

PROMSVYAZBANK

Interim Consolidated Condensed
Financial Information
for the six-month period ended
30 June 2016
(unaudited)

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Report on Review of Interim Consolidated Condensed Financial Information

To the Board of Directors and Shareholders of PAO "Promsvyazbank":

Introduction

We have reviewed the accompanying interim consolidated condensed statement of financial position of PAO "Promsvyazbank" and its subsidiaries (the "Group") as of 30 June 2015 and the related interim consolidated condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review.

Scope of review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

29 August 2016
Moscow, Russian Federation

N.A. Mileshkina, Director (licence no. 01-000197), AO PricewaterhouseCoopers Audit



Audited entity: PAO "Promsvyazbank"

State registration certificate № 3251, issued by the Central Bank of the Russian Federation on 12 May 1995

10/22 Smirnovskaya Str., 109052 Moscow, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Bureau on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities № 1027700148431 issued on 22 August 2002

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

Promsvyazbank

Interim Consolidated Condensed Statement of Financial Position as at 30 June 2016

(expressed in millions of Russian Roubles)

	Notes	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents	4	105 965	148 603
Obligatory reserves with central banks		6 487	5 877
Placements with banks and other financial institutions		22 141	37 834
Financial assets at fair value through profit or loss	5	84 164	78 067
- <i>Unpledged</i>		77 659	55 697
- <i>Pledged under sale and repurchase agreements</i>		6 505	22 370
Amounts receivable under reverse repurchase agreements		42 537	19 619
Loans to customers	6	797 735	799 717
Investments available for sale		1 378	1 131
Investments in associates		4 223	4 223
Other assets		6 927	4 315
Current income tax prepayments		176	303
Deferred tax asset		7 981	7 057
Investment property	7	51 949	39 700
Property and equipment and intangible assets		14 586	14 295
Non-current assets held for sale	8	35 769	52 002
Goodwill	27	2 921	-
TOTAL ASSETS		1 184 939	1 212 743
LIABILITIES			
Financial liabilities at fair value through profit or loss		8 812	11 674
Deposits and balances due to banks and other financial institutions	9	84 836	164 003
Amounts payable under repurchase agreements		19 134	46 505
Current accounts and deposits from customers	10	857 046	791 711
Debt securities in issue	11	43 298	25 482
Other borrowed funds	12	10 244	11 831
Other liabilities		4 045	4 954
Current income tax payable		111	28
Deferred tax liability		764	494
Subordinated borrowings	13	59 979	68 610
Liabilities directly associated with assets held for sale		5 419	4 009
TOTAL LIABILITIES		1 093 688	1 129 301
EQUITY			
Share capital	14	15 913	12 202
Share premium		20 612	20 612
Additional paid-in-capital		29 632	29 632
Revaluation reserve for property		2 546	2 488
Revaluation reserve for investments available for sale		514	571
Retained earnings		22 094	16 876
Total equity attributable to owners of the parent		91 311	82 381
Non-controlling interest		(60)	1 061
TOTAL EQUITY		91 251	83 442
TOTAL LIABILITIES AND EQUITY		1 184 939	1 212 743

Approved for issue and signed on behalf of the Management Board on 29 August 2016.

Ananiev D.N.
Chairman
of the Management Board

Mamakin V.Y.
Chief Financial Officer

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

Promsvyazbank
Interim Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016

(expressed in millions of Russian Roubles)

	Note	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Interest income		49 550	50 696	24 411	25 777
Interest expense		(36 990)	(38 215)	(18 676)	(18 717)
Net interest income	15	12 560	12 481	5 735	7 060
Fee and commission income	16	10 683	8 611	5 462	4 278
Fee and commission expense	17	(2 927)	(2 440)	(1 532)	(1 205)
Net fee and commission income		7 756	6 171	3 930	3 073
Net (loss)/gain on financial instruments at fair value through profit or loss	18	(1 616)	4 608	(2 984)	1 021
Net foreign exchange gain		2 220	2 195	2 758	2 283
Loss on revaluation of investments available for sale		-	(40)	-	28
Net loss on investments in associates		-	(282)	-	(282)
Net gain on disposal of subsidiaries	8	152	-	152	-
Net gain/(loss) on revaluation of investment property	7	8 386	(1 393)	8 315	(1 072)
Other income		298	47	227	42
Other expenses		(665)	(485)	(359)	(212)
Operating income		29 091	23 302	17 774	11 941
Loan impairment charge	6	(17 790)	(19 333)	(11 233)	(10 705)
Other impairment reversal/(charge)		794	(157)	230	(195)
General and administrative expenses	19	(10 157)	(9 634)	(5 176)	(4 545)
		(27 153)	(29 124)	(16 179)	(15 445)
Profit/(loss) before tax		1 938	(5 822)	1 595	(3 504)
Income tax (expense)/benefit		(355)	1 045	(292)	707
Profit/(loss) after tax		1 583	(4 777)	1 303	(2 797)
Other comprehensive income/ (loss)					
<i>Items that will not be reclassified to profit or loss:</i>					
Revaluation of property		73	-	73	-
Income tax related to revaluation of property		(15)	-	(15)	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Translation differences		-	119	-	45
Revaluation of investments available for sale		(72)	(1 215)	(3)	(361)
Income tax related to revaluation of investments available for sale		15	243	1	72
Other comprehensive income/(loss), net of tax		1	(853)	56	(244)
Total comprehensive income/(loss)		1 584	(5 630)	1 359	(3 041)
Profit/(loss) attributable to:					
Owners of the parent		1 692	(4 779)	1 374	(2 809)
Non-controlling interest		(109)	2	(71)	12
Total comprehensive income/(loss) attributable to:					
Owners of the parent		1 693	(5 632)	1 430	(3 053)
Non-controlling interest		(109)	2	(71)	12
Basic earnings/(loss) per ordinary share (expressed in RUB per share)	20	0,002	(0,004)	0,001	(0,003)
Diluted earnings per ordinary share (expressed in RUB per share)	20	0,001	(0,004)	0,001	(0,003)

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

Interim Consolidated Condensed Statement of Cash Flows for the period ended 30 June 2016

(expressed in millions of Russian Roubles)

	Notes	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		44 886	41 746
Fee and commission received		10 616	9 013
Interest paid		(35 377)	(38 869)
Fee and commission paid		(2 927)	(2 440)
Net receipts for financial instruments at fair value through profit or loss		2 205	369
Net (payments)/receipts from foreign exchange transactions		(7 959)	6 159
Other income received		298	47
Other expense		(582)	(485)
General and administrative expenses paid		(9 741)	(8 949)
		1 419	6 591
Decrease/(increase) in operating assets			
Obligatory reserves with central banks		(361)	(78)
Placements with banks and other financial institutions with original maturity of over one month		14 111	(2 359)
Financial assets at fair value through profit or loss		(3 537)	(25 143)
Amounts receivable under reverse repurchase agreements		(22 483)	(16 786)
Loans to customers		(20 828)	22 870
Other assets		(3 102)	(302)
(Decrease)/increase in operating liabilities			
Financial liabilities at fair value through profit or loss		873	813
Deposits and balances from banks and other financial institutions		(65 206)	(15 142)
Amounts payable under repurchase agreements		(27 189)	18 683
Current accounts and deposits from customers		67 321	(8 065)
Promissory notes and certificates of deposit		1 502	(2 133)
Other liabilities		(4 047)	547
Net cash flows used in operating activities before taxes paid		(61 527)	(20 504)
Income tax paid		(256)	825
Cash flows used in operations		(61 783)	(19 679)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries treated as non-current assets held for sale		3 000	-
Reorganisation of the Group	27	6 084	-
Purchases of investments available for sale		(319)	(3 086)
Disposal of investments available for sale		-	1 822
Purchases of investment property	7	(15)	(124)
Disposal of investment property		127	37
Purchases of property and equipment		(683)	(238)
Disposals of property and equipment		71	215
Cash flows from/(used in) investing activities		8 265	(1 374)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of non-subordinated senior loan participation notes and domestic bonds		19 874	319
Repayment and repurchase of non-subordinated senior loan participation notes and domestic bonds		(1 863)	(11 160)
Proceeds from other borrowed funds		219	338
Repayment of other borrowed funds		(2 181)	(1 272)
Proceeds from subordinated borrowings		604	561
Repayment of subordinated borrowings		(1 875)	(12 724)
Proceeds from issuance of share capital		3 711	-
Contributions from shareholders		-	13 806
Cash flows from/(used in) financing activities		18 489	(10 132)
Net decrease in cash and cash equivalents		(35 029)	(31 185)
Effect of changes in exchange rates on cash and cash equivalents		(7 609)	230
Cash and cash equivalents at the beginning of the period	4	148 603	137 961
Cash and cash equivalents at the end of the period	4	105 965	107 006

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

Promsvyazbank
Interim Consolidated Condensed Statement of Changes in Equity for the period ended 30 June 2016

(expressed in millions of Russian Roubles)

	Share capital	Share premium	Additional paid-in-capital	Revaluation reserve for property	Revaluation reserve for investments available for sale	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	12 202	20 612	82	2 418	386	33 351	69 051	(59)	68 992
Profit/(loss) after tax	-	-	-	-	-	(4 779)	(4 779)	2	(4 777)
Other comprehensive loss, net of tax	-	-	-	-	(972)	119	(853)	-	(853)
Total comprehensive income/(loss)	-	-	-	-	(972)	(4 660)	(5 632)	2	(5 630)
Contributions from shareholders	-	-	13 806	-	-	-	13 806	-	13 806
Other movements	-	-	-	-	-	(12)	(12)	-	(12)
Purchase of subsidiary	-	-	-	-	-	-	-	1 000	1 000
Balance at 30 June 2015	12 202	20 612	13 888	2 418	(586)	28 679	77 213	943	78 156
Profit/(loss) after tax	-	-	-	-	-	(11 696)	(11 696)	65	(11 631)
Other comprehensive income, net of tax	-	-	-	70	1 157	(119)	1 108	-	1 108
Total comprehensive income/(loss)	-	-	-	70	1 157	(11 815)	(10 588)	65	(10 523)
Contributions from shareholders	-	-	15 744	-	-	-	15 744	-	15 744
Other movements	-	-	-	-	-	12	12	-	12
Purchase of subsidiary	-	-	-	-	-	-	-	53	53
Balance at 1 January 2016	12 202	20 612	29 632	2 488	571	16 876	82 381	1 061	83 442
Profit/(loss) after tax	-	-	-	-	-	1 692	1 692	(109)	1 583
Other comprehensive income, net of tax	-	-	-	58	(57)	-	1	-	1
Total comprehensive income/(loss)	-	-	-	58	(57)	1 692	1 693	(109)	1 584
Share issue (Note 14)	3 711	-	-	-	-	-	3 711	-	3 711
Reorganisation of the Group (Note 27)	-	-	-	-	-	3 514	3 514	-	3 514
Purchase of subsidiary	-	-	-	-	-	12	12	(12)	-
Disposal of subsidiary	-	-	-	-	-	-	-	(1 000)	(1 000)
Balance at 30 June 2016	15 913	20 612	29 632	2 546	514	22 094	91 311	(60)	91 251

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

1 Background

Principal activities

Promsvyazbank Group (the “Group” or “Promsvyazbank”) consists of various legal entities formed under the laws of the Russian Federation (the “RF”) and other countries (refer to Note 2 for the list of subsidiaries). PAO Promsvyazbank (the “Bank”), which is the parent company of the Group, was initially established in the Russian Federation as a limited liability company converting subsequently to a closed joint-stock company in July 2001 then converting to an open joint-stock company in September 2007 and finally to public joint-stock company in December 2014. The Bank was granted a banking license for operations in roubles on 12 May 1995. The Bank’s operations were expanded to include transactions with all types of foreign currencies and transactions in foreign currencies with legal entities and individuals on 30 December 1996 and 31 December 1997, respectively.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (the “CBR”). The Bank holds a full (general) banking license from the CBR and is also authorised by the CBR to trade in precious metals. In October 2004, the CBR accepted the Bank into the State deposit insurance system. In addition, the Group holds licenses from the Federal Service for Financial Markets (the “FSFM”) to act as a broker, dealer, custodian and a securities manager in the Russian securities market. The Group also holds a license from the FSFM as a commodities exchange broker to trade futures and options.

The Group’s principal activities are in commercial banking. These activities consist of corporate, small and medium size entities (“SME”) and retail banking. Corporate banking includes deposit taking and lending to corporate borrowers, factoring, settlements, cash operations, documentary transactions. Corporate banking services also include trade and project finance. SME banking includes deposit taking and lending to small and medium entities, settlements and cash operations. Retail banking includes deposit taking and retail lending, money transfer and banking card services, foreign exchange and cash operations with individuals and asset management.

The Group also offers investment banking services, including corporate finance, debt and equity capital markets, brokerage, repo transactions and securities trading, foreign exchange, precious metals and banknote operations.

The table below summarises the information about the branch network.

	30 June 2016	31 December 2015
Branches	9	9
Full-service sub-branches	14	14
Retail and SME sub-branches	272	250
Representative offices	3	4
Avtovazbank offices	8	29
Total number of offices	306	306

As at 30 June 2016 and 31 December 2015 the Bank operated 8 branches located within the Russian Federation and a branch located in Limassol (Cyprus). As at 30 June 2016 representative offices are located in China, India and Kazakhstan. The Group is currently in the process of a reorganization of the branch network.

The Bank’s head office is registered at the following address: 109052, Smirnovskaya 10, Moscow, Russian Federation.

1 Background (continued)**Shareholders as at 30 June 2016 and 31 December 2015**

	30 June 2016	31 December 2015
Promsvyaz Capital B. V.*	50.03%	50.03%
European Bank for Reconstruction and Development	11.75%	11.75%
Pichugov V.A.	10.00%	10.00%
JSC "NPF "FUTURE"	10.00%	10.00%
NPF "European Pension Fund" (JSC)	4.91%	4.91%
NPF "Doverie" (JSC)	3.81%	3.81%
OOO "Levit"	3.28%	3.28%
NPF "Regionfond" (CJSC)	1.28%	1.28%
Individual shareholders	4.94%	2.20%
AO UK "RegionFinanceResource"	-	2.74%
	100%	100%

* - Antracite Investment Limited (United Kingdom) and Urgula Platinum Limited (United Kingdom) are the owners of Promsvyaz Capital BV (Netherlands), each share of the company is 50%. Owner of the Antracite Investment Limited (United Kingdom) is Mr. Ananiev A.N. Owner of the Urgula Platinum Limited (United Kingdom) is Mr. Ananiev D.N.

The management of the Group has the power to amend the interim consolidated condensed financial statements after issue.

Russian business environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the first half 2016, the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. According to some rating agencies Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 6.

2 Basis of preparation

Statement of compliance

This interim consolidated condensed financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

This interim consolidated condensed financial information are prepared on the historical cost basis except that the financial instruments at fair value through profit or loss and available for sale investments for which fair value can be reliably measured are stated at fair value and land and buildings are revalued periodically.

Consolidated companies

The interim consolidated condensed financial information includes the following principal subsidiaries of the Bank:

Name	Country of Incorporation	Main Activity	Consolidated as at 30 June 2016, %	Consolidated as at 31 December 2015, %
PSB Finance S.A.	Luxembourg	Financial Activity	100%	100%
OOO “UK Promsvyaz”	Russian Federation	Asset management	100%	100%
OOO “Open Leasing Company”	Russian Federation	Leasing	100%	100%
OOO “Promsvyazfactoring”	Russian Federation	Factoring	100%	100%
OOO “Saint-Petersburg International Banking Conference”	Russian Federation	Services	100%	100%
CJSC “Mortgage Agent PSB 2013”	Russian Federation	Financial Activity	100%	100%
PSB ECP Limited	Ireland	Financial Activity	100%	100%
TOO “PromSvyazFactor”	Republic of Kazakhstan	Factoring	100%	100%
OOO “Venture Fund SME”	Russian Federation	Financial Activity	100%	100%
OOO “Business alliance”	Russian Federation	Financial Services	100%	100%
OOO “Elitnye doma”	Russian Federation	Property owner	100%	100%
OOO “Invea”	Russian Federation	Property owner	100%	100%
OOO “Kourf”	Russian Federation	Property owner	100%	100%
OOO “Lirink”	Russian Federation	Property owner	100%	100%
OOO “Untir”	Russian Federation	Property owner	100%	100%
OOO “Holzvud”	Russian Federation	Property owner	100%	100%
OOO “Limkar”	Russian Federation	Property owner	100%	100%
ZAO “LDK Igirma”	Russian Federation	Timber processing	51%	51%
OOO “SEL-Tairiku”	Russian Federation	Timber processing	51%	51%
OOO “SEL-Trade”	Russian Federation	Timber processing	51%	51%
OOO “TSLK”	Russian Federation	Timber processing	51%	51%
OOO “SibLes”	Russian Federation	Timber processing	51%	51%
OOO “RusLesGroup”	Russian Federation	Timber processing	51%	51%
PAO “Avtovazbank”	Russian Federation	Banking	100%	97.3%
OOO “Selkovo-1”	Russian Federation	Property owner	100%	100%
OOO “Selkovo-2”	Russian Federation	Property owner	100%	100%
OOO “Selkovo-3”	Russian Federation	Property owner	100%	100%
OOO “Akimovo-1”	Russian Federation	Property owner	100%	100%
OOO “Akimovo-2”	Russian Federation	Property owner	100%	100%
OOO “Sergievo-Posad Land”	Russian Federation	Property owner	100%	100%
OOO “Shemetovo”	Russian Federation	Property owner	100%	100%
OOO “Paskal”	Russian Federation	Property owner	100%	100%
OOO “Berezhkovsky Complex”	Russian Federation	Property owner	100%	100%
OOO “SFO PSB MSB 2015”	Russian Federation	Financial Activity	100%	100%
ZAO “Samarskaya nedvizhmost”	Russian Federation	Agency business	100%	-
OOO “Ug Sibiri”	Russian Federation	Food production	-	74.99%
OOO “AgroSib-Razdolye”	Russian Federation	Food production	-	74.99%
ZAO “Byisk Oil Extracting Plant”	Russian Federation	Food production	-	74.99%
OOO “Prodex-Omsk”	Russian Federation	Food production	-	74.99%
OOO “Ug Sibiri-Trade”	Russian Federation	Food production	-	74.99%

2 Basis of preparation (continued)

PSB Finance S.A. is structured entity established to facilitate the issues of debt securities. The entity is not owned by the Group and control arises through the ability of the Group to direct the entity activities and thereby significantly affect its returns.

OOO “*UK Promsvyaz*”. The principal activity of OOO “*UK Promsvyaz*” is asset management. The Group directly controls 100% of this entity.

OOO “*Open Leasing Company*” was established by the Group in July 2007. The Group controls 100% of OOO “*Open Leasing Company*”.

OOO “*Promsvyazfactoring*”. In December 2009 the Group acquired control of OOO “*Promsvyazfactoring*” (OOO “*PSF*”) through an option agreement dated 31 December 2009, with its owner who is a related party to the Group’s shareholders. Under the terms of this agreement the Group has the unconditional right to buy 100% of the share capital in OOO “*PSF*” for cash of RUB 5.5 million till the end of 2017 year.

OOO “*Saint-Petersburg International Banking Conference*” was established by the Group in December 2010. The Group controls 100% of OOO “*Saint-Petersburg International Banking Conference*”.

CJSC “Mortgage Agent PSB 2013” is structured entity established to facilitate the issues of mortgage-backed securities. The entity is not owned by the Group and control arises through the ability of the Group to direct the entity activities and thereby significantly affect its returns.

PSB ECP Limited is structured entity established to facilitate the issues of debt securities. The company was established by the Group in June 2013. The Group controls 100% of *PSB ECP Limited*.

TOO “*PromSvyazFactor*” was established by the Group in September 2013. The Group controls 100% of TOO “*PromSvyazFactor*”.

OOO “*Venture Fund SME*” was established by the Group in September 2013. The Group controls 100% of OOO “*Venture Fund SME*”.

OOO “*Business alliance*” was established by the Group in February 2014. The Group controls 100% of OOO “*Business alliance*”.

OOO “*Elitnye doma*”. During 2014, the Group acquired 100% of the share capital of OOO “*Elitnye doma*”, a company incorporated in Moscow, which owns a land plot in Moscow Region. Refer to Note 7.

During the year of 2015 the Group acquired in settlement of overdue loans 100% share of OOO “*Invea*”, OOO “*Kourf*”, OOO “*Lirink*”, OOO “*Untir*”, OOO “*Holzvud*”, OOO “*Limkar*”. All the companies are property owners with no other activities.

Russian Timber Group includes ZAO “*LDK Igirma*”, OOO “*SEL-Tairiku*”, OOO “*SEL-Trade*”, OOO “*TSLK*”, OOO “*SibLes*”, OOO “*RusLesGroup*”. The main activity of this Group is timber processing. During the year of 2015 the Group entered into option agreements which give the Group the right to purchase 51% of the share capital of the above companies (Note 8).

PAO “Avtovazbank”. In July 2015 Promsvyazbank was appointed as investor for PAO “*Avtovazbank*” (AVB) sanation on the contest results held by the Deposit Insurance Agency (DIA). Promsvyazbank assumes responsibility for the financial rehabilitation of AVB and will also maintain all banks’s obligations to its customers and ensure the continuity of its operations. The Group controls 100% of PAO “*Avtovazbank*” (AVB).

2 Basis of preparation (continued)

In November 2015 the Group obtained from the Group's shareholder Promsvyaz Capital B.V. an asset contribution, composed of 100% share of OOO "Selkovo-1", OOO "Selkovo-2", OOO "Selkovo-3", OOO "Akimovo-1", OOO "Akimovo-2", OOO "Sergievo-Posad Land", OOO "Shemetovo", OOO "Paskal". All the companies are property owners with no other activities.

OOO "SFO PSB MSB 2015" is structured entity established to facilitate the issues of securities pledged by SME-loan portfolios. The entity is not owned by the Group and control arises through the ability of the Group to direct the entity activities and thereby significantly affect its returns.

In May 2016 the Group acquired 100% shares of PAO "Pervobank" from parent company Promsvyaz Capital B.V. In this connection the Central Bank of the Russian Federation approved a reorganization of PAO "Promsvyazbank" and PAO "Pervobank" in the form of a legal merger. ZAO "Samarskaya nedvizhimost" was subsidiary of PAO "Pervobank".

Ug Sibiri Group includes OOO "Ug Sibiri", OOO "AgroSib-Razdolye", ZAO "Byisk Oil Extracting Plant", OOO "Prodex-Omsk" and OOO "Ug Sibiri-Trade". The main activity of this Group is oil manufacture. In June of 2016 the Group sold to third parties the option agreements, which give the Group the right to purchase 74.99% of the share capital of the above companies (Note 8).

Use of estimates and judgments

The preparation of interim consolidated condensed financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgments applied by the Group in this interim consolidated condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and there are no changes for the six-month period in accordance with the last annual reporting period. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments that have the most significant effect on the amounts recognised in this interim consolidated condensed financial information include:

- Loan impairment estimates – Note 6;
- Buildings and investment property revaluation estimates – Note 7;
- Deferred tax assets.

3 Significant accounting policies

The accounting policies adopted and methods of computation are consistent with those of the previous financial year.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained. Negative goodwill arising on an acquisition of a business is recognised immediately in profit or loss if the acquisition is not from a party under common control with the Group.

There were no new standards and interpretations that became effective from 1 January 2016 and that would have a material impact on the Group.

Since the Group published its last annual consolidated financial statements, no new standards and interpretations have been issued that are relevant for the Group's accounting periods beginning on or after 1 January 2016 apart from those disclosed in the annual consolidated financial statements of the Group.

4 Cash and cash equivalents

	30 June 2016 (unaudited)	31 December 2015
Cash	24 452	24 564
Placements with banks and other financial institutions with an original maturity less than one month	38 584	63 604
Due from the Central Bank of the RF – nostro accounts	42 929	41 935
Deposits with the Central Bank of the RF	-	18 500
Total cash and cash equivalents	105 965	148 603

Maturity, currency and interest rate analysis of cash and cash equivalents are disclosed in Note 22.

5 Financial assets at fair value through profit or loss

	30 June 2016 (unaudited)	31 December 2015
Unpledged		
Financial assets held for trading		
Debt and other fixed-income instruments		
Corporate bonds	24 496	21 976
Corporate Eurobonds	21 115	8 311
Russian Government Federal bonds (OFZ)	9 472	4 161
Russian municipal and regional bonds	2 493	2 477
Russian Federation Eurobonds	529	-
Foreign Governments bonds and Eurobonds	-	423
Equity investments		
Derivative financial instruments		
Derivatives contracts	19 554	18 349
Total unpledged financial assets at fair value through profit or loss	77 659	55 697
Pledged under sale and repurchase agreements		
Financial assets held for trading		
Corporate bonds	4 695	372
Corporate eurobonds	1 250	7 624
Russian Government Federal bonds (OFZ)	-	12 944
Russian Federation Eurobonds	560	1 411
Russian municipal and regional bonds	-	19
Total financial assets at fair value through profit or loss pledged under sale and repurchase agreements	6 505	22 370
Total financial assets at fair value through profit or loss	84 164	78 067

Corporate bonds are securities issued by medium and large Russian companies and banks denominated in Russian Roubles.

Corporate Eurobonds are interest-bearing securities denominated in U.S. Dollars and Euros and issued primarily by large Russian companies.

Russian Government Federal bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Russian municipal and regional bonds are interest-bearing securities issued by Russian municipal and regional authorities denominated in Russian Roubles.

Russian Federation Eurobonds are interest-bearing securities denominated in U.S. Dollars issued by the Ministry of Finance of the Russian Federation.

Foreign Governments bonds and Eurobonds are interest-bearing securities denominated in U.S. Dollars issued by Foreign Governments.

6 Loans to customers

	30 June 2016 (unaudited)	31 December 2015
Loans to corporate clients		
Loans to corporate clients not involved in international business	671 729	637 032
Loans to corporate clients involved in international business	51 579	62 699
Factoring loans to corporate customers	29 764	43 740
Total loans to corporate customers	753 072	743 471
Loans to small and medium enterprises (excluding factoring)	40 041	45 934
Factoring loans to small and medium enterprises	5 108	7 996
Loans to small and medium enterprises	45 149	53 930
Loans to individuals		
Consumer loans	44 059	48 715
Mortgage loans	19 168	17 238
Credit cards	4 384	4 510
Other loans	6 747	2 159
Total loans to individuals	74 358	72 622
Gross loans to customers	872 579	870 023
Impairment allowance	(74 844)	(70 306)
Net loans to customers	797 735	799 717

Mortgage loans include mortgage loans of RUB 1 608 million (RUB 1 751 million as at 31 December 2015) securitized in June 2013. The Group's management determined that the Group had not transferred majority of risks and rewards with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition.

Movements in the loan impairment allowance for the six-month period ended 30 June 2016 and 30 June 2015 were as follows:

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)
Balance at the beginning of the period	70 306	37 849
Net charge for the period	17 790	19 333
Additional charge on loans denominated in foreign currencies	947	554
Sale of loans	(193)	(539)
Write-offs	(14 006)	(8 622)
Balance at the end of the period	74 844	48 575

Additional charge on loans denominated in foreign currencies represents changes in Impairment allowance occurring due to revaluation of loans denominated in foreign currencies.

6 Loans to customers (continued)

As at 30 June 2016 and 31 December 2015 non-performing loans comprise loans with principal or/and interest overdue by more than 90 days.

The analysis of non-performing loans as at 30 June 2016 and 31 December 2015 by loan groups is presented below:

	30 June 2016 (unaudited)	31 December 2015
Loans to corporate clients	55 384	22 431
Loans to small and medium enterprises	5 410	7 854
Loans to individuals	4 410	4 791
Total non-performing loans	65 204	35 076

Credit quality of loans to corporate customers and loans to small and medium enterprises

The following table provides information on the credit quality of loans to corporate customers and loans to small and medium enterprises as at 30 June 2016:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers not involved in international business				
Total loans for which no impairment has been identified individually	506 452	(9 633)	496 819	1,90%
Impaired loans:				
- Impaired, but not overdue	66 321	(20 922)	45 399	31,55%
- Overdue less than 30 days	17 382	(5 487)	11 895	31,57%
- Overdue 30 – 89 days	31 080	(8 483)	22 597	27,29%
- Overdue 90 – 179 days	34 208	(10 074)	24 134	29,45%
- Overdue 180 – 360 days	7 109	(2 555)	4 554	35,94%
- Overdue more than 360 days	9 177	(5 838)	3 339	63,62%
Total impaired loans	165 277	(53 359)	111 918	32,28%
Total loans to corporate customers not involved in international business	671 729	(62 992)	608 737	9,38%
Loans to corporate customers involved in international business				
Total loans for which no impairment has been identified individually	44 291	(626)	43 665	1,41%
Impaired loans:				
- Impaired, but not overdue	2 840	(339)	2 501	11,94%
- Overdue less than 30 days	45	(14)	31	31,11%
- Overdue 30 – 89 days	913	(295)	618	32,31%
- Overdue 90 – 179 days	642	(265)	377	41,28%
- Overdue 180 – 360 days	1 219	(491)	728	40,28%
- Overdue more than 360 days	1 629	(571)	1 058	35,05%
Total impaired loans	7 288	(1 975)	5 313	27,10%
Total loans to corporate customers involved in international business	51 579	(2 601)	48 978	5,04%
Factoring loans to corporate customers				
Total loans for which no impairment has been identified individually	27 608	(549)	27 059	1,99%
Impaired loans:				
- Impaired, but not overdue	1	-	1	0,00%
- Overdue 30 – 89 days	755	(239)	516	31,66%
- Overdue 90 – 179 days	29	(10)	19	34,48%
- Overdue 180 – 360 days	1 124	(621)	503	55,25%
- Overdue more than 360 days	247	(96)	151	38,87%
Total impaired loans	2 156	(966)	1 190	44,81%
Total factoring loans to corporate customers	29 764	(1 515)	28 249	5,09%
Total loans to corporate customers	753 072	(67 108)	685 964	8,91%

6 Loans to customers (continued)

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	32 472	(588)	31 884	1,81%
Impaired loans:				
- Impaired, but not overdue	1 453	(552)	901	37,99%
- Overdue less than 30 days	599	(106)	493	17,70%
- Overdue 30 – 89 days	273	(168)	105	61,54%
- Overdue 90 – 179 days	876	(617)	259	70,43%
- Overdue 180 – 360 days	877	(621)	256	70,81%
- Overdue more than 360 days	3 491	(1 443)	2 048	41,33%
Total impaired loans	7 569	(3 507)	4 062	46,33%
Total loans to small and medium enterprises (excluding factoring)	40 041	(4 095)	35 946	10,23%
Factoring loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	4 492	(68)	4 424	1,51%
Impaired loans:				
- Impaired, but not overdue	307	(9)	298	2,93%
- Overdue less than 30 days	143	(43)	100	30,07%
- Overdue 90 – 179 days	4	-	4	0,00%
- Overdue 180 – 360 days	25	(9)	16	36,00%
- Overdue more than 360 days	137	(75)	62	54,74%
Total impaired loans	616	(136)	480	22,08%
Total factoring loans to small and medium enterprises	5 108	(204)	4 904	3,99%
Total loans (including factoring) to small and medium enterprises	45 149	(4 299)	40 850	9,52%
Total commercial loans	798 221	(71 407)	726 814	8,95%

6 Loans to customers (continued)

The following table provides information on the credit quality of loans to corporate customers and loans to small and medium enterprises as at 31 December 2015:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers not involved in international business				
Total loans for which no impairment has been identified individually	500 329	(7 803)	492 526	1,56%
Impaired loans:				
- Impaired, but not overdue	104 615	(29 886)	74 729	28,57%
- Overdue less than 30 days	1 349	(1)	1 348	0,07%
- Overdue 30 – 89 days	13 457	(6 670)	6 787	49,57%
- Overdue 90 – 179 days	5 801	(1 485)	4 316	25,60%
- Overdue 180 – 360 days	6 540	(2 296)	4 244	35,11%
- Overdue more than 360 days	4 941	(2 130)	2 811	43,11%
Total impaired loans	136 703	(42 468)	94 235	31,07%
Total loans to corporate customers not involved in international business	637 032	(50 271)	586 761	7,89%
Loans to corporate customers involved in international business				
Total loans for which no impairment has been identified individually	51 367	(647)	50 720	1,26%
Impaired loans:				
- Impaired, but not overdue	6 552	(2 026)	4 526	30,92%
- Overdue 30 – 89 days	1 369	(560)	809	40,91%
- Overdue 90 – 179 days	1 444	(397)	1 047	27,49%
- Overdue 180 – 360 days	1 667	(509)	1 158	30,53%
- Overdue more than 360 days	300	(219)	81	73,00%
Total impaired loans	11 332	(3 711)	7 621	32,75%
Total loans to corporate customers involved in international business	62 699	(4 358)	58 341	6,95%
Factoring loans to corporate customers				
Total loans for which no impairment has been identified individually	33 290	(501)	32 789	1,50%
Impaired loans:				
- Impaired, but not overdue	6 959	(2 331)	4 628	33,50%
- Overdue 30 – 89 days	1 753	(1 393)	360	79,46%
- Overdue 90 – 179 days	1 240	(231)	1 009	18,63%
- Overdue 180 – 360 days	368	(125)	243	33,97%
- Overdue more than 360 days	130	(56)	74	43,08%
Total impaired loans	10 450	(4 136)	6 314	39,58%
Total factoring loans to corporate customers	43 740	(4 637)	39 103	10,60%
Total loans to corporate customers	743 471	(59 266)	684 205	7,97%

6 Loans to customers (continued)

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	36 098	(395)	35 703	1,09%
Impaired loans:				
- Impaired, but not overdue	1 134	(390)	744	34,39%
- Overdue less than 30 days	238	(66)	172	27,73%
- Overdue 30 – 89 days	757	(202)	555	26,68%
- Overdue 90 – 179 days	488	(367)	121	75,20%
- Overdue 180 – 360 days	3 882	(1 695)	2 187	43,66%
- Overdue more than 360 days	3 337	(2 870)	467	86,01%
Total impaired loans	9 836	(5 590)	4 246	56,83%
Total loans to small and medium enterprises (excluding factoring)	45 934	(5 985)	39 949	13,03%
Factoring loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	7 726	(137)	7 589	1,77%
Impaired loans:				
- Impaired, but not overdue	123	(33)	90	26,83%
- Overdue 180 – 360 days	13	(12)	1	92,31%
- Overdue more than 360 days	134	(114)	20	85,07%
Total impaired loans	270	(159)	111	58,89%
Total factoring loans to small and medium enterprises	7 996	(296)	7 700	3,70%
Total loans (including factoring) to small and medium enterprises	53 930	(6 281)	47 649	11,65%
Total commercial loans	797 401	(65 547)	731 854	8,22%

The credit quality of loans for which no impairment has been identified is not homogeneous due to the variety of industry risks and financial conditions associated with the borrowers.

The Group estimates loan impairment for the corporate loan portfolio for which no individual impairment triggers have been identified based on the past loss experience and the current economic conditions.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on loans to corporate customers as of 30 June 2016 would be RUB 6 860 million lower/higher (31 December 2015: RUB 6 842 million lower/higher).

The Group estimates loan impairment for loans to small and medium enterprises (excluding loans to medium size enterprises) based on its historic loss migration pattern for the past 12 months and historic actual recovery rate of loans overdue more than 90 days.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the loss migration pattern parameter differs by plus/minus 6 months, the loan impairment on loans to small and medium enterprises as of 30 June 2016 would be RUB 27 million lower, RUB 5 million higher, respectively (31 December 2015 would be RUB 33 million lower, RUB 6 million higher, respectively).

6 Loans to customers (continued)

The Group estimates loan impairment for loans to medium size enterprises for which no individual impairment triggers have been identified based on the past loss experience and the current economic conditions.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on loans to medium size enterprises as of 30 June 2016 would be RUB 250 million lower/higher (31 December 2015: RUB 295 million lower/higher).

Impairment allowance for loans for which no impairment has been identified individually, has been collectively assessed based on statistics data.

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at 30 June 2016:

	Gross loans	Provision for impairment	Net loans	Impairment to gross loans
Consumer loans				
- Not past due	38 299	(44)	38 255	0,11%
- Overdue less than 30 days	1 648	(77)	1 571	4,67%
- Overdue 30 – 89 days	891	(221)	670	24,80%
- Overdue 90 – 179 days	1 033	(828)	205	80,15%
- Overdue 180 – 360 days	2 100	(1 480)	620	70,48%
- Overdue more than 360 days	88	(66)	22	75,00%
Total consumer loans	44 059	(2 716)	41 343	6,16%
Mortgage loans				
- Not past due	18 120	-	18 120	0,00%
- Overdue less than 30 days	493	-	493	0,00%
- Overdue 30 – 89 days	168	(1)	167	0,60%
- Overdue 90 – 179 days	92	(3)	89	3,26%
- Overdue 180 – 360 days	91	(4)	87	4,40%
- Overdue more than 360 days	204	(43)	161	21,08%
Total mortgage loans	19 168	(51)	19 117	0,27%
Credit cards				
- Not past due	3 690	(23)	3 667	0,62%
- Overdue less than 30 days	289	(30)	259	10,38%
- Overdue 30 – 89 days	82	(47)	35	57,32%
- Overdue 90 – 179 days	96	(81)	15	84,38%
- Overdue 180 – 360 days	204	(196)	8	96,08%
- Overdue more than 360 days	23	(22)	1	95,65%
Total credit cards	4 384	(399)	3 985	9,10%
Other loans				
- Not past due	5 947	(5)	5 942	0,08%
- Overdue less than 30 days	221	(1)	220	0,45%
- Overdue 30 – 89 days	100	(7)	93	7,00%
- Overdue 90 – 179 days	67	(3)	64	4,48%
- Overdue 180 – 360 days	155	(34)	121	21,94%
- Overdue more than 360 days	257	(221)	36	85,99%
Total other loans	6 747	(271)	6 476	4,02%
Total loans to individuals	74 358	(3 437)	70 921	4,62%

6 Loans to customers (continued)

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2015:

	Gross loans	Provision for impairment	Net loans	Impairment to gross loans
Consumer loans				
- Not past due	42 243	(96)	42 147	0,23%
- Overdue less than 30 days	1 396	(128)	1 268	9,17%
- Overdue 30 – 89 days	1 110	(456)	654	41,08%
- Overdue 90 – 179 days	1 267	(1 000)	267	78,93%
- Overdue 180 – 360 days	2 664	(2 339)	325	87,80%
- Overdue more than 360 days	35	(31)	4	88,57%
Total consumer loans	48 715	(4 050)	44 665	8,31%
Mortgage loans				
- Not past due	16 548	-	16 548	0,00%
- Overdue less than 30 days	325	(1)	324	0,31%
- Overdue 30 – 89 days	85	(3)	82	3,53%
- Overdue 90 – 179 days	36	(4)	32	11,11%
- Overdue 180 – 360 days	71	(16)	55	22,54%
- Overdue more than 360 days	173	(68)	105	39,31%
Total mortgage loans	17 238	(92)	17 146	0,53%
Credit cards				
- Not past due	3 866	(20)	3 846	0,52%
- Overdue less than 30 days	203	(17)	186	8,37%
- Overdue 30 – 89 days	93	(53)	40	56,99%
- Overdue 90 – 179 days	111	(91)	20	81,98%
- Overdue 180 – 360 days	237	(226)	11	95,36%
Total credit cards	4 510	(407)	4 103	9,02%
Other loans				
- Not past due	1 847	(7)	1 840	0,38%
- Overdue less than 30 days	8	-	8	0,00%
- Overdue 30 – 89 days	107	(29)	78	27,10%
- Overdue 90 – 179 days	7	(3)	4	42,86%
- Overdue 180 – 360 days	30	(15)	15	50,00%
- Overdue more than 360 days	160	(156)	4	97,50%
Total other loans	2 159	(210)	1 949	9,73%
Total loans to individuals	72 622	(4 759)	67 863	6,55%

Other loans category includes the following products: loans to VIP clients, auto loans and express-loans.

The Group estimates loan impairment based on its historic loss experience on these types of loans. Management estimates losses based on the historic loss migration pattern for the past 12 months and using historic actual recovery rate of loans.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the loss migration pattern parameter differs by plus/minus 6 months, the loan impairment on loans to individuals as of 30 June 2016 would be RUB 14 million lower or RUB 210 million higher, respectively (31 December 2015: RUB 14 million lower or RUB 205 million higher, respectively).

6 Loans to customers (continued)**Industry analysis of the loan portfolio**

Loans to customers as at 30 June 2016 and 31 December 2015 are issued to customers operating in the following industries:

	30 June 2016		31 December 2015	
Loans to individuals	74 358	8,5%	72 622	8,3%
Commercial loans				
Real estate	196 517	22,5%	175 323	20,2%
Trade	128 954	14,8%	115 471	13,3%
Oil and gas	86 628	9,9%	90 881	10,4%
Food production	56 938	6,5%	33 370	3,8%
Machinery	53 735	6,2%	46 002	5,3%
Metallurgy	39 210	4,5%	47 203	5,4%
Finance	36 780	4,3%	71 223	8,2%
Chemistry	29 896	3,4%	31 469	3,6%
Agriculture	28 281	3,2%	31 044	3,6%
Infrastructure construction	24 001	2,8%	17 780	2,0%
Telecommunication and media	22 180	2,5%	17 179	2,0%
Mining	13 235	1,5%	15 538	1,8%
Construction materials	11 292	1,3%	6 786	0,8%
Timber processing	10 567	1,2%	11 269	1,3%
Energy	9 824	1,1%	9 723	1,1%
Pharmaceutics	8 991	1,0%	10 615	1,2%
Transport	6 723	0,8%	16 113	1,9%
Tourism and hotel business	6 098	0,7%	8 105	0,9%
Jewelry	2 473	0,3%	2 740	0,3%
Light industry	1 273	0,1%	1 409	0,2%
Other	24 625	2,9%	38 158	4,4%
	872 579	100,0%	870 023	100,0%
Provision for impairment	(74 844)	-	(70 306)	-
Total loans to customers	797 735	-	799 717	-

Significant credit exposures

As at 30 June 2016 aggregate loans to the 20 largest borrowers (or groups of related borrowers) amounted to RUB 293 539 million (31 December 2015: RUB 292 832 million) or 34% (31 December 2015: 34%) of the gross loans to customers.

Maturity, currency and average effective interest rates analysis of loans to customers are disclosed in Note 22. The information on related party balances is disclosed in Note 26.

7 Investment property

The following table provides information on movements in investment property.

	30 June 2016 (unaudited)	31 December 2015
Investment properties at fair value at 1 January	39 700	23 056
Additions	15	-
Transfer from other assets (repossessed collateral)	2 748	2 646
Reorganisation of the Group (Note 27)	1 195	551
Transfer from property and equipment	240	-
Transfer to property and equipment	(126)	-
Disposals	(209)	(66)
Asset contribution from the parent company	-	15 744
Mark to market adjustment	8 386	(2 231)
Total investment property	51 949	39 700

Investment property represents land and buildings held for capital appreciation.

Transfer from other categories of assets presents repossessed collateral as at 30 June 2016 amounting RUB 2 748 million (31 December 2015: RUB 2 646 million) acquired by the Group in settlement of overdue loans. In June 2016 the Group gained control over 117 land plots located in Moscow region as a settlement of loans of one of the borrowers of the Group. The fair value of these assets is RUB 8 354 million. The gain on revaluation amounting to RUB 8 279 million is accounted for in profit or loss. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and are classified as investment property. The Group intends to hold these assets for capital appreciation.

During 2014, the Group acquired 100% of the share capital of OOO “Elitnye doma” owned by a non-performing borrower of the Group. The company is incorporated in Moscow and owns a land plot in Moscow Region. Total purchase cash consideration amounted to RUB 3 750 million. The Group intends to hold land plot for capital appreciation. As at 30 June 2016 the fair value of investments is RUB 4 947 million (2015: RUB 4 947 million).

During 2015, the Group entered into an option agreement which gives the Group the right to purchase 100% of the share capital of OOO “Berezhkovsky Complex”, which owns office building and auto dealer complex located in Moscow. The Group intends to hold property for capital appreciation. Auto dealer complex is rented out on operating lease agreement, the office building is not rented out. As at 30 June 2016 the fair value of investments, is RUB 6 588 million (2015: RUB 6 978 million). The loss on revaluation amounting to RUB 356 million is accounted for in profit or loss.

During 2008 and 2010, the Group acquired the investment rights for 29 530 square meters of an office building under construction by a Russian developer. These investment rights were originally classified as construction in progress as upon completion, the Group intended to use the office building as its new head office. In December 2014 these investment rights were transferred to investment property as the Group intends to keep it for capital appreciation. As at 31 December 2015 and 30 June 2016 the fair value of the asset is RUB 7 680 million.

7 Investment property (continued)

In November 2015 the Group obtained an asset contribution from the Group's shareholder Promsvyaz Capital B.V. composed of 100% share of property owner companies. Basically this property consists of land located in Moscow region. The Group intends to hold these properties for capital appreciation.

During 2016, the Group sold to third parties an investment property with carrying amount of RUB 210 million (2015: RUB 66 million). In 2016, loss from sale of investment property was RUB 83 million (2015: RUB 13 million).

The investment properties are subject for annual revaluation on 31 December at fair value by an independent, professionally qualified valuer who has recent experience of valuing similar properties in the Russian Federation. The revaluation was performed using the comparable sales approach and discounted cash flows models. The appraisers apply various adjustment factors in valuation models used. The main adjustment factors are the title quality, market conditions, locations, physical and economic characteristics, and additional facilities. These adjustments could affect the value of the investment property.

Change in the assumptions when valuing the auto dealer complex and the office building by 10% would result in a higher/lower fair value measurement by RUB 133 million/RUB 163 million.

Change in the assumptions when valuing the office building under construction by 10% would result in a higher/lower fair value measurement by RUB 688 million/RUB 691 million.

Change in the assumptions when valuing the remaining part of investment property by 10% would result in a higher/lower fair value measurement by RUB 2 933 million.

As at 30 June 2016 there are no indications that the assets may be impaired.

8 Non-current assets held for sale

As at 30 June 2016, the Group classified the investments in Russian Timber Group as subsidiary acquired exclusively for sale and applied a short-cut method of consolidation under IFRS 5 "Non-current assets held for sale and discontinued operations". As at 30 June 2016, the acquired group is available for sale in their present condition.

In September 2015 the Group obtained control over Russian Timber Group through entering into certain option agreements. These agreements give the Group the presently exercisable right to purchase 51% of the share capital of the group of companies. This Group includes ZAO "LDK Igirma", OOO "SEL-Tairiku", OOO "SEL-Trade", OOO "TSLK", OOO "SibLes", OOO "RusLesGroup".

Total assets and total liabilities of the group of companies Russian Timber Group as at 30 June 2016 were as follows:

	Attributed fair value
Non-current assets held for sale	35 769
Liabilities directly associated with assets held for sale	5 419*

*total liabilities of the Russian Timber Group include additional amount of liabilities to the Promsvyazbank Group that will be transferred to the purchaser when selling the Russian Timber Group in the amount of RUB 31 097 million.

8 Non-current assets held for sale (continued)

Management of the Group is committed to a plan to sell the options regarding the group of companies Russian Timber Group in the third quarter 2016.

In March 2015, the Group entered into certain option agreements. In terms of the option agreements, the Group has the presently exercisable right to purchase 74.99% of the share capital of group of companies Ug Sibiri Group for a period of 10 years starting from the date of the option agreements. This Group includes OOO “Ug Sibiri”, OOO “AgroSib-Razdolye”, ZAO “Byisk Oil Extracting Plant”, OOO “Prodex-Omsk” and OOO “Ug Sibiri-Trade”. In June 2016 the Group sold the options to the third parties. The gain on disposal amounting to RUB 152 million was accounted for in profit or loss. The Group classified these investments as subsidiary acquired exclusively for sale and applied a short-cut method of consolidation under IFRS 5 “Non-current assets held for sale and discontinued operations”.

9 Deposits and balances due to banks and other financial institutions

	30 June 2016 (unaudited)	31 December 2015
Term deposits from local banks	38 437	24 715
Trade finance of foreign banks	16 295	29 373
Vostro accounts	13 699	12 891
Term deposits from the Central Bank of the RF	8 353	89 423
Long-term finance from foreign banks	5 110	6 658
Term deposits from foreign banks	2 942	943
Total deposits and balances from banks and other financial institutions	84 836	164 003

Trade finance and long-term finance represents funds to be used in documentary credit transactions. Trade finance is used for financing working capital of customers through documentary letters of credit. Long-term finance is used to finance targeted assets of customers through documentary letters of credit.

Maturity, currency and average effective interest rates analyses of deposits and balances from banks and other financial institutions are disclosed in Note 22.

10 Current accounts and deposits from customers

	30 June 2016 (unaudited)	31 December 2015
Current accounts and demand deposits		
- Corporate	208 510	182 821
- Retail and private banking	43 491	41 559
Total current accounts and demand deposits	252 001	224 380
Term deposits		
- Corporate	298 599	319 676
- Retail and private banking	306 446	247 655
Total term deposits	605 045	567 331
Total current accounts and deposits from customers	857 046	791 711

10 Current accounts and deposits from customers (continued)**Blocked accounts**

As at 30 June 2016 the Group maintained corporate customer deposit balances of RUB 13 705 million (31 December 2015: RUB 17 364 million) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

Concentrations of current accounts and deposits from customers

As at 30 June 2016 the 20 largest aggregate balances of current account and deposits from customers amounted to RUB 243 394 million or 28% of total current accounts and deposits from customers (31 December 2015: RUB 250 851 million or 32% of total current accounts and deposits from customers).

Maturity and currency analysis of current accounts and deposits from customers and average effective interest rates are disclosed in Note 22.

11 Debt securities in issue

	30 June 2016 (unaudited)	31 December 2015
Domestic bonds	22 198	2 572
Non-subordinated senior loan participation notes	17 662	21 232
Promissory notes	2 444	495
Mortgage backed bonds in issue	994	1 183
Total debt securities in issue	43 298	25 482

Non-subordinated senior loan participation notes comprise notes issued through PSB Finance S.A. (refer to Note 2).

During the six-month period ended 30 June 2016, the Group purchased from the market non-subordinated senior loan participation notes amounting to USD 27 million (RUB 1 730 million).

During the six-month period ended 30 June 2016 the Group sold non-subordinated senior loan participation notes amounting to USD 11 million (RUB 684 million).

In March 2016 the Group issued domestic bonds with a nominal value of RUB 5 000 million for a period of 5 years with a coupon rate 11,8% per annum. As at 30 June 2016 the amortised cost of these bonds was RUB 5 144 million.

In April 2016 the Group issued domestic bonds with a nominal value of RUB 14 000 million for a period of 5 years with a coupon rate 11,0% per annum. As at 30 June 2016 the amortised cost of these bonds was RUB 14 283 million.

In June 2013, the Group issued bonds with an aggregate nominal value of RUB 3 092 million as part of a securitisation transaction. The bonds were issued by Closed Joint Stock Company Mortgage Agent PSB 2013, a consolidated special purpose entity. Class A notes in the amount of RUB 2 505 million were placed through open subscription on the MOEX and class B notes in the amount of RUB 587 million were bought out by the Group and, therefore, were eliminated in these interim consolidated condensed financial information. The international rating agency Moody's assigned the Baa3 credit rating to class A notes. Class A notes have a fixed coupon rate of 8.5% p.a. and should be fully repaid on 9 February 2040. As of 30 June 2016 the carrying value of Class A notes was RUB 1 086 million (31 December 2015: RUB 1 183 million).

Maturity, average effective interest rates and currency analysis of own securities issued are disclosed in Note 22.

12 Other borrowed funds

	30 June 2016 (unaudited)	31 December 2015
Deposit Insurance Agency funding	6 315	5 977
Other borrowed funds	3 929	5 854
Total other borrowed funds	10 244	11 831

As at 30 June 2016 the outstanding amount of the funds borrowed from June 2011 to June 2016 from OAO SME Bank is RUB 1 713 million. The loans bear an interest rates from 3.9% to 10.5% per annum and mature from July 2016 to August 2025.

Maturity, currency and interest rate analyses of other borrowed funds are disclosed in Note 22.

13 Subordinated borrowings

	30 June 2016 (unaudited)	31 December 2015
Subordinated loan participation notes	46 214	52 829
Perpetual subordinated loan participation notes	13 765	15 781
Total subordinated borrowings	59 979	68 610

During the six-month period ended 30 June 2016, the Group purchased from the market subordinated loan participation notes amounting to USD 28.5 million (RUB 1 875 million).

During the six-month period ended 30 June 2016 the Group sold subordinated loan participation notes amounting to USD 9.4 million (RUB 604 million).

All other changes of subordinated borrowings are caused by exchange rate fluctuations.

Maturity, currency and interest rate analyses of subordinated borrowings are disclosed in Note 22.

14 Share capital**Issued capital**

	Balance as at 30 June 2016 and 31 December 2015
Number of ordinary shares	1 113 385 474 671
Nominal amount per share, RUB	0,01
Nominal amount, RUB million	11 134
Inflation adjusted amount, RUB million	12 202

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the annual and general meetings of the shareholders.

14 Share capital (continued)

Preference shares

In June 2016 the Group issued preference shares, the table below shows the basic details of the issuance:

	Balance as at 30 June 2016
Number of preference shares	371 128 491 557
Nominal amount per share, RUB	0,01
Nominal amount, RUB million	3 711

Each preference share can be converted into one ordinary share with a nominal value RUB 0.01. Preference shares are not redeemable on a specific date or at the option of the shareholder and have no voting rights. The holders of preference shares are entitled to receive dividends as declared from time to time.

15 Net interest income

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Interest income				
Loans to customers	43 261	46 246	20 989	23 274
Financial assets at fair value through profit or loss	3 542	2 428	1 793	1 485
Placements with banks and other financial institutions and cash and cash equivalents	1 599	1 349	849	625
Reverse repurchase agreements	1 148	673	780	393
Total interest income	49 550	50 696	24 411	25 777
Interest expense				
Current accounts and deposits from customers	24 066	25 106	12 520	13 339
Deposits and balances from banks and other financial institutions	6 121	6 489	2 827	2 556
Subordinated borrowings	3 508	4 425	1 705	1 929
Repurchase agreements	1 189	192	368	87
Own securities issued	1 606	1 670	995	650
Other borrowed funds	500	333	261	156
Total interest expense	36 990	38 215	18 676	18 717
Net interest income	12 560	12 481	5 735	7 060

16 Fee and commission income

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Commission for servicing plastic cards	3 338	2 489	1 491	1 111
Money transfer fees	3 058	2 015	1 653	1 054
Commission on foreign currency operations	1 469	1 499	767	767
Commission on documentary operations	1 150	1 371	569	637
Commission for operations with cash	587	438	328	243
Insurance agency fees	522	266	334	170
Securities trading fees	311	234	176	144
Commission on banknote operations	153	154	81	90
Cash collection fees	21	20	12	12
Other	74	125	51	50
Total fee and commission income	10 683	8 611	5 462	4 278

17 Fee and commission expense

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Commission for servicing plastic cards	1 958	1 596	1 028	785
Money transfer fees	320	216	210	109
Cash collection fees	143	132	74	62
Commission on banknote operations	128	63	72	43
Agent fees	73	79	24	39
Commission on documentary operations	76	171	31	86
Commission on foreign currency operations	92	62	52	23
Insurance agency fees	48	44	24	21
Other	89	77	17	37
Total fee and commission expense	2 927	2 440	1 532	1 205

18 Net (loss)/gain on financial instruments at fair value through profit or loss

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Net loss on derivative financial instruments	(2 932)	(159)	(3 153)	(2 176)
Net gain on debt securities – trading securities	1 315	4 766	162	3 190
Net gain on equity instruments – securities designated upon initial recognition as at fair value through profit or loss	-	2	-	8
Net gain/(loss) on equity securities – trading securities	1	(1)	7	(1)
Net (loss)/gain on financial instruments at fair value through profit or loss	(1 616)	4 608	(2 984)	1 021

19 General and administrative expenses

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Employee compensation	4 914	5 164	2 463	2 275
Social security contribution	1 342	1 296	671	648
Depreciation	816	632	441	319
Communications and information services	611	405	316	244
Occupancy	546	598	277	287
Office repairs, maintenance and supply	441	430	198	192
Security	224	185	114	101
Taxes other than income tax	211	130	126	67
Charity and sponsorship	190	56	128	21
Advertising and marketing	159	189	98	94
Transportation	131	122	75	62
Insurance	90	37	40	18
Other	482	390	229	217
Total general and administrative expenses	10 157	9 634	5 176	4 545

Charity and sponsorship expenses include grants to the Russian Society of Invalids, hospices, hospitals, culture institutions and to the Russian Orthodox Church.

20 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period, after deducting treasury shares, if any.

As at 30 June 2016 the Group issued preference shares. Each preference share can be converted into one ordinary share with a nominal value RUB 0.01. Preference shares are not redeemable and give right to discretionary non-cumulative dividends at least at the same amount per share as the dividends declared on ordinary shares. They have no voting rights.

Earnings per share are calculated as follows:

	Six-month period ended 30 June 2016 (unaudited)	Six-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2015 (unaudited)
Profit/(loss) attributable to the owners of the Parent	1 692	(4 779)	1 374	(2 809)
Undeclared dividends on preference shares	(423)	-	(344)	-
Profit/(loss) available for distribution to ordinary shareholders	1 269	(4 779)	1 031	(2 809)
Weighted average number of ordinary shares in issue (in million)	1 113 385	1 113 385	1 113 385	1 113 385
Potential ordinary shares that would be issued upon conversion of preference shares	30 928	-	30 928	-
Weighted average number of ordinary shares in issue and dilutive potential ordinary shares (in million)	1 144 313	1 113 385	1 144 313	1 113 385
Basic profit/(loss) per ordinary share (expressed in RUB per share)	0,001	(0,004)	0,001	(0,003)
Diluted profit per ordinary share (expressed in RUB per share)	0,001	(0,004)	0,001	(0,003)

21 Analysis by segments

The Group is organized into five main reportable operating segments. The segments are identified on the basis of organizational structure and types of clients. Each operating segment involves areas of business that are under control and responsibility of one of the Management Board members. Internal management reports are reviewed by the Management Board on a periodical basis and by the Board of Directors on a quarterly basis.

The following summary describes the operations in each of the reportable segments:

- Corporate banking – this operating segment includes the following services provided to legal entities (excluding small and medium size enterprises): settlements and money transfer; deposit taking; issuance of promissory notes and certificates of deposit; trade and long-term finance; commercial lending; overdraft lending; factoring; leasing; letters of credit; guarantees; foreign exchange services; cash collection; currency conversion; all transactions with precious metals.
- Small and medium size enterprises – this operating segment includes the following services provided to small and medium size enterprises (entities with annual revenues of less than RUR 1 500 million): commercial lending; deposit taking; issuance of promissory notes; money transfer; guarantees; brokerage in securities; foreign exchange services.
- Retail and private banking – this operating segment includes the following services provided to retail customers: settlements and money transfer; deposit taking and lending to individuals (including VIP clients); foreign exchange services; banking card products; settlement and cash services.
- Capital markets – this operating segment includes the following services provided to banks and other financial institutions: deposit taking; borrowings from banks and other financial institutions; issuance of domestic bonds, loan participation notes and promissory notes on the market; repo transactions; interbank lending; syndicated and subordinated borrowings; trading and brokerage in securities; foreign exchange (except currency conversion for clients); trading in derivatives; banknote operations; depositary services; settlements and money transfer.
- Assets and liabilities management – this segment manages the liquidity position through transactions with marketable financial instruments. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments and interest risk management. This segment is supervised by the Asset and Liability Committee (ALCO).

The segment PAO “Avtovazbank” separated before is no longer analyzed individually by the management of the Group. In the second quarter of 2016 the assets, liabilities, income and expenses of PAO “Avtovazbank” was allocated between segments mentioned above on the same rules and principles used for all other assets, liabilities, income and expenses of the Group.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Information on segment income tax expense in the tables below is presented for information purposes. The intersegment revenue from other segments related to exchange of the resources between segments are calculated on the basis of a transfer pricing system, in accordance with which the prices of the internal placement/funding depend on the currency and term of placement/funding.

The Group does not allocate equity between segments, the result of the equity transfers and transactions is in “Reconciling items”.

21 Analysis by segments (continued)

The Group does not allocate net book value of property and equipment and taxes between segments to determine segment assets/liabilities. These captions are included in “Reconciling items” category in the reconciliation of the total segment assets/liabilities to total assets/liabilities of the Group. Other assets and liabilities (including perpetual subordinated loan participation notes) and gains or losses attributable to these assets and liabilities (including loss on compensation of transfer pricing for low margin products) are included in “Reconciling items” category when they cannot reasonably be distributed among the segments .

General and administrative expenses are allocated between the segments on the basis of an activity-based costing model that identifies activities and assigns the cost of each activity’s resources to all products and services according to their actual consumption. Interest expense on perpetual subordinated loan participation notes is included in “Reconciling items” category. “Reconciling items” category also include expense compensation for property plant and equipment and loss on transfer rate compensation for business segments. The loss occurs when market rates are differ than internal transfer rates at which business attract or provide funding from/to Assets and liabilities management segment.

The Group allocates income tax benefit/expense using the financial result of each segment and the overall effective tax rate of each subsidiary.

Segment breakdown of assets and liabilities as at 30 June 2016 is set out below:

	Corporate banking	Small and medium size enterprises	Retail and private banking	Capital markets	Assets and liabilities management	Reconciling items	Total
Cash and cash equivalents	2 067	3 341	21 055	7 224	72 276	2	105 965
Obligatory reserves with central banks	-	-	-	-	6 487	-	6 487
Placements with banks and other financial institutions	-	-	-	22 140	-	1	22 141
Financial assets at fair value through profit or loss	-	-	-	67 250	16 914	-	84 164
Amounts receivable under reverse repurchase agreements	-	-	-	28 144	14 393	-	42 537
Loans to customers	685 964	40 850	70 921	-	-	-	797 735
Investments available for sale	-	-	577	801	-	-	1 378
Investments in associates	-	-	-	-	4 223	-	4 223
Other assets	1 812	186	476	138	-	4 315	6 927
Current income tax prepayments	-	-	-	-	-	176	176
Deferred tax asset	-	-	-	-	-	7 981	7 981
Investment property	-	89	-	-	-	51 860	51 949
Property and equipment, intangible assets	-	-	-	-	-	14 586	14 586
Non-current assets held for sale	35 769	-	-	-	-	-	35 769
Goodwill	-	-	-	-	-	2 921	2 921
Total assets	725 612	44 466	93 029	125 697	114 293	81 842	1 184 939
Financial liabilities at fair value through profit or loss	-	-	-	8 812	-	-	8 812
Deposits and balances from banks and other financial institutions	22 153	-	-	39 236	23 446	1	84 836
Amounts payable under repurchase agreements	-	-	-	18 779	355	-	19 134
Current accounts and deposits from customers	412 318	94 176	349 903	649	-	-	857 046
Debt securities in issue	-	-	-	43 298	-	-	43 298
Other borrowed funds	-	-	-	10 244	-	-	10 244
Other liabilities	1 163	202	339	51	-	2 290	4 045
Current income tax payable	-	-	-	-	-	111	111
Deferred tax liability	-	-	-	-	-	764	764
Subordinated borrowings	-	-	-	46 214	-	13 765	59 979
Liabilities directly associated with disposal groups held for sale	5 419	-	-	-	-	-	5 419
Total liabilities	441 053	94 378	350 242	167 283	23 801	16 931	1 093 688

Promsvyazbank**Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2016***(expressed in millions of Russian Roubles)***21 Analysis by segments (continued)**

Segment breakdown of assets and liabilities as at 31 December 2015 is set out below:

	Corporate banking	Small and medium size enterpri- ses	Retail and private banking	Capital markets	Assets and liabilities manage- ment	Avtovaz- bank	Reconciling items	Total
Cash and cash equivalents	2 179	4 196	14 968	30 226	95 529	1 502	3	148 603
Obligatory reserves with central banks	-	-	-	-	5 732	145	-	5 877
Placements with banks and other financial institutions	-	-	3	24 608	-	13 223	-	37 834
Financial assets at fair value through profit or loss	-	-	-	53 869	18 127	6 071	-	78 067
Amounts receivable under reverse repurchase agreements	-	-	-	19 619	-	-	-	19 619
Loans to customers	636 552	46 282	65 740	-	-	51 143	-	799 717
Investments available for sale	-	-	714	120	-	297	-	1 131
Investments in associates	-	-	-	-	4 223	-	-	4 223
Other assets	366	7	404	247	-	121	3 170	4 315
Current income tax prepayments	-	-	-	-	-	-	303	303
Deferred tax asset	-	-	-	-	-	1 644	5 413	7 057
Investment property	-	89	-	-	-	517	39 094	39 700
Property and equipment, intangible assets	-	-	-	-	-	920	13 375	14 295
Non-current assets held for sale	52 002	-	-	-	-	-	-	52 002
Total assets	691 099	50 574	81 829	128 689	123 611	75 583	61 358	1 212 743
Financial liabilities at fair value through profit or loss	-	-	-	11 674	-	-	-	11 674
Deposits and balances from banks and other financial institutions	36 850	-	20	37 282	89 552	298	1	164 003
Amounts payable under repurchase agreements	-	-	-	11 440	35 065	-	-	46 505
Current accounts and deposits from customers	407 490	91 160	272 311	1 371	-	19 379	-	791 711
Debt securities in issue	-	-	-	25 477	-	5	-	25 482
Other borrowed funds	-	-	-	5 441	-	6 390	-	11 831
Other liabilities	1 560	221	392	188	-	60	2 533	4 954
Current income tax payable	-	-	-	-	-	-	28	28
Deferred tax liability	-	-	-	-	-	-	494	494
Subordinated borrowings	-	-	-	52 829	-	-	15 781	68 610
Liabilities directly associated with disposal groups held for sale	4 009	-	-	-	-	-	-	4 009
Total liabilities	449 909	91 381	272 723	145 702	124 617	26 132	18 837	1 129 301

21 Analysis by segments (continued)

Segment information for the reportable business segments of the Group for the six-month period ended 30 June 2016 is set out below:

Unaudited	Corporate banking	Small and medium size enterprises	Retail and private banking	Capital markets	Assets and liabilities management	Reconciling items	Total
Interest income	33 916	3 041	6 304	5 637	652	-	49 550
Interest expense	(12 838)	(1 433)	(10 113)	(7 456)	(4 367)	(783)	(36 990)
Net interest income/(expense)	21 078	1 608	(3 809)	(1 819)	(3 715)	(783)	12 560
Net revenue from other segments	(13 115)	1 921	8 619	3 330	5 444	(6 199)	-
Income from other segments	21 804	4 950	13 807	7 497	53 561	186	101 805
Intersegment expense	(34 919)	(3 029)	(5 188)	(4 167)	(48 117)	(6 385)	(101 805)
Fee and commission income	2 049	3 963	4 378	288	5	-	10 683
Fee and commission expense	(147)	(389)	(2 014)	(266)	(111)	-	(2 927)
Net fee and commission income/(expense)	1 902	3 574	2 364	22	(106)	-	7 756
Net loss on financial instruments at fair value through profit or loss	-	-	-	(893)	(723)	-	(1 616)
Net foreign exchange gain/(loss)	42	-	-	2 269	(91)	-	2 220
Net gain on disposal of subsidiaries	152	-	-	-	-	-	152
Net gain on revaluation of investment property	-	-	-	-	-	8 386	8 386
Other income	3	-	-	12	-	283	298
Other expense	-	(1)	(581)	-	-	(83)	(665)
Operating income of the segment	10 062	7 102	6 593	2 921	809	1 604	29 091
Loan impairment (charge)	(15 737)	(592)	(1 461)	-	-	-	(17 790)
Other impairment reversal/(charge)	751	3	(7)	47	-	-	794
General and administrative expenses	(2 403)	(3 075)	(3 742)	(551)	(4)	(382)	(10 157)
Operating expenses	(17 389)	(3 664)	(5 210)	(504)	(4)	(382)	(27 153)
Profit/(loss) before tax	(7 327)	3 438	1 383	2 417	805	1 222	1 938
Income tax (expense)/benefit	1 343	(630)	(254)	(443)	(147)	(224)	(355)
Profit/(loss) for the period after tax	(5 984)	2 808	1 129	1 974	658	998	1 583
Revenue of the segment	57 814	11 954	24 489	14 810	53 404	8 855	171 326

21 Analysis by segments (continued)

Segment information for the reportable business segments of the Group for the six-month period ended 30 June 2015 is set out below:

Unaudited	Corporate banking	Small and medium size enterprises	Retail and private banking	Capital markets	Assets and liabilities management	Reconciling items	Total
Interest income	33 862	4 980	7 274	3 641	701	238	50 696
Interest expense	(14 460)	(1 566)	(9 333)	(7 434)	(4 762)	(660)	(38 215)
Net interest income/(expense)	19 402	3 414	(2 059)	(3 793)	(4 061)	(422)	12 481
Net revenue from other segments	(9 512)	1 016	8 013	4 736	(564)	(3 689)	-
Income from other segments	23 459	5 483	13 790	8 296	48 474	-	99 502
Intersegment expense	(32 971)	(4 467)	(5 777)	(3 560)	(49 038)	(3 689)	(99 502)
Fee and commission income	2 385	2 786	3 045	373	22	-	8 611
Fee and commission expense	(292)	(595)	(1 344)	(147)	(62)	-	(2 440)
Net fee and commission income/(expense)	2 093	2 191	1 701	226	(40)	-	6 171
Net gain on financial instruments at fair value through profit or loss	-	-	-	4 920	(312)	-	4 608
Net foreign exchange gain/(loss)	-	-	-	1 738	457	-	2 195
Net loss on investments in associates	-	-	-	-	(282)	-	(282)
Loss on revaluation of investments available for sale	(40)	-	-	-	-	-	(40)
Net loss on revaluation of investment property	-	-	-	-	-	(1 393)	(1 393)
Other income	-	-	-	8	-	39	47
Other expense	(12)	(1)	(461)	-	-	(11)	(485)
Operating income/(loss) of the segment	11 931	6 620	7 194	7 835	(4 802)	(5 476)	23 302
Loan impairment charge	(15 222)	(1 190)	(2 921)	-	-	-	(19 333)
Other impairment charge	(66)	-	-	(91)	-	-	(157)
General and administrative expenses	(2 191)	(2 882)	(3 735)	(559)	(8)	(259)	(9 634)
Operating expenses	(17 479)	(4 072)	(6 656)	(650)	(8)	(259)	(29 124)
Profit/(loss) before tax	(5 548)	2 548	538	7 185	(4 810)	(5 735)	(5 822)
Income tax (expense)/benefit	996	(457)	(96)	(1 290)	863	1 029	1 045
Profit/(loss) for the period after tax	(4 552)	2 091	442	5 895	(3 947)	(4 706)	(4 777)
Revenue of the segment	59 706	13 249	24 109	18 976	49 342	277	165 659

22 Currency and maturity analysis and average effective interest rates

Currency analysis

The following table shows the currency structure of assets and liabilities as monitored by management as at 30 June 2016:

	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	55 813	30 220	14 182	5 750	105 965
Obligatory reserves with central banks	5 987	-	464	36	6 487
Placements with banks and other financial institutions	4 637	3 616	13 888	-	22 141
Financial assets at fair value through profit or loss	61 939	17 058	4 974	193	84 164
Amounts receivable under reverse repurchase agreements	29 420	13 117	-	-	42 537
Loans to customers	554 207	220 059	22 152	1 317	797 735
Investments available for sale	801	577	-	-	1 378
Other financial assets	1 303	34	74	-	1 411
Non-current assets held for sale	15 373	20 396	-	-	35 769
Non-financial assets	75 099	12 007	234	12	87 352
Total assets	804 579	317 084	55 968	7 308	1 184 939
Liabilities					
Financial liabilities at fair value through profit or loss	6 732	1 955	29	96	8 812
Deposits and balances due to banks and other financial institutions	54 678	16 143	12 769	1 246	84 836
Amounts payable under repurchase agreements	15 945	3 189	-	-	19 134
Current accounts and deposits from customers	592 673	216 541	43 093	4 739	857 046
Debt securities in issue	25 620	17 678	-	-	43 298
Other borrowed funds	8 029	2 215	-	-	10 244
Other financial liabilities	1 367	57	74	-	1 498
Subordinated borrowings	2 740	51 767	3 689	1 783	59 979
Liabilities directly associated with disposal groups held for sale	5 419	-	-	-	5 419
Non-financial liabilities	3 044	362	16	-	3 422
Total liabilities	716 247	309 907	59 670	7 864	1 093 688
Net on balance sheet position	88 332	7 177	(3 702)	(556)	91 251
Net off balance sheet position	(9 237)	5 229	2 345	1 663	-
Net on and off balance sheet positions	79 095	12 406	(1 357)	1 107	91 251
Financial guarantees issued as at 30 June 2016	(35 251)	(13 008)	(2 334)	(285)	(50 878)
Other off-balance sheet financial credit related commitments as at 30 June 2016	(3 690)	(2 210)	(1 282)	(607)	(7 789)

22 Currency and maturity analysis and average effective interest rates (continued)

The following table shows the currency structure of assets and liabilities as monitored by management as at 31 December 2015:

	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	73 914	58 660	10 975	5 054	148 603
Obligatory reserves with central banks	5 182	-	695	-	5 877
Placements with banks and other financial institutions	1 629	7 403	28 802	-	37 834
Financial assets at fair value through profit or loss	60 323	17 458	132	154	78 067
Amounts receivable under reverse repurchase agreements	8 475	10 777	63	304	19 619
Loans to customers	498 059	279 469	21 667	522	799 717
Investments available for sale	417	714	-	-	1 131
Other financial assets	1 054	35	77	-	1 166
Non-financial assets	56 606	11 941	165	15	68 727
Non-current assets held for sale	28 920	23 082	-	-	52 002
Total assets	734 579	409 539	62 576	6 049	1 212 743
Liabilities					
Financial liabilities at fair value through profit or loss	1 416	9 893	110	255	11 674
Deposits and balances due to banks and other financial institutions	54 270	92 376	16 593	764	164 003
Amounts payable under repurchase agreements	29 738	16 767	-	-	46 505
Current accounts and deposits from customers	506 895	233 950	45 776	5 090	791 711
Debt securities in issue	4 250	21 232	-	-	25 482
Other borrowed funds	9 104	2 727	-	-	11 831
Other financial liabilities	1 789	55	141	-	1 985
Subordinated borrowings	2 091	60 147	4 132	2 240	68 610
Non-financial liabilities	2 499	990	2	-	3 491
Liabilities directly associated with disposal groups held for sale	4 009	-	-	-	4 009
Total liabilities	616 061	438 137	66 754	8 349	1 129 301
Net on balance sheet position	118 518	(28 598)	(4 178)	(2 300)	83 442
Net off balance sheet position	(37 495)	31 201	2 982	3 312	-
Net on and off balance sheet positions	81 023	2 603	(1 196)	1 012	83 442
Financial guarantees issued as at 31 December 2015	(37 643)	(17 245)	(3 105)	(486)	(58 479)
Other off-balance sheet financial credit related commitments as at 31 December 2015	(2 534)	(2 328)	(497)	(625)	(5 984)

Maturity analysis

The maturity table below is presented as monitored by management of Group. It shows assets and liabilities by their remaining contractual maturity as at 30 June 2016 and 31 December 2015, with the exception of the groups of assets or liabilities mentioned below.

Securities approved by the CBR as collateral for its loans are shown in the category “Demand and less than 1 month” in the amount of RUB 54 285 million as at 30 June 2016 (31 December 2015: RUB 53 901 million). Other securities are shown in accordance with their remaining contractual maturity as at 30 June 2016 and 31 December 2015.

22 Currency and maturity analysis and average effective interest rates (continued)

Domestic bonds issued are presented in the table below in accordance with their earliest put dates.

In accordance with Russian legislation, term deposits of individuals may be withdrawn before maturity. However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding.

As at 30 June 2016 the Group included part of current accounts from customers amounting to RUB 174 565 million (31 December 2015: RUB 120 697 million) in the categories other than “Demand and less than 1 month ” based on historical experience of stable customer current accounts. In 2015 the Group adopted advanced statistical model to allocate stable customer current accounts between maturity categories.

As at 30 June 2016 the Group included part of Deposits and balances due to banks and other financial institutions amounting to RUB 15 111 million in the category “from 1 to 6 months” based on historical experience of stable vostro accounts (31 December 2015: RUB 5 708 million).

As at 30 June 2016 the Group disclosed part of deposits and balances due to banks and other financial institutions attracted by the Group as a collateral amounting to RUB 8 937 million in the category corresponding to the maturity of the asset for which collateral held (31 December 2015: RUB 11 489 million).

The Group disclosed part of amounts payable under repurchase agreements in the category from 1 year to 5 years, these REPO deals use federal government bonds applied as government funding as underlying assets (31 December 2015: RUB 21 496 million). As at 30 June 2016 the Group has no REPO deals mentioned above.

As at 31 December 2015 term deposits from the CBR according to the Bank of Russia Regulation No. 312-P “On the Procedure for Extending Bank of Russia Loans to Credit Institutions Secured by Assets or Guarantees” amounting to RUB 89 423 million are allocated in the category corresponding to the maturity of the assets pledged.

As at 31 December 2015 the Group included deposits from Russian Federal Treasury amounting to RUB 14 659 million in the category “from 1 to 6 months” based on the Group’s intention and ability to use this source of funding. As at 30 June 2016 Bank has no deposits from Russian Federal Treasury.

The Group has undrawn lines of credit with the CBR and other financial institutions. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR and other financial institutions.

The following table shows breakdown of undrawn lines of credit with the CBR (based on Bank of Russia Regulation No. 312-P “On the Procedure for Extending Bank of Russia Loans to Credit Institutions Secured by Assets or Guarantees”) and other financial institutions:

	30 June 2016	31 December 2015
Undrawn lines of credit with the CBR	104 273	120 256
Undrawn lines of credit with the the Ministry of Finance of Bashkortostan Republic	13 004	11 659
Undrawn lines of credit with the Department of Finance of Tyumen Region	6 504	11 659
Undrawn lines of credit with the Ministry of Finance of Moscow Region	4 504	14 659
Undrawn lines of credit with corporate customers	105 000	47 677
Total	233 285	205 910

22 Currency and maturity analysis and average effective interest rates (continued)

The following table shows the maturity analysis of assets and financial liabilities as monitored by management as at 30 June 2016:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	105 965	-	-	-	-	-	105 965
Obligatory reserves with central banks	1 711	2 001	1 620	1 103	52	-	6 487
Placements with banks and other financial institutions	2 457	11 618	7 152	914	-	-	22 141
Financial assets at fair value through profit or loss	55 312	3 113	4 880	15 276	5 583	-	84 164
Amounts receivable under reverse repurchase agreements	34 075	8 462	-	-	-	-	42 537
Loans to customers	37 646	173 297	134 505	326 447	125 840	-	797 735
Investments available for sale	-	-	-	-	-	1 378	1 378
Other financial assets	1 411	-	-	-	-	-	1 411
Non-current assets held for sale	-	35 769	-	-	-	-	35 769
Non-financial assets	-	-	-	56 172	-	31 180	87 352
Total assets	238 577	234 260	148 157	399 912	131 475	32 558	1 184 939
Liabilities							
Financial liabilities at fair value through profit or loss	5 242	1 679	1 062	829	-	-	8 812
Deposits and balances due to banks and other financial institutions	22 364	30 691	17 500	14 281	-	-	84 836
Amounts payable under repurchase agreements	19 134	-	-	-	-	-	19 134
Current accounts and deposits from customers	236 370	273 849	188 686	154 859	3 282	-	857 046
Debt securities in issue	1 227	4 547	36 437	-	1 087	-	43 298
Other borrowed funds	245	19	205	2 790	6 985	-	10 244
Other financial liabilities	1 178	54	73	181	12	-	1 498
Subordinated borrowings	7 713	1 059	-	33 381	17 826	-	59 979
Liabilities directly associated with disposal groups held for sale	-	-	5 419	-	-	-	5 419
Non-financial liabilities	-	-	-	-	-	3 422	3 422
Total liabilities	293 473	311 898	249 382	206 321	29 192	3 422	1 093 688
Net liquidity position	(54 896)	(77 638)	(101 225)	193 591	102 283	29 136	91 251
Cumulative liquidity position	(54 896)	(132 534)	(233 759)	(40 168)	62 115	91 251	-

22 Currency and maturity analysis and average effective interest rates (continued)

The following table shows the maturity analysis of assets and financial liabilities as monitored by management as at 31 December 2015:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	148 603	-	-	-	-	-	148 603
Obligatory reserves with central banks	1 895	1 916	829	1 159	77	1	5 877
Placements with banks and other financial institutions	6 742	20 317	6 657	2 869	1 249	-	37 834
Financial assets at fair value through profit or loss	56 967	2 184	359	16 267	2 290	-	78 067
Amounts receivable under reverse repurchase agreements	16 237	432	2 950	-	-	-	19 619
Loans to customers	72 619	173 856	99 317	376 839	77 086	-	799 717
Investments available for sale	-	-	-	-	-	1 131	1 131
Other financial assets	1 166	-	-	-	-	-	1 166
Non-current assets held for sale	-	13 732	38 270	-	-	-	52 002
Non-financial assets	-	-	-	43 923	-	24 804	68 727
Total assets	304 229	212 437	148 382	441 057	80 702	25 936	1 212 743
Liabilities							
Financial liabilities at fair value through profit or loss	6 840	4 382	159	293	-	-	11 674
Deposits and balances due to banks and other financial institutions	15 753	32 430	15 984	70 370	29 466	-	164 003
Amounts payable under repurchase agreements	9 706	15 303	-	21 496	-	-	46 505
Current accounts and deposits from customers	262 568	264 350	115 017	143 720	5 941	115	791 711
Debt securities in issue	366	385	2 525	20 936	1 270	-	25 482
Other borrowed funds	269	1 080	263	3 667	6 552	-	11 831
Other financial liabilities	1 372	127	240	200	46	-	1 985
Subordinated borrowings	1 330	1 143	8 632	29 894	27 611	-	68 610
Liabilities directly associated with disposal groups held for sale	-	-	4 009	-	-	-	4 009
Non-financial liabilities	-	-	-	-	-	3 491	3 491
Total liabilities	298 204	319 200	146 829	290 576	70 886	3 606	1 129 301
Net liquidity position	6 025	(106 763)	1 553	150 481	9 816	22 330	83 442
Cumulative liquidity position	6 025	(100 738)	(99 185)	51 296	61 112	83 442	-

22 Currency and maturity analysis and average effective interest rates (continued)

Interest rate risk

The Group is exposed to interest rate risk, which is the risk of changes to Group's financial condition or results of operations based on adverse movements in interest rates, when it lends to customers at interest rates, in amounts and at maturities that differ from the interest rates, amounts, and maturities at which the Group raises its own funding. Although most of Group's assets and liabilities have fixed interest rates, the terms of Group's main credit products with terms of over one month generally provide for Group's right to revise interest rates in accordance with market benchmark trends. The Group manages its interest rate risk by matching the funding and exposures with floating and fixed interest rates.

The Group applies economic value approach to assess potential negative impact of interest rates changes on the present value of all future cash flows. Historical modeling of interest rates movements in multi-curve framework is adopted to calculate this metric. By adopting historical and stochastic factor modeling the Group takes into account the prepayment risk embedded in retail loans and mortgages as well as option risks inherent in retail deposits and other non-maturity liabilities, considering specific sensitivity of each client account to changes in interest rate environment.

The banking book is regularly stress-tested for large interest rate movements, based on the several multiple macroeconomic scenarios, including scenario with very extreme interest rate shock.

As part of Group's interest rate risk management procedures, the Treasury Department calculates interest rate GAPs and Financial Risk Department calculated Price value of a basis point ("PVBP"), possible negative revaluation of Economic Value ("PV") metrics on a monthly basis. The ALCO reviews those calculations, sets limits for interest rate risk and adopts various strategies aimed at mitigating or hedging interest rate risk, on the basis of common recommendations made by the Treasury Department and Financial Risk Department. The Treasury Department is responsible for implementing and monitoring ALCO's decision.

The table below displays the interest bearing assets and interest bearing liabilities as at 30 June 2016 and 31 December 2015 and their corresponding average effective interest rates as at those dates.

22 Currency and maturity analysis and average effective interest rates (continued)

	30 June 2016 (unaudited)		31 December 2015	
	Carrying amount	Average effective interest rate	Carrying amount	Average effective interest rate
Interest earning assets				
Cash and cash equivalents				
- RUB	2 578	0,7%	71 301	10,8%
- other currencies	27 364	0,0%	34 740	0,1%
Obligatory reserves with central banks				
- other currencies	464	0,0%	695	0,1%
Placements with banks and other financial institutions				
- RUB	4 633	12,9%	2 016	11,2%
- other currencies	17 472	6,6%	36 222	7,4%
Financial assets at fair value through profit or loss				
- RUB	43 782	11,8%	44 995	12,2%
- other currencies	20 827	3,2%	14 723	5,0%
Amount receivable under reverse repurchase agreements				
- RUB	29 420	14,0%	8 475	12,3%
- other currencies	13 117	1,7%	11 144	2,0%
Loans to customers				
- RUB	554 207	12,2%	498 059	14,4%
- other currencies	243 528	4,2%	301 658	6,9%
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- RUB	54 678	9,7%	54 270	10,7%
- other currencies	30 158	2,0%	109 733	1,8%
Amounts payable under repurchase agreements				
- RUB	15 945	11,4%	29 738	12,0%
- other currencies	3 189	1,1%	16 767	1,2%
Current accounts from customers				
- RUB	134 934	0,0%	121 814	0,0%
- other currencies	117 067	0,0%	102 566	0,0%
Deposits from customers				
- RUB	457 740	10,4%	385 082	10,9%
- other currencies	147 305	2,7%	182 249	3,5%
Debt securities in issue				
- RUB	25 620	11,6%	4 250	11,3%
- other currencies	17 678	9,0%	21 232	9,0%
Other borrowed funds				
- RUB	8 029	2,5%	9 104	3,2%
- other currencies	2 215	4,3%	2 727	4,1%
Subordinated borrowings				
- RUB	2 740	13,0%	2 091	12,7%
- other currencies	57 239	11,1%	66 519	11,1%

23 Capital management

The Group monitors its capital adequacy levels calculated in accordance with the requirements of the CBR and the Basel Accord, commonly known as Basel III.

Capital adequacy ratio under the Basel III requirements

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord:

	30 June 2016 (unaudited)	31 December 2015
Common equity Tier 1	74 900	75 329
Additional Tier 1	17 025	15 255
Tier 1 capital	91 925	90 584
Tier 2 capital	61 139	68 069
Total capital	153 064	158 653
Risk-weighted assets	1 109 085	1 100 440
Tier 1 common capital ratio (min 4.5%)	6.75%	6.85%
Tier 1 capital ratio (min 6.0%)	8.29%	8.23%
Total capital ratio (min 8.0%)	13.80%	14.42%

In June 2015 the Deposit Insurance Agency (DIA) Board of Directors has approved a Promsvyazbank application for government funding through the OFZ (federal government bonds) mechanism. In August 2015 Promsvyazbank received OFZ (federal government bonds) in the amount of RUB 29 929 million. The agreements with the DIA state the maturity dates from January 2025 to November 2034 and assume interest rates equal to the respective OFZ coupon rates plus 1%. Federal government bonds received from the Deposit Insurance Agency is accounted as off-balance sheet item. The funding is used to increase Tier 2 capital (calculated in accordance with the requirements of the CBR and the Basel Accord) and step up lending to Russia's leading corporates, small and medium-sized businesses, as well as mortgage lending.

CBR capital adequacy ratio

The Group also monitors capital requirements set by the Central Bank of Russia for credit institutions. Under the current capital requirements banks have to maintain a ratios of capital to risk weighted assets ("statutory capital ratios") above the prescribed minimum levels. The CBR sets the following mandatory capital ratios requirements for common equity, Tier 1 and total capital: 5%, 6% and 10% respectively. The Bank was in compliance with the statutory requirements related to the capital ratio during the six-month period ended 30 June 2016 and during the year ended 31 December 2015.

24 Credit related and capital commitments

Credit related commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities as at 30 June 2016 and 31 December 2015 are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	30 June 2016 (unaudited)	31 December 2015
Contracted amount		
Financial guarantees	50 878	58 479
Import letters of credit	7 789	5 984
Total	58 667	64 463

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests. As at 30 June 2016 the outstanding amount of such guarantees is RUB 33 044 million (31 December 2015: RUB 33 693 million).

Maturity and currency analyses of credit related commitments are disclosed in Note 22. The information on related party balances is disclosed in Note 26.

Compliance with covenants

The Group has to comply with certain covenants, primarily related to loans from other banks and other borrowed funds. These covenants include:

24 Credit related and capital commitments (continued)

- *General business covenants*, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the company is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;
- *Restrictive covenants*, including *constraints* (without lender's consent) in respect of dividend payments and other distributions, and changes in the shareholding structure, restrictions on individual types of activities, use of assets and certain types of transactions;
- *Financial covenants*, such as meeting certain liquidity and capital adequacy requirements, the amount of certain type of liabilities, risk per customer, profit before taxes to total assets ratio, amount of related party transactions; and
- *Reporting covenants*, obliging the Group to provide its audited consolidated financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As at 30 June 2016 and 31 December 2015, the Group's management believes that the Group fully meets all covenants of its agreements.

25 Fair value of financial instruments

Fair value measurements are analysed and distributed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

The significance of a valuation input is assessed against the fair value measurement in its entirety

The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

As at 30 June 2016 the level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows.

25 Fair value of financial instruments (continued)

	Quoted market prices (in active markets)	Valuation techniques based on observable inputs	Valuation techniques involving the use of non-market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss				
Corporate bonds	29 191	-	-	29 191
Corporate Eurobonds	22 365	-	-	22 365
Russian Government Federal bonds (OFZ)	9 472	-	-	9 472
Russian municipal and regional bonds	2 493	-	-	2 493
Russian Federation Eurobonds	1 089	-	-	1 089
Derivative financial instruments	-	19 554	-	19 554
Total financial assets at fair value through profit or loss	64 610	19 554	-	84 164
Investments available for sale				
Corporate shares	962	-	416	1 378
Total investments available for sale	962	-	416	1 378
Non-financial assets				
Investments in associates	-	-	4 223	4 223
Investment property	-	-	51 949	51 949
Land and buildings	-	-	10 451	10 451
Financial liabilities				
Derivative financial instruments	-	(5 554)	-	(5 554)
Trading liabilities	(3 258)	-	-	(3 258)

As at 31 December 2015 the level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows.

	Quoted market prices (in active markets)	Valuation techniques based on observable inputs	Valuation techniques involving the use of non-market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss				
Corporate bonds	22 348	-	-	22 348
Russian Government Federal bonds (OFZ)	17 105	-	-	17 105
Corporate Eurobonds	15 935	-	-	15 935
Russian municipal and regional bonds	2 496	-	-	2 496
Russian Federation Eurobonds	1 411	-	-	1 411
Foreign Governments bonds and Eurobonds	423	-	-	423
Derivative financial instruments	-	18 349	-	18 349
Total financial assets at fair value through profit or loss	59 718	18 349	-	78 067
Investments available for sale				
Corporate shares	714	-	417	1 131
Total investments available for sale	714	-	417	1 131
Non-financial assets				
Investments in associates	-	-	4 223	4 223
Investment property	-	-	39 700	39 700
Land and buildings	-	-	10 414	10 414
Financial liabilities				
Derivative financial instruments	-	(9 289)	-	(9 289)
Trading liabilities	(2 385)	-	-	(2 385)

25 Fair value of financial instruments (continued)

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 30 June 2016 and 31 December 2015. The following main inputs are relevant:

- **Spot and Forward currency exchange rates.** Cash Rate, Interest Rate Futures quotes and IRS quotes are used for foreign currencies, implied RUB rates are derived from foreign exchange forward contracts.
- **Cross currency interest rate swaps (CCIRS) curves.** CCIRS are used for discounting and projection of cash flows and are derived from Cash Rate quotes, Futures quotes and Interest Rate Swap quotes available from Chicago Merchandile (for futures) and contributors which quote these instruments on Over the counter market.
- **Adjustment for credit risk.** The Group has the Credit Value Adjustment (also known as Credit Risk Adjustment or Default Risk Adjustment) which reflects the probability of default of the counterparty and Debit Value Adjustment (DVA) which reflects the possibility of our default. Credit Value Adjustment (CVA) is an adjustment to the price of derivatives reflecting expected losses arising from the possible default of the counterparty both by counterparty and by instrument.

CVA itself is calculated for each counterparty by calculating Group's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate and also adjusted by the margin calls if available. The adjustment is calculated based on observable market inputs. In a DVA, the Group incorporates its own credit risk into its derivative valuation. The DVA therefore represents the CVA that a counterparty would be expected to hold against its exposure to the entity. DVA is calculated based on the credit rating of the Bank.

The fair value of shares is determined by multiplying the number of shares by the market price as the share of the shareholding is immaterial.

For assessment of fair value of loans and advances to customer and loans to corporate customers available for sale categorized at Level 3, the Group uses Discounted cash flows model.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value as at 30 June 2016 are as follows:

25 Fair value of financial instruments (continued)

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Assets carried at amortised cost				
Cash and cash equivalents				
- Cash	24 452	-	24 452	-
- Placements with banks and other financial institutions with a remaining maturity less than one month	38 584	-	38 584	-
- Due from Central Bank – nostro accounts	42 929	-	42 929	-
Obligatory reserves with central banks				
- Minimum reserve deposit with the Central Bank of the RF	5 987	-	-	5 987
- Minimum reserve deposit with the Central Bank of Cyprus	500	-	-	500
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	22 141	-	23 171	-
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	29 556	-	29 556	-
- Amounts receivable from customers	12 981	-	-	12 981
Loans and advances to customers				
- Commercial loans	726 814	-	-	716 213
- Loans to individuals	70 921	-	-	59 701
Other financial assets				
- Accrued commission income	640	-	640	-
- Plastic card receivables	420	-	420	-
- Debtors under securities deals	275	-	-	275
- Other	76	-	-	76
Total financial assets carried at amortised cost	976 276	-	159 752	795 733

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Liabilities carried at amortised cost				
Deposits and balances from banks and other financial institutions				
- Term deposits of local banks	38 437	-	38 451	-
- Term deposits from the Central Bank of the Russian Federation	8 353	-	8 179	-
- Vostro accounts	13 699	-	13 697	-
- Trading finance of foreign banks	16 295	-	16 300	-
- Term deposits of foreign banks	2 942	-	2 946	-
- Long-term finance of foreign banks	5 110	-	5 112	-
Amounts payable under repurchase agreements				
- Amounts payable to banks and other financial institutions	19 059	-	-	19 059
- Amounts payable to customers	75	-	-	75
Current account and deposits from customers				
- Current accounts of legal entities	208 510	-	208 510	-
- Term deposits of legal entities	298 599	-	300 729	-
- Current accounts of individuals	43 491	-	43 491	-
- Term deposits of individuals	306 446	-	309 335	-
Debt securities in issue				
- Loan participation notes	17 662	18 210	-	-
- Domestic bonds and mortgage backed bonds	23 192	23 197	-	-
- Promissory notes	2 444	-	2 441	-
Other borrowed funds				
- DIA funding	6 315	-	6 315	-
- Other borrowed funds	3 929	-	3 891	-
Other financial liabilities				
- Financial guarantees	900	-	-	900
- Plastic card payables	346	-	-	346
- Other accrued liabilities	120	-	-	120
- Payables on factoring deals	132	-	-	132
Subordinated debt				
- Subordinated borrowings	59 979	62 142	-	-
Total financial liabilities carried at amortised cost	1 076 035	103 549	959 397	20 632

25 Fair value of financial instruments (continued)

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value as at 31 December 2015 are as follows:

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Assets carried at amortised cost				
Cash and cash equivalents				
- Cash	24 564	-	24 564	-
- Placements with banks and other financial institutions with a remaining maturity less than one month	63 604	-	63 604	-
- Due from Central Bank – nostro accounts	41 935	-	41 935	-
- Deposits with the Central Bank of the RF	18 500	-	18 500	-
Obligatory reserves with central banks				
- Minimum reserve deposit with the Central Bank of the RF	5 182	-	-	5 182
- Minimum reserve deposit with the Central Bank of Cyprus	695	-	-	695
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	37 834	-	39 124	-
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	12 341	-	12 341	-
- Amounts receivable from customers	7 278	-	-	7 278
Loans and advances to customers				
- Commercial loans	731 854	-	-	729 755
- Loans to individuals	67 863	-	-	56 864
Other financial assets				
- Accrued commission income	959	-	959	-
- Plastic card receivables	154	-	154	-
- Debtors under securities deals	1	-	-	1
- Other	52	-	-	52
Total financial assets carried at amortised cost	1 012 816	-	201 181	799 827

25 Fair value of financial instruments (continued)

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Liabilities carried at amortised cost				
Deposits and balances from banks and other financial institutions				
- Term deposits from the Central Bank of the Russian Federation	89 423	-	89 381	-
- Trading finance of foreign banks	29 373	-	29 746	-
- Term deposits of local banks	24 715	-	24 716	-
- Vostro accounts	12 891	-	12 892	-
- Long-term finance of foreign banks	6 658	-	6 767	-
- Term deposits of foreign banks	943	-	953	-
Amounts payable under repurchase agreements				
- Amounts payable to banks and other financial institutions	46 505	-	-	46 505
Current account and deposits from customers				
- Current accounts of legal entities	182 821	-	182 821	-
- Term deposits of legal entities	319 676	-	321 262	-
- Current accounts of individuals	41 559	-	41 559	-
- Term deposits of individuals	247 655	-	249 586	-
Debt securities in issue				
- Loan participation notes	21 232	21 830	-	-
- Domestic bonds	3 755	3 698	-	-
- Promissory notes	495	-	475	-
Other borrowed funds				
- DIA funding	5 977	-	5 977	-
- Other borrowed funds	5 854	-	5 799	-
Other financial liabilities				
- Financial guarantees	931	-	-	931
- Plastic card payables	558	-	-	558
- Other accrued liabilities	323	-	-	323
- Payables on factoring deals	173	-	-	173
Subordinated debt				
- Subordinated borrowings	68 610	68 183	-	-
Total financial liabilities carried at amortised cost	1 110 127	93 711	971 934	48 490

26 Related party transactions

For the purposes of this interim consolidated condensed financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances and the related average interest rates as at 30 June 2016 with related parties are as follows:

26 Related party transactions (continued)

	Parent		Directors and Board of Management		Entities controlled by shareholders with significant influence		Total Carrying amount
	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount	Average interest rate	
Interim Consolidated Condensed Statement of Financial Position							
Assets							
Cash and cash equivalents	-	-	-	-	16	-	16
Loans to customers (gross amount)	1 028	-	-	-	29 299	-	30 327
- RUB	1 028	8,6%	-	-	20 321	13,0%	21 349
- other currencies	-	-	-	-	8 978	6,4%	8 978
less provision for impairment	-	-	-	-	(153)	-	(153)
Other assets	-	-	-	-	271	-	271
Liabilities							
Financial liabilities at fair value through profit or loss	-	-	-	-	50	-	50
Current accounts and deposits from customers and other borrowed funds	1 649	-	237	-	4 430	-	6 316
- Current accounts and on demand deposits (RUB)	12	-	22	-	684	-	718
- Current accounts and on demand deposits (other currencies)	15	-	70	-	149	-	234
- Term deposits (RUB)	2	12,9%	69	10,1%	334	10,7%	405
- Term deposits (other currencies)	1 620	7,0%	76	2,4%	3 263	6,3%	4 959
Other liabilities	-	-	-	-	63	-	63
Off balance sheet items							
Personal guarantees received	-	-	-	-	28 012	-	28 012
Guarantees issued	-	-	-	-	3 554	0,5%	3 554
Undrawn overdraft facilities	1 774	-	6	-	188	-	1 968

As stated in Note 1 minority shareholder of the Group is the European Bank for Reconstruction and Development. The Group's management does not consider the minority shareholder as related party as it does not exercise significant influence over Group's financial or operational decisions.

As at 30 June 2016 outstanding balances with EBRD comprised RUB 1 829 million in Deposits and balances due to banks and other financial institutions.

26 Related party transactions (continued)

The outstanding balances and the related average interest rates as at 31 December 2015 with related parties are as follows:

	Parent		Directors and Board of Management		Entities controlled by shareholders with significant influence		Total
	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Interim Consolidated Condensed Statement of Financial Position							
Assets							
Cash and cash equivalents	-	-	-	-	1	-	1
Placements with banks and other financial institutions (RUB)	-	-	-	-	1 249	13,5%	1 249
Loans to customers (gross amount)	800	-	14	-	27 852	-	28 666
- RUB	800	9,1%	14	21,6%	13 861	13,4%	14 676
- other currencies	-	-	-	-	13 990	7,2%	13 990
less provision for impairment	-	-	-	-	(86)	-	(86)
Other assets	-	-	-	-	93	-	93
Liabilities							
Current accounts and deposits from customers and other borrowed funds	1 723	-	271	-	7 482	-	9 476
- Current accounts and on demand deposits (RUB)	354	-	37	-	1 067	-	1 458
- Current accounts and on demand deposits (other currencies)	1	-	7	-	460	-	468
- Term deposits (RUB)	205	12,9%	62	11,4%	1 609	14,5%	1 876
- Term deposits (other currencies)	1 163	7,0%	165	5,4%	4 345	6,8%	5 674
Other liabilities	-	-	-	-	67	-	67
Off balance sheet items							
Personal guarantees received	-	-	-	-	34 303	-	34 303
Guarantees issued	-	-	-	-	3 262	1,7%	3 262
Undrawn overdraft facilities	2 002	-	7	-	5 201	-	7 210

As at 31 December 2015, outstanding balances with EBRD comprised RUB 108 million in deposits and balances from banks and other financial institutions.

Profit or loss amounts in respect of transactions with related parties for the six-month period ended 30 June 2016 are as follows:

	Parent	Directors and Management Board	Entities controlled by shareholders with significant influence	Total
Interest income	36	-	1 706	1 742
Interest expense	(109)	(7)	(355)	(471)
Fee and commission income	-	-	51	51
Gain on revaluation of investment property	-	-	8 279	8 279
General administrative expenses	-	(127)	-	(127)
Other income	-	-	3	3
Loan impairment charge	-	-	(153)	(153)

In June 2016, the Group acquired control over 117 land plots as debt settlement of related party. Land plots are located in the Moscow region (Lotoshino). The fair value of land plots is RUB 8 354 million (Note 7). The gain on revaluation amounting to RUB 8 279 million is accounted for in profit or loss.

26 Related party transactions (continued)

Profit or loss amounts in respect of transactions with related parties for the six-month period ended 30 June 2015 are as follows:

	Parent	Directors and Management Board	Entities controlled by shareholders with significant influence	Total
Interest income	25	1	1 654	1 680
Interest expense	(54)	(3)	(245)	(302)
Fee and commission income	-	-	71	71
Fee and commission expense	-	-	(3)	(3)
Net foreign exchange trading loss	-	-	(87)	(87)
General administrative expenses	-	(229)	(9)	(238)
Loan impairment charge	-	-	(6)	(6)

During the six-month period ended 30 June 2016, compensation of the Directors and members of the Management Board amounted to RUB 127 million (including RUB 19 million state pension contributions) (six-month period ended 30 June 2015: RUB 229 million (including RUB 31 million state pension contributions)). The compensation falls due wholly within twelve months after the end of the period in which management rendered the related services.

27 Reorganisation of the Group

In November 2015 Promsvyaz Capital B.V., the parent of the Group, gained control over PAO “Pervobank”, which provides banking services mainly in Samara region and Moscow region. In accordance with IFRS 3, “Business Combinations”, PSC B.V. accounted for the acquisition based on provisionally estimated fair values of the identifiable assets acquired and liabilities and contingent liabilities. Goodwill from acquisition of PAO “Pervobank” was recognized in the amount of RUB 2 921 million, which was related to synergy effect from client’s base growth, increase of loan portfolio and deposits volume as well as branch network and staff costs optimization.

In May 2016 the Group acquired 100% shares of PAO “Pervobank” from parent company Promsvyaz Capital B.V. That is a common control business combination. The Group applied a predecessor value method of accounting, which means that all the assets acquired, liabilities and contingent liabilities was accounted for using existing carrying values, based on purchase price allocation values determined by Promsvyaz Capital B.V. when accounting for the acquisition of PAO “Pervobank”. The predecessor values presented in the following table:

Promsvyazbank**Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2016***(expressed in millions of Russian Roubles)***27 Reorganisation of the Group (continued)**

	Attributed predecessor value as at the date of acquisition
Cash and cash equivalents	16 705
Obligatory reserves with central banks	249
Financial assets at fair value through profit or loss	5 540
Loans to customers	15 826
Investments available for sale	1
Other assets	401
Deferred tax asset	543
Property, equipment and intangible assets	512
Investment property	1 195
Current accounts and deposits from customers	(33 979)
Debt securities in issue	(414)
Other borrowed funds	(232)
Other liabilities	(104)
Subordinated borrowings	(1 950)
Acquired net assets of the subsidiary	4 293
Goodwill from purchase of subsidiary by the Group shareholder	2 921
Less: Purchase consideration	(3 700)
Reorganisation of the Group reserve accounted for in retained earnings	3 514
<i>Cash and cash equivalents of subsidiary acquired</i>	<i>16 705</i>
<i>Less: Cash consideration</i>	<i>(3 824)</i>
<i>Less: Intercompany balances</i>	<i>(6 797)</i>
Cash flow from reorganisation of the Group	6 084

Purchase consideration consists of cash consideration amounting to RUB 3 824 million reduced by income from netting of claims and liabilities under subordinated debt of PAO "Pervobank" purchased by the Group from third party amounting to RUB 124 million.

The Central Bank of the Russian Federation approved a reorganization of PAO "Promsvyazbank" and PAO "Pervobank" in the form of a merger. As at 30 June 2016 the reorganization of the Group was completed.

N. Mileskhina, Director
AO PricewaterhouseCoopers Audit

29 August 2016



55 (fifty five) pages are numbered, bound and sealed.