of applying the accounting policies were consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2016. Management has not identified new areas of judgement or critical estimates.

Beginning from the first quarter of 2017 as a result of accumulation of additional data on repayment of defaulted loans and on recovery of loans through disposal of collateral, the Group introduced amendments to the probability of default valuation models and to loss given default valuation models applied for certain retail loan products of the Bank (mortgage and consumer loans). These amendments led to a decrease in the amount of provision for loan impairment as at the date of transition (1 January 2017) by RR 4.3 billion which had an effect on the interim consolidated statement of profit or loss for the three months ended 31 March 2017. The main effect on the result of calculation is related to more conservative definition of default in relation to restructured loans, which led to an increase in probability of default (PD) and to a decrease in loss given default (LGD).

Based on the analysis of actual useful lives of premises and equipment as at 1 January 2017 the Bank adjusted the estimates in relation to remaining useful lives of premises and equipment of the Bank. The amendments were applied to all the types of premises and equipment. Should the Bank did not apply these amendments, depreciation of premises and equipment for the first quarter of 2017 would be RR 4.8 billion higher.

From 1 January 2017 the Bank improved the methodology for the distribution of amounts due to individuals and corporate customers for the purposes of liquidity risk management. Comparative information as at 31 December 2016 was changed accordingly. Refer to Note 26.

Changes in presentation and reclassifications. As disclosed in more details in the interim condensed consolidated financial statements for the six months ended 30 June 2016, following the improved disclosure of operations on insurance and pension fund activities, the presentation of the comparative figures for the three months ended 31 March 2016 has been adjusted to be consistent with the new presentation.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Net premiums from insurance and pension fund operations	97.9	18.0	115.9
Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	(94.3)	(18.0)	(112.3)

Following the improved disclosure of interest received on investment securities available-for-sale and investment securities held-to-maturity in the interim consolidated statement of cash flows, the presentation of comparative figures for the three months ended 31 March 2016 has been adjusted to be consistent with the new presentation.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Cash flows from operating activities before changes in operating assets and liabilities			
Interest received	593.4	(47.3)	546.1
Cash flows from investing activities			
Interest received on investment securities available-for-sale	—	37.5	37.5
Interest received on investment securities held-to-maturity	—	9.8	9.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

5 Financial Assets at Fair Value through Profit or Loss

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Trading securities	71.9	63.1
Securities designated as at fair value through profit or loss	350.7	335.8
Derivative financial instruments	169.9	206.6
Total financial assets at fair value through profit or loss	592.5	605.5

The composition of trading securities as at 31 March 2017 and 31 December 2016 is presented below:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Corporate bonds	29.3	27.7
Russian federal loan bonds (OFZ bonds)	18.5	17.0
Russian Federation Eurobonds	9.6	9.2
Foreign government and municipal bonds	2.5	3.2
Russian municipal and subfederal bonds	0.2	0.3
Total debt trading securities	60.1	57.4
Corporate shares	11.5	5.4
Investments in mutual funds	0.3	0.3
Total trading securities	71.9	63.1

The composition of securities designated as at fair value through profit or loss as at 31 March 2017 and 31 December 2016 is presented below:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Corporate bonds	256.9	237.5
Russian federal loan bonds (OFZ bonds)	52.2	55.8
Russian municipal and subfederal bonds	7.2	7.3
Foreign government and municipal bonds	2.3	2.4
Russian Federation Eurobonds	0.5	0.5
Total debt securities designated as at fair value through profit or loss	319.1	303.5
Corporate shares	20.6	20.4
Investments in mutual funds	11.0	11.9
Total securities designated as at fair value through profit or loss	350.7	335.8

The composition of derivative financial instruments as at 31 March 2017 and 31 December 2016 is presented below:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Foreign currency interest rate derivatives	81.2	107.3
Foreign currency derivatives	43.4	51.2
Interest rate derivatives	24.1	26.8
Commodity derivatives including precious metals derivatives	11.4	10.8
Debt securities derivatives	4.8	4.0
Equity securities derivatives	4.5	5.5
Credit risk derivatives	0.3	1.0
Other derivatives	0.2	—
Total derivative financial instruments	169.9	206.6

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

6 Due from Banks

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Term placements with banks	788.7	512.0
Reverse repo agreements with banks	421.8	456.0
Total due from banks before provision for impairment	1,210.5	968.0
Less provision for impairment	(2.5)	(2.6)
Total due from banks after provision for impairment	1,208.0	965.4

As at 31 March 2017 and 31 December 2016 term placements with banks and reverse repo agreements are represented by balances with original maturities over 1 business day mainly with the top and well-known foreign and Russian banks.

The changes in provision for impairment of due from banks for the three months ended 31 March 2017 and 31 March 2016 are presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	2017	2016
Provision for impairment of due from banks as at 1 January (audited)	2.6	—
Net recovery of provision for impairment during the period	(0.1)	—
Provision for impairment of due from banks as at 31 March	2.5	—

Refer to Note 29 for the information on amounts due from banks which are collateralized by securities received under reverse sale and repurchase agreements.

7 Loans and Advances to Customers

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	31 March 2017		
	Not past due loans	Past due loans	Total
Commercial loans to legal entities	8,964.9	573.2	9,538.1
Specialized loans to legal entities	3,344.6	239.7	3,584.3
Mortgage loans to individuals	2,646.2	132.7	2,778.9
Consumer and other loans to individuals	1,393.0	162.6	1,555.6
Credit cards and overdrafts to individuals	502.7	92.2	594.9
Car loans to individuals	100.8	15.4	116.2
Total loans and advances to customers before provision for loan impairment	16,952.2	1,215.8	18,168.0
Less: Provision for loan impairment	(595.8)	(736.9)	(1,332.7)
Total loans and advances to customers net of provision for loan impairment	16,356.4	478.9	16,835.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

<i>in billions of Russian Roubles</i>	31 December 2016		
	Not past due loans	Past due loans	Total
Commercial loans to legal entities	9,346.0	570.0	9,916.0
Specialized loans to legal entities	3,491.7	225.3	3,717.0
Mortgage loans to individuals	2,629.7	121.2	2,750.9
Consumer and other loans to individuals	1,420.5	153.6	1,574.1
Credit cards and overdrafts to individuals	500.3	86.6	586.9
Car loans to individuals	103.3	16.5	119.8
Total loans and advances to customers before provision for loan impairment	17,491.5	1,173.2	18,664.7
Less: Provision for loan impairment	(586.5)	(716.9)	(1,303.4)
Total loans and advances to customers net of provision for loan impairment	16,905.0	456.3	17,361.3

For the purposes of these interim condensed consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognized as past due.

Commercial loans to legal entities comprise corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property), portfolio investments, expansion and consolidation of business, etc. Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialized loans to legal entities include investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans and credit cards and overdrafts. These loans include loans for current needs.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Credit cards and overdrafts to individuals represent revolving credit lines. These loans are considered a comfortable instrument for customers as a reserve source of funds in case of need available everywhere and anytime. Interest rates for such loans are higher than for consumer loans as they carry higher risks for the Group.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for up to 5 years periods.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Loans not past due	8,466.8	(179.6)	8,287.2	2.1%
Loans up to 30 days overdue	47.8	(7.2)	40.6	15.1%
Loans 31 to 60 days overdue	24.4	(6.8)	17.6	27.9%
Loans 61 to 90 days overdue	18.1	(4.9)	13.2	27.1%
Loans 91 to 180 days overdue	30.2	(16.0)	14.2	53.0%
Loans over 180 days overdue	204.9	(166.9)	38.0	81.5%
Total collectively assessed loans	8,792.2	(381.4)	8,410.8	4.3%
Individually impaired				
Loans not past due	498.1	(182.6)	315.5	36.7%
Loans up to 30 days overdue	16.2	(11.3)	4.9	69.8%
Loans 31 to 60 days overdue	12.0	(11.6)	0.4	96.7%
Loans 61 to 90 days overdue	9.6	(6.6)	3.0	68.8%
Loans 91 to 180 days overdue	32.1	(23.3)	8.8	72.6%
Loans over 180 days overdue	177.9	(162.8)	15.1	91.5%
Total individually impaired loans	745.9	(398.2)	347.7	53.4%
Total commercial loans to legal entities	9,538.1	(779.6)	8,758.5	8.2%
Specialized loans to legal entities				
Collectively assessed				
Loans not past due	3,042.9	(125.5)	2,917.4	4.1%
Loans up to 30 days overdue	33.7	(9.1)	24.6	27.0%
Loans 31 to 60 days overdue	11.2	(4.9)	6.3	43.8%
Loans 61 to 90 days overdue	18.5	(3.1)	15.4	16.8%
Loans 91 to 180 days overdue	6.7	(4.3)	2.4	64.2%
Loans over 180 days overdue	89.4	(35.3)	54.1	39.5%
Total collectively assessed loans	3,202.4	(182.2)	3,020.2	5.7%
Individually impaired				
Loans not past due	301.7	(69.6)	232.1	23.1%
Loans up to 30 days overdue	5.1	(0.7)	4.4	13.7%
Loans 31 to 60 days overdue	4.3	(1.9)	2.4	44.2%
Loans 61 to 90 days overdue	3.3	(1.3)	2.0	39.4%
Loans 91 to 180 days overdue	1.1	(0.4)	0.7	36.4%
Loans over 180 days overdue	66.4	(54.8)	11.6	82.5%
Total individually impaired loans	381.9	(128.7)	253.2	33.7%
Total specialized loans to legal entities	3,584.3	(310.9)	3,273.4	8.7%
Total loans to legal entities	13,122.4	(1,090.5)	12,031.9	8.3%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Mortgage loans to individuals				
Collectively assessed				
Loans not past due	2,646.2	(15.7)	2,630.5	0.6%
Loans up to 30 days overdue	50.7	(5.1)	45.6	10.1%
Loans 31 to 60 days overdue	11.7	(3.0)	8.7	25.6%
Loans 61 to 90 days overdue	6.4	(1.7)	4.7	26.6%
Loans 91 to 180 days overdue	10.5	(4.2)	6.3	40.0%
Loans over 180 days overdue	53.4	(38.5)	14.9	72.1%
Total mortgage loans to individuals	2,778.9	(68.2)	2,710.7	2.5%
Consumer and other loans to individuals				
Collectively assessed				
Loans not past due	1,393.0	(17.7)	1,375.3	1.3%
Loans up to 30 days overdue	34.8	(4.3)	30.5	12.4%
Loans 31 to 60 days overdue	10.3	(2.5)	7.8	24.3%
Loans 61 to 90 days overdue	7.3	(2.1)	5.2	28.8%
Loans 91 to 180 days overdue	15.3	(6.9)	8.4	45.1%
Loans over 180 days overdue	94.9	(72.3)	22.6	76.2%
Total consumer and other loans to individuals	1,555.6	(105.8)	1,449.8	6.8%
Credit cards and overdrafts to individuals				
Collectively assessed				
Loans not past due	502.7	(4.9)	497.8	1.0%
Loans up to 30 days overdue	28.0	(2.3)	25.7	8.2%
Loans 31 to 60 days overdue	4.7	(1.6)	3.1	34.0%
Loans 61 to 90 days overdue	2.9	(1.4)	1.5	48.3%
Loans 91 to 180 days overdue	6.4	(4.6)	1.8	71.9%
Loans over 180 days overdue	50.2	(43.2)	7.0	86.1%
Total credit cards and overdrafts to individuals	594.9	(58.0)	536.9	9.7%
Car loans to individuals				
Collectively assessed				
Loans not past due	100.8	(0.2)	100.6	0.2%
Loans up to 30 days overdue	2.2	(0.1)	2.1	4.5%
Loans 31 to 60 days overdue	0.8	(0.2)	0.6	25.0%
Loans 61 to 90 days overdue	0.5	(0.2)	0.3	40.0%
Loans 91 to 180 days overdue	1.1	(0.7)	0.4	63.6%
Loans over 180 days overdue	10.8	(8.8)	2.0	81.5%
Total car loans to individuals	116.2	(10.2)	106.0	8.8%
Total loans to individuals	5,045.6	(242.2)	4,803.4	4.8%
Total loans and advances to customers as at 31 March 2017	18,168.0	(1,332.7)	16,835.3	7.3%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2016:

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Loans not past due	8,717.3	(169.5)	8,547.8	1.9%
Loans up to 30 days overdue	61.3	(9.7)	51.6	15.8%
Loans 31 to 60 days overdue	23.2	(7.5)	15.7	32.3%
Loans 61 to 90 days overdue	21.2	(4.9)	16.3	23.1%
Loans 91 to 180 days overdue	21.0	(9.8)	11.2	46.7%
Loans over 180 days overdue	211.8	(170.0)	41.8	80.3%
Total collectively assessed loans	9,055.8	(371.4)	8,684.4	4.1%
Individually impaired				
Loans not past due	628.7	(180.2)	448.5	28.7%
Loans up to 30 days overdue	24.1	(15.6)	8.5	64.7%
Loans 31 to 60 days overdue	12.7	(4.9)	7.8	38.6%
Loans 61 to 90 days overdue	2.5	(1.9)	0.6	76.0%
Loans 91 to 180 days overdue	13.5	(12.0)	1.5	88.9%
Loans over 180 days overdue	178.7	(162.9)	15.8	91.2%
Total individually impaired loans	860.2	(377.5)	482.7	43.9%
Total commercial loans to legal entities	9,916.0	(748.9)	9,167.1	7.6%
Specialized loans to legal entities				
Collectively assessed				
Loans not past due	3,244.3	(125.0)	3,119.3	3.9%
Loans up to 30 days overdue	16.1	(5.1)	11.0	31.7%
Loans 31 to 60 days overdue	5.2	(1.7)	3.5	32.7%
Loans 61 to 90 days overdue	20.7	(3.7)	17.0	17.9%
Loans 91 to 180 days overdue	5.7	(3.4)	2.3	59.6%
Loans over 180 days overdue	91.8	(36.0)	55.8	39.2%
Total collectively assessed loans	3,383.8	(174.9)	3,208.9	5.2%
Individually impaired				
Loans not past due	247.4	(76.9)	170.5	31.1%
Loans up to 30 days overdue	16.0	(4.0)	12.0	25.0%
Loans 31 to 60 days overdue	0.6	(0.1)	0.5	16.7%
Loans 61 to 90 days overdue	0.6	(0.3)	0.3	50.0%
Loans 91 to 180 days overdue	5.7	(5.5)	0.2	96.5%
Loans over 180 days overdue	62.9	(48.7)	14.2	77.4%
Total individually impaired loans	333.2	(135.5)	197.7	40.7%
Total specialized loans to legal entities	3,717.0	(310.4)	3,406.6	8.4%
Total loans to legal entities	13,633.0	(1,059.3)	12,573.7	7.8%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Mortgage loans to individuals				
Collectively assessed				
Loans not past due	2,629.7	(5.6)	2,624.1	0.2%
Loans up to 30 days overdue	42.3	(1.5)	40.8	3.5%
Loans 31 to 60 days overdue	12.8	(1.9)	10.9	14.8%
Loans 61 to 90 days overdue	5.2	(0.8)	4.4	15.4%
Loans 91 to 180 days overdue	7.2	(2.0)	5.2	27.8%
Loans over 180 days overdue	53.7	(34.8)	18.9	64.8%
Total mortgage loans to individuals	2,750.9	(46.6)	2,704.3	1.7%
Consumer and other loans to individuals				
Collectively assessed				
Loans not past due	1,420.5	(24.4)	1,396.1	1.7%
Loans up to 30 days overdue	30.2	(4.9)	25.3	16.2%
Loans 31 to 60 days overdue	10.2	(4.1)	6.1	40.2%
Loans 61 to 90 days overdue	6.1	(2.8)	3.3	45.9%
Loans 91 to 180 days overdue	11.8	(8.4)	3.4	71.2%
Loans over 180 days overdue	95.3	(85.7)	9.6	89.9%
Total consumer and other loans to individuals	1,574.1	(130.3)	1,443.8	8.3%
Credit cards and overdrafts to individuals				
Collectively assessed				
Loans not past due	500.3	(4.7)	495.6	0.9%
Loans up to 30 days overdue	22.2	(1.5)	20.7	6.8%
Loans 31 to 60 days overdue	4.7	(1.6)	3.1	34.0%
Loans 61 to 90 days overdue	2.9	(1.4)	1.5	48.3%
Loans 91 to 180 days overdue	6.0	(4.3)	1.7	71.7%
Loans over 180 days overdue	50.8	(43.0)	7.8	84.6%
Total credit cards and overdrafts to individuals	586.9	(56.5)	530.4	9.6%
Car loans to individuals				
Collectively assessed				
Loans not past due	103.3	(0.2)	103.1	0.2%
Loans up to 30 days overdue	2.4	(0.1)	2.3	4.2%
Loans 31 to 60 days overdue	1.0	(0.2)	0.8	20.0%
Loans 61 to 90 days overdue	0.6	(0.2)	0.4	33.3%
Loans 91 to 180 days overdue	1.2	(0.8)	0.4	66.7%
Loans over 180 days overdue	11.3	(9.2)	2.1	81.4%
Total car loans to individuals	119.8	(10.7)	109.1	8.9%
Total loans to individuals	5,031.7	(244.1)	4,787.6	4.9%
Total loans and advances to customers as at 31 December 2016	18,664.7	(1,303.4)	17,361.3	7.0%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the “non-performing” category when a principal and/or interest payment becomes more than 90 days overdue.

As at 31 March 2017 the outstanding non-performing loans were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	445.1	(369.0)	76.1	82.9%
Specialized loans to legal entities	163.6	(94.8)	68.8	57.9%
Mortgage loans to individuals	63.9	(42.7)	21.2	66.8%
Consumer and other loans to individuals	110.2	(79.2)	31.0	71.9%
Credit cards and overdrafts to individuals	56.6	(47.8)	8.8	84.5%
Car loans to individuals	11.9	(9.5)	2.4	79.8%
Total non-performing loans and advances to customers as at 31 March 2017	851.3	(643.0)	208.3	75.5%

As at 31 December 2016 the outstanding non-performing loans were as follows:

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	425.0	(354.7)	70.3	83.5%
Specialized loans to legal entities	166.1	(93.6)	72.5	56.4%
Mortgage loans to individuals	60.9	(36.8)	24.1	60.4%
Consumer and other loans to individuals	107.1	(94.1)	13.0	87.9%
Credit cards and overdrafts to individuals	56.8	(47.3)	9.5	83.3%
Car loans to individuals	12.5	(10.0)	2.5	80.0%
Total non-performing loans and advances to customers as at 31 December 2016	828.4	(636.5)	191.9	76.8%

Provisions for loan impairment. The analysis of changes in provision for loan impairment for the three months ended 31 March 2017 is presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Provision for loan impairment as at 31 December 2016 (audited)	748.9	310.4	46.6	130.3	56.5	10.7	1,303.4
Net provision charge / (recovery of provision) for loan impairment during the period	51.9	4.6	21.9	(15.6)	5.0	(0.4)	67.4
Recovery of loans previously written off	0.1	—	0.1	1.0	0.3	—	1.5
Loans and advances to customers written off during the period	(10.5)	(3.4)	—	(8.7)	(3.0)	—	(25.6)
Exchange differences on translating foreign operations	(10.8)	(0.7)	(0.4)	(1.2)	(0.8)	(0.1)	(14.0)
Provision for loan impairment as at 31 March 2017	779.6	310.9	68.2	105.8	58.0	10.2	1,332.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

The analysis of changes in provision for loan impairment for the three months ended 31 March 2016 is presented in the table below:

<i>(unaudited)</i> in billions of Russian Roubles	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Provision for loan impairment as at 31 December 2015 (audited)	696.2	236.9	57.3	135.3	58.6	12.2	1,196.5
Net provision charge / (recovery of provision) for loan impairment during the period	23.9	30.3	(6.2)	33.7	2.9	(0.3)	84.3
Recovery of loans previously written off	0.5	0.2	0.2	0.4	—	0.2	1.5
Loans and advances to customers written off during the period	(13.7)	(0.5)	(0.2)	(9.9)	(1.3)	—	(25.6)
Exchange differences on translating foreign operations	(12.2)	(2.7)	(1.0)	(1.7)	(0.7)	(0.1)	(18.4)
Provision for loan impairment as at 31 March 2016	694.7	264.2	50.1	157.8	59.5	12.0	1,238.3

Restructured loans. Renegotiated loan portfolio of the Group consists of “modified” and “restructured” loans. A loan is considered renegotiated if terms of the original loan contract have been changed.

Modified loans represent loans with changes to the initial loan terms caused by changes in market conditions, changes in a product, client requests or reclassified out of the restructured loan portfolio provided reclassifications terms are met, i.e. where loan renegotiation is not considered as distressed.

Restructured loans represent loans which were distressed at the moment of the renegotiation. A loan is initially classified as a restructured loan if:

- The renegotiation is in favor of a borrower due to its inability to fulfill obligations and the borrower is assigned high / medium credit risk. Renegotiation is considered to be in favor of the borrower if, for example, frequency of loan repayments is reduced, interest rate is reduced, loan tenor or limit are extended, amount of total loan payments is reduced, loan payments are rescheduled for later dates, etc., or
- Refinancing of a loan is due to inability of the borrower to fulfill its obligations and the borrower is assigned high / medium credit risk.

Features of a high / medium credit risk borrower which are examined by the Group may include but are not limited to the following: the borrower’s obligations are overdue for a period of more than 30 calendar days, non-compliance with a loan collateralization requirements by 30%, initiation of bankruptcy proceeding in respect of the borrower, change / replacement of the key management and/or owners, etc.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

Information on restructured loans as 31 March 2017 is presented in the table below.

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Loans not past due	503.9	148.9	105.1	35.9	—	3.0	796.8
Loans up to 30 days overdue	33.8	17.8	11.2	3.9	—	1.0	67.7
Loans 31 to 60 days overdue	20.1	6.5	3.7	2.4	—	0.4	33.1
Loans 61 to 90 days overdue	10.4	6.7	2.2	2.4	—	0.3	22.0
Loans 91 to 180 days overdue	33.8	2.3	4.2	5.8	—	0.5	46.6
Loans over 180 days overdue	161.2	57.5	17.5	23.9	0.2	3.9	264.2
Total restructured loans before provision for loan impairment	763.2	239.7	143.9	74.3	0.2	9.1	1,230.4
Less provision for loan impairment	(358.4)	(126.1)	(19.0)	(22.9)	(0.2)	(3.7)	(530.3)
Total restructured loans after provision for loan impairment as at 31 March 2017	404.8	113.6	124.9	51.4	—	5.4	700.1

Information on restructured loans as at 31 December 2016 is presented in the table below.

<i>in billions of Russian</i> <i>Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Loans not past due	488.8	170.8	108.3	37.4	—	3.6	808.9
Loans up to 30 days overdue	37.2	15.2	10.2	4.1	—	1.2	67.9
Loans 31 to 60 days overdue	15.6	1.0	4.2	2.9	—	0.5	24.2
Loans 61 to 90 days overdue	7.3	5.6	1.8	2.0	—	0.3	17.0
Loans 91 to 180 days overdue	12.4	9.1	3.0	3.9	—	0.6	29.0
Loans over 180 days overdue	163.7	54.7	18.4	20.7	0.2	4.4	262.1
Total restructured loans before provision for loan impairment	725.0	256.4	145.9	71.0	0.2	10.6	1,209.1
Less provision for loan impairment	(326.5)	(134.0)	(15.9)	(25.3)	(0.2)	(4.2)	(506.1)
Total restructured loans after provision for loan impairment as at 31 December 2016	398.5	122.4	130.0	45.7	—	6.4	703.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

A loan may be reclassified out of the restructured loans category (and classified as modified) when all of the following criteria are met:

- the borrower has repaid not less than 5% of the loan principle balance (except for the borrowers in the investment stage of construction projects where execution of any six contractual payments is monitored);
- the borrower performed all of its contractual obligations for at least six months after the renegotiation; and
- no other signs of impairment are identified during the period of at least six months after the renegotiation.

Investments in finance lease. Included in specialized loans to legal entities are net investments in finance leases.

The contractual maturity analysis of net investments in finance leases as at 31 March 2017 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross investment in finance leases	Unearned future finance income on finance lease	Net investment in finance leases before provision for impairment	Provision for impairment	Net investment in finance leases after provision for impairment
Within 1 year	53.1	(2.5)	50.6	(1.6)	49.0
From 1 to 5 years	134.7	(35.6)	99.1	(2.8)	96.3
More than 5 years	91.8	(38.2)	53.6	(1.2)	52.4
Overdue	10.5	—	10.5	(4.4)	6.1
Total net investments in finance leases as at 31 March 2017	290.1	(76.3)	213.8	(10.0)	203.8

The contractual maturity analysis of net investments in finance leases as at 31 December 2016 is as follows:

<i>in billions of Russian Roubles</i>	Gross investment in finance leases	Unearned future finance income on finance lease	Net investment in finance leases before provision for impairment	Provision for impairment	Net investment in finance leases after provision for impairment
Within 1 year	53.0	(5.3)	47.7	(1.5)	46.2
From 1 to 5 years	141.8	(38.4)	103.4	(2.9)	100.5
More than 5 years	92.2	(38.9)	53.3	(1.2)	52.1
Overdue	13.1	—	13.1	(5.6)	7.5
Total net investments in finance leases as at 31 December 2016	300.1	(82.6)	217.5	(11.2)	206.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

7 Loans and Advances to Customers (continued)

Economic sector risk concentration. Economic sector risk concentrations within Loans and advances to customers of the Group are as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	5,045.6	27.8	5,031.7	27.0
Oil and gas	1,445.1	8.0	1,446.9	7.8
Real estate	1,444.6	8.0	1,512.0	8.1
Metallurgy	1,385.7	7.6	1,541.1	8.3
Trade	1,303.4	7.2	1,308.8	7.0
Food and agriculture	1,080.7	5.9	1,087.4	5.8
Energy	888.9	4.9	903.1	4.8
Machinery	884.1	4.9	885.3	4.7
Telecommunications	773.0	4.3	730.1	3.9
Construction	747.0	4.1	753.1	4.0
Government and municipal bodies	684.3	3.8	807.1	4.3
Services	614.0	3.4	712.3	3.8
Transport and logistics	573.1	3.2	564.4	3.0
Chemical industry	516.8	2.8	561.1	3.0
Timber industry	85.4	0.5	85.2	0.5
Other	696.3	3.6	735.1	4.0
Total loans and advances to customers before provision for loan impairment	18,168.0	100.0	18,664.7	100.0

Refer to Note 29 for the information on amounts in loans and advances to customers which are collateralized by securities received under reverse sale and repurchase agreements and loans transferred without derecognition.

As at 31 March 2017 the Group had 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 103.9 billion (31 December 2016: 20 largest groups of related corporate borrowers with loan amounts due from each of these groups exceeding RR 116.3 billion). The total aggregate amount of these loans was RR 4,239.1 billion or 23.3% of the total gross loan portfolio of the Group (31 December 2016: RR 4,389.0 billion or 23.5%).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

8 Securities Pledged under Repurchase Agreements

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Trading securities pledged under repurchase agreements		
Russian Federation Eurobonds	0.1	—
Corporate bonds	—	0.3
Russian federal loan bonds (OFZ bonds)	—	0.1
Total trading securities pledged under repurchase agreements	0.1	0.4
Investment securities available-for-sale pledged under repurchase agreements		
Foreign government and municipal bonds	55.4	66.4
Russian federal loan bonds (OFZ bonds)	24.0	14.3
Russian Federation Eurobonds	—	0.2
Total investment securities available-for-sale pledged under repurchase agreements	79.4	80.9
Investment securities held-to-maturity pledged under repurchase agreements		
Foreign government and municipal bonds	11.7	30.9
Russian federal loan bonds (OFZ bonds)	—	1.7
Total investment securities held-to-maturity pledged under repurchase agreements	11.7	32.6
Total securities pledged under repurchase agreements	91.2	113.9

Refer to Note 29 for more information on securities pledged under repurchase agreements with banks and corporate customers.

9 Investment Securities Available-for-Sale

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Russian federal loan bonds (OFZ bonds)	818.0	763.8
Corporate bonds	394.5	406.1
Russian Federation Eurobonds	215.2	234.1
Foreign government and municipal bonds	167.9	187.3
Russian municipal and subfederal bonds	22.4	22.0
Promissory notes	—	0.4
Total debt investment securities available-for-sale	1,618.0	1,613.7
Corporate shares	27.1	45.2
Total investment securities available-for-sale	1,645.1	1,658.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

10 Investment Securities Held-to-Maturity

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Corporate bonds	265.1	243.2
Russian federal loan bonds (OFZ bonds)	168.5	166.4
Foreign government and municipal bonds	68.7	58.4
Russian municipal and subfederal bonds	49.1	49.1
Russian Federation Eurobonds	28.1	29.6
Total investment securities held-to-maturity before provision for impairment	579.5	546.7
Less provision for impairment	(0.9)	(0.9)
Total investment securities held-to-maturity after provision for impairment	578.6	545.8

The changes in provision for impairment of investment securities held-to-maturity for the three months ended 31 March 2017 and 31 March 2016 are presented below:

<i>(unaudited) in billions of Russian Roubles</i>	2017	2016
Provision for impairment of investment securities held-to-maturity as at 1 January (audited)	0.9	6.5
Net recovery of provision for impairment during the period	—	(0.4)
Provision for impairment of investment securities held-to-maturity as at 31 March	0.9	6.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

11 Other Assets

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Other financial assets		
Receivables on bank cards settlements	128.0	116.8
Margin calls transferred	61.5	72.6
Settlements on currency conversion operations	61.3	27.8
Trade receivables	22.2	18.3
Settlements on operations with securities	17.2	5.1
Receivables from Deposit Insurance Agency	10.1	32.3
Investments in associates	8.2	7.5
Accrued fees and commissions	8.4	11.3
Funds in settlement	7.5	8.6
Restricted cash balances	2.9	3.0
Other	9.6	14.4
Total other financial assets before provision for impairment	336.9	317.7
Less provision for impairment of other financial assets	(5.6)	(3.2)
Total other financial assets after provision for impairment	331.3	314.5
Other non-financial assets		
Inventory	91.1	84.4
Intangible assets	75.0	75.0
Prepayments for premises and other assets	57.8	58.1
Precious metals	28.5	50.8
Goodwill	14.8	18.9
Prepayment on income tax	8.5	9.4
Prepaid expenses	9.8	7.0
Investment property	8.0	8.4
Tax settlements (other than on income tax)	6.0	12.1
Other	25.6	27.7
Total other non-financial assets before provision for impairment	325.1	351.8
Less provision for impairment of other non-financial assets	(13.8)	(14.0)
Total other non-financial assets after provision for impairment	311.3	337.8
Total other assets	642.6	652.3

Movement in the provision for impairment of other assets during the three months ended 31 March 2017 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non- financial assets	Total
Provision for impairment of other assets as at 31 December 2016 (audited)	1.4	1.8	2.8	11.2	17.2
Net provision charge during the period	0.2	2.4	0.3	0.6	3.5
Assets written off during the period	(0.1)	(0.1)	—	(0.7)	(0.9)
Disposal of subsidiaries	—	—	(0.4)	—	(0.4)
Provision for impairment of other assets as at 31 March 2017	1.5	4.1	2.7	11.1	19.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

11 Other Assets (continued)

Movement in the provision for impairment of other assets during the three months ended 31 March 2016 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non- financial assets	Total
Provision for impairment of other assets as at 31 December 2015 (audited)	1.4	1.9	2.7	9.5	15.5
(Net recovery of provision) / net provision charge during the period	(0.2)	0.2	0.7	0.5	1.2
Assets written off during the period	—	—	—	(0.7)	(0.7)
Exchange differences on translating foreign operations	—	0.1	(0.2)	—	(0.1)
Provision for impairment of other assets as at 31 March 2016	1.2	2.2	3.2	9.3	15.9

Provision for impairment of other assets is recognized by the Group on operations conducted in the normal course of the Group's business. Provision is assessed on the basis of the Group's best estimates of recoverability of other assets.

12 Due to Banks

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Term placements of banks	380.0	342.0
Correspondent accounts and overnight placements of banks	145.0	179.8
Direct repo agreements with banks	31.5	40.1
Total due to banks	556.5	561.9

Term placements of banks represent funds received on interbank market.

Refer to Note 29 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

13 Due to Individuals and Corporate Customers

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Individuals:		
- Current/demand accounts	2,383.2	2,478.9
- Term deposits	9,942.0	9,970.1
- Direct repo agreements	0.2	0.6
Total due to individuals	12,325.4	12,449.6
State and public organizations:		
- Current/settlement accounts	174.9	147.8
- Term deposits	109.3	184.2
Total due to state and public organizations	284.2	332.0
Other corporate customers:		
- Current/settlement accounts	2,206.0	1,834.5
- Term deposits	3,168.9	3,997.4
- Direct repo agreements	58.5	71.3
Total due to other corporate customers	5,433.4	5,903.2
Total due to corporate customers	5,717.6	6,235.2
Total due to individuals and corporate customers	18,043.0	18,684.8

Economic sector risk concentrations within Due to individuals and corporate customers are as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	12,325.4	68.3	12,449.6	66.6
Oil and gas	1,286.7	7.1	1,363.6	7.3
Services	751.1	4.2	863.8	4.6
Machinery	745.5	4.1	751.0	4.0
Trade	489.7	2.7	540.2	2.9
Metallurgy	292.2	1.6	316.2	1.7
Construction	272.8	1.5	335.4	1.8
Energy	267.1	1.5	315.6	1.7
Transport and logistics	198.4	1.1	290.9	1.6
Food and agriculture	173.7	1.0	172.6	0.9
Municipal bodies and state organizations	172.9	1.0	166.8	0.9
Telecommunications	172.4	1.0	169.0	0.9
Real estate	100.9	0.6	98.6	0.5
Chemical	67.0	0.4	98.8	0.5
Timber industry	25.3	0.1	28.8	0.2
Other	701.9	3.8	723.9	3.9
Total due to individuals and corporate customers	18,043.0	100.0	18,684.8	100.0

As at 31 March 2017 included in due to corporate customers are deposits of RR 105.7 billion (31 December 2016: RR 102.7 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 27.

As at 31 March 2017 the Group had 20 largest groups of related customers with balances above RR 28.7 billion each (31 December 2016: 20 largest groups of related customers with balances above RR 30.5 billion each). The aggregate balance of these customers was RR 2,269.8 billion (31 December 2016: RR 2,399.4 billion) or 12.6% (31 December 2016: 12.8%) of total due to individuals and corporate customers.

Refer to Note 29 for information on the amounts due to corporate customers received under sale and repurchase agreements and carrying value of assets pledged.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

14 Debt Securities in Issue

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Savings certificates	479.0	482.6
Loan participation notes issued under the MTN programme of Sberbank	288.7	473.9
Bonds issued:		
- on the local market	82.7	84.3
- on international capital markets	18.5	21.1
Promissory notes	82.3	92.4
Bonds issued under mortgage securitization programme of Sberbank	5.0	5.5
Other debt securities issued	1.0	1.2
Total debt securities in issue	957.2	1,161.0

Description of the debt securities issued under MTN programme of Sberbank is presented in the table below:

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions	Contractual interest rate, % p.a.	31 March 2017 (unaudited)		31 December 2016	
						Carrying value, in billions of RR	Effective interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.
Series 5	24 September 2010	24 March 2017	USD	1,250	5.4	—	—	74.7	5.4
Series 7	16 June 2011	16 June 2021	USD	1,000	5.7	47.8	5.8	50.6	5.8
Series 8	07 February 2012	07 February 2017	USD	1,300	5.0	—	—	74.7	4.8
Series 9	07 February 2012	07 February 2022	USD	1,500	6.1	83.8	5.6	91.6	5.6
Series 11	28 June 2012	28 June 2019	USD	1,000	5.2	52.4	5.3	55.7	5.3
Series 14	28 February 2013	28 February 2017	CHF	250	2.1	—	—	15.1	2.1
Series 15	04 March 2013	04 March 2018	TRY	550	7.4	7.1	7.6	8.0	7.6
Series 18	06 March 2014	06 March 2019	USD	500	4.2	28.3	4.2	30.7	4.2
Series 19	07 March 2014	07 March 2019	EUR	500	3.1	30.4	3.1	32.2	3.1
Series 20	26 June 2014	15 November 2019	EUR	1,000	3.4	38.9	3.4	40.6	3.4
Total loan participation notes issued under the MTN programme of Sberbank						288.7		473.9	

During the three months ended 31 March 2016 the Group repurchased a portion of the loan participation notes issued under the MTN programme of Sberbank from the market. The gains from early redemption of these notes were presented within other net operating income in the interim consolidated statement of profit or loss in the amount of RR 0.1 billion.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

15 Financial Liabilities at Fair Value through Profit or Loss other than Debt Securities in Issue

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Derivative financial instruments	147.0	181.7
Obligation to deliver securities	23.1	31.2
Total financial liabilities at fair value through profit or loss other than debt securities in issue	170.1	212.9

The composition of derivative financial instruments as at 31 March 2017 and 31 December 2016 is presented below:

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Foreign currency interest rate derivatives	68.6	70.7
Foreign currency derivatives	49.4	78.5
Interest rate derivatives	19.0	20.5
Commodity derivatives including precious metals derivatives	7.9	10.2
Equity securities derivatives	1.1	1.4
Debt securities derivatives	0.7	0.2
Credit risk derivatives	0.3	0.2
Total derivative financial instruments	147.0	181.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

16 Other Liabilities

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Provisions on insurance and pension fund operations		
Provisions on pension fund operations	456.0	367.9
Provisions on insurance operations	119.3	105.9
Provision on unearned premium	5.8	5.4
Total provisions on insurance and pension fund operations	581.1	479.2
Other financial liabilities		
Accrued employee benefit costs	67.3	40.5
Payables on bank card settlements	54.2	131.4
Settlements on operations with securities	42.9	4.9
Funds in settlement	35.4	31.0
Payables	34.8	33.1
Margin calls received	29.3	33.2
Deposit insurance system fees payable	13.6	13.3
Settlements on currency conversion operations	0.3	0.6
Other	30.1	24.6
Total other financial liabilities	307.9	312.6
Other non-financial liabilities		
Provisions for impairment of credit related commitments and other contingencies and commitments	23.5	19.0
Taxes payable other than on income	28.3	23.3
Advances received	17.1	18.1
Deferred commissions received on guarantees issued	3.1	3.4
Income tax payable	2.8	4.2
Other	9.2	9.3
Total other non-financial liabilities	84.0	77.3
Total other liabilities	973.0	869.1

Movement in the provision for impairment of credit related commitments and other contingencies and commitments during the three months ended 31 March 2017 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Guarantees issued	Commitments to extend credit and undrawn credit lines	Letters of credit	Other contingencies and commitments	Total
Provision for impairment as at 31 December 2016 (audited)	11.4	4.6	0.1	2.9	19.0
Net provision charge					
for impairment during the period	1.8	0.6	0.1	1.2	3.7
Business combinations	—	—	—	1.2	1.2
Exchange differences on translating foreign operations	(0.3)	—	—	(0.1)	(0.4)
Provision for impairment as at 31 March 2017	12.9	5.2	0.2	5.2	23.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

16 Other Liabilities (continued)

Movement in the provision for impairment of credit related commitments and other contingencies and commitments during the three months ended 31 March 2016 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Rubles</i>	Guarantees issued	Commitments to extend credit and undrawn credit lines	Letters of credit	Other contingencies and commitments	Total
Provision for impairment as at 31 December 2015 (audited)	4.5	0.2	0.3	8.4	13.4
Net provision charge for impairment during the period	5.7	8.7	—	0.2	14.6
Write-off and utilization	—	—	—	(2.4)	(2.4)
Exchange differences on translating foreign operations	(0.2)	—	—	—	(0.2)
Provision for impairment as at 31 March 2016	10.0	8.9	0.3	6.2	25.4

Liabilities on insurance and pension fund operations. The liabilities on insurance and pension fund operations consist predominantly of actuarial provision. The tables below represent the movement of this provision for insurance contract liabilities with/without discretionary participation features (DPF) and for investment contract liabilities with DPF.

The table below represents the movement of actuarial provision on insurance operations for the three months ended 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Rubles</i>	Insurance contract liabilities with DPF	Insurance contract liabilities without DPF	Investment contract liabilities with DPF	Total gross insurance contract liabilities
Provision as at 31 December 2016 (audited)	6.4	76.3	28.6	111.3
Increase related to new contracts	0.1	3.6	9.3	13.0
Payments and transfers	—	(0.7)	(0.2)	(0.9)
Other movements including changes on run-off contracts	0.3	0.7	0.5	1.5
Exchange differences on translating foreign operations	0.2	—	—	0.2
Provision as at 31 March 2017	7.0	79.9	38.2	125.1

The table below represents the movement of actuarial provision on insurance operations for the three months ended 31 March 2016:

<i>(unaudited)</i> <i>in billions of Russian Rubles</i>	Insurance contract liabilities with DPF	Insurance contract liabilities without DPF	Total gross insurance contract liabilities
Provision as at 31 December 2015 (audited)	5.1	61.9	67.0
Increase related to new contracts	0.1	11.0	11.1
Other movements including changes on run-off contracts	—	(0.5)	(0.5)
Exchange differences on translating foreign operations	—	1.1	1.1
Provision as at 31 March 2016	5.2	73.5	78.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

16 Other Liabilities (continued)

The table below represents the movement of actuarial provision on pension fund operations for the three months ended 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Insurance contract liabilities with DPF	Investment contract liabilities with DPF	Total gross pension contract liabilities
Provision as at 31 December 2016 (audited)	351.1	16.8	367.9
Increase related to new contracts	102.0	0.6	102.6
Payments and transfers	(20.0)	(0.1)	(20.1)
Other movements including changes on run-off contracts	5.0	0.6	5.6
Provision as at 31 March 2017	438.1	17.9	456.0

The table below represents the movement of actuarial provision on pension fund operations for the three months ended 31 March 2016:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Insurance contract liabilities with DPF	Investment contract liabilities with DPF	Total gross pension contract liabilities
Provision as at 31 December 2015 (audited)	243.4	13.2	256.6
Increase related to new contracts	96.2	—	96.2
Payments and transfers	(18.2)	(0.1)	(18.3)
Other movements including changes on run-off contracts	4.6	0.3	4.9
Provision as at 31 March 2016	326.0	13.4	339.4

17 Subordinated Debt

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Subordinated debt received from the Bank of Russia	512.2	504.4
Subordinated debt issued under the MTN programme of Sberbank	190.9	204.7
Other subordinated debt	29.0	30.8
Total subordinated debt	732.1	739.9

Description of the subordinated debt received by the Group from the Bank of Russia is presented in the table below:

Drawdown date	Interest rate repricing date	Currency	Nominal value in currency of issue, in millions	Contractual interest rate, % p.a.	31 March 2017 (unaudited)		31 December 2016	
					Carrying value, in billions of RR	Effective interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.
16 December 2008	31 December 2019	RUB	300,000	6.5	308.6	6.5	304.0	6.5
18 June 2014	31 December 2019	RUB	200,000	6.5	203.6	6.5	200.4	6.5
Total subordinated debt received from the Bank of Russia					512.2		504.4	

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

17 Subordinated Debt (continued)

In March 2015, following the amendments to the Federal Law of the Russian Federation “On additional measures for supporting the financial system of the Russian Federation” terms and conditions of the subordinated loans received from the Bank of Russia in the total nominal value of RR 500.0 billion were modified. As it was allowed by the Federal Law the Bank elected to prolong these subordinated loans for 50 years from the date of the original draw down with an ability to unilaterally (without consent from Bank of Russia) roll over this subordinated facility at its maturity. The subordinated loan facility bears an interest rate of 6.5% p.a. Based on the terms and conditions of the modified subordinated loan the interest rate can be reset after 31 December 2019.

The Group considers that the terms of initial financial instruments previously reported by the Group were not significantly modified. On the repricing date the Group will reassess its judgement provided the conditions of the subordinated loans are substantially revised.

Description of the subordinated debt issued under the MTN programme of Sberbank is presented in the table below:

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions	Contractual interest rate, % p.a.	31 March 2017 (unaudited)		31 December 2016	
						Carrying value, in billions of RR	Effective interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.
Series 12	29 October 2012	29 October 2022	USD	2,000	5.1	80.0	5.2	85.0	5.2
Series 16	23 May 2013	23 May 2023	USD	1,000	5.3	56.6	5.4	60.1	5.4
Series 17	26 February 2014	26 February 2024	USD	1,000	5.5	54.3	5.6	59.6	5.6
Total subordinated debt issued under the MTN programme of Sberbank						190.9		204.7	

During the three months ended 31 March 2016 the Group repurchased a portion of the subordinated loan participation notes issued under the MTN programme from the market. The gains from early redemption of these notes were presented within other net operating income in the interim consolidated statement of profit or loss in the amount of RR 0.5 billion.

In the event of the Bank’s liquidation the claims of the holders of the subordinated debt would be subordinated to all other creditors.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

18 Interest Income and Expense

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Interest income		
Interest income on financial assets not at fair value through profit or loss		
Interest income on financial assets carried at amortized cost:		
- Loans and advances to customers	490.1	551.6
- Due from banks	25.5	8.4
- Debt investment securities held-to-maturity	10.9	11.1
- Correspondent/current accounts with banks	2.1	0.8
	528.6	571.9
Interest income on financial assets available-for-sale:		
- Debt investment securities available-for-sale	29.5	34.7
	29.5	34.7
Total interest income on financial assets not at fair value through profit or loss	558.1	606.6
Interest income on financial assets at fair value through profit or loss:		
- Debt securities designated as at fair value through profit or loss	6.5	5.8
- Debt trading securities	1.0	0.6
	7.5	6.4
Total interest income	565.6	613.0
Interest expense		
Interest expense on financial liabilities not at fair value through profit or loss		
Interest expense on financial liabilities carried at amortized cost:		
- Term deposits of individuals	(125.2)	(143.2)
- Term deposits of legal entities	(35.6)	(58.6)
- Debt securities in issue	(17.1)	(22.2)
- Current/settlement accounts of legal entities	(12.9)	(14.5)
- Subordinated debt	(10.8)	(11.8)
- Term placements of banks	(4.8)	(17.1)
- Current/demand accounts of individuals	(4.8)	(4.4)
- Other borrowed funds	(2.6)	(2.9)
- Correspondent/current accounts of banks	(0.5)	(1.0)
	(214.3)	(275.7)
Interest expense on financial liabilities at fair value through profit or loss:		
- Obligation to deliver securities	(0.5)	(0.4)
	(0.5)	(0.4)
Total interest expense	(214.8)	(276.1)
Deposit insurance expenses	(14.2)	(11.4)
Total interest expense including deposit insurance expenses	(229.0)	(287.5)
Net interest income	336.6	325.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

19 Fee and Commission Income and Expense

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Fee and commission income		
Operations with bank cards	47.7	39.7
Cash and settlements transactions	39.8	37.2
Documentary commissions	6.3	6.3
Operations with foreign currencies and precious metals	3.5	5.9
Agent commissions	2.2	2.3
Operations on financial markets on behalf of clients and investment banking operations	1.4	1.1
Other	2.3	2.1
Total fee and commission income	103.2	94.6
Fee and commission expense		
Operations with bank cards	(20.4)	(14.7)
Settlement transactions	(1.5)	(1.9)
Operations on financial markets on behalf of clients	(0.2)	(0.2)
Operations with foreign currencies	(0.1)	(0.1)
Other	(0.6)	(0.5)
Total fee and commission expense	(22.8)	(17.4)
Net fee and commission income	80.4	77.2

20 Net Results from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Net foreign exchange translation losses	(37.6)	(7.1)
Net gains / (losses) from operations with foreign currency and foreign currency interest rate derivatives	22.8	(20.4)
Net gains from trading in foreign currencies	4.2	2.6
Total net losses from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	(10.6)	(24.9)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

21 Net Results of Non-core Business Activities

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Revenue:		
Revenue from sale of goods	7.4	3.0
Revenue from operating lease	0.1	0.2
Revenue from rendering of services	0.1	0.1
Revenue from construction contracts	—	0.1
Revenue from other activities	1.9	4.1
Total revenue of non-core business activities	9.5	7.5
Cost of sales and other expenses:		
- cost of goods sold	(5.8)	(2.9)
- staff costs	(1.3)	(1.6)
- depreciation of premises and equipment	(0.3)	(0.4)
- maintenance of premises and equipment	(0.2)	(0.3)
- transport costs	(0.1)	—
- other expenses	(1.6)	(1.1)
Total cost of sales and other expenses of non-core business activities	(9.3)	(6.3)
Net result of non-core business activities	0.2	1.2

22 Net Premiums, Claims, Benefits, Change in Contract Liabilities and Acquisition Costs on Insurance and Pension Fund Operations

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Net premiums		
Gross premiums written	129.5	116.5
Premiums ceded to reinsurers	(0.1)	(0.1)
Premiums returns	(0.4)	(0.5)
Total net premiums from insurance and pension fund operations	129.0	115.9
Net claims, benefits and change in contract liabilities		
Gross benefits and claims occurred	(21.0)	(18.9)
Change in contract liabilities	(101.7)	(93.4)
Total net claims, benefits and change in contract liabilities	(122.7)	(112.3)
Acquisition costs	(0.1)	—
Total net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	(122.8)	(112.3)
Total	6.2	3.6

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

23 Operating Expenses

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Staff costs	97.5	86.1
Depreciation of premises and equipment	9.6	16.0
Operating lease expenses	7.8	7.3
Taxes other than on income	7.2	5.4
Administrative expenses	6.3	7.2
Repairs and maintenance of premises and equipment	5.7	6.0
Amortization of intangible assets	5.5	6.2
Telecommunication expenses	3.2	3.9
Consulting and assurance services	1.0	1.2
Advertising and marketing services	0.9	1.3
Other	2.6	3.2
Total operating expenses	147.3	143.8

For the three months ended 31 March 2017 expenses for defined pension contribution plans amounted to RR 14.7 billion (for the three months ended 31 March 2016: RR 11.3 billion).

24 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the holders of ordinary shares of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equal to the basic earnings per share.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March	
	2017	2016
Profit for the period attributable to the shareholders of the Bank	167.8	118.0
Profit attributable to the ordinary shareholders of the Bank	167.8	118.0
Weighted average number of ordinary shares in issue (billions)	21.5	21.5
Earnings per ordinary share, basic and diluted (expressed in RR per share)	7.79	5.49

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

25 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – Central head office, 14 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these interim condensed consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
 - Central head office of the Group,
 - Regional head office of Moscow,
 - Subsidiaries of the Group located in the region.

- **Central and Northern regions of European part of Russia, including:**

Regional head offices:

 - Severny – Yaroslavl,
 - Severo-Zapadny – Saint-Petersburg,
 - Tsentralno-Chernozemny – Voronezh,
 - Srednerussky – Moscow;

Subsidiaries of the Group located in the region.

- **Volga region and South of European part of Russia, including:**

Regional head offices:

 - Volgo-Vyatsky – Nizhniy Novgorod,
 - Povolzhsky – Samara,
 - Yugo-Zapadny – Rostov-on-Don;

Subsidiaries of the Group located in the region.

- **Ural, Siberia and Far East of Russia, including:**

Regional head offices:

 - Zapadno-Uralsky – Perm,
 - Uralsky – Ekaterinburg,
 - Sibirsky – Novosibirsk,
 - Zapadno-Sibirsky – Tumen,
 - Dalnevostochny – Khabarovsk,
 - Baikalsky – Irkutsk;

Subsidiaries of the Group located in the region.

- **Other countries, including:**
 - Subsidiaries located in Turkey,
 - Subsidiaries located in Ukraine, Kazakhstan, Belarus,
 - Subsidiaries located in Austria and Switzerland,
 - Subsidiaries of Sberbank Europe AG located in Central and Eastern Europe,
 - Companies of ex-Troika Dialog Group Ltd. located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
 - A branch office in India,
 - Representative offices in Germany and China.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segment reporting and operating results which are provided to the Management of the Group for analysis are prepared mainly under Russian accounting standards, except the segment reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

25 Segment Analysis (continued)

The activity of each subsidiary is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 March 2017 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	11,901.8	2,768.8	2,545.5	3,541.1	3,790.8	24,548.0
Total liabilities	7,799.7	4,216.7	2,947.8	3,745.5	3,007.2	21,716.9

Segment reporting of the Group's assets and liabilities as at 31 December 2016 is as follows:

<i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	11,865.2	3,155.2	2,673.4	3,704.6	4,040.4	25,438.8
Total liabilities	8,190.7	4,424.9	3,026.5	3,920.9	3,219.9	22,782.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

25 Segment Analysis (continued)

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as at 31 March 2017 and 31 December 2016 is as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Total assets	Total liabilities	Total assets	Total liabilities
Total segment assets and liabilities	24,548.0	21,716.9	25,438.8	22,782.9
Financial assets and liabilities netting	7.9	7.9	(146.7)	(146.7)
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	—	3.4	—	(3.1)
Adjustment of provision for impairment of debt financial assets	102.5	—	118.8	—
Accounting for derivatives at fair value	(1.5)	3.2	(1.8)	(0.7)
Accounting for loans by effective rate method	(16.7)	—	(18.2)	—
Write-down of low value assets	(10.3)	—	(10.0)	—
Adjustment of other provisions	86.1	—	76.1	—
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	(7.5)	—	(10.9)	—
Accounting for financial contracts with embedded derivatives	(1.4)	—	(3.3)	—
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(77.6)	(75.3)	(89.3)	(87.4)
Accrual of expenses on customer loyalty programs	—	15.6	—	13.9
Currency translation of investments in subsidiaries and associates	(3.3)	—	(3.3)	—
Adjustment for credit related commitments provision	—	(25.1)	—	(29.1)
Adjustment for legal claims provision	—	1.0	—	0.8
Commission income adjustment	6.4	3.4	4.9	3.8
Adjustment for recognition of securities on trade date	28.6	29.1	—	—
Accounting for mortgage loans securitisation	5.0	5.0	5.5	5.5
Adjustment for deferred tax	—	8.7	5.9	3.0
Effect of initial recognition of financial instruments at fair value	(4.6)	(1.6)	(4.8)	(2.0)
Other	(6.2)	4.3	6.8	6.0
The Group's total assets/liabilities under IFRS	24,655.4	21,696.5	25,368.5	22,546.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

25 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 31 March 2017 is as follows:

<i>(unaudited)</i> in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter- company eliminations	Total
Interest income	229.9	86.0	79.3	113.3	70.1	(17.9)	560.7
Interest expense	(88.8)	(48.8)	(32.5)	(41.2)	(33.1)	16.8	(227.6)
Intersegment income / (expense)	25.3	(7.6)	(6.4)	(10.3)	—	—	1.0
Fee and commission income	19.5	26.5	21.7	30.6	11.4	(5.3)	104.4
Fee and commission expense	(14.6)	(2.6)	(1.8)	(3.7)	(2.9)	2.8	(22.8)
Net gains / (losses) from securities	9.9	—	—	—	(0.2)	0.5	10.2
Net gains / (losses) from trading in foreign currencies, operations with foreign currency derivatives, other derivatives and foreign exchange translation	7.1	(0.1)	0.1	(0.1)	1.2	0.1	8.3
Net gains from operations with precious metals, precious metals derivatives and precious metals accounts translation	—	—	—	—	1.3	(0.1)	1.2
Net result from non-core business activities	0.6	0.7	(0.5)	—	0.1	(0.7)	0.2
Net premiums, claims, benefits and acquisition costs from insurance and pension fund operations	6.8	(1.9)	(1.5)	(1.6)	—	4.3	6.1
Goodwill impairment	(3.7)	—	—	—	—	—	(3.7)
Impairment of premises, equipment and intangible assets	(0.5)	—	(2.0)	—	—	—	(2.5)
Other net operating (losses) / gains	(10.2)	(0.5)	(0.6)	0.1	0.6	(1.2)	(11.8)
Operating income before provision charge for impairment of debt financial assets	181.3	51.7	55.8	87.1	48.5	(0.7)	423.7
Net provision charge for impairment of debt financial assets	(33.6)	(9.1)	(7.2)	(0.6)	(17.2)	3.2	(64.5)
Operating income	147.7	42.6	48.6	86.5	31.3	2.5	359.2
Operating expenses	(63.3)	(21.3)	(16.9)	(24.4)	(22.0)	1.4	(146.5)
Profit before tax (Segment result)	84.4	21.3	31.7	62.1	9.3	3.9	212.7
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	6.6	2.2	2.1	2.2	7.9	—	21.0
Depreciation of premises and equipment and amortisation of intangible assets	(9.9)	(1.9)	(1.8)	(2.2)	(2.0)	—	(17.8)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

25 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 31 March 2016 is as follows:

<i>(unaudited)</i> in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter- company eliminations	Total
Interest income	234.1	97.4	82.9	118.8	91.8	(17.8)	607.2
Interest expense	(122.4)	(54.2)	(35.4)	(46.1)	(45.8)	16.8	(287.1)
Intersegment income / (expense)	5.6	(1.8)	(1.4)	(2.4)	—	—	—
Fee and commission income	15.0	24.0	19.5	26.8	14.7	(4.4)	95.6
Fee and commission expense	(4.9)	(3.5)	(2.6)	(4.7)	(4.3)	1.2	(18.8)
Net gains from securities	4.7	—	—	—	0.9	(0.2)	5.4
Net losses from trading in foreign currencies, operations with foreign currency derivatives, other derivatives and foreign exchange translation	(26.9)	(0.2)	(0.2)	—	(3.2)	0.1	(30.4)
Net gains from operations with precious metals, precious metals derivatives and precious metals accounts translation	1.2	—	—	—	0.7	(0.3)	1.6
Net result from non-core business activities	1.6	0.1	1.4	—	0.2	(2.1)	1.2
Net premiums, claims, benefits and acquisition costs from insurance and pension fund operations	4.8	(1.6)	(1.3)	(1.4)	—	3.2	3.7
Other net operating gains / (losses)	1.2	1.9	(0.5)	(0.3)	1.9	(0.9)	3.3
Operating income before provision charge for impairment of debt financial assets	114.0	62.1	62.4	90.7	56.9	(4.4)	381.7
Net provision charge for impairment of debt financial assets	(66.8)	(19.9)	(9.5)	(18.7)	(17.7)	1.0	(131.6)
Operating income	47.2	42.2	52.9	72.0	39.2	(3.4)	250.1
Operating expenses	(45.3)	(21.0)	(19.4)	(25.3)	(31.5)	1.6	(140.9)
Profit before tax (Segment result)	1.9	21.2	33.5	46.7	7.7	(1.8)	109.2
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	4.0	1.8	3.5	2.5	2.6	—	14.4
Depreciation of premises and equipment and amortisation of intangible assets	(7.7)	(2.1)	(2.8)	(2.9)	(2.4)	—	(17.9)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

25 Segment Analysis (continued)

Reconciliation of profit before tax for the reportable segments with the Group's profit before tax under IFRS for the three months ended 31 March 2017 and 31 March 2016 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended	
	31 March	
	2017	2016
Total segments result	212.7	109.2
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	(1.8)	(1.0)
Adjustment of provision for impairment of debt financial assets	(10.7)	43.5
Accounting for derivatives at fair value	(10.5)	2.0
Accounting for loans by effective rate method	1.7	3.3
Write-down of low value assets	(0.3)	—
Adjustment of other provisions	10.9	3.2
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	3.2	(1.7)
Accounting for financial contracts with embedded derivatives	1.9	0.3
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(0.2)	(0.5)
Accrual of expenses on customer loyalty programs	(0.2)	1.0
Adjustment for credit related commitments provision	(4.1)	(17.8)
Adjustment for legal claims provision	(0.2)	—
Commission income adjustment	1.9	1.1
Reclassification of securities between portfolios	0.5	6.4
Adjustment for recognition of securities on trade date	6.8	—
Effect of initial recognition of financial instruments at fair value	(0.2)	(0.2)
Other	(3.5)	1.1
The Group's profit before tax under IFRS	207.9	149.9

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used primarily as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated as at fair value through profit or loss in IFRS reporting but classified as available-for-sale in statutory accounting records.

The sum of the line Accounting for derivatives at fair value mainly includes adjustments to reflect recognition of embedded derivatives in the interim consolidated statement of financial position, the creation of CVA/DVA and the bid/offer provisions, as the necessary components of fair value.

For the three months ended 31 March 2017 the Group's revenues from customers in the Russian Federation amounted to RR 745.7 billion (for the three months ended 31 March 2016: RR 713.6 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 74.2 billion (for the three months ended 31 March 2016: RR 103.6 billion). For the three months ended 31 March 2017 intersegment revenues amounted to RR 30.6 billion (for the three months ended 31 March 2016: RR 12.1 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the three months ended 31 March 2017 and 31 March 2016.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

26 Financial and Insurance Risk Management

The Bank manages all significant types of risk for the Group, which are identified annually as a result of ongoing procedures for identification and evaluation of significant risks. The Group recognizes following significant types of risks: credit risk of corporate and retail customers, country risk, credit risk of financial institutions, liquidity risk, market risks on the operations on financial markets (interest rate risk, currency risk, commodity risk, risk of market credit spread, volatility risk), the risk of loss due to changes in value of real estate, legal and compliance risk, reputation risk, risk of models, risk of cybersecurity, operational, strategic, regulatory and tax risks. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational risk.

The Group's risk management policies and procedures are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2016.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions, mainly US dollar/Russian Rouble and Euro/Russian Rouble exchange rate fluctuations.

Foreign exchange risk on forward and futures contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

26 Financial and Insurance Risk Management (continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 March 2017.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Russian Roubles	US Dollars	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	1,207.6	587.6	212.9	45.2	126.6	2,179.9
Mandatory cash balances with central banks	152.3	93.5	45.9	32.5	51.5	375.7
Financial assets at fair value through profit or loss (less fair value of derivatives)	364.2	53.1	0.7	1.2	3.4	422.6
Due from banks	585.9	487.4	50.6	—	84.1	1,208.0
Loans and advances to customers	11,024.0	3,590.6	1,055.2	801.4	364.1	16,835.3
Securities pledged under repurchase agreements	24.1	0.1	0.3	66.5	0.2	91.2
Investment securities available-for-sale	1,035.7	402.2	109.8	30.4	67.0	1,645.1
Investment securities held-to-maturity	326.2	195.6	11.9	39.8	5.1	578.6
Other financial assets	167.5	92.4	53.6	9.3	8.5	331.3
Total financial assets	14,887.5	5,502.5	1,540.9	1,026.3	710.5	23,667.7
Liabilities						
Due to banks	221.7	75.1	208.4	18.4	32.9	556.5
Due to individuals	8,746.1	1,857.2	1,141.9	319.6	260.6	12,325.4
Due to corporate customers	2,545.2	2,248.8	441.2	271.9	210.5	5,717.6
Debt securities in issue	562.7	245.8	90.4	44.2	14.1	957.2
Other borrowed funds	—	133.1	66.5	19.8	12.0	231.4
Financial liabilities at fair value through profit or loss other than debt securities in issue (less fair value of derivatives)	7.0	15.7	0.2	—	0.2	23.1
Other financial liabilities	178.2	71.4	15.0	36.2	7.1	307.9
Subordinated debt	513.9	212.3	0.5	—	5.4	732.1
Total financial liabilities	12,774.8	4,859.4	1,964.1	710.1	542.8	20,851.2
Net financial assets/(liabilities)	2,112.7	643.1	(423.2)	316.2	167.7	2,816.5
Net derivatives	449.7	(631.6)	401.9	(158.4)	(38.7)	22.9
Credit related commitments and performance guarantees before provision for impairment (Note 27)	2,842.3	694.8	374.8	587.9	97.5	4,597.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

26 Financial and Insurance Risk Management (continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2016.

<i>in billions of Russian Roubles</i>	Russian Roubles	US Dollars	Euro	Turkish Lira	Other	Total
Assets						
Cash and cash equivalents	1,639.0	472.6	264.4	67.0	117.8	2,560.8
Mandatory cash balances with central banks	154.9	113.9	57.9	24.2	51.1	402.0
Financial assets at fair value through profit or loss (less fair value of derivatives)	346.6	46.5	0.4	1.8	3.6	398.9
Due from banks	620.7	227.0	46.8	0.1	70.8	965.4
Loans and advances to customers	11,082.3	3,957.0	1,160.4	791.1	370.5	17,361.3
Securities pledged under repurchase agreements	16.1	0.3	0.5	96.8	0.2	113.9
Investment securities available-for-sale	1,032.1	380.1	144.4	27.7	74.6	1,658.9
Investment securities held-to-maturity	300.5	200.3	13.1	26.5	5.4	545.8
Other financial assets	204.2	52.8	42.9	10.6	4.0	314.5
Total financial assets	15,396.4	5,450.5	1,730.8	1,045.8	698.0	24,321.5
Liabilities						
Due to banks	230.0	108.8	165.6	25.5	32.0	561.9
Due to individuals	8,672.0	1,924.5	1,231.0	359.9	262.2	12,449.6
Due to corporate customers	2,676.6	2,488.1	535.0	312.4	223.1	6,235.2
Debt securities in issue	572.3	414.5	97.8	45.4	31.0	1,161.0
Other borrowed funds	—	151.9	70.6	25.9	13.0	261.4
Financial liabilities at fair value through profit or loss other than debt securities in issue (less fair value of derivatives)	13.7	16.5	0.8	—	0.2	31.2
Other financial liabilities	224.8	28.7	13.0	39.3	6.8	312.6
Subordinated debt	506.3	227.6	0.6	—	5.4	739.9
Total financial liabilities	12,895.7	5,360.6	2,114.4	808.4	573.7	21,752.8
Net financial assets/(liabilities)	2,500.7	89.9	(383.6)	237.4	124.3	2,568.7
Net derivatives	(84.1)	(147.5)	397.4	(68.4)	(72.5)	24.9
Credit related commitments and performance guarantees before provision for impairment (Note 27)	2,704.2	908.1	397.7	651.1	97.5	4,758.6

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

26 Financial and Insurance Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk of inability of the Group to finance its performance, i.e. to ensure the growth of assets and/or fulfill its obligations as far as they arise on the condition of compliance to the requirements of the local regulator in the normal course of business as well as during stress situations. The Group is exposed to daily calls on its available cash resources from interbank overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments.

Principles that are used to analyze liquidity position presentation and manage the Group liquidity risk management are based on the Bank's of Russia prudential initiatives and the Bank's practice:

- cash and cash equivalents represent highly liquid assets and are classified as "On demand and less than 1 month";
- trading securities, securities designated as at fair value through profit or loss and highly liquid portion of investment securities available-for-sale are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in the analysis of liquidity position as "on demand and less than 1 month";
- investment securities available-for-sale which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "No stated maturity / overdue" (for equities);
- investment securities held-to-maturity including those pledged under repurchase agreements are classified based on the remaining contractual maturities;
- highly liquid portion of securities pledged under repurchase agreements is disclosed based on the remaining maturities of repurchase agreements;
- loans and advances to customers, amounts due from banks, other assets, debt securities in issue, amounts due to banks, other borrowed funds and other liabilities are included into analysis of liquidity position based on remaining contractual maturities (for loans and advances to customers "No stated maturity / overdue" category represents only actual payments which were overdue);
- term deposits of individuals are not disclosed as "On demand and less than 1 month" in full amount although individuals have a right to withdraw money from any account, including term deposits, before maturity date, losing the right to accrued interest;
- diversification of balances due to individuals and corporate customers by number and type of depositors and the past experience of the Group indicate that such balances provide a long-term and stable source of funding irrespective of their contractual maturities. As a result in the analysis of liquidity position balances due to individuals and corporate customers are allocated on the basis of expected time of funds outflow which is based on statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances;
- assets and liabilities other than those discussed above are generally classified on the basis of their contractual maturities.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

26 Financial and Insurance Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 March 2017 is set out below.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	On demand and less than	From 1 to	From 6 to	From 1 to	More than	No stated maturity/ overdue	Total
	1 month	6 months	12 months	3 years	3 years		
Assets							
Cash and cash equivalents	2,179.9	—	—	—	—	—	2,179.9
Mandatory cash balances with central banks	141.6	91.4	52.3	32.2	58.2	—	375.7
Financial assets at fair value through profit or loss	439.4	43.5	36.1	47.3	26.2	—	592.5
Due from banks	403.3	733.7	35.1	31.9	4.0	—	1,208.0
Loans and advances to customers	917.4	1,489.5	1,928.2	4,968.1	7,196.1	336.0	16,835.3
Securities pledged under repurchase agreements	78.9	—	—	3.5	8.8	—	91.2
Investment securities available-for- sale	1,619.8	1.3	3.8	2.4	16.5	1.3	1,645.1
Investment securities held-to- maturity	81.3	26.4	75.9	112.9	282.1	—	578.6
Deferred tax asset	—	—	—	—	—	15.2	15.2
Premises and equipment	—	—	—	—	—	487.2	487.2
Assets of the disposal groups and non-current assets held for sale	4.1	—	—	—	—	—	4.1
Other assets	366.5	21.1	53.4	27.2	25.1	149.3	642.6
Total assets	6,232.2	2,406.9	2,184.8	5,225.5	7,617.0	989.0	24,655.4
Liabilities							
Due to banks	303.4	67.9	27.6	116.7	40.9	—	556.5
Due to individuals	2,488.5	3,907.7	2,703.4	1,062.2	2,163.6	—	12,325.4
Due to corporate customers	1,280.7	702.0	508.3	599.4	2,627.2	—	5,717.6
Debt securities in issue	117.4	276.4	179.4	248.8	135.2	—	957.2
Other borrowed funds	31.9	60.3	55.4	25.6	58.2	—	231.4
Financial liabilities at fair value through profit or loss other than debt securities in issue	45.6	24.5	36.6	52.0	11.4	—	170.1
Deferred tax liability	—	—	—	—	—	33.2	33.2
Other liabilities	266.4	52.1	49.6	37.7	535.4	31.8	973.0
Subordinated debt	2.0	14.0	47.3	504.1	164.7	—	732.1
Total liabilities	4,535.9	5,104.9	3,607.6	2,646.5	5,736.6	65.0	21,696.5
Net liquidity gap	1,696.3	(2,698.0)	(1,422.8)	2,579.0	1,880.4	924.0	2,958.9
Cumulative liquidity gap as at 31 March 2017	1,696.3	(1,001.7)	(2,424.5)	154.5	2,034.9	2,958.9	—

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

26 Financial and Insurance Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 December 2016 is set out below.

<i>in billions of Russian Roubles</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,560.8	—	—	—	—	—	2,560.8
Mandatory cash balances with central banks	167.7	72.3	35.8	103.1	23.1	—	402.0
Financial assets at fair value through profit or loss	414.4	39.5	57.0	64.1	30.5	—	605.5
Due from banks	436.7	471.0	28.0	29.2	0.5	—	965.4
Loans and advances to customers	796.9	1,615.1	1,986.9	5,137.9	7,507.1	317.4	17,361.3
Securities pledged under repurchase agreements	80.4	1.5	0.1	4.3	27.6	—	113.9
Investment securities available-for- sale	1,607.4	19.1	8.1	5.9	17.2	1.2	1,658.9
Investment securities held-to- maturity	3.3	88.6	30.1	132.8	291.0	—	545.8
Deferred tax asset	—	—	—	—	—	13.9	13.9
Premises and equipment	—	—	—	—	—	482.9	482.9
Assets of the disposal groups and non-current assets held for sale	5.8	—	—	—	—	—	5.8
Other assets	355.4	39.8	44.7	10.5	27.2	174.7	652.3
Total assets	6,428.8	2,346.9	2,190.7	5,487.8	7,924.2	990.1	25,368.5
Liabilities							
Due to banks	330.3	82.1	10.6	101.2	37.7	—	561.9
Due to individuals	2,243.1	4,965.0	2,096.7	1,081.1	2,063.7	—	12,449.6
Due to corporate customers	1,794.7	737.1	488.1	791.2	2,424.1	—	6,235.2
Debt securities in issue	121.7	477.8	144.5	270.4	146.6	—	1,161.0
Other borrowed funds	37.0	95.8	43.8	49.9	34.9	—	261.4
Financial liabilities at fair value through profit or loss other than debt securities in issue	55.7	44.4	33.8	66.5	12.5	—	212.9
Deferred tax liability	—	—	—	—	—	55.1	55.1
Liabilities of the disposal groups	0.8	—	—	—	—	—	0.8
Other liabilities	270.8	48.7	46.9	30.9	436.9	34.9	869.1
Subordinated debt	0.1	8.4	44.5	509.7	177.2	—	739.9
Total liabilities	4,854.2	6,459.3	2,908.9	2,900.9	5,333.6	90.0	22,546.9
Net liquidity gap	1,574.6	(4,112.4)	(718.2)	2,586.9	2,590.6	900.1	2,821.6
Cumulative liquidity gap as at 31 December 2016	1,574.6	(2,537.8)	(3,256.0)	(669.1)	1,921.5	2,821.6	—

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

27 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these interim condensed consolidated financial statements. For the movements in the provision for legal claims refer to Note 16.

PPF Management LLC filed a claim in the US District Court of the Southern District of New York against the Bank for reimbursement of damages in the amount of USD 750 million caused according to the plaintiff by withdrawal of shares of OJSC Pavlovskgranit from the owner. The Bank acted strictly in accordance with the Russian legislation and in the best interest of the Banks' shareholders during the recovery of the non-performing loan, which is confirmed by subsequent decisions in the courts of the Russian Federation. The management and legal advisors of the Bank assess the risk of outflow of economic resources on PPF Management LLC claim as insignificant.

PJSC Transneft filed a claim in the Moscow Arbitration Court against the Bank demanding to void the derivative deal concluded between the plaintiff and the Bank under the General Agreement for Derivative Transactions on the financial markets. The amount of the contested transaction is RR 66 billion. The deal was settled and closed, but according to PJSC Transneft, the Bank acted unfairly at the inception of the transaction. In the management's opinion, there is no reason to agree with the position of the plaintiff, and there is no information that would indicate a possible significant outflow of economic resources on the lawsuit.

Moscow Prosecutor's office filed a claim in the Moscow Arbitration Court against the Bank and a customer of the Bank (together - parties) to void the derivative deals concluded between the parties. The Bank's management examined the circumstances of the case, the existing documentation and the Bank estimates the outflow of resources on this lawsuit as possible. In relation to this claim the Group booked a provision in the amount of expected losses.

Credit related commitments and performance guarantees. The primary purpose of credit related commitments instruments is to ensure that funds are available to a customer when required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer can not meet the 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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than direct lending.

Commitments to extend credit represent unused portions of authorizations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of 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 maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

27 Contingencies and Commitments (continued)

Outstanding credit related commitments and performance guarantees are as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)	31 December 2016
Commitments to extend credit	1,729.5	1,856.0
Guarantees issued:		
- Financial guarantees	1,234.0	1,132.4
- Performance guarantees	444.6	520.6
Undrawn credit lines	812.1	768.7
Export letters of credit	211.8	307.9
Import letters of credit and letters of credit for domestic settlements	165.3	173.0
Total credit related commitments and performance guarantees before provision	4,597.3	4,758.6
Less provision	(18.3)	(16.1)
Total credit related commitments and performance guarantees after provision	4,579.0	4,742.5

As at 31 March 2017 included in due to corporate customers are deposits of RR 105.7 billion (31 December 2016: RR 102.7 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 13.

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

For the movements in the provision for impairment of credit related commitments and performance guarantees refer to Note 16.

28 Fair Value Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

The following table shows an analysis of classes of assets carried at fair value by level of the fair value hierarchy as at 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Trading securities	68.1	3.8	—	71.9
Corporate bonds	25.7	3.6	—	29.3
Russian federal loan bonds (OFZ bonds)	18.5	—	—	18.5
Corporate shares	11.3	0.2	—	11.5
Russian Federation Eurobonds	9.6	—	—	9.6
Foreign government and municipal bonds	2.5	—	—	2.5
Investments in mutual funds	0.3	—	—	0.3
Russian municipal and subfederal bonds	0.2	—	—	0.2
Securities designated as at fair value through profit or loss	155.3	172.9	22.5	350.7
Corporate bonds	90.4	166.5	—	256.9
Russian federal loan bonds (OFZ bonds)	52.2	—	—	52.2
Corporate shares	2.7	0.6	17.3	20.6
Investments in mutual funds	—	5.8	5.2	11.0
Russian municipal and subfederal bonds	7.2	—	—	7.2
Foreign government and municipal bonds	2.3	—	—	2.3
Russian Federation Eurobonds	0.5	—	—	0.5
Securities pledged under repurchase agreements	79.5	—	—	79.5
Foreign government and municipal bonds	55.4	—	—	55.4
Russian federal loan bonds (OFZ bonds)	24.0	—	—	24.0
Russian Federation Eurobonds	0.1	—	—	0.1
Investment securities available-for-sale	1,572.3	72.6	0.2	1,645.1
Russian federal loan bonds (OFZ bonds)	818.0	—	—	818.0
Corporate bonds	354.5	40.0	—	394.5
Russian Federation Eurobonds	215.2	—	—	215.2
Foreign government and municipal bonds	135.3	32.6	—	167.9
Corporate shares	26.9	—	0.2	27.1
Russian municipal and subfederal bonds	22.4	—	—	22.4
Derivative financial instruments	—	169.9	—	169.9
Foreign currency interest rate derivatives	—	81.2	—	81.2
Foreign currency derivatives	—	43.4	—	43.4
Interest rate derivatives	—	24.1	—	24.1
Commodity derivatives including precious metals derivatives	—	11.4	—	11.4
Debt securities derivatives	—	4.8	—	4.8
Equity securities derivatives	—	4.5	—	4.5
Credit risk derivatives	—	0.3	—	0.3
Other derivatives	—	0.2	—	0.2
Investment property	—	—	8.0	8.0
Office premises	—	—	291.9	291.9
Total assets carried at fair value	1,875.2	419.2	322.6	2,617.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

The following table shows an analysis of classes of assets carried at fair value by level of the fair value hierarchy as at 31 December 2016:

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Trading securities	61.7	1.4	—	63.1
Corporate bonds	26.3	1.4	—	27.7
Russian federal loan bonds (OFZ bonds)	17.0	—	—	17.0
Russian Federation Eurobonds	9.2	—	—	9.2
Corporate shares	5.4	—	—	5.4
Foreign government and municipal bonds	3.2	—	—	3.2
Russian municipal and subfederal bonds	0.3	—	—	0.3
Investments in mutual funds	0.3	—	—	0.3
Securities designated as at fair value through profit or loss	131.5	181.5	22.8	335.8
Corporate bonds	63.0	174.5	—	237.5
Russian federal loan bonds (OFZ bonds)	55.8	—	—	55.8
Corporate shares	2.7	0.4	17.3	20.4
Investments in mutual funds	—	6.4	5.5	11.9
Russian municipal and subfederal bonds	7.1	0.2	—	7.3
Foreign government and municipal bonds	2.4	—	—	2.4
Russian Federation Eurobonds	0.5	—	—	0.5
Securities pledged under repurchase agreements	81.3	—	—	81.3
Foreign government and municipal bonds	66.4	—	—	66.4
Russian federal loan bonds (OFZ bonds)	14.4	—	—	14.4
Corporate bonds	0.3	—	—	0.3
Russian Federation Eurobonds	0.2	—	—	0.2
Investment securities available-for-sale	1,609.0	49.7	0.2	1,658.9
Russian federal loan bonds (OFZ bonds)	763.8	—	—	763.8
Corporate bonds	393.5	12.6	—	406.1
Russian Federation Eurobonds	234.1	—	—	234.1
Foreign government and municipal bonds	150.7	36.6	—	187.3
Corporate shares	44.9	0.1	0.2	45.2
Russian municipal and subfederal bonds	22.0	—	—	22.0
Promissory notes	—	0.4	—	0.4
Derivative financial instruments	—	206.6	—	206.6
Foreign currency interest rate derivatives	—	107.3	—	107.3
Foreign currency derivatives	—	51.2	—	51.2
Interest rate derivatives	—	26.8	—	26.8
Commodity derivatives including precious metals derivatives	—	10.8	—	10.8
Equity securities derivatives	—	5.5	—	5.5
Debt securities derivatives	—	4.0	—	4.0
Credit risk derivatives	—	1.0	—	1.0
Investment property	—	—	8.4	8.4
Office premises	—	—	293.6	293.6
Total assets carried at fair value	1,883.5	439.2	325.0	2,647.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 March 2017:

(unaudited)
in billions of Russian Roubles

	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	427.8	1,752.1	—	2,179.9
Mandatory cash balances with central banks	—	375.7	—	375.7
Due from banks	—	1,208.0	—	1,208.0
Loans and advances to customers	—	—	17,373.1	17,373.1
Investment securities held-to-maturity	541.2	42.9	5.1	589.2
Investment securities held-to-maturity pledged under repurchase agreement	11.5	—	—	11.5
Other financial assets	—	—	331.3	331.3
Total assets for which fair values are disclosed	980.5	3,378.7	17,709.5	22,068.7

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2016:

in billions of Russian Roubles

	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	626.5	1,934.3	—	2,560.8
Mandatory cash balances with central banks	—	402.0	—	402.0
Due from banks	—	965.4	—	965.4
Loans and advances to customers	—	—	17,696.7	17,696.7
Investment securities held-to-maturity	506.7	44.3	—	551.0
Investment securities held-to-maturity pledged under repurchase agreement	32.3	—	—	32.3
Other financial assets	—	—	314.5	314.5
Total assets for which fair values are disclosed	1,165.5	3,346.0	18,011.2	22,522.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

The following tables show fair values of liabilities carried at fair value and of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	—	147.0	—	147.0
Foreign currency interest rate derivatives	—	68.6	—	68.6
Foreign currency derivatives	—	49.4	—	49.4
Interest rate derivatives	—	19.0	—	19.0
Commodity derivatives including precious metals derivatives	—	7.9	—	7.9
Equity securities derivatives	—	1.1	—	1.1
Debt securities derivatives	—	0.7	—	0.7
Credit risk derivatives	—	0.3	—	0.3
Obligation to deliver securities	23.1	—	—	23.1
Corporate bonds	14.1	—	—	14.1
Russian federal loan bonds (OFZ bonds)	5.2	—	—	5.2
Corporate shares	2.1	—	—	2.1
Russian Federation Eurobonds	1.6	—	—	1.6
Foreign government and municipal bonds	0.1	—	—	0.1
Total liabilities carried at fair value	23.1	147.0	—	170.1
Liabilities for which fair values are disclosed				
Due to banks	—	556.0	—	556.0
Due to individuals	—	2,383.2	9,927.4	12,310.6
Due to corporate customers	—	2,380.9	3,293.3	5,674.2
Debt securities in issue	307.6	604.9	63.4	975.9
Other borrowed funds	—	69.8	161.0	230.8
Other financial liabilities	—	—	307.9	307.9
Subordinated debt	198.3	5.6	533.4	737.3
Total liabilities for which fair values are disclosed	505.9	6,000.4	14,286.4	20,792.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

The following tables show fair values of liabilities carried at fair value and of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2016:

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	—	181.7	—	181.7
Foreign currency derivatives	—	78.5	—	78.5
Foreign currency interest rate derivatives	—	70.7	—	70.7
Interest rate derivatives	—	20.5	—	20.5
Commodity derivatives including				
precious metals derivatives	—	10.2	—	10.2
Equity securities derivatives	—	1.4	—	1.4
Debt securities derivatives	—	0.2	—	0.2
Credit risk derivatives	—	0.2	—	0.2
Obligation to deliver securities	31.2	—	—	31.2
Corporate bonds	16.3	—	—	16.3
Russian federal loan bonds (OFZ bonds)	9.6	—	—	9.6
Corporate shares	4.1	—	—	4.1
Russian Federation Eurobonds	0.9	—	—	0.9
Foreign government and municipal bonds	0.3	—	—	0.3
Total liabilities carried at fair value	31.2	181.7	—	212.9
Liabilities for which fair values are disclosed				
Due to banks	—	561.5	—	561.5
Due to individuals	—	2,478.9	10,025.0	12,503.9
Due to corporate customers	—	1,982.3	4,219.1	6,201.4
Debt securities in issue	492.8	619.5	67.8	1,180.1
Other borrowed funds	—	83.7	177.1	260.8
Other financial liabilities	—	—	312.6	312.6
Subordinated debt	208.1	6.0	527.2	741.3
Total liabilities for which fair values are disclosed	700.9	5,731.9	15,328.8	21,761.6

Level 2 includes debt securities of first-class borrowers and derivative financial instruments that are not actively traded on the market. Fair value of these financial instruments was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable on the active market. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following describes the methodologies and assumptions used to determine fair values for financial instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs derived from well-known market information systems are mainly foreign currency interest rate swaps, interest rate swaps, currency swaps, forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Option-pricing is mostly done with Black-Scholes model and for certain types of options with stochastic local volatility model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatility. In rare exceptional cases, DCF model may be applied, in case where it is impossible to obtain market data.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

Trading securities, securities designated as at fair value through profit or loss and investment securities available-for-sale

Trading securities, securities designated as at fair value through profit or loss and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models based on observable market data and models based on both observable and non-observable market data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured as at fair value during the three months ended 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Trading securities	0.2	—
Securities designated as at fair value through profit or loss	1.4	0.2
Investment securities available-for-sale	7.2	6.8
Total transfers of financial assets	8.8	7.0

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured as at fair value during the year ended 31 December 2016:

<i>in billions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Trading securities	0.8	1.3
Securities designated as at fair value through profit or loss	3.2	4.8
Investment securities available-for-sale	12.0	10.1
Total transfers of financial assets	16.0	16.2

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded, the liquidity of the market is not sufficient to use the market quotation for the valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded as at fair value as at 31 March 2017:

<i>(unaudited)</i> in billions of Russian Roubles	At 31 December 2016 (audited)	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Purchases	Sales/ Settlements	Transfers from Level 3	At 31 March 2017
Securities designated as at fair value through profit or loss	22.8	0.1	(0.4)	—	—	—	22.5
Investment securities available-for-sale	0.2	—	—	—	—	—	0.2
Investment property	8.4	—	(0.2)	—	(0.2)	—	8.0
Office premises	293.6	(1.4)	(0.8)	1.6	(0.6)	(0.5)	291.9
Total level 3 assets	325.0	(1.3)	(1.4)	1.6	(0.8)	(0.5)	322.6

For the three months ended 31 March 2017 there were no unrealized gains / losses reported in the interim consolidated statement of profit or loss on Level 3 financial assets.

Total gains recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the interim consolidated statement of profit or loss within net gains from securities designated as at fair value through profit or loss.

Valuation of share in a real estate company of RR 8.3 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: weighted average cost of capital (WACC) and estimated capitalization rate (CapRate) which depend on forecasts on property prices. WACC as at 31 March 2017 is 12.5%, CapRate – 8.75%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.3 billion lower / RR 1.1 billion higher. Should the capitalization rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.2 billion lower / RR 1.5 billion higher.

Valuation of non-voting share in a special investment fund (SIF) with investments in oil companies of RR 4.6 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. WACC as at 31 March 2017 is 13.5%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.05 billion lower / RR 0.05 billion higher.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

Valuation of investment in a mining company of RR 4.4 billion using valuation techniques based on non-observable inputs

Fair value of investments was determined based on net assets value, while valuation of the investments in the company's operational subsidiaries was based on discounted cash flow model using the following key assumptions: WACC, operational expenses, cost of investments, price and volume of sale.

WACC of operational companies as at 31 March 2017 is 14.3%, 16.3%, 16.4%, 16.6% and 18.9%. Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.3 billion lower / RR 0.3 billion higher.

Valuation of share in a real estate company of RR 2.0 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following income parameters: sale price of real estate and discount rate.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.02 billion lower / RR 0.02 billion higher. Should the sale price used by the Group in the valuation model decrease / increase by 5.0%, the carrying value of the financial instrument would be RR 0.08 billion lower / RR 0.08 billion higher.

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded as at fair value as at 31 December 2016:

<i>in billions of Russian Roubles</i>	At 31 December 2015	Total (losses)/ gains reported in profit or loss	Foreign currency revaluation	Total gains reported in other compre- hensive income	Purchases	Business combinations	Sales/ Settlements	Transfers from Level 3	Transfers to Level 3	At 31 December 2016
Trading securities	0.1	(0.1)	—	—	—	—	—	—	—	—
Securities designated as at fair value through profit or loss	20.2	0.6	0.1	—	2.0	—	(0.1)	—	—	22.8
Investment securities available-for-sale	2.8	(3.0)	(0.3)	—	—	—	—	—	0.7	0.2
Derivative financial instruments	11.4	1.9	(1.5)	—	—	—	(11.8)	—	—	—
Investment property	11.1	0.1	(1.6)	—	1.7	2.2	(2.0)	(3.4)	0.3	8.4
Office premises	316.9	(34.5)	(2.9)	2.7	32.4	—	(21.0)	—	—	293.6
Total level 3 assets	362.5	(35.0)	(6.2)	2.7	36.1	2.2	(34.9)	(3.4)	1.0	325.0

For the year ended 31 December 2016 there were no unrealized gains / losses reported in the consolidated statement of profit or loss on Level 3 financial assets.

Total losses recognized as profit or loss on trading securities which are presented in the table above are reported in the consolidated statement of profit or loss within net gains from trading securities.

Total gains recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the consolidated statement of profit or loss within net gains from securities designated as at fair value through profit or loss.

Total losses recognized as profit or loss on investment securities available-for-sale which are presented in the table above are reported in the consolidated statement of profit or loss within net gains from investment securities available-for-sale.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in the consolidated statement of profit or loss within net (losses) / gains from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation; within net gains / (losses) from operations with precious metals, precious metals derivatives and precious metals accounts translation and within net gains from operations with other derivatives.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

Valuation of share in a real estate company of RR 8.3 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: WACC and estimated capitalization rate (CapRate) which depend on forecasts on property prices. WACC as at 31 December 2016 is 12.5%, CapRate – 8.75%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.3 billion lower / RR 1.1 billion higher. Should the capitalization rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.2 billion lower / RR 1.5 billion higher.

Valuation of non-voting share in a special investment fund (SIF) with investments in oil companies of RR 4.9 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. WACC as at 31 December 2016 is 13.5%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.05 billion lower / RR 0.05 billion higher.

Valuation of investment in a mining company of RR 4.4 billion using valuation techniques based on non-observable inputs

Fair value of investments was determined based on net assets value, while valuation of the investments in the company's operational subsidiaries was based on discounted cash flow model using the following key assumptions: WACC, operational expenses, cost of investments, price and volume of sale.

WACC of operational companies as at 31 December 2016 is 17.5%, 17.6%, 19.7% and 19.9%. Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.3 billion lower / RR 0.4 billion higher.

Valuation of share in a real estate company of RR 2.0 billion using valuation techniques based on non-observable inputs

Fair value of 16 properties with a total area of 102 000 square meters was based on market value of real estate units using average market rate for one square meter of real estate properties (39 thousand Russian Roubles). Should the average rate for square meter of real estate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.02 billion higher / RR 0.02 billion lower.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

Fair values of financial assets and liabilities not accounted at fair value in the interim condensed consolidated financial statements are disclosed below. The following financial assets and financial liabilities are not disclosed in the table below because their carrying amount is a reasonable approximation of fair value due to their short-term nature or repricing to current market rates:

- cash and cash equivalents;
- mandatory cash balances with central banks;
- other financial assets;
- other financial liabilities.

Fair values of financial assets not accounted for at fair value in the interim condensed consolidated financial statements are as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets carried at amortized cost				
Due from banks	1,208.0	1,208.0	965.4	965.4
Loans and advances to customers:				
- Commercial loans to legal entities	8,758.5	8,924.7	9,167.1	9,273.0
- Specialized loans to legal entities	3,273.4	3,492.2	3,406.6	3,529.6
- Mortgage loans to individuals	2,710.7	2,837.5	2,704.3	2,776.3
- Consumer and other loans to individuals	1,449.8	1,475.9	1,443.8	1,478.9
- Credit cards and overdrafts to individuals	536.9	536.9	530.4	530.4
- Car loans to individuals	106.0	105.9	109.1	108.5
Securities pledged under repurchase agreements:				
- Investment securities held-to-maturity pledged under repurchase agreements	11.7	11.5	32.6	32.3
Investment securities held-to-maturity	578.6	589.2	545.8	551.0
Total	18,633.6	19,181.8	18,905.1	19,245.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

28 Fair Value Disclosures (continued)

Fair values of financial liabilities not accounted at fair value in the interim condensed consolidated financial statements are as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities carried at amortized cost				
Due to banks	556.5	556.0	561.9	561.5
Due to Individuals:				
- Current/demand accounts	2,383.2	2,383.2	2,478.9	2,478.9
- Term deposits	9,942.0	9,927.2	9,970.1	10,024.4
- Direct repo agreements	0.2	0.2	0.6	0.6
Due to corporate customers:				
- Current/settlement accounts of state and public organizations	174.9	174.9	147.8	147.8
- Term deposits of state and public organizations	109.3	109.6	184.2	183.5
- Current/settlement accounts of other corporate customers	2,206.0	2,206.0	1,834.5	1,834.5
- Term deposits of other corporate customers	3,168.9	3,125.2	3,997.4	3,964.3
- Direct repo agreements with other corporate customers	58.5	58.5	71.3	71.3
Debt securities in issue:				
- Savings certificates	479.0	479.8	482.6	484.1
- Loan participation notes issued under the MTN programme of Sberbank	288.7	307.6	473.9	492.8
- Bonds issued:				
- on the local market	82.7	82.9	84.3	84.4
- on international capital markets	18.5	18.0	21.1	20.3
- Promissory notes	82.3	81.5	92.4	91.8
- Bonds issued under mortgage securitization programme of Sberbank	5.0	5.1	5.5	5.5
- Other debt securities issued	1.0	1.0	1.2	1.2
Other borrowed funds	231.4	230.8	261.4	260.8
Subordinated debt:				
- Subordinated debt received by the Group from the Bank of Russia	512.2	512.2	504.4	504.4
- Subordinated debt issued under the MTN programme of Sberbank	190.9	198.3	204.7	208.1
- Other subordinated debt	29.0	26.8	30.8	28.8
Total	20,520.2	20,484.8	21,409.0	21,449.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

29 Transfers of Financial Assets and Pledged Assets

The following note provides a summary of financial assets which have been pledged or transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business.

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)				31 December 2016			
	Due to banks		Due to customers		Due to banks		Due to customers	
	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability
Securities pledged under repurchase agreements	29.8	27.6	61.4	58.7	37.9	37.2	76.0	71.9
Securities of clients pledged under repurchase agreements	4.2	3.9	—	—	3.1	2.9	—	—
Total before margin calls	34.0	31.5	61.4	58.7	41.0	40.1	76.0	71.9
Other financial assets (margin calls under repurchase agreements)	—	—	0.1	—	—	—	0.2	—
Total	34.0	31.5	61.5	58.7	41.0	40.1	76.2	71.9

Refer to Note 8 for information on details of own securities portfolio pledged under repurchase agreements.

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The summary of the financial assets transferred without derecognition and pledged assets is presented below:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability
Loans to corporate customers	94.5	81.4	96.6	81.8
Loans to individuals	6.3	5.0	6.7	5.5
Securities	35.4	29.3	48.5	33.6
Other assets	1.4	1.2	3.2	2.3
Total	137.6	116.9	155.0	123.2

Margin calls transferred are disclosed in Note 11.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Amount of loans granted under repo agreements	Fair value of securities received as collateral	Amount of loans granted under repo agreements	Fair value of securities received as collateral
Cash and cash equivalents	330.1	364.2	340.9	373.3
Due from banks	421.8	506.8	456.0	510.1
Loans and advances to customers	81.4	103.6	108.1	148.0
Total	833.3	974.6	905.0	1,031.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

30 Offsetting of Financial Instruments

Financial instruments subject to offsetting, enforceable master netting (ISDA, RISDA, etc.) and similar arrangements are as follows as at 31 March 2017:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross amount of recognized financial assets/liabilities	Gross amount of recognized financial assets/liabilities set off in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Financial assets						
Derivative financial assets	137.1	—	137.1	(62.4)	(21.7)	53.0
Reverse repurchase agreements	833.3	—	833.3	(833.3)	—	—
Total financial assets	970.4	—	970.4	(895.7)	(21.7)	53.0
Financial liabilities						
Derivative financial liabilities	143.5	—	143.5	(62.4)	(57.8)	23.3
Direct repurchase agreements	90.2	—	90.2	(90.2)	—	—
Total financial liabilities	233.7	—	233.7	(152.6)	(57.8)	23.3

The comparative information as at 31 December 2016 is presented in the table below:

<i>in billions of Russian Roubles</i>	Gross amount of recognized financial assets/liabilities	Gross amount of recognized financial assets/liabilities set off in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Financial assets						
Derivative financial assets	166.0	—	166.0	(80.1)	(22.0)	63.9
Reverse repurchase agreements	905.0	—	905.0	(905.0)	—	—
Total financial assets	1,071.0	—	1,071.0	(985.1)	(22.0)	63.9
Financial liabilities						
Derivative financial liabilities	176.6	—	176.6	(80.1)	(65.7)	30.8
Direct repurchase agreements	112.0	—	112.0	(111.9)	—	0.1
Total financial liabilities	288.6	—	288.6	(192.0)	(65.7)	30.9

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default. Margin calls transferred are presented within other financial assets (refer to Note 11).

The Group also received margin deposits as collateral which may be set off with the Group's counterparties' liabilities on outstanding derivative contracts in case of default of the Group's counterparties. Margin calls received are presented within other financial liabilities (refer to Note 16).

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the interim consolidated statement of financial position.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

31 Related Party Transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, 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's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 32 for significant transactions with state-controlled entities and government bodies.

As at 31 March 2017 and 31 December 2016, the outstanding balances with the Bank of Russia and other related parties were as follows:

<i>in billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Assets				
Cash and cash equivalents	571.5	—	816.2	—
Mandatory cash balances with the Bank of Russia	152.2	—	154.9	—
Due from banks	3.8	—	3.8	—
Gross loans and advances to customers	—	32.9	—	28.6
Other assets	—	0.4	—	—
Liabilities				
Due to banks	90.5	—	79.9	—
Due to individuals	—	9.2	—	9.9
Due to corporate customers	—	0.5	—	0.6
Subordinated debt	512.2	—	504.4	—
Other liabilities	—	2.9	—	2.0

As at 31 March 2017 included in operations with other related parties are deposits attracted from key management personnel and their close family members in the amount of RR 9.2 billion (31 December 2016: RR 9.9 billion); as at 31 March 2017 there were no loans and advances granted to key management personnel and their close family members (31 December 2016: RR 0.1 billion).

The income and expense items with the Bank of Russia and other related parties for the three months ended 31 March 2017 and 31 March 2016 were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 31 March			
	2017		2016	
	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Interest income	3.6	0.7	0.2	0.9
Interest expense on subordinated debt	(7.8)	—	(7.9)	—
Interest expense other than on subordinated debt	(1.8)	(0.1)	(7.7)	(0.2)
Revenue of non-core business activities	—	—	—	0.1
Commission income	0.2	—	—	—
Commission expense	(0.3)	—	(0.3)	—
Operating expenses	—	(2.0)	—	(1.3)

For the three months ended 31 March 2017, interest expense on deposits attracted from key management personnel and their close family members comprised RR 0.1 billion (for the three months ended 31 March 2016: RR 0.1 billion).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

31 Related Party Transactions (continued)

For the three months ended 31 March 2017, regular remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 1.1 billion (for the three months ended 31 March 2016: RR 0.8 billion).

Also in 2015 the Bank has introduced a long term cash settled motivation program for the key management personnel with share-based features. The program has been designed within a framework of risk oriented remuneration and is in full compliance with the requirements of the Bank of Russia on the remuneration system for Russian credit institutions. The program parameters are as follows:

- 40% of the variable part of the annual compensation is deferred and is paid in 3 annual installments;
- payments to the participants of the program are contingent upon the Bank's positive performance, e.g. if the Bank has a loss in any of the 3 years following the year in which the award was granted, payments to the participants are forfeited for that particular year;
- awards may be fully or partially forfeited, for example, due to individual misconduct (including a breach of regulations) or termination for cause and also due to negative individual contributions to the Bank's results.

For the three months ended 31 March 2017 share-based long term compensation has amounted to RR 0.7 billion (for the three months ended 31 March 2016: RR 0.4 billion).

Share-based long term compensation is payable in cash, and is remeasured at each reporting date based on the forward price of the Bank's ordinary shares. Payables on share-based long term compensation as at 31 March 2017 amounted to RR 2.0 billion (31 December 2016: RR 1.3 billion). The related obligations are included in other financial liabilities in the interim consolidated statement of financial position until paid.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

32 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled by it. The Group provides the state-controlled entities and government bodies with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with state-controlled entities and government bodies are carried out on general market terms and constitute the minority of the Group's operations.

Balances with state-controlled entities and government bodies which are significant in terms of the carrying amount as at 31 March 2017 are disclosed below:

<i>(unaudited)</i> <i>In billions of Russian Roubles</i>		31 March 2017		
		Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued
Client	Sector			
Client 1	Oil and gas	135.6	55.8	207.1
Client 2	Machinery	217.1	132.9	13.6
Client 3	Oil and gas	258.9	99.1	0.2
Client 4	Energy	103.5	140.7	20.5
Client 5	Banking	204.5	26.1	—
Client 6	Machinery	41.0	81.3	59.9
Client 7	Machinery	51.8	120.5	4.8
Client 8	Machinery	19.3	61.3	75.0
Client 9	Machinery	45.0	57.0	52.5
Client 10	Energy	123.8	8.7	0.1
Client 11	Machinery	79.9	42.5	0.1
Client 12	Oil and gas	—	118.9	—
Client 13	Machinery	—	11.8	78.4
Client 14	Machinery	35.9	33.4	1.3
Client 15	Energy	50.7	17.5	—
Client 16	Transport and logistics	51.2	12.4	—
Client 17	Metallurgy	52.3	2.8	—
Client 18	Services	53.5	0.7	—
Client 19	Government and municipal bodies	54.0	—	—
Client 20	Telecommunications	33.2	0.4	8.2

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

32 Operations with State-Controlled Entities and Government Bodies (continued)

Additionally as at 31 March 2017 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 10.1 billion (31 December 2016: RR 32.3 billion) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other financial assets in the interim consolidated statement of financial position. Refer to Note 11.

Balances with state-controlled entities and government bodies as at 31 December 2016 disclosed below contain balances which are significant in terms of the carrying amount as at 31 March 2017:

<i>In billions of Russian Roubles</i>		31 December 2016		
		Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued
Client	Sector			
Client 1	Oil and gas	160.4	16.4	211.9
Client 2	Machinery	234.9	113.2	15.9
Client 3	Oil and gas	276.2	108.2	6.9
Client 4	Energy	124.2	194.0	13.3
Client 5	Banking	249.0	33.0	—
Client 6	Machinery	40.5	72.7	64.5
Client 7	Machinery	51.9	97.6	16.2
Client 8	Machinery	19.6	58.4	82.2
Client 9	Machinery	47.0	67.1	56.9
Client 10	Energy	136.4	12.1	0.2
Client 11	Machinery	75.6	44.5	0.2
Client 12	Oil and gas	—	195.1	—
Client 13	Machinery	3.7	18.2	96.8
Client 14	Machinery	32.6	27.9	1.3
Client 15	Energy	62.2	20.4	0.1
Client 16	Transport and logistics	33.4	11.5	—
Client 17	Metallurgy	54.6	2.6	—
Client 18	Services	60.2	0.3	—
Client 19	Government and municipal bodies	61.2	—	—
Client 20	Telecommunications	40.8	1.2	9.0

As at 31 March 2017 and 31 December 2016 the Group's investments in securities issued by government-controlled corporate entities were as follows:

<i>In billions of Russian Roubles</i>	31 March 2017 (unaudited)		31 December 2016	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Trading securities	11.5	6.9	12.7	4.4
Securities designated as at fair value through profit or loss	211.0	0.8	193.3	1.0
Investment securities available-for-sale	213.0	0.1	245.5	28.5
Investment securities held-to-maturity	103.9	—	91.2	—

For disclosures on investments in government debt securities please refer to Notes 5, 8, 9 and 10.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

33 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 March 2017:

<i>(unaudited)</i> Name	Nature of business	Percentage of ownership	Country of registration
DenizBank (DenizBank AS)	banking	99.85%	Turkey
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	98.43%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
SBERBANK PJSC	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.28%	Switzerland
Cetelem Bank LLC	banking	79.20%	Russia
JSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
LLC Bylinnye Bogatyry	finance	100.00%	Russia
LLC Insurance company "Sberbank insurance life"	finance	100.00%	Russia
LLC Insurance company "Sberbank insurance"	finance	100.00%	Russia
LLC Sberbank Factoring	finance	100.00%	Russia
JSC Rublevo-Archangelskoe	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
LLC Aukcion	services	100.00%	Russia
PS Yandex.Money LLC	telecommunications	75.00% minus one Russian Rouble	Russia
JSC Non-state Pension Fund of Sberbank	finance	100.00%	Russia

In the first quarter of 2017 the Bank signed a framework agreement to dispose of a 100% share in SBERBANK PJSC based in Ukraine. Realization of this agreement is subject to prior approval by regulating authorities and fulfilment of other conditions.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 March 2017 was 19.7% (31 December 2016: 19.9%).

34 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia statutory capital ratio has to be maintained by the Bank above the minimum level of 8.0% (31 December 2016: 8.0%). As at 31 March 2017 this regulatory capital adequacy ratio N1.0 was 14.9% (31 December 2016: 13.6%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 31 March 2017

34 Capital Adequacy Ratio (Continued)

The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8.0%. As at 31 March 2017 and 31 December 2016, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

	31 March 2017 (unaudited)	31 December 2016
<i>in billions of Russian Roubles</i>		
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	2,604.2	2,435.7
Non-controlling interest	1.3	3.5
Treasury shares	(7.8)	(7.9)
less Goodwill	(14.8)	(18.9)
Total Tier 1 capital (core capital)	2,903.2	2,732.7
Tier 2 capital		
Revaluation reserve for office premises	66.2	66.9
Fair value reserve for investment securities available-for-sale	8.4	10.8
Foreign currency translation reserve	(42.7)	(19.8)
Remeasurement of defined benefit pension plans	(1.2)	(1.1)
Eligible subordinated debt	709.8	717.7
less Investments in associates	(8.2)	(7.5)
Total Tier 2 capital	732.3	767.0
Total capital	3,635.5	3,499.7
Risk weighted assets (RWA)		
Credit risk	21,032.4	21,493.6
Market risk	894.2	774.6
Total risk weighted assets (RWA)	21,926.6	22,268.2
Core capital adequacy ratio (Total Tier 1 capital / Total RWA), %	13.2	12.3
Total capital adequacy ratio (Total capital / Total RWA), %	16.6	15.7

The Group was in compliance with external capital requirements during the three months ended 31 March 2017 and the year ended 31 December 2016.

35 Subsequent Events

On 20 April 2017 Supervisory Board recommended to the General Shareholders Meeting to pay RR 135.5 billion to shareholders as dividends for the year ended 31 December 2016: on ordinary shares of the Bank - in the amount of RR 6.00 per one share, on preference shares of the Bank – in the amount of RR 6.00 per one share.