

ROSBANK Group

**Interim Condensed Consolidated
Financial Statements**
3 Months Ended 31 March 2016
(Unaudited)

ROSBANK GROUP

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2016

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of PJSC ROSBANK and its subsidiaries (the "Group") as at 31 March 2016, and the results of its operations, cash flows and changes in equity for 3 months then ended, in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

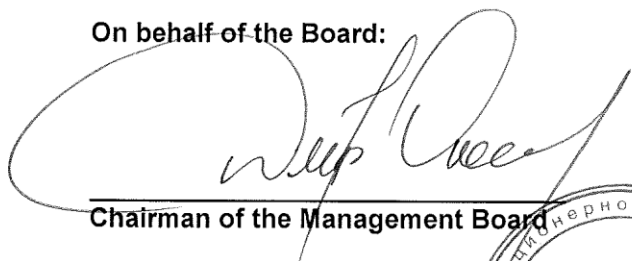
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation ("RF") legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for 3 months ended 31 March 2016 were authorized for issue on 30 May 2016 by the Management Board of PJSC ROSBANK.

On behalf of the Board:



Chairman of the Management Board

30 May 2016
Moscow



ROSBANK GROUP

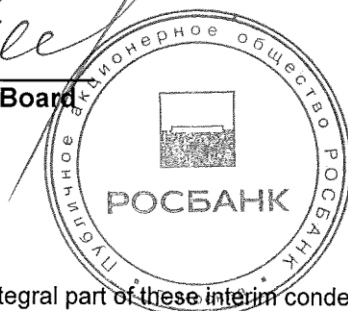
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2016 (UNAUDITED) (in millions of Russian Roubles)

	Notes	31 March 2016 (unaudited)	31 December 2015
ASSETS			
Cash and balances with the Central Bank of the Russian Federation	6	43,657	103,225
Financial assets at fair value through profit or loss	7, 9, 29	49,186	56,968
Due from banks	8, 29	118,878	92,867
Loans to customers	10, 29	602,644	634,534
Investments available-for-sale	11, 29	6,825	5,683
Investments held to maturity	12	75,067	79,582
Property and equipment		19,757	20,105
Intangible assets		2,089	2,144
Current income tax assets		451	435
Deferred income tax assets		3,331	3,363
Other assets	29	14,202	12,273
Total assets		936,087	1,011,179
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	9, 13, 29	49,836	54,860
Due to the Central Bank of the Russian Federation	14	3,812	18,861
Due to banks	15, 29	45,832	68,684
Customer accounts	16, 29	501,795	516,707
Debt securities issued	17	147,949	159,795
Other provisions	21	1,287	1,315
Current income tax liabilities		122	120
Deferred income tax liabilities		1,867	1,548
Other liabilities	29	9,803	10,507
Subordinated debt	18, 29	54,460	58,281
Total liabilities		816,763	890,678
EQUITY:			
Share capital	19	17,587	17,587
Share premium	19	59,707	59,707
Cumulative translation reserve		1,900	2,771
Property and equipment revaluation reserve		6,729	6,834
Investments available-for-sale fair value reserve		(1,524)	(1,616)
Cash flow hedge		(720)	(889)
Retained earnings		35,645	36,107
Total equity		119,324	120,501
TOTAL LIABILITIES AND EQUITY		936,087	1,011,179

On behalf of the Board:

Chairman of the Management Board

30 May 2016
Moscow



The notes on pages 9-38 form an integral part of these interim condensed consolidated financial statements.

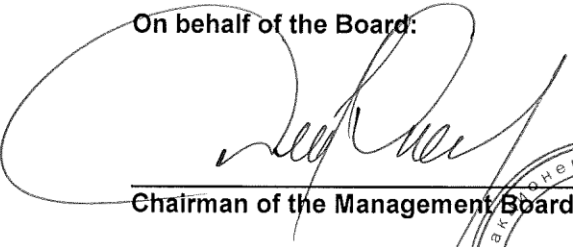
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 3 MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Interest income	20, 29	22,666	24,511
Interest expense	20, 29	(12,566)	(15,905)
Net interest income before provision for impairment losses on interest bearing assets		10,100	8,606
Provision for impairment losses on interest bearing assets	21, 29	(4,673)	(5,608)
Net interest income		5,427	2,998
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	22, 29	(63)	(286)
Net gain/(loss) on foreign exchange operations	23, 29	136	(39)
Net gain/(loss) on precious metals operations		47	(29)
Fee and commission income	24, 29	2,577	2,665
Fee and commission expense	24, 29	(747)	(607)
Other provisions	21, 29	(64)	(431)
Other income		322	222
Net non-interest income		2,208	1,495
Operating income		7,635	4,493
Operating expenses	25, 29	(8,347)	(9,103)
Other non-operating income		98	-
Profit/(loss) before income tax		(614)	(4,610)
Income tax credit/(expense)	26	47	1,218
Net profit/(loss) for the period		(567)	(3,392)
EARNINGS PER SHARE			
Basic and diluted (in RUB)	27	(0.37)	(2.19)

On behalf of the Board:


Chairman of the Management Board

30 May 2016
Moscow



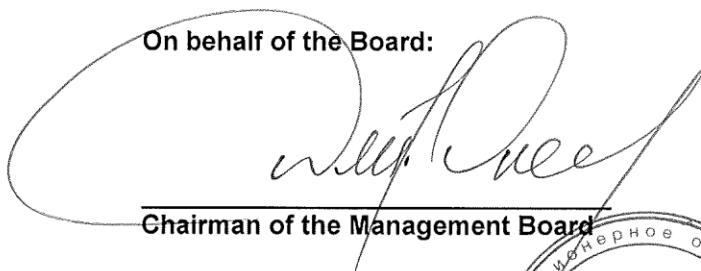
The notes on pages 9-38 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH 2016 (UNAUDITED) (in millions of Russian Rubles)

	Notes	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Net profit/(loss) for the period		<u>(567)</u>	<u>(3,392)</u>
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(399)	91
Income tax on translating foreign operations		(472)	-
Cash flow hedge		211	(1)
Income tax on cash flow hedge		(42)	11
Net profit/(loss) resulting on revaluation of available-for-sale financial assets during period		58	244
Amounts recycled to profit and loss relating to available-for-sale financial assets		57	57
Income tax on revaluation of available-for-sale financial assets during the period		<u>(23)</u>	<u>(60)</u>
Other comprehensive income/(expense) after income tax		<u>(610)</u>	<u>342</u>
Total comprehensive income/(expense)		<u><u>(1,177)</u></u>	<u><u>(3,050)</u></u>

On behalf of the Board:


Chairman of the Management Board

30 May 2016
Moscow




The notes on pages 9-38 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 3 MONTHS ENDED 31 MARCH 2016 (UNAUDITED) (in millions of Russian Roubles)

Notes	Share capital	Share premium	Cumulative translation reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve	Cash flow hedge	Retained earnings	Total equity
31 December 2014	17,587	59,707	1,982	8,346	(2,176)	(677)	44,875	129,644
Net profit for the period (unaudited)	-	-	-	-	-	-	(3,392)	(3,392)
Other comprehensive income/(expense) for the period (unaudited)	-	-	91	-	241	10	-	342
Total comprehensive income/(expense) for the period (unaudited)	-	-	91	-	241	10	(3,392)	(3,050)
Property and equipment disposal (net of deferred tax of RUR 35 millions)	-	-	-	(139)	-	-	139	-
31 March 2015 (unaudited)	17,587	59,707	2,073	8,207	(1,935)	(667)	41,622	126,594
31 December 2015	17,587	59,707	2,771	6,834	(1,616)	(889)	36,107	120,501
Net loss for the period (unaudited)	-	-	-	-	-	-	(567)	(567)
Other comprehensive income/(expense) for the period (unaudited)	-	-	(871)	-	92	169	-	(610)
Total comprehensive income/(expense) for the period (unaudited)	-	-	(871)	-	92	169	(567)	(1,177)
Property and equipment disposal (net of deferred tax of RUR 26 millions)	-	-	-	(105)	-	-	105	-
31 March 2016 (unaudited)	17,587	59,707	1,900	6,729	(1,524)	(720)	35,645	119,324

On behalf of the Board:


Chairman of the Management Board

30 May 2016
Moscow

The notes on pages 9-38 form an integral part of these interim condensed consolidated financial statements.

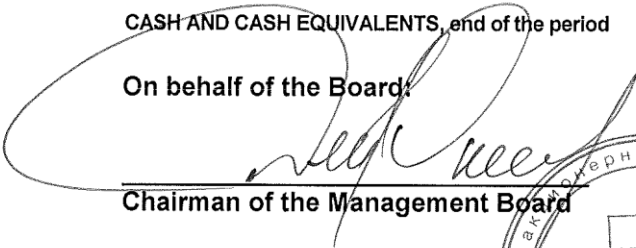


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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR 3 MONTHS ENDED 31 MARCH 2016 (UNAUDITED) (in millions of Russian Roubles)

	Notes	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Cash flows from operating activities:			
Interest received		23,251	23,912
Interest paid		(12,550)	(16,656)
Fees and commissions received		2,577	2,719
Fees and commissions paid		(713)	(581)
Receipts from/(payment for) financial assets at fair value through profit or loss		2,050	(4,722)
Receipts from/(payment for) trading in foreign currencies		(2,943)	5,471
Other operating income received		322	220
Receipts from/(payment for) precious metals operations		112	(19)
Administrative and other operating expenses paid		(7,969)	(8,920)
Income tax received/(paid)		(153)	617
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		3,984	2,041
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(145)	(878)
Net (increase)/decrease in financial assets at fair value through profit or loss		2,252	11,382
Net (increase)/decrease in due from banks		(3,849)	(12,496)
Net (increase)/decrease in loans to customers		22,448	61,822
Net (increase)/decrease in other assets		(2,206)	(5,481)
Net increase/(decrease) in financial liabilities at fair value through profit or loss		(1,274)	1,499
Net increase/(decrease) in due to the Central Bank of the Russian Federation		(15,038)	(23,266)
Net increase/(decrease) in due to banks		(23,196)	(10,051)
Net increase/(decrease) in customer accounts		(1,248)	9,845
Net increase/(decrease) in debt securities issued, other than bonds issued		(616)	4,489
Net increase/(decrease) in other liabilities		(379)	(378)
Net increase/(decrease) in other liabilities on law cases		(11)	(1)
Net cash from/(used in) operating activities		(19,278)	38,527
Cash flows from investing activities			
Purchase of available for sale financial assets		(1,243)	-
Proceeds from redemption of held to maturity financial assets		749	647
Purchase of property and equipment		(390)	(628)
Proceeds from disposal of property and equipment		97	192
Net cash from/(used in) investing activities		(787)	211
Cash flows from financing activities			
Redemption of bonds issued by the Group		(21,180)	(2,539)
Issue of bonds		9,937	5,648
Proceeds from sale of previously bought back bonds issued		2,143	1,007
Buy back of bonds issued		(2,256)	(2,102)
Net cash from/(used in) financing activities		(11,356)	2,014
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,022)	710
Net increase/(decrease) in cash and cash equivalents		(32,443)	41,462
CASH AND CASH EQUIVALENTS, beginning of the period	6	175,232	171,775
CASH AND CASH EQUIVALENTS, end of the period	6	142,789	213,237

On behalf of the Board:


Chairman of the Management Board

30 May 2016
Moscow

The notes on pages 9-38 form an integral part of these interim condensed consolidated financial statements.



ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2016

1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group - one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies kept acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks ROSBANK and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further Interim condensed consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in ROSBANK equity from VTB Group, increasing it up to 92.4%. As part of the agreement ROSBANK sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2014 Societe Generale acquired further 7% of ROSBANK’s share capital from Interros Group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in ROSBANK.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 March 2016 and 31 December 2015 ROSBANK had 9 branches operating in the Russian Federation.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2016

ROSBANK (“the Bank”) is the parent company of a banking group (the “Group”) which consists of the following material enterprises as of 31 March 2016, 31 December 2015 and 31 March 2015:

Name	Country of incorporation	Group’s ownership interest / voting rights, %			Type of operations
		31 March 2016	31 December 2015	31 March 2015	
Delta Credit Bank JSC (previous name - Delta Credit Bank CJSC)	Russia	100/100	100/100	100/100	Banking
Rusfinance Bank LLC	Russia	100/100	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	100/100	Issue of loans to individuals
Red and Black Prime Russia MBS No.1 Limited LLC	Ireland	Liquidated	0/100	0/100	Issue of notes
BSGV Leasing LLC	Russia	Merged	Merged	100/100	Leasing
RB Factoring LLC	Russia	100/100	100/100	100/100	Factoring
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	100/100	Banking
RosInvest SA	Luxembourg	Liquidated	Liquidated	99.97/99.97	Reorganization of UNEXIM Finance Company
Processing Company NICKEL LLC	Russia	Liquidated	Liquidated	100/100	Processing of card operations
RB LEASING LLC	Russia	100/100	100/100	100/100	Leasing
INKAHRAN OJSC	Russia	Sold	Sold	100/100	Cash collection services
ORS OJSC	Russia	100/100	100/100	100/100	Processing
AVTO LLC	Russia	100/100	100/100	100/100	Transportation services
RB Specialized Depository LLC (previous name - RB Securities LLC)	Russia	100/100	100/100	100/100	Operations with securities
Inkahran Service LLC	Russia	Sold	Sold	99.60/100	Transportation services
Valmont LLC	Russia	100/100	100/100	100/100	Asset holding company
RB Service LLC (previous name - RBS Avto LLC)	Russia	100/100	100/100	100/100	Financial services
Telsikom JSC	Russia	100/100	100/100	100/100	Telecommunication services

In addition to the above listed companies the Group controls a number of special purpose entities. The main activity of these special purpose entities is hard recovery process.

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland - Rosbank (Switzerland) SA. The liquidation process is subject to authorisation by Swiss banking authorities. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

In February 2016 Red and Black Prime Russia MBS No.1 Limited LLC was liquidated.

As of 31 March 2016 and 31 December 2015, the following shareholders owned the issued shares of ROSBANK:

Shareholder	31 March 2016 %	31 December 2015 %
Societe Generale S.A.	99.49	99.49
Others	0.51	0.51
Total	100.00	100.00

These interim condensed consolidated financial statements were authorized for issue on 30 May 2016 by the Management Board of ROSBANK.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2016

2. Going concern

These Interim condensed consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

3. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for 2015 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group's annual consolidated financial statements for 2015 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the full year.

Other basis of presentation criteria

These Interim condensed consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

These Interim condensed consolidated financial statements are presented in millions of Russian roubles ("mRUB"), unless otherwise indicated.

These Interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 *Property, Plant and Equipment* ("IAS 16"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2016

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. These interim condensed consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentation currency of the Interim condensed consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million RUB, except when otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Interim condensed consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the Interim condensed consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation permitted by any IFRS, and as specifically disclosed in the accounting policies of the Group.

4. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2015, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the Interim condensed consolidated financial statements are as follows:

	31 March 2016	31 December 2015
RUB/1 US Dollar	67.6076	72.8827
RUB/1 Euro	76.5386	79.6972
RUB/Gold (1 ounce)	83,630.60	77,419.65
RUB/Platinum (1 ounce)	65,985.02	63,553.71
RUB/Palladium (1 ounce)	38,468.72	39,866.84
RUB/Silver (1 ounce)	1,039.80	1,007.24

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2015 prepared in accordance with IFRS.

The Group adopted new Standards effective as of 1 January 2016 as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Application of new and revised International Financial Reporting Standards (IFRS)

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material effect on the consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

IFRS 14 Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Accounting for Acquisitions of Interests Amendments to IFRS 11 Joint Arrangements (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained.

In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

Clarification of Acceptable Methods of Depreciation and Amortisation Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Agriculture: Bearer plants Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Equity Method in Separate Financial Statements Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in its separate financial statements will be required to apply this method from the date of transition to IFRS.

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Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1,
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated,
- That entities have flexibility as to the order in which they present the notes to financial statements,
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (These amendments must be applied retrospectively. Issued in December 2014 and effective for annual periods on or after 1 January 2016). The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Improvements to IFRSs 2012-2014 Cycle. These improvements were issued on 25 September 2014 and effective on or after 1 January 2016. They include:

- *IFRS 5 Non current Assets Held for Sale and Discontinued Operations* – changes in methods of disposal. Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016.

- *IFRS 7 Financial Instruments: Disclosures* – servicing contracts. IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *IFRS 7 Financial Instruments: Disclosures* applicability of the offsetting disclosures to condensed interim financial statements. In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods”.

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The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase 'and interim periods within those annual periods', clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016.

- *IAS 19 Employee Benefits* – regional market issue regarding discount rate. The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied for annual periods beginning on or after 1 January 2016.

- *IAS 34 Interim Financial Reporting* – disclosure of information 'elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016.

The above mentioned amended standards effective for the Group from 1 January 2016 did not have a material impact on the accounting policies, financial position or performance of the Group.

6. Cash and balances with the Central Bank of the Russian Federation

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Cash	17,360	26,942
Balances with the Central Bank of the Russian Federation	<u>26,297</u>	<u>76,283</u>
Total cash and balances with the Central Bank of the Russian Federation	<u>43,657</u>	<u>103,225</u>

As of 31 March 2016 and 31 December 2015 included in the balances with the Central Bank of the Russian Federation are RUB 4,044 million and RUB 3,899 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central Bank of the Russian Federation. The Group is required to maintain the reserve balances with Central Bank of the Russian Federation at all times.

Cash and cash equivalents for the purposes of the interim condensed consolidated statement of cash flows are comprised of the following:

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB	31 March 2015 mRUB (unaudited)
Cash and balances with the Central Bank of the Russian Federation	43,657	103,225	55,063
Due from banks with original maturity within 90 days	<u>103,176</u>	<u>75,906</u>	<u>164,627</u>
	146,833	179,131	219,690
Less minimum reserve deposits	<u>(4,044)</u>	<u>(3,899)</u>	<u>(6,453)</u>
Total cash and cash equivalents	<u>142,789</u>	<u>175,232</u>	<u>213,237</u>

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7. Financial assets at fair value through profit or loss

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Debt securities	2,020	3,528
Derivative financial instruments (Note 9)	47,166	53,440
Total financial assets at fair value through profit or loss	49,186	56,968

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 March 2016 (unaudited)		31 December 2015	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Debt securities of Russian banks	10.8%	158	11.3 - 11.9%	64
Debt securities of the Russian Federation	6.4 - 12.0%	132	6.0 - 14.4%	1,738
Debt securities of Russian companies	9 - 11.2 %	722	11.6 - 12.5%	653
Debt securities of foreign central governments	0.5 - 1.3 %	1,008	0.5 - 1.3%	1,073
		2,020		3,528

As at 31 March 2016 and 31 December 2015 there were no financial assets at fair value through profit or loss pledged.

8. Due from banks

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Demand deposits in banks	19,326	19,218
Term deposits in banks	86,320	65,396
Loans under reverse repurchase agreements	13,232	8,253
Total due from banks	118,878	92,867

As of 31 March 2016 the Group had loans and advances to one bank totaling RUB 71,312 million, which individually exceeded 10% of the Group's equity.

As of 31 December 2015 the Group had loans and advances to two banks totaling RUB 39,636 million, which individually exceeded 10% of the Group's equity.

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 March 2016 and 31 December 2015 comprise:

	31 March 2016 mRUB (unaudited)		31 December 2015 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Bonds of Russian companies	10,497	13,720	6,165	8,685
Bonds of the Russian Federation	2,735	3,037	2,088	2,359
Total loans under reverse repurchase agreements	13,232	16,757	8,253	11,044

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9. Derivative financial instruments

Derivative financial instruments comprise:

	Nominal value	31 March 2016 (unaudited) Fair value mRUB		Nominal value	31 December 2015 Fair value mRUB	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	63,329	2,072	(5,339)	22,041	3,349	(3,391)
Forwards	27,099	2,270	(361)	13,558	354	(1,137)
IRS/CIRS	333,600	39,904	(41,070)	386,919	44,338	(43,648)
Cash flow and NIFE hedge	9,869	44	(161)	6,554	22	(179)
Fair value hedge	2,450	117	(41)	2,450	239	-
Foreign exchange options	43,493	347	(347)	45,874	1,108	(1,109)
Total foreign exchange contracts		44,754	(47,319)		49,410	(49,464)
Contracts on precious metals and commodities						
Forwards	3,477	294	(294)	3,956	339	(339)
Swaps	633	-	(13)	612	1	(1)
Options	64,215	2,118	(2,118)	85,148	3,690	(3,690)
Total contracts on precious metals and commodities		2,412	(2,425)		4,030	(4,030)
Total		47,166	(49,744)		53,440	(53,494)

Cash Flow Hedge and Hedge of Net Investment in Foreign Entity (NIFE)

The Group's cash flow hedge is related to its exposure to the variability in the anticipated future cash flows on its financial liabilities related to Société Générale Group share-based payment program for the total amount equivalent to 203,009 shares to be paid during 2016 subject to the satisfaction of certain underlying conditions.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

To hedge against the variability in the cash flows on financial liabilities due to the share price risk, the Group used forward contracts at a fixed price of EUR 42.1 per share. As such the Group minimizes the effect of changes in market prices for SG shares on its future cash flows.

Another part of the Cash flow hedge is related to the swap (hedging instrument), which enables the Group to protect itself against negative variations in future cash flows on the variable-rate loans to customers due to a fall in interest rates. This part of the Group's cash flow hedge is related to variable-rate loans to customers for the principal of RUB 2,300 million.

The Group's hedge of Net Investment in Foreign Entity is related to the variability of the net assets of its subsidiary (Rosbank (Switzerland) SA) nominated in CHF.

Fair Value Hedge

The Group's fair value hedge is related to its exposure to the variability in changes of fair value of available-for-sale securities for the nominal amount of RUB 2,500 million.

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As of 31 March 2016 and as of 31 December 2015 the fair value of the assets arising from derivative financial instruments classified as hedging instruments is RUB 117 million and RUB 239 million, respectively.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial assets at fair value through profit and loss in amount RUB 360 million as at 31 March 2016 and RUB 1,010 million as at 31 December 2015, respectively. Simultaneously the Group entered into interest rate swap contracts to compensate future cash flows to be paid on structural bonds issued. The fair value of interest rate swaps included in financial liabilities at fair value through profit and loss amounted to RUB 1,122 million as at 31 March 2016 and RUB 1,803 million as at 31 December 2015, respectively.

10. Loans to customers

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Loans to legal entities	251,234	266,338
Loans to individuals	399,913	418,100
Net investments in finance lease	12,661	11,699
Account receivable from RF Government debtors on financed loans	2,146	1,885
Total loans to customers before impairment	665,954	698,022
Less allowance for impairment losses	(63,310)	(63,488)
Total loans to customers	602,644	634,534

Movements in allowances for impairment losses on loans to customers for 3 months ended 31 March 2016 and 2015 are disclosed in Note 21.

As of 31 March 2016 the Group had loans to three groups of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2015 the Group had loans to two groups of customers which individually exceeded 10% of the Group's equity.

As of 31 March 2016 and 31 December 2015 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

As at 31 March 2016 and 31 December 2015 non-financial assets received by the Group as a repayment on loans in the amount of RUB 4,557 million and RUB 4,495 million, respectively are included in other assets.

Group is running the car loan program using financing from RF Government, under which RF Government is financing interest income on car loans in the amount of 2/3 of CBR key rate. RF Government financing is accounted in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. As of 31 March 2016 the amount receivable from RF Government on the financed car loan program amounted to RUB 1,951 million. As of 31 December 2015 the amount receivable from RF Government on the financed car loan program amounted to RUB 1,745 million.

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Group participated in the RF Government program for mortgage lending supporting, under which the Group originated loans at decreased interest rate. Government grant receivable represents governments subsidy of the estimated interest income receivable due to the excess of the government interest rate over the contractual interest rate. As of 31 March 2016 the amount receivable from RF Government on the financed mortgage program amounted to RUB 195 million. As of 31 December 2015 the amount receivable from RF Government on the financed mortgage program amounted to RUB 140 million.

11. Investments available-for-sale

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Debt securities	6,620	5,551
Equity investments	205	132
Total investments available-for-sale	6,825	5,683

	31 March 2016 (unaudited)		31 December 2015	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Bonds of the Russian Federation	6.5% - 7.5%	5,553	6.5%-7.5%	5,551
Eurobonds of Russian companies	3.8% - 8.3%	1,067	-	-
		6,620		5,551

	31 March 2016 (unaudited) Amount mRUB	31 December 2015 Amount mRUB
Equity investments:		
Shares and ADRs of Russian companies	204	131
Shares of international clearing companies	1	1
	205	132

In March 2014 and December 2014 the Group reclassified investments available-for-sale to investments held to maturity to bring the accounting and presentation in accordance with the management intent.

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12. Investments held to maturity

	31 March 2016 (unaudited)		31 December 2015	
	Nominal annual interest rate	Amount mRUB	Nominal annual interest rate	Amount mRUB
Eurobonds of the Russian Federation	4.5-7.5%	42,016	4.5-7.5%	46,194
Bonds of the Russian Federation	6.9-7.6%	30,104	6.9-7.6%	30,259
Eurobonds of Russian companies	3.4-8.3%	2,947	3.4-8.3%	3,129
Total investments held to maturity		75,067		79,582

As of 31 March 2016 and 31 December 2015 investments held to maturity represent debt securities reclassified from available-for-sale category in March and December 2014 (Note 11).

13. Financial liabilities at fair value through profit or loss

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Derivative financial instruments	49,744	53,494
Short position on securities purchased	92	1,366
Total financial liabilities at fair value through profit or loss	49,836	54,860

Derivative financial instruments are disclosed in Note 9.

14. Due to the Central Bank of the Russian Federation

As of 31 March 2016 and 31 December 2015 due to the Central Bank of the Russian Federation consisted of the following:

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Term deposits	3,812	18,861
Total due to the Central Bank of the Russian Federation	3,812	18,861

As of 31 March 2016 and 31 December 2015 included in term deposits are RUB 500 million and RUB 500 million, respectively, secured with guarantees from Russian banks.

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15. Due to banks

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Time deposits	23,512	33,760
Demand accounts	19,951	33,980
Loans under repurchase agreements	2,369	944
Total due to banks	45,832	68,684

The Group is obligated to comply with financial covenants in relation to certain balances deposits by banks disclosed above. These covenants include various financial performance ratios. As of 31 March 2016 and 31 December 2015 the Group has not breached any of these covenants.

As at 31 March 2016 and 31 December 2015 included in due to banks are RUB 13,295 million and RUB 24,248 million (11% and 20% of total balances due to banks), respectively, that were due to two and three banks respectively, which represents a significant concentration.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 March 2016 and 31 December 2015 comprise:

	31 March 2016 (unaudited)		31 December 2015	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds of the Russian Federation	2,369	4,988	944	953
Total	2,369	4,988	944	953

16. Customer accounts

	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Corporate		
Time deposits	131,433	175,804
Repayable on demand	174,993	140,454
Total corporate	306,426	316,258
Individuals		
Time deposits	156,567	157,078
Repayable on demand	38,802	43,371
Total individuals	195,369	200,449
Total customer accounts	501,795	516,707

As of 31 March 2016 and 31 December 2015 customer accounts amounting to RUB 286 million and RUB 229 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 March 2016 and 31 December 2015 customer accounts amounting to RUB 48 million and RUB 77 million, respectively, were held as security against guarantees issued (Note 29).

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17. Debt securities issued

	Annual coupon rates %	31 March 2016 mRUB (unaudited)	Annual coupon rates %	31 December 2015 mRUB
Bonds of Delta Credit Bank due in 2016-2025	8.40%-12.50%	77,880	8.40%-12.50%	73,454
Bonds of Rosbank due in 2016-2025	11.60%-11.80%	20,322	8.55%-11.80%	40,988
Bonds of Rusfinance Bank due in 2018-2021	8.30%-13.90%	35,463	8.30%-13.90%	29,193
Exchange structural bonds of Rosbank due in 2016-2025	9.31%-14.32%	12,450	9.31%-14.32%	13,750
Discount bearing promissory notes	0.00%-11.89%	1,828	0.00%-11.89%	2,394
Other instruments	0.00%	6	0.00%	16
Total debt securities issued		147,949		159,795

During the period January-March 2016 new bonds were issued:

Issuer	Issue Date	Maturity Date	Debt Volume, mRUB	Annual coupon rate, %
Delta Credit Bank	30.03.2016	30.03.2019	5,000	10.57
Rusfinance Bank	26.02.2016	26.02.2021	5,000	11.65

During the period January-March 2016 bonds were redeemed:

Issuer	Issue Date	Maturity Date	Debt Volume, mRUB	Annual coupon rate, %
Rosbank	15.01.2013	15.01.2016	1,300	10.16
Rosbank	30.01.2013	30.01.2016	4,918	8.80
Rosbank	31.01.2013	31.01.2016	4,987	8.80
Rosbank	01.03.2013	01.03.2016	9,975	8.55

Changes in the balances for 3 months ended 31 March 2016, were also due to a partly buyback of the bonds and operations with the bonds issued by its subsidiaries.

18. Subordinated debt

	Currency	Maturity year	Interest rate %	31 March 2016 mRUB (unaudited)	31 December 2015 mRUB
Societe Generale S.A.	USD	2020 - 2023	6.5% - 9.3%	40,127	43,409
Societe Generale S.A.	RUB	2016 - 2017	8.0% - 11.3%	4,900	4,927
GENEBANQUE S.A.	USD	2022	6.6%	5,526	5,957
Societe Generale S.A.	EUR	2020	8%	3,907	3,988
Total subordinated debt				54,460	58,281

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

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19. Share capital

As of 31 March 2016 and 31 December 2015 the nominal share capital totaling RUB 17,587 million issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote. The hyperinflation effect has been recorded in the amount of RUB 2,073 million.

As of 31 March 2016 and 31 December 2015 share premium totaling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

As of 31 March 2016 and 31 December 2015 the Bank's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital repurchased	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	-	1,551,401,853

20. Net interest income before provision for impairment losses on interest bearing assets

	3 months ended 31 March 2016 (Unaudited) mRUB	3 months ended 31 March 2015 (Unaudited) mRUB
Interest income comprises:		
Interest income on financial assets recorded at amortized cost	22,457	24,093
Interest income on financial assets recorded at fair value	209	418
Total interest income	22,666	24,511
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to individuals	13,986	16,219
Interest on loans to corporate customers	6,149	5,607
Interest on due from banks	1,167	1,266
Interest on investments held to maturity	1,155	1,001
Total interest income on financial assets recorded at amortized cost	22,457	24,093
Interest income on financial assets recorded at fair value comprises:		
Interest income on investments available-for-sale	111	110
Interest income on financial assets at fair value through profit and loss	98	308
Total interest income on financial assets recorded at fair value	209	418
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	12,566	15,905
Total interest expense	12,566	15,905
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on corporate customer accounts	3,960	5,813
Interest on debt securities issued	3,626	3,298
Interest on deposits from individuals	2,696	2,897
Interest on deposits from banks	892	1,778
Interest on subordinated debt	1,134	920
Interest on deposits of the Central Bank of the Russian Federation	258	1,199
Total interest expense on financial liabilities recorded at amortized cost	12,566	15,905
Net interest income before provision for impairment losses on interest bearing assets	10,100	8,606

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21. Allowance for impairment losses and other provisions

The movements in allowance for impairment losses on interest-bearing assets were as follows:

	Total mRUB
31 December 2014	57,223
Net allocations	5,610
Forex effect on provision revaluation	82
Sales and write-offs of loans	<u>(3,622)</u>
31 March 2015 (unaudited)	<u>59,293</u>
31 December 2015	<u>63,488</u>
Net allocations	3,921
Forex effect on provision revaluation	(676)
Sales and write-offs of loans	<u>(3,423)</u>
31 March 2016 (unaudited)	<u><u>63,310</u></u>

As of 31 March 2016 and 31 December 2015 allowance for impairment losses on interest-bearing assets includes provision only for loans to customers.

For 3 months ended 31 March 2016 and 2015 the amount of provision for impairment losses on interest bearing assets in the interim condensed consolidated statement of profit or loss comprises:

	3 months ended 31 March 2016 mRUB (unaudited)	3 months ended 31 March 2015 mRUB (unaudited)
Net allocations	3,921	5,610
Recoveries of loans written off	-	(2)
Write offs not covered by provisions	<u>752</u>	<u>-</u>
Provision for impairment losses on interest bearing assets	<u><u>4,673</u></u>	<u><u>5,608</u></u>

Write-offs not covered by provision in the amount of RUB 752 million and RUB 0 million for 3 months ended 31 March 2016 and 2015, respectively, represent losses incurred by the Group from refinancing of US dollar denominated mortgage loans to individuals and accounted within "Provision for impairment losses on interest bearing assets" in interim condensed consolidated statement of profit or loss.

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The movements in other provisions were as follows:

	Other assets mRUB	Provisions for financial guarantees issued, claims and other commitments mRUB	Total mRUB
31 December 2014	2,333	1,289	3,622
Provision	58	373	431
Write-offs	(290)	(1)	(291)
31 March 2015 (unaudited)	2,101	1,661	3,762
31 December 2015	2,088	1,315	3,403
Provision	61	3	64
Write-offs	(55)	(11)	(66)
Forex effect on provision revaluation	-	(20)	(20)
31 March 2016 (unaudited)	2,339	1,287	3,626

The information about other provision of the Group disclosed in Note 28.

Allowance for impairment losses on assets are deducted from the respective assets. Allowance for impairment losses on financial guarantees issued, claims and other commitments are presented in liabilities.

22. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards

Net loss on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards comprises:

	3 months ended 31 March 2016 mRUB (unaudited)	3 months ended 31 March 2015 mRUB (unaudited)
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:		
Realized gain/(loss) on trading operations	103	76
Unrealized revaluation of securities at fair value through profit or loss	37	144
Net gain/(loss) on operations with derivative financial instruments, except forex swaps and forwards	(203)	(506)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	(63)	(286)

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23. Net gain/(loss) on foreign exchange operations

	3 months ended 31 March 2016 mRUB (unaudited)	3 months ended 31 March 2015 mRUB (unaudited)
Net gain/(loss) on foreign exchange operations	689	606
Exchange differences	(128)	91
Effect of foreign currency swap instruments	(425)	(736)
Total net gain/(loss) on foreign exchange operations	136	(39)

During 3 months ended 2016 and 2015, the Bank used foreign currency swaps to manage its liquidity between currencies.

24. Fee and commission income and expense

	3 months ended 31 March 2016 mRUB (unaudited)	3 months ended 31 March 2015 mRUB (unaudited)
Fee and commission income:		
Plastic cards operations	741	744
Settlements	509	459
Agency operations	427	252
Cash operations	346	766
Documentary operations	265	158
Other operations	289	286
Total fee and commission income	2,577	2,665
Fee and commission expense:		
Plastic cards operations	375	249
Cash operations	187	72
Settlements	74	88
Documentary operations	47	67
Other operations	64	131
Total fee and commission expense	747	607

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25. Operating expenses

	3 months ended 31 March 2016 mRUB (unaudited)	3 months ended 31 March 2015 mRUB (unaudited)
Salary and bonuses	3,903	4,312
Unified social tax contribution	938	1,089
Operating lease expense	677	748
Depreciation charge on property and equipment	621	564
Repairs and maintenance expense	562	565
Deposit insurance charge	195	173
Professional services	190	203
Communications	189	221
Advertising and marketing expenses	171	163
Security	88	116
Transportation expenses	61	280
Other	752	669
Total operating expenses	8,347	9,103

26. Income tax

The Group measures and records its current income tax payable in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 March 2016 and 31 December 2015 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax - book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 31 March 2016 in the horizon of 10 years from the date the loss was recorded.

Income tax (credit)/expense for 3 months ended 31 March 2016 and 2015 comprise:

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Current tax charge	139	(229)
Deferred tax (credit)/charge- origination and reversal of temporary differences and tax loss carried forward	352	(940)
Less: deferred tax recognized directly in other comprehensive income	(538)	(49)
Income tax (credit)/expense	(47)	(1,218)

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27. Earnings per share attributable to equity holders of the parent

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Profit/(loss)		
Net profit/(loss) attributable to equity holders of the parent for the period (mRUB)	(567)	(3,392)
Weighted average number of ordinary shares		
For basic and diluted earnings per share	1,551,401,853	1,551,401,853
Earnings per share - basic and diluted (RUB)	<u>(0.37)</u>	<u>(2.19)</u>

28. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	31 March 2016 (unaudited) mRUB	31 December 2015 mRUB
Litigations and other provisions	328	675
Provision for losses on letters of credit and guarantees	959	640
Total other provisions	<u>1,287</u>	<u>1,315</u>

As of 31 March 2016 and 31 December 2015, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 286 million and RUB 229 million, respectively and guarantees issued covered by cash amounted to RUB 48 million and RUB 77 million, respectively.

As of 31 March 2016 and 31 December 2015, the nominal or contract amounts were:

	31 March 2016 (unaudited) Nominal amount mRUB	31 December 2015 Nominal amount mRUB
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	86,269	89,439
Letters of credit and other transaction related contingent obligations	9,634	8,723
Commitments on loans and unused credit lines	67,818	72,482
Total contingent liabilities and credit commitments	<u>163,721</u>	<u>170,644</u>

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The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities - As of 31 March 2016 and 31 December 2015 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 253 million and RUB 83 million, respectively.

Operating lease commitments - Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases of buildings and equipment are as follows:

	31 March 2016 (unaudited) mRUB	31 December 2015 mRUB
Not later than 1 year	1,705	2,000
Later than 1 year and not later than 5 years	2,148	2,574
Later than 5 years	2,166	2,132
Total operating lease commitments	6,019	6,706

Legal proceedings - From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred.

Taxation - The Russian laws and regulations affecting business continue to change rapidly. The implementation of Russian tax laws and regulations is often unclear or inconsistent. Historically, the system of tax collection in Russia has been relatively ineffective, resulting in the continual changes to the tax legislation, some of which applies retroactively and occur with little notice and also in interpretation of the existing laws and regulations by various authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the Russian tax authorities are taking a more assertive position in their interpretation of the legislation and, as a result, transactions and activities that have not been challenged in the past may be challenged in future tax audits.

Russian transfer pricing rules introduced additional reporting and documentation requirements. The Russian tax authorities may assess additional tax charges in respect of all controlled transactions (both domestic and cross-border), including but not limited to transactions with related parties, if they consider transactions to be priced not at arm's length. Special transfer pricing rules apply to transactions with securities and derivatives.

In light of the uncertainty and absence of extensive practice of application of the Russian transfer pricing legislation it cannot be fully excluded that the Russian tax authorities may try to challenge the level of prices applied by the Group under the "controlled" transactions and accrue additional tax liabilities unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation. The impact of the potential challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated. However, taking into account that loans represent one of the major parts of transactions between the companies of the Group the Management believes that changes incorporated into the Russian Tax Code starting 1 January 2015 related to introduction of safe harbor rules on interest income and expenses significantly reduce the impact of the potential challenge of the Group's transfer pricing positions on loans.

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The amendments introduced into the Russian Tax Code by Federal Law No. 376-FZ dated 24 November 2014, as further amended and supplemented (the "Anti-Offshore Law"), came into force on 1 January 2015. The Anti-Offshore Law introduced into the Russian Tax Code, inter alia, "controlled foreign companies" and beneficial ownership concept. In this respect in 2015 the Group introduced a procedure under which it started to obtain from its clients "beneficial ownership" confirmations in writing. Implementation of these new rules and concepts by the Anti-Offshore Law is likely to impose additional administrative and, in some cases, could increase the tax burden on the Group.

The Group has strict policies about "controlled foreign companies". Therefore, the Management believes that Anti-Offshore Law in respect of "controlled foreign companies" rules should have a limited effect on the Group.

The introduction of these laws, as well as the interpretation of certain provisions of the Russian tax legislation in combination with the latest trends in law enforcement indicate the potential possibility of increasing the amount of taxes paid and the amount of penalties, including due to the fact that the Russian tax authorities and courts may be taking a more assertive position in their application of the legislation and assessments. At the same time the potential impact cannot be reliably estimated, as well as the probability of an unfavorable outcome in the case of claims of the Russian tax authorities. Tax inspections may cover three calendar years immediately preceding the year of review. The longer periods may be subjected under certain conditions tested. As such, additional taxes, penalties and late payment interest may be assessed by the relevant authorities.

Management believes that as at 31 March 2016 the provisions of the tax laws applicable to the Group, interpreted them correctly.

Operating environment - Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014 and 2015. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. Russia's sovereign debt was downgraded to lowest investment-grade levels by international rating agencies, and further on downgraded to below investment-grade levels during the first quarter 2015, with a negative outlook. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Rouble and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments - The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares granted is recognized in the interim condensed consolidated statement of profit or loss within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled payments.

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29. Transactions with related parties

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 March 2016 (unaudited) mRUB		31 December 2015 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Financial assets at fair value through profit or loss	27,153	49,186	35,129	56,968
- shareholders	27,152		35,129	
- related parties under common control with the Group	1		-	
Due from banks	71,348	118,878	45,953	92,867
- shareholders	68,092		16,999	
- related parties under common control with the Group	3,256		28,954	
Loans to customers, gross	2,109	665,954	2,770	698,022
- key management personnel of the Group	39		50	
- related parties under common control with the Group	2,070		2,720	
Allowance for impairment losses on loans to customers	-	(63,310)	(51)	(63,488)
- related parties under common control with the Group	-		(51)	
Investments available-for-sale	79	6,825	117	5,683
- related parties under common control with the Group	79		117	
Other assets	235	14,202	231	12,273
- shareholders	212		212	
- related parties under common control with the Group	23		19	
Financial liabilities at fair value through profit or loss	27,322	49,836	27,947	54,860
- shareholders	27,322		27,947	
Due to banks	5,269	45,832	6,003	68,684
- shareholders	3,373		5,017	
- related parties under common control with the Group	1,896		986	
Customer accounts	5,701	501,795	5,616	516,707
- shareholders	-		-	
- key management personnel of the Group	370		195	
- related parties under common control with the Group	5,331		5,421	
Other liabilities	709	9,803	868	10,507
- shareholders	709		868	
Subordinated debt	54,459	54,460	58,281	58,281
- shareholders	48,933		52,324	
- related parties under common control with the Group	5,526		5,957	

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	31 March 2016 (unaudited) mRUB		31 December 2015 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Guarantees issued and similar commitments	1,862	86,269	2,020	89,439
- shareholders	1,852		2,015	
- key management personnel of the Group	-		-	
- related parties under common control with the Group	10		5	
Commitments on loans and unused credit lines	7,832	67,818	7,819	72,482
- shareholders	5,000		5,000	
- key management personnel of the Group	5		1	
- related parties under common control with the Group	2,827		2,818	
Guarantees received	14,893	294,624	12,618	303,883
- shareholders	14,399		12,308	
- related parties under common control with the Group	494		310	

Included in the interim condensed consolidated statements of profit or loss for 3 months ended 31 March 2016 and 2015 are the following amounts which arose due to transactions with related parties:

	3 months ended 31 March 2016 (unaudited) mRUB		3 months ended 31 March 2015 (unaudited) mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	86	22,666	617	24,511
- shareholders	49		591	
- key management personnel of the Group	1		1	
- related parties controlled by, or under common control with the Group	36		25	
Interest expense	(1,343)	(12,566)	(1,625)	(15,905)
- shareholders	(1,170)		(1,434)	
- key management personnel of the Group	(3)		(1)	
- related parties under common control with the Group	(170)		(190)	
Provision for impairment losses on interest bearing assets	51	(4,673)	(27)	(5,608)
- related parties under common control with the Group	51		(27)	

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	3 months ended 31 March 2016 (unaudited) mRUB		3 months ended 31 March 2015 (unaudited) mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards				
- shareholders	(998)	(63)	2,320	(286)
Net gain/(loss) on foreign exchange operations and on precious metals operations	(1,192)	183	(6,927)	(68)
- shareholders	(1,182)		(6,915)	
- key management personnel of the Group				
- related parties under common control with the Group	(10)		(12)	
Fee and commission income	249	2,577	121	2,665
- shareholders	38		38	
- key management personnel of the Group	-		-	
- related parties under common control with the Group	211		83	
Fee and commission expense	(47)	(747)	(70)	(607)
- shareholders	(47)		(67)	
- related parties under common control with the Group	-		(3)	
Operating expense (other than compensation)	(180)	(3,506)	(81)	(3,702)
- shareholders	(176)		(78)	
- related parties under common control with the Group	(4)		(3)	
Other income	9	322	8	222
- shareholders	1		1	
- related parties under common control with the Group	8		7	

For the 3 months ended 31 March 2016 and 2015 total remuneration of the key management amounted to RUB 289 million and RUB 315 million, respectively.

30. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 *Fair Value Measurement*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable 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.
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying rate may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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The fair value of financial assets and liabilities compared with the corresponding carrying amount in the interim condensed consolidated statement of financial position of the Group is presented below:

	31 March 2016 (unaudited)		31 December 2015	
	Carrying value, mRUB	Fair value, mRUB	Carrying value, mRUB	Fair value, mRUB
Cash and balances with the Central Bank of the Russian Federation	43,657	43,657	103,225	103,225
Financial assets at fair value through profit or loss				
- <i>Derivative financial instruments</i>	47,166	47,166	53,440	53,440
- <i>Debt securities</i>	2,020	2,020	3,528	3,528
Due from banks	118,878	118,872	92,867	92,867
Loans to customers	602,644	579,006	634,534	607,663
Investments available-for-sale	6,825	6,825	5,683	5,683
Investments held to maturity	75,067	77,474	79,582	80,687
Other financial assets	2,034	2,034	2,101	2,101
Financial liabilities at fair value through profit or loss	49,836	49,836	54,860	54,860
Due to the Central Bank of the Russian Federation	3,812	3,812	18,861	18,861
Due to banks	45,832	48,959	68,684	69,501
Customer accounts	501,795	503,078	516,707	518,336
Debt securities issued	147,949	149,598	159,795	159,621
Other financial liabilities	7,687	7,687	8,507	8,507
Subordinated debt	54,460	54,352	58,281	57,833

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

Fair value measurements recognised in the consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 31 March 2016 and 31 December 2015, the Group has categorized classes of assets and liabilities at fair value into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Balance Sheet Category	31 March 2016 (unaudited), mRUB			31 December 2015, mRUB		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss						
- <i>Derivative financial instruments</i>	-	47,166	-	-	53,440	-
- <i>Debt securities</i>	2,020	-	-	3,528	-	-
Investments available-for-sale	6,620	205	-	5,551	132	-
Financial liabilities at fair value through profit or loss						
	92	49,744	-	1,366	53,494	-

Possibility of transfer from Level 1 to Level 2 category is assessed as low, as liquidity control is performed by Market Risk Department. Control period of liquidity assessment is 90 days from position opening. Market risk department performs liquidity analysis using position turnover, volumes of exchange trades, availability of exchange and brokers quotations. In case of position assessment as insufficient liquid the necessary actions to close position are taken.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10 % to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

31. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 *Operating Segments* and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Retail banking - representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

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- Corporate banking - representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions - representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	3 months ended 31 March 2016 (unaudited)
Net interest margin	6,052	2,250	377	1,421	10,100
Provisions for impairment losses on interest bearing assets	(4,941)	250	(3)	21	(4,673)
Net gain/(loss) on financial transactions	22	-	311	(213)	120
Net fee and commission income	1,203	535	57	35	1,830
Other provisions	5	(337)	-	268	(64)
Other income	12	12	15	283	322
Total operating income	2,353	2,710	757	1,815	7,635
Operating expenses	(7,133)	(1,024)	(436)	246	(8,347)
Other non-operating income	98	-	-	-	98
Profit/(loss) before income tax	(4,682)	1,686	321	2,061	(614)
Income tax credit/(expense)	-	-	-	47	47
Net profit/(loss)	(4,682)	1,686	321	2,108	(567)
Segment assets as at 31 March 2016 (unaudited)	405,745	248,358	148,104	133,880	936,087
Segment liabilities as at 31 March 2016 (unaudited)	322,469	306,426	124,268	63,600	816,763

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	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	3 months ended 31 March 2015 (unaudited)
Net interest margin	7,727	2,939	601	(2,661)	8,606
Provisions for impairment losses on interest bearing assets	(5,339)	(266)	-	(3)	(5,608)
Net gain/(loss) on financial transactions	317	-	1,185	(1,856)	(354)
Net fee and commission income	1,162	1,016	47	(167)	2,058
Other provisions	(2)	(217)	-	(212)	(431)
Other income	14	18	19	171	222
Total operating income	3,879	3,490	1,852	(4,728)	4,493
Operating expenses	(7,108)	(1,670)	(371)	46	(9,103)
Profit/(loss) before income tax	(3,229)	1,820	1,481	(4,682)	(4,610)
Income tax credit/(expense)	-	-	-	1,218	1,218
Net profit/(loss)	(3,229)	1,820	1,481	(3,464)	(3,392)
Segment assets as at 31 December 2015	403,880	261,251	146,147	199,901	1,011,179
Segment liabilities as at 31 December 2015	328,624	316,257	178,307	67,490	890,678

For the purpose of the segment reporting disclosure the category “Net gain/(loss) on financial transactions” includes the following categories:

- Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards;
- Net gain/(loss) on foreign exchange operations;
- Net gain/(loss) on precious metals operations.

32. Subsequent events

In May 2016 the Group`s subsidiary AVTO LLC was liquidated.

In May 2016 the following new bonds were issued:

Issuer	Issue Date	Maturity Date	Debt Volume, mRUB	Annual coupon rate, %
Rosbank	27.05.2016	27.05.2026	10,000	10.4
Delta Credit Bank	18.05.2016	18.05.2026	5,000	11.0

In April 2016 the following bonds were fully redeemed:

Issuer	Issue Date	Maturity Date	Debt Volume, mRUB	Annual coupon rate, %
Rosbank	04.04.2013	04.04.2016	1,000	9.4
Delta Credit Bank	02.04.2013	02.04.2016	5,000	8.5