VOZROZHDENIE BANK

International Financial Reporting Standards Interim Summarised Consolidated Financial Statements

(unaudited)

March 31, 2016

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Interim Summarised Consolidated Financial Statements

Notes to the Interim Summarised Consolidated Financial Statements

In millions of Russian Roubles	Note	March 31, 2016 (unaudited)	December 31, 2015
ASSETS			
Cash and cash equivalents	3	27 543	31 263
Mandatory cash balances with the Bank of Russia		1 209	1 122
Trading securities	4	3 731	5 349
Due from other banks	5	1 008	3 408
Loans and advances to customers	6	163 194	157 454
Investment securities available for sale	7	11 414	11 789
Other financial assets		1 830	1 814
Other assets	8	4 670	4 525
Non-current assets classified as held for sale	8	268	365
Premises and equipment	9	5 352	5 317
Deferred tax asset		1 565	1 482
TOTAL ASSETS		**221 784**	**223 888**
LIABILITIES			
Due to other banks	10	14 007	19 811
Customer accounts	11	174 674	169 658
Debt securities in issue	12	6 578	7 433
Other financial liabilities		230	491
Other liabilities		693	554
Subordinated loans	13	3 677	3 730
TOTAL LIABILITIES		**199 859**	**201 677**
EQUITY			
Share capital		250	250
Share premium		7 306	7 306
Retained earnings		11 734	12 003
Revaluation reserve for investment securities available for sale		749	766
Revaluation reserve for premises and equipment		1 886	1 886
TOTAL EQUITY		**21 925**	**22 211**
TOTAL LIABILITIES AND EQUITY		**221 784**	**223 888**

Approved for issue and signed on May 25, 2016.

Mr Konstantin Basharov
Chairman of the Management Board

Mrs Elena Volik
Chief Accountant

The notes set out on pages 5 to 41 form an integral part of these Interim Summarised Consolidated Financial Statements.

In millions of Russian Roubles	**Note**	**3M ended March 31, 2016 (unaudited)**	**3M ended March 31, 2015 (unaudited)**
Interest income	14	6 028	5 918
Interest expense	14	(3 796)	(3 356)
Net interest income		**2 232**	**2 562**
Provision for loan impairment	6	(910)	(1 415)
Net interest income after provision for loan impairment		**1 322**	**1 147**
Fee and commission income	15	1 163	1 074
Fee and commission expense	15	(195)	(187)
Gains less losses from trading securities		(22)	186
Gains less losses from trading in foreign currencies		(1 163)	328
Gains less losses from foreign exchange translation		1 212	(235)
Gains less losses from disposal of investment securities available for sale		17	88
Other operating income		49	79
Administrative and other operating expenses		(2 226)	(2 414)
Provision for non-credit related commitments		(2)	-
Provision for impairment of other assets	8	8	(19)
Gains less losses on revaluation of investment properties		27	-
Losses on origination of assets at rates below market		(516)	-
(Loss) / profit before tax		**(326)**	**47**
Income tax		57	(7)
(LOSS) / PROFIT FOR THE REPORTING PERIOD		**(269)**	**40**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments:			
- Change in revaluation reserve		(16)	110
- Income tax recorded directly in other comprehensive income		(1)	30
Items that may not be reclassified subsequently to profit or loss			
Premises and equipment:			
- Change in revaluation reserve	9	-	-
- Income tax recorded directly in revaluation of premises and equipment		-	-
Other comprehensive income for the reporting period		**(17)**	**140**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE REPORTING PERIOD		**(286)**	**180**
(Loss) / earnings per share for profit attributable to the equity holders of the Bank, basic and diluted			
(expressed in RR per share)			
Ordinary shares		(11)	1

The notes set out on pages 5 to 41 form an integral part of these Interim Summarised Consolidated Financial Statements.

In millions of Russian Roubles	Share capital	Share premium	Revaluation reserve for available for sale securities	Revaluation reserve for premises and equipment	Retained earnings	Total
Balance at December 31, 2015	**250**	**7 306**	**766**	**1 886**	**12 003**	**22 211**
Profit for the three months ended March 31, 2016	-	-	-	**-**	**(269)**	**(269)**
Other comprehensive income for the three months ended March 31, 2016	-	-	(17)	**-**	**-**	**(17)**
Total comprehensive income	**-**	**-**	**(17)**	**-**	**(269)**	**(286)**
Dividends declared	-	-	-	**-**	**-**	**-**
Balance at March 31, 2016	**250**	**7 306**	**749**	**1 886**	**11 734**	**21 925**

In millions of Russian Roubles	Share capital	Share premium	Revaluation reserve for available for sale securities	Revaluation reserve for premises and equipment	Retained earnings	Total
Balance at December 31, 2014	**250**	**7 306**	**456**	**-**	**15 792**	**23 804**
Profit for the three months ended March 31, 2015	-	-	-	-	40	40
Other comprehensive income for the three months ended March 31, 2015	-	-	140	-	-	140
Total comprehensive income	**-**	**-**	**140**	**-**	**40**	**180**
Dividends declared	-	-	-	-	-	-
Balance at March 31, 2015	**250**	**7 306**	**596**	**-**	**15 832**	**23 984**

In millions of Russian Roubles	**3M ended March 31, 2016 (unaudited)**	**3M ended March 31, 2015 (unaudited)**
Cash flows from operating activities		
Interest received	5 798	5 690
Interest paid	(4 159)	(3 696)
Fees and commissions received	1 152	1 081
Fees and commissions paid	(195)	(187)
Net income received from trading in trading securities	-	14
Net income received from trading in foreign currencies	(1 162)	328
Other operating income received	3	105
Administrative and other operating expenses paid	(2 077)	(2 264)
Income tax paid	252	(14)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities	**(388)**	**1 057**
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Bank of Russia	(87)	(85)
Net decrease in trading securities	1 393	6 318
Net decrease in due from other banks	2 324	209
Net (increase)/decrease in loans and advances to customers	(7 906)	1 812
Net (increase)/decrease in other financial assets	(81)	603
Net decrease/(increase) in other assets	170	(346)
Net decrease in due to other banks	(5 686)	(8 014)
Net increase/(decrease) in customer accounts	7 430	(4 686)
Net (decrease)/increase in debt securities in issue	(849)	1 060
Net decrease in other financial liabilities	(260)	(210)
Net increase in other liabilities	56	164
Net cash used in operating activities	**(3 884)**	**(2 118)**
Cash flows from investing activities		
Acquisition of investment securities available for sale	(1 935)	(2 982)
Proceeds from disposal of investment securities available for sale	2 052	2 866
Acquisition of premises and equipment	(167)	(46)
Proceeds from disposal of premises and equipment	29	8
Proceeds from disposal of non-current assets held for sale	156	287
Proceeds from disposal of investment properties	32	-
Dividend income received	2	1
Net cash received from investing activities	**169**	**134**
Cash flows from financing activities		
Repayment of funding raised from an international financial institution	-	(36)
Net cash used in financing activities	**-**	**(36)**
Effect of exchange rate changes on cash and cash equivalents	**(5)**	**(321)**
Net decrease in cash and cash equivalents	**(3 720)**	**(2 341)**
Cash and cash equivalents at the beginning of the year	31 263	35 627
Cash and cash equivalents at the end of the reporting period	**27 543**	**33 286**

The notes set out on pages 5 to 41 form an integral part of these Interim Summarised Consolidated Financial Statements.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the three months ended on March 31, 2016 for Vozrozhdenie Bank (the "Bank"), its subsidiaries and its securitisation structured entities, ZAO IAV 1, ZAO IAV 2, ZAO IAV 3 and OOO IAV 4 (together referred to as the "Group").

The Bank was incorporated and operates in the Russian Federation. The Bank is a public joint-stock company.

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

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

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

As at March 31, 2016, the Bank's principal shareholder is Promsvyaz Capital B.V. (the Netherlands) holding 52.73% of ordinary shares. The owners of Promsvyaz Capital B.V. (the Netherlands) are Antracite Investment Limited (UK) and Urgula Platinum Limited (UK), each holding a 50% interest. Antracite Investment Limited (UK) is owned by Mr A.N. Ananyev. Urgula Platinum Limited (UK) is owned by Mr D.N. Ananyev.

At March 31, 2016, the Bank also has the following shareholders:

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

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

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

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

2 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

In order to ensure consistency with the accounting policies of the Group's parent company the Bank introduced the method of recognition of investment properties at revalued amount. This change did not have a significant impact on these financial statements for the three months ended March 31, 2016.

3 Cash and Cash Equivalents

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
Cash on hand	6 673	10 388
Correspondent accounts and overnight placements with banks		
- Russian Federation	1 574	965
- other countries	12 207	14 306
Cash balances with the Bank of Russia (other than mandatory cash balances)	7 089	5 604
Total cash and cash equivalents	**27 543**	**31 263**

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 18.

4 Trading Securities

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
Corporate Eurobonds	3 296	4 898
Corporate bonds	435	445
Total debt securities	**3 731**	**5 343**
Corporate shares	-	6
Total trading securities	**3 731**	**5 349**

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

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

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

Geographical, currency, interest rate and maturity analyses of trading securities are disclosed in Note 18.

5 Due from Other Banks

In millions of Russian Roubles	March 31, 2016 (unaudited)	December 31, 2015
Insurance deposits with non-resident banks	867	1 199
Short-term placements with other banks	141	2 209
Total due from other banks	**1 008**	**3 408**

Geographical, currency, interest rate and maturity analyses of trading securities are disclosed in Note 18.

6 Loans and Advances to Customers

In millions of Russian Roubles	March 31, 2016 (unaudited)	December 31, 2015
Corporate loans - large	54 546	51 071
Corporate loans - small and medium	69 478	69 637
Mortgage loans	38 132	35 938
Other loans to individuals	16 690	16 733
Total gross loans and advances to customers (before provision for loan impairment)	**178 846**	**173 379**
Less: Provision for loan impairment	(15 652)	(15 925)
Total loans and advances to customers	**163 194**	**157 454**

Corporate loans are divided on the basis of total amount owed by the customer to the Bank into the following categories: large – in excess of RR 750 million, medium – RR 100 million and more, small – less than RR 100 million.

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

As at March 31, 2016, mortgage loans include mortgage portfolio of RR 8,233 million securitised in 2011-2015 (less provision for impairment), as at December 31, 2015 – RR 8,739 million (less provision for impairment). Management of the Group determined that the Group had not transferred main risks with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition. Refer to Note 12.

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

The below table covers non-performing loans as at March 31, 2016:

In millions of Russian Roubles	Loans before provisions for impairment	Provisions for impairment	Loans before provisions for impairment	Provisions to loans before provisions
Corporate loans - large	5 422	(4 158)	1 264	76,7%
Corporate loans - small and medium	6 668	(5 520)	1 148	82,8%
Mortgage loans	475	(458)	17	96,4%
Other loans to individuals	936	(921)	15	98,4%
Total non-performing loans	**13 501**	**(11 057)**	**2 444**	**81,9%**

6 Loans and Advances to Customers (Continued)

The below table covers non-performing loans as at March 31, 2015:

In millions of Russian Roubles	**Loans before provisions for impairment**	**Provisions for impairment**	**Loans before provisions for impairment**	**Provisions to loans before provisions**
Corporate loans - large	5 422	(3 997)	1 425	73,7%
Corporate loans - small and medium	7 353	(6 288)	1 065	85,5%
Mortgage loans	547	(475)	72	86,8%
Other loans to individuals	787	(777)	10	98,7%
Total non-performing loans	**14 109**	**(11 537)**	**2 572**	**81,8%**

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

In millions of Russian Roubles	**Corporate loans - large**	**Corporate loans - small and medium**	**Mortgage loans**	**Other loans to individuals**	**Total**
Provision for loan impairment at January 1, 2016	**6 032**	**8 386**	**537**	**970**	**15 925**
Provision for impairment during the year	391	357	72	150	970
Loans and advances to customers written off during the reporting period	-	(84)	-	(1)	(85)
Result from disposal of loans under cession agreements	-	(1 158)	-	-	(1 158)
Provision for loan impairment at March 31, 2016	**6 423**	**7 501**	**609**	**1 119**	**15 652**

The provision for loan impairment during the three months of 2016 differs from the amount presented in profit or loss for the reporting period due to RR 60 million, recovery of provision for loans previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the reporting period.

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

In millions of Russian Roubles	**Corporate loans - large**	**Corporate loans - small and medium**	**Mortgage loans**	**Other loans to individuals**	**Total**
Provision for loan impairment at January 1, 2015	**8 964**	**4 529**	**330**	**609**	**14 432**
Provision for impairment during the reporting period	519	818	21	118	1 476
Loans and advances to customers written off during the reporting period	-	(538)	-	-	(538)
Provision for loan impairment at March 31, 2015	**9 483**	**4 809**	**351**	**727**	**15 370**

The provision for loan impairment during the three months of 2015 differs from the amount presented in profit or loss for the reporting period due to RR 61 million, recovery of provision for loans previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the reporting period.

6 Loans and Advances to Customers (Continued)

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

	March 31, 2016 (unaudited)				December 31, 2015			
In millions of Russian Roubles	**Loans**	**%**	**Provisions**	**%**	**Loans**	**%**	**Provisions**	**%**
Individuals	54 822	30	1 728	11	52 671	30	1 507	9
Manufacturing	40 880	23	5 257	34	39 856	23	6 208	39
Trade	27 744	16	3 639	23	27 357	16	3 578	22
Construction	12 346	7	2 436	16	11 290	7	2 240	14
State and public organisations	9 846	5	92	1	10 571	6	92	1
Real estate	9 414	5	533	3	8 993	5	460	3
Agriculture	8 751	5	520	3	7 598	4	441	3
Finance	3 080	2	41	0	3 636	2	104	1
Transport and communication	2 851	2	606	4	3 599	2	1 000	6
Other	9 112	5	800	5	7 808	5	295	2
Total gross loans and advances to customers	**178 846**	**100**	**15 652**	**100**	**173 379**	**100**	**15 925**	**100**

State and public organisations exclude government owned profit orientated businesses.

At March 31, 2016, loans and advances to customers include loans with the carrying amount of RR 3,127 million (2015: RR 3,585 million) with the rights of claim pledged as collateral with respect to term placements of AO SME Bank. Refer to Notes 10 and 19.

At March 31, 2016, loans and advances to customers include loans with the carrying amount of RR 480 million with the rights of claim pledged as collateral with respect to term placements of the Bank of Russia (2015: RR 2,966 million). Refer to Notes 10 and 19.

As at March 31, 2016, the Group had 37 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 54,546 million or 30% of the gross loans and advances to customers.

As at December 31, 2015, the Group had 33 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 51,071 million or 29% of the gross loans and advances to customers.

6 Loans and Advances to Customers (Continued)

Analysis by credit quality of corporate loans outstanding as at March 31, 2016 is as follows:

In millions of Russian Roubles	**Loans before provision for impairment**	**Impairment loss provision**	**Loans less provision for impairment**	**Provision-to-loan ratio before provision**
Corporate loans – large				
Not individually impaired loans	**40 969**	**(452)**	**40 517**	**1,1%**
Loans with signs of impairment individually assessed for impairment but not impaired	**6 617**	**(1 228)**	**5 389**	**18,6%**
Individually impaired loans				
- not past due	1 538	(585)	953	38,0%
- less than 30 days overdue	-	-	-	-
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	986	(986)	-	100,0%
- over 360 days overdue	4 436	(3 172)	1 264	71,5%
Total individually impaired loans	**6 960**	**(4 743)**	**2 217**	**68,1%**
Total corporate loans – large	**54 546**	**(6 423)**	**48 123**	**11,8%**
Corporate loans - medium and small				
Not impaired loans	**62 047**	**(1 495)**	**60 552**	**2,4%**
Impaired loans				
- not past due	311	(311)	-	100,0%
- less than 30 days overdue	94	(1)	93	1,1%
- 31 to 60 days overdue	231	(110)	121	47,6%
- 61 to 90 days overdue	127	(64)	63	50,4%
- 91 to 180 days overdue	894	(313)	581	35,0%
- 181 to 360 days overdue	2 565	(2 004)	561	78,1%
- over 360 days overdue	3 209	(3 203)	6	99,8%
Total impaired loans	**7 431**	**(6 006)**	**1 425**	**80,8%**
Total corporate loans - medium and small	**69 478**	**(7 501)**	**61 977**	**10,8%**
Total corporate loans	**124 024**	**(13 924)**	**110 100**	**11,2%**

6 Loans and Advances to Customers (Continued)

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

In millions of Russian Roubles	**Loans before provision for impairment**	**Impairment loss provision**	**Loans less provision for impairment**	**Provision-to-loan ratio before provision**
Corporate loans – large				
Not individually impaired loans	**36 410**	**(556)**	**35 854**	**1.5%**
Loans with signs of impairment individually assessed for impairment but not impaired	**6 576**	**(993)**	**5 583**	**15,1%**
Individually impaired loans				
- not past due	1 463	(462)	1 001	31.6%
- less than 30 days overdue	1 200	(25)	1 175	2.1%
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	986	(882)	104	89.5%
- 181 to 360 days overdue	1 232	(270)	962	21.9%
- over 360 days overdue	3 204	(2 845)	359	88.8%
Total individually impaired loans	**8 085**	**(4 484)**	**3 601**	**55,5%**
Total corporate loans – large	**51 071**	**(6 033)**	**45 038**	**11.8%**
Corporate loans - medium and small				
Not impaired loans	**60 226**	**(1 191)**	**59 035**	**2.0%**
Impaired loans				
- not past due	1 114	(643)	471	57.7%
- less than 30 days overdue	69	(8)	61	11.6%
- 31 to 60 days overdue	748	(201)	547	26.9%
- 61 to 90 days overdue	127	(54)	73	42.5%
- 91 to 180 days overdue	1 788	(1 197)	591	66.9%
- 181 to 360 days overdue	1 225	(751)	474	61,3%
- over 360 days overdue	4 340	(4 340)	-	100,0%
Total impaired loans	**9 411**	**(7 194)**	**2 217**	**76.4%**
Total corporate loans - medium and small	**69 637**	**(8 385)**	**61 252**	**12.0%**
Total corporate loans	**120 708**	**(14 418)**	**106 290**	**11.9%**

6 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding as at March 31, 2016 is as follows:

In millions of Russian Roubles	**Loans before provision for impairment**	**Provision for impairment**	**Loans less provision for impairment**	**Provision-to-loan ratio before provision**
Mortgage loans				
- not past due	36 537	(55)	36 482	0,2%
- less than 30 days overdue	883	(6)	877	0,7%
- 31 to 60 days overdue	151	(47)	104	31,1%
- 61 to 90 days overdue	86	(43)	43	50,0%
- 91 to 180 days overdue	74	(57)	17	77,0%
- 181 to 360 days overdue	211	(211)	-	100,0%
- over 360 days overdue	190	(190)	-	100,0%
Total mortgage loans	**38 132**	**(609)**	**37 523**	**1,6%**
Other loans to individuals				
Consumer loans				
- not past due	13 306	(29)	13 277	0,2%
- less than 30 days overdue	309	(52)	257	16,8%
- 31 to 60 days overdue	113	(57)	56	50,4%
- 61 to 90 days overdue	50	(36)	14	72,0%
- 91 to 180 days overdue	165	(153)	12	92,7%
- 181 to 360 days overdue	204	(204)	-	100,0%
- over 360 days overdue	370	(370)	-	100,0%
Total consumer loans	**14 517**	**(901)**	**13 616**	**6,2%**
Car loans				
- not past due	108	-	108	0,0%
- less than 30 days overdue	10	(2)	8	20,0%
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	1	(1)	-	100,0%
- over 360 days overdue	33	(33)	-	100,0%
Total car loans	**152**	**(36)**	**116**	**23,7%**
Bank card loans				
- not past due	1 796	(5)	1 791	0,3%
- less than 30 days overdue	41	(5)	36	12,2%
- 31 to 60 days overdue	10	(5)	5	50,0%
- 61 to 90 days overdue	11	(7)	4	63,6%
- 91 to 180 days overdue	22	(19)	3	86,4%
- 181 to 360 days overdue	36	(36)	-	100,0%
- over 360 days overdue	105	(105)	-	100,0%
Total bank card loans	**2 021**	**(182)**	**1 839**	**9,0%**
Total other loans to individuals	**16 690**	**(1 119)**	**15 571**	**6,7%**
Total loans to individuals	**54 822**	**(1 728)**	**53 094**	**3,2%**

6 Loans and Advances to Customers (Continued)

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

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

6 Loans and Advances to Customers (Continued)

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

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

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

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

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

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

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

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

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

6 Loans and Advances to Customers (Continued)

Loans to individuals may be collateralised by the following:

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

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

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

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

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

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

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

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

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
Corporate loans – large	5 282	5 414
Corporate loans - medium and small	1 490	1 758
Other loans to individuals	-	-

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

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 18.

7 Investment Securities Available for Sale

In millions of Russian Roubles	March 31, 2016 (unaudited)	December 31, 2015
Corporate Eurobonds	4 400	3 936
Corporate bonds	4 007	4 713
Russian Federation Eurobonds	1 111	1 762
OFZ Federal bonds	698	-
Municipal bonds	85	186
Total debt securities available for sale	**10 301**	**10 597**
Corporate shares	1 113	1 192
Total investment securities available for sale	**11 414**	**11 789**

At 31 March 2016 investment securities available for sale in the amount of RR 1 102 million (2015: RR 1 477 million) were pledged under direct sale and repurchase agreements. Refer to Note 10.

Geographical, currency, interest rate and maturity analyses of trading securities are disclosed in Note 18.

8 Other Assets

In millions of Russian Roubles	March 31, 2016 (unaudited)	December 31, 2015
Inventory	5 756	5 267
Non-current assets classified as held for sale	316	425
Income tax overpayment	5	288
Prepayments	365	282
Investment properties	112	62
Other	196	399
Total other assets (before provision for impairment of other assets)	**6 750**	**6 723**
Less: Provision for impairment of other assets	(1 812)	(1 833)
Total other assets	**4 938**	**4 890**

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

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

8 Other Assets (Continued)

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

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
Investment properties at carrying amount at 1 January 2016	**54**	**961**
Additions	-	-
Reclassifications / Disposals	23	(898)
Depreciation	-	(1)
(Provision)/recovery of provision for impairment	8	(8)
Assessment at fair value	27	-
Investment properties at carrying amount at 31 March 2016	**112**	**54**

The rental income from investment properties was RR 2 million (2015: RR 4 million). Direct operating expenses for investment properties that generate rental income amounted to RR 0.3 million (2015: RR 7 million) and consisted of costs related to property tax, land tax, insurance, security, valuation, utility services and other payments, as well as depreciation charges. The Group had no direct operating expenses related to investment properties that did not generate any rental income in 2016 (2015: no direct operating expenses).

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

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

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

In millions of Russian Roubles	**Inventory**	**Non-current assets held for sale**	**Investment property**	**Total**
Provision for impairment at 1 January 2016	**1 765**	**60**	**8**	**1 833**
Provision for / (Recovery of) impairment during the year	(1)	-	(8)	(9)
Disposals	-	(12)	-	(12)
Provision for impairment at 31 March 2016	**1 764**	**48**	**-**	**1 812**

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

In millions of Russian Roubles	**Inventory**	**Non-current assets held for sale**	**Investment property**	**Total**
Provision for impairment at 1 January 2015	**1 000**	**110**	**-**	**1 110**
Provision for / (Recovery of) impairment during the year	1 021	(6)	8	1 023
Disposals	(204)	(96)	-	(300)
Transfer to non-current assets held for sale	(52)	52	-	-
Provision for impairment at 31 December 2015	**1 765**	**60**	**8**	**1 833**

9 Premises and Equipment

In millions of Russian Roubles	Note	Operational premises	Office equipment	Computer equipment	Transport	Other	Total premises and equipment
Carrying amount at 1 January 2015		**1 960**	**286**	**280**	**185**	**499**	**3 210**
Cost at 1 January 2015							
Balance at the year-start		2 490	1 280	1 166	566	1 151	6 653
Additions		37	61	171	54	24	347
Disposals		(18)	(60)	(239)	(57)	(73)	(447)
Cost at the year-end		**2 509**	**1 281**	**1 098**	**563**	**1 102**	**6 553**
Accumulated depreciation							
Balance at the year-start		530	994	886	381	652	3 443
Depreciation charge	16	55	74	103	69	55	356
Disposals		-	(57)	(238)	(57)	(35)	(387)
Balance at the year-end		**585**	**1 011**	**751**	**393**	**672**	**3 412**
Carrying amount at 31 December 2015		**1 924**	**270**	**347**	**170**	**430**	**3 141**
Revaluation at 31 December 2015		**2 176**	**-**	**-**	**-**	**-**	**2 176**
Cost at 31 December 2015							
Balance at the year-start		4 100	1 281	1 098	563	1 102	8 144
Additions		-	3	1	13	150	167
Disposals		-	(9)	(13)	(103)	(4)	(129)
Cost at the end of the reporting period		**4 100**	**1 275**	**1 086**	**473**	**1 248**	**8 182**
Accumulated depreciation							
Balance at the year-start		-	1 011	751	393	672	2 827
Depreciation charge	16	26	18	29	14	23	110
Disposals		-	(9)	(14)	(80)	(4)	(107)
Balance at the end of the reporting period		**26**	**1 020**	**766**	**327**	**691**	**2 830**
Carrying amount at 31 March 2016		**4 074**	**255**	**320**	**146**	**557**	**5 352**

10 Due to Other Banks

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
The borrowed funds on a stock exchange REPO's transaction with the Bank of Russia	6 302	9 503
Placements of other banks	5 972	7 230
Deals on direct sale and repurchase of securities	1 000	-
Placements of the Bank of Russia	451	2 809
Correspondent accounts of other banks	282	269
Total due to other banks	**14 007**	**19 811**

At 31 March 2016 the total amount of five major aggregated balances of amounts due to other banks was RR 13 355 million or 95.4% (2015: RR 19 534 million or 98.6%) of the total amount of due to other banks.

At 31 March 2016 placements of other banks include a deposit attracted under the program on providing government support to SME from AO MSP Bank of RR 3 643 million at a rate from 6.4% to 10.3% p.a. with maturity from December 2016 to November 2022 (2015: RR 3 769 million at a rate from 6.4% to 10.3% p.a. with maturity from December 2016 to November 2022). The rights of claim for the loans issued under this agreement with carrying value of RR 3 127 million (2015: RR 3 585 million) were pledged for the Group’s obligations to the creditor. Refer to Notes 6 and 19.

Refer to Notes 7, 19 for the debt securities transferred under sale and repurchase agreements.

Refer to Note 19 for the debt securities transferred under direct repurchase deals with the Bank of Russia.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 18.

11 Customer Accounts

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
State and municipal organisations		
- Current/settlement accounts	2 770	239
Other legal entities		
- Current/settlement accounts	27 962	25 839
- Term deposits	18 127	16 343
Individuals		
- Current/demand accounts	14 166	18 270
- Term deposits	111 649	108 967
Total customer accounts	**174 674**	**169 658**

State and municipal organisations exclude government owned profit oriented businesses.

11 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In millions of Russian Roubles	March 31, 2016 (unaudited) Amount	%	December 31, 2015 Amount	%
Individuals	125 815	72	127 237	75
Trade and services	15 551	9	15 443	9
Finance	7 798	4	5 267	3
Manufacturing	7 084	4	7 285	5
Transport and communication	5 832	3	4 020	2
Construction	3 176	2	4 676	3
State and municipal organisations	2 770	2	239	-
Real estate	2 710	2	2 540	1
Agriculture	1 568	1	1 584	1
Other	2 370	1	1 367	1
Total customer accounts	**174 674**	**100**	**169 658**	**100**

At 31 March 2016, the Group had 31 customers with balances above RR 300 million. The aggregate balance of these customers was RR 26 207 million or 15% of total customer accounts.

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

Geographical, currency, interest rate and maturity analyses of customer accounts are disclosed in Note 18.

12 Debt Securities in Issue

In millions of Russian Roubles	March 31, 2016 (unaudited)	December 31, 2015
Mortgage backed bonds, including issued:	5 375	5 869
in June 2015	2 422	2 581
in March 2014	1 770	1 894
in April 2013	953	1 071
in December 2011	230	323
Promissory notes	1 110	1 427
Deposit certificates	93	137
Total debt securities in issue	**6 578**	**7 433**

At 31 March 2016, promissory notes in issue had maturity dates from April 2016 to October 2018 (2015: from January 2016 to October 2018) and effective interest rates from 0.0% to 15.5% p.a. (2015: from 0.0% to 16.5% p.a.).

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

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

12 Debt Securities in Issue (Continued)

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

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

Geographical, currency, maturity and interest rate analyses of debt securities in issue are disclosed in Note 18.

13 Subordinated Loans

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

No.	Start date	Maturity	Currency	March 31, 2016 (unaudited)		December 31, 2015	
				Contractual interest rate, %	Value, RR million	Contractual interest rate, %	Value, RR million
1	August 2010	August 2018	USD	8.00	203	8.00	219
2	July 2012	July 2020	Russian Roubles	9.25	1 000	9.25	1 000
3	December 2012	July 2020	Russian Roubles	9.25	1 000	9.25	1 000
4	February 2013	July 2020	Russian Roubles	9.25	1 000	9.25	1 000
5	January 2014	January 2022	USD	8.50	474	8.50	511
Total subordinated loans					**3 677**		**3 730**

Geographical, currency, maturity and interest rate analyses of subordinated loans are disclosed in Note 18.

14 Interest Income and Expense

In millions of Russian Roubles	3M ended March 31, 2016 (unaudited)	3M ended March 31, 2015 (unaudited)
Interest income		
Loans and advances to customers - legal entities	3 607	3 780
Loans and advances to customers - individuals	2 127	1 752
Investment securities available for sale	199	210
Trading securities	64	107
Correspondent accounts and due from other banks	31	69
Total interest income	**6 028**	**5 918**
Interest expense		
Term deposits of individuals	2 661	2 304
Due to other banks	417	254
Term deposits of legal entities	408	531
Debt securities in issue	163	154
Subordinated loans	87	84
Current/settlement accounts of legal entities	60	29
Total interest expense	**3 796**	**3 356**
Net interest income	**2 232**	**2 562**

15 Fee and Commission Income and Expense

In millions of Russian Roubles	3M ended March 31, 2016 (unaudited)	3M ended March 31, 2015 (unaudited)
Fee and commission income		
Settlement transactions	396	272
Bank cards and cheques settlements	334	325
Cash transactions	172	202
Guarantees issued	73	81
Cash collection	46	49
Payroll projects	41	58
Other	101	87
Total fee and commission income	**1 163**	**1 074**
Fee and commission expense		
Bank cards and cheques settlements	142	149
Settlement transactions	22	14
Settlements with currency and stock exchanges	11	8
Cash transactions	2	4
Other	18	12
Total fee and commission expense	**195**	**187**
Net fee and commission income	**968**	**887**

16 Administrative and Other Operating Expenses

In millions of Russian Roubles	**3M ended March 31, 2016 (unaudited)**	**3M ended March 31, 2015 (unaudited)**
Staff costs	1 446	1 450
Administrative expenses	134	167
Contributions to the State Deposit Insurance Agency	128	126
Other costs of premises and equipment	127	117
Depreciation of premises and equipment	110	89
Rent expenses	93	99
Taxes other than on income	38	66
Repair of premises and equipment	14	18
Advertising and marketing services	9	12
Other	127	270
Total administrative and other operating expenses	**2 226**	**2 414**

Included in staff costs are statutory contributions to non-budget funds of RR 299 million (2015: RR 294 million).

17 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of chief operating decision maker (CODM) are performed by the Management Board of the Group.

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

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

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

17 Segment Analysis (Continued)

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

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

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

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

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

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

(i) the fair value changes in available for sale securities are reported within the segments' profits or losses rather than in other comprehensive income;

(ii) funds are generally reallocated between segments at internal interest rates set by the treasury department, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances;

(iii) income taxes are not allocated to segments;

(iv) loan provisions are recognised based on the regulations of the Bank of Russia, rather than based on the incurred loss model prescribed in IAS 39;

(v) commission income relating to lending is recognised immediately rather than deferred using the effective interest method;

(vi) liabilities for the Bank's unused vacation payments are not recognised.

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

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

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

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

17 Segment Analysis (Continued)

(in millions of Russian Roubles)	Corporate business	Retail business	Financial business	Other	Total
March 31, 2016					
Total reportable segment assets	**114 772**	**51 282**	**34 290**	**13 347**	**213 691**
Total reportable segment liabilities	**57 637**	**125 840**	**10 356**	**912**	**194 745**
December 31, 2015					
Total reportable segment assets	**110 702**	**51 043**	**38 116**	**15 714**	**215 575**
Total reportable segment liabilities	**51 786**	**127 304**	**15 990**	**677**	**195 757**

The table below represents the information of income and expenses per reportable segments for the three months ended March 31, 2016. The Group's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

(in millions of Russian Roubles)	Corporate business	Retail business	Financial business	Liquidity	Other	Total
March 31, 2016						
Interest income	3 618	2 021	289	-	(4)	5 924
Non-interest income	675	569	23	-	25	1 292
Transfer income	987	3 341	180	517	-	5 025
Total revenues	**5 280**	**5 931**	**492**	**517**	**21**	**12 241**
Interest expense	(667)	(2 661)	(181)	-	(169)	(3 678)
Non-interest expense	(44)	(148)	(9)	-	(8)	(209)
Transfer expense	(3 406)	(1 431)	(152)	-	(36)	(5 025)
Total expenses	**(4 117)**	**(4 240)**	**(342)**	**-**	**(213)**	**(8 912)**
Operating income before provision for loan impairment	**1 163**	**1 691**	**150**	**517**	**(192)**	**3 329**
Provision for loan impairment	(1 216)	(477)	-	-	3	(1 690)
Operating income	**(53)**	**1 214**	**150**	**517**	**(189)**	**1 639**
Administrative and other operating expenses	(968)	(1 153)	(38)	-	(54)	(2 213)
Depreciation of premises and equipment	(50)	(60)	(2)	-	(1)	(113)
Profit/(loss) before tax (Segment result)	**(1 071)**	**1**	**110**	**517**	**(244)**	**(687)**

17 Segment Analysis (Continued)

The table below represents segment information on the major reportable business lines of the Group for the three months ended March 31, 2015:

(in millions of Russian Roubles)	**Corporate business**	**Retail business**	**Financial business**	**Liquidity**	**Other**	**Total**
March 31, 2015						
Interest income	3 672	1 535	655	-	-	5 862
Non-interest income	740	638	42	-	262	1 682
Transfer income	1 098	3 042	161	140	-	4 441
Total revenues	**5 510**	**5 215**	**858**	**140**	**262**	**11 985**
Interest expense	(758)	(2 335)	(163)	-	-	(3 256)
Non-interest expense	(23)	(159)	(11)	-	(317)	(510)
Transfer expense	(3 047)	(1 155)	(201)	-	(38)	(4 441)
Total expenses	**(3 828)**	**(3 649)**	**(375)**	**-**	**(355)**	**(8 207)**
Operating income before provision for loan impairment	**1 682**	**1 566**	**483**	**140**	**(93)**	**3 778**
Provision for loan impairment	(1 575)	162	-	-	-	(1 413)
Operating income	**107**	**1 728**	**483**	**140**	**(93)**	**2 365**
Administrative and other operating expenses	(924)	(1 002)	(34)	-	(26)	(1 986)
Depreciation of premises and equipment	(39)	(47)	(2)	-	-	(88)
Profit/(loss) before tax (Segment result)	**(856)**	**679**	**447**	**140**	**(119)**	**291**

17 Segment Analysis (Continued)

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

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

Reconciliation of reportable segment assets:

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
Total reportable segment assets	**213 691**	**215 575**
Adjustment of provision for impairment of financial assets	2 257	1 390
Loss from loans issued at non-market rate	(516)	-
Adjustment of provision for impairment of other assets	(344)	(265)
Recognition of financial instruments using the effective interest method	(394)	(403)
Adjustment of depreciation and cost or revalued amounts of premises and equipment	1 606	1 599
Differences in deferred tax asset	124	41
Consolidation	5 344	5 813
Other	16	138
Total assets under IFRS	**221 784**	**223 888**

Reconciliation of reportable segment liabilities:

In millions of Russian Roubles	**March 31, 2016 (unaudited)**	**December 31, 2015**
Total reportable segment liabilities	**194 745**	**195 757**
Accrued expenses	148	429
Recognition of fee and commission income temporary basis	154	165
Recovery of deferred tax liability	(363)	(332)
Consolidation	5 175	5 658
Total liabilities under IFRS	**199 859**	**201 677**

17 Segment Analysis (Continued)

Reconciliation of income or expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income or expense, provision for loan impairment and other assets, administrative and other operating expenses) for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the three months ended March 31, 2016 is as follows:

(*in millions of Russian Roubles*)	**Before tax profit**	**Interest income**	**Non-interest income**	**Interest expense**	**Non-interest expense**	**Provision for loan impairment and other assets**	**Administrative and other operating expenses**
Total amount for all reportable segments	**(687)**	**5 924**	**1 292**	**(3 678)**	**(209)**	**(1 690)**	**(2 326)**
Recognition of interest income from lending using the effective interest method	9	9	-	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	11	-	11	-	-	-	-
Adjustment of provisions for loan impairment	961	-	-	-	(40)	1 001	-
Expenses arisen with initial assets recognition at rates below the market	(516)	-	-	-	-	-	(516)
Accrued commitments on future vacations of staff	103	-	-	-	-	-	103
Differences in depreciation charge on premises and equipment	1	-	-	-	-	-	1
Provision for impairment of other assets and non-credit related commitments	(183)	-	-	-	-	(183)	-
Reclassification of management accounts items	-	(4)	(48)	26	49	(58)	35
Consolidation	(56)	99	1	(144)	-	-	(12)
Other	31	-	-	-	5	26	-
Total under IFRS	**(326)**	**6 028**	**1 256**	**(3 796)**	**(195)**	**(904)**	**(2 715)**

17 Segment Analysis (Continued)

Reconciliation of profit before tax and other material income or expenses (interest income and expense for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the three months ended March 31, 2015 is as follows:

(in millions of Russian Roubles)	Before tax profit	Interest income	Non-interest income	Interest expense	Non-interest income	Provision for loan impairment and other assets	Administrative and other operating expenses
Total amount for all reportable segments	**291**	**5 862**	**1 682**	**(3 256)**	**(510)**	**(1 413)**	**(2 074)**
Recognition of interest income from lending using the effective interest method	26	26	-	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	(7)	-	(7)	-	-	-	-
Adjustment of provisions for loan impairment based on the incurred loss model	(430)	-	-	-	(35)	(395)	-
Accrued Bank's expenses of reportable period	(244)	-	-	-	-	-	(244)
Differences in depreciation charge on premises and equipment	(1)	-	-	-	-	-	(1)
Provision for impairment of other assets	395	-	-	-	-	395	-
Reclassification of management accounts items	-	(96)	(155)	-	358	(21)	(86)
Consolidation	17	126	-	(100)	-	-	(9)
Total under IFRS	**47**	**5 918**	**1 520**	**(3 356)**	**(187)**	**(1 434)**	**(2 414)**

18 Financial Risk Management

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

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

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

Decisions on development of new businesses (products) are taken with due regard to performed preliminary analysis of potential risks that may have influence on the relevant business (product).

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

18 Financial Risk Management (Continued)

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Group’s annual financial report for the year ended December 31, 2015.

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

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

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

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

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

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. The market risk management system includes setting limits on the level of accepted risk and control over their compliance on a daily basis.

Currency risk. The Group is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions. The Group manages currency risk by ensuring maximum possible consistency between the currency of its assets and the currency of its liabilities by currency within established limits.

18 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 March 2016:

In millions of Russian Roubles	**RR**	**USD**	**EUR**	**Other**	**Total**
Monetary financial assets					
Cash and cash equivalents	13 492	10 441	3 510	100	27 543
Mandatory cash balances with the Bank of Russia	894	211	103	1	1 209
Trading securities	434	1 904	1 393	-	3 731
Due from other banks	104	904	-	-	1 008
Loans and advances to customers	157 473	2 745	2 976	-	163 194
Investment securities available for sale	4 790	2 899	2 612	-	10 301
Other financial assets	283	7	1 540	-	1 830
Total monetary financial assets	**177 470**	**19 111**	**12 134**	**101**	**208 816**
Monetary financial liabilities					
Due to other banks	12 178	-	1 829	-	14 007
Customer accounts	142 851	21 306	10 375	142	174 674
Debt securities in issue	6 463	115	-	-	6 578
Other financial liabilities	215	8	7	-	230
Subordinated loans	3 000	677	-	-	3 677
Total monetary financial liabilities	**164 707**	**22 106**	**12 211**	**142**	**199 166**
Net balance sheet position	**12 763**	**(2 995)**	**(77)**	**(41)**	**9 650**

18 Financial Risk Management (Continued)

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

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

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

At 31 March 2016, if the US Dollar exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, loss before tax for the year would have been RR 599 million higher (RR 599 million lower).

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

At 31 March 2016, if the Euro exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, loss before tax for the year would have been RR 15 million higher (RR 15 million lower).

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

18 Financial Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

Assessment of the Group's exposure to interest rate risk is managed upon gap analysis of financial instruments sensitive to changes in interest rates (SFI). The principal methodological approach of gap analysis within the framework of interest rate risk evaluation is recognition of future payment flows under SFI at carrying amounts. These carrying amounts are broken down by the earlier of contractual interest repricing or maturity dates.

Any changes in net interest income resulting from changes in the value of SFI at the date of their redemption or interest repricing determine the amount of interest rate risk exposure. Any changes in the amount of net interest income depend upon net cumulative gap on SFI and possible changes in interest rate at the end of the annual reporting period. For the purposes of analysis of financial instruments that are sensitive to interest rate changes a year-long period is selected as the maximum analysed time period.

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

In millions of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
31 March 2016					
Total financial assets exposed to interest rate movements	30 858	30 824	48 326	82 007	192 015
Total financial liabilities exposed to interest rate movements	66 923	51 168	27 062	53 779	198 932
Net interest sensitivity gap at 31 March 2016	**(36 065)**	**(20 344)**	**21 264**	**28 228**	**(6 917)**
Gap coefficient (aggregate relative cumulative gap)	**0.46**	**0.52**	**0.76**	**0.97**	
31 December 2015					
Total financial assets exposed to interest rate movements	28 221	39 222	42 768	81 862	192 073
Total financial liabilities exposed to interest rate movements	72 696	57 181	28 447	42 304	200 628
Net interest sensitivity gap at 31 December 2015	**(44 475)**	**(17 959)**	**14 321**	**39 558**	**(8 555)**
Gap coefficient (aggregate relative cumulative gap)	**0.39**	**0.52**	**0.70**	**0.96**	

At 31 March 2016, if interest rates at that date had been 200 basis points higher (2015: 200 basis points higher) with all other variables held constant, loss before tax for the year would have been RR 873 million higher (2015: loss before tax for the year would have been RR 1 035 million higher), mainly as a result of higher interest expense on term deposits of individuals and legal entities and due to other banks. At 31 March 2016, other components of equity would have been RR 47 million (2015: RR 43 million) higher, mainly as a result of an increase in the fair value of fixed rate financial instruments classified as available for sale.

18 Financial Risk Management (Continued)

At 31 March 2016, if interest rates at that date had been 200 basis points lower (2015: 200 basis points lower) with all other variables held constant, loss before tax for the year would have been RR 873 million lower (2015: loss before tax for the year would have been RR 1 035 million lower), mainly as a result of higher interest expense on term deposits of individuals and legal entities and due to other banks. At 31 March 2016, other components of equity would have been RR 47 million (2015: RR 43 million) lower, mainly as a result of an increase in the fair value of fixed rate financial instruments classified as available for sale.

Risk management comprises minimising net gap established in analysis of assets and liabilities sensitive to interest rate changes. Depending upon the net gap amount the Group takes the decision to issue or attract resources at certain rates for a certain period in order to minimise potential losses as a result of changes in the market interest rate.

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

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

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

Other price risk. This risk is not significant for the Group as the Group has limited exposure to equity price risk.

The Group is exposed to prepayment risk through providing fixed rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity for the year and at the reporting date would not have been significantly impacted by changes in early repayment rates because such loans are carried at amortised cost and the early repayment amount is at or close to the amortised cost of loans and advances to customers.

18 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's assets and liabilities at 31 March 2016 is set out below:

In millions of Russian Roubles	Russia	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	15 336	12 207	-	27 543
Mandatory cash balances with the Bank of Russia	1 209	-	-	1 209
Trading securities	435	3 296	-	3 731
Due from other banks	141	867	-	1 008
Loans and advances to customers	163 165	-	29	163 194
Investment securities available for sale	6 261	5 153	-	11 414
Other financial assets	1 828	2	-	1 830
Total financial assets	**188 375**	**21 525**	**29**	**209 929**
Non-financial assets	**11 855**	**-**	**-**	**11 855**
Total assets	**200 230**	**21 525**	**29**	**221 784**
Financial liabilities				
Due to other banks	12 177	1 829	1	14 007
Customer accounts	173 642	525	507	174 674
Debt securities in issue	6 578	-	-	6 578
Other financial liabilities	230	-	-	230
Subordinated loans	3 000	-	677	3 677
Total financial liabilities	**195 627**	**2 354**	**1 185**	**199 166**
Non-financial liabilities	**693**	**-**	**-**	**693**
Total liabilities	**196 320**	**2 354**	**1 185**	**199 859**
Net balance sheet position	**3 910**	**19 171**	**(1 156)**	**21 925**
Credit related commitments (Note 19)	**21 346**	**-**	**-**	**21 346**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

18 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2015 is set out below:

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

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

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

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

18 Financial Risk Management (Continued)

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

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 64.7% at 31 March 2016 (2015: 72.4%). At 31 March 2016 and 31 December 2015 the minimum required level for N2 ratio was 15%.
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 83.9% at 31 March 2016 (2015: 80.9%). At 31 March 2016 and 31 December 2015 the minimum required level for N3 ratio was 50%.
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to Bank's regulatory capital and liabilities maturing after one year. The ratio was 87.3% at 31 March 2016 (2015: 95.8%). At 31 March 2016 and 31 December 2015 the maximum required level for N4 ratio was 120%.

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

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

When forming its securities portfolio the Group focuses on the Bank of Russia's Lombard List to get access to refinancing instruments. In 2016 for the purpose of liquidity regulation the Group performed direct repo transactions with the Bank of Russia.

18 Financial Risk Management (Continued)

For the purpose of liquidity risk management, the Group controls the expected maturities which are as follows as at March 31, 2016:

In millions of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Financial assets					
Cash and cash equivalents	27 543	-	-	-	27 543
Mandatory cash balances with the Bank of Russia	403	338	177	291	1 209
Trading securities	3 731	-	-	-	3 731
Due from other banks	104	-	37	867	1 008
Loans and advances to customers	13 242	29 440	42 723	77 789	163 194
Investment securities available for sale	-	1 384	5 566	4 464	11 414
Other financial assets	1 830	-	-	-	1 830
Total financial assets	**46 853**	**31 162**	**48 503**	**83 411**	**209 929**
Non-financial assets	**-**	**-**	**268**	**11 587**	**11 855**
Total assets	**46 853**	**31 162**	**48 771**	**94 998**	**221 784**
Financial liabilities					
Due to other banks	8 159	1 194	526	4 128	14 007
Customer accounts	58 036	48 913	25 510	42 215	174 674
Debt securities in issue	732	1 061	1 026	3 759	6 578
Other financial liabilities	230	-	-	-	230
Subordinated loans	-	-	-	3 677	3 677
Total financial liabilities	**67 157**	**51 168**	**27 062**	**53 779**	**199 166**
Non-financial liabilities	**-**	**45**	**-**	**648**	**693**
Total liabilities	**67 157**	**51 213**	**27 062**	**54 427**	**199 859**
Net liquidity gap of financial assets and financial liabilities	**(20 304)**	**(20 006)**	**21 441**	**29 632**	**10 763**
Cumulative liquidity gap	**(20 304)**	**(40 310)**	**(18 869)**	**10 763**	
Credit related commitments (Notes 19)	**21 346**	**-**	**-**	**-**	**21 346**

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

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

18 Financial Risk Management (Continued)

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

In millions of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Financial assets					
Cash and cash equivalents	31 263	-	-	-	31 263
Mandatory cash balances with the Bank of Russia	409	341	175	197	1 122
Trading securities	5 349	-	-	-	5 349
Due from other banks	2 169	-	40	1 199	3 408
Loans and advances to customers	5 129	37 411	40 362	74 552	157 454
Investment securities available for sale	309	1 811	2 366	7 303	11 789
Other financial assets	1 814	-	-	-	1 814
Total financial assets	**46 442**	**39 563**	**42 943**	**83 251**	**212 199**
Non-financial assets	**-**	**-**	**365**	**11 324**	**11 689**
Total assets	**46 442**	**39 563**	**43 308**	**94 575**	**223 888**
Financial liabilities					
Due to other banks	10 073	4 373	844	4 521	19 811
Customer accounts	61 993	51 257	26 534	29 874	169 658
Debt securities in issue	634	1 551	1 069	4 179	7 433
Other financial liabilities	491	-	-	-	491
Subordinated loans	-	-	-	3 730	3 730
Total financial liabilities	**73 191**	**57 181**	**28 447**	**42 304**	**201 123**
Non-financial liabilities	**-**	**43**	**-**	**511**	**554**
Total liabilities	**73 191**	**57 224**	**28 447**	**42 815**	**201 677**
Net liquidity gap of financial assets and financial liabilities	**(26 749)**	**(17 618)**	**14 496**	**40 947**	**11 076**
Cumulative liquidity gap	**(26 749)**	**(44 367)**	**(29 871)**	**11 076**	**-**
Credit related commitments (Note 19)	**20 175**	**-**	**-**	**-**	**20 175**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

18 Financial Risk Management (Continued)

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

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

The amount of operational risk is calculated on an annual basis. The amount of actual and potential losses arising from occurrence of operational risk events for 2015 was significantly lower than the estimated amount of operational risk. The focus of the Group management on establishing of the effective operational risk management system has resulted in the fact that actual and potential losses from occurrence of operational risk events are insignificant for the Group and have no material impact on its operations.

19 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. The Group's management believes that the allowance of RR 45 million recognised at 31 March 2016 (31 December 2015: RR 43 million) is sufficient for possible payments under legal proceedings.

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

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

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

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

Commitments to extend credit represent unused portions of authorisations by the Group's management to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

19 Contingencies and Commitments (Continued)

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

Outstanding credit related commitments are as follows:

In millions of Russian Roubles	March 31, 2016 (unaudited)	December 31, 2015
Unused limits on overdraft loans and credit lines with debt limit	17 359	18 357
Undrawn credit lines with a payment limit	3 656	1 487
Financial guarantees	331	331
Total credit related commitments	**21 346**	**20 175**
Performance guarantees	10 388	12 556
Undrawn limits on issuance of guarantees	424	260
Total credit related commitments and performance guarantees	**32 158**	**32 991**

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

In November 2015, the Bank issued an irrevocable financial guarantee to a related party in the amount of RR 331 million.

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

	Note	March 31, 2016 (unaudited)		December 31, 2015	
In millions of Russian Roubles		Asset pledged	Related liability	Asset pledged	Related liability
Pledged debt securities under sale and repurchase agreements with the Bank of Russia	10	6 301[1]	6 302	9 889	9 503
Pledged debt securities under sale and repurchase agreements with other banks	7, 10	1 102	1 000	-	-
Pledged loans on funds attracted from AO SME Bank	6, 10	3 127	3 643	3 585	3 769
Pledged loans on funds attracted from the Bank of Russia	6, 10	480	451	2 966	2 809
Total		**11 010**	**11 396**	**16 440**	**16 081**

Mandatory cash balances with the Bank of Russia in the amount of RR 1 209 million (2015: RR 1 122 million) represent mandatory reserve deposits with the Bank of Russia which are not available to finance the Group’s day-to-day operations.

[1] This includes RR 6 301 million of OFZ Federal bonds received by the Bank under the State re-capitalisation programme.