



# VTB BANK

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2016

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## Report on review of interim condensed consolidated financial statements

To the Shareholders and Supervisory Council of VTB Bank

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank (“the Bank”) and its subsidiaries (together the “Group”), which comprise the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

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

### **Conclusion**

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



16 May 2016

Moscow, Russia

VTB BANK INTERIM CONSOLIDATED INCOME STATEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH (UNAUDITED)  
(IN BILLIONS OF RUSSIAN ROUBLES)

|  | Note       | For the three-month period<br>ended 31 March |               | Change    |
|--|------------|--|---------------|-----------|
|  |            | 2016   | 2015          |           |
| Interest income  | 4          | 283.9  | 272.5         | 4.2%      |
| Interest expense   | 4          | (182.8)                                      | (226.1)       | -19.2%    |
| Payments to deposit insurance system   | 4          | (2.8)  | (2.0)         | 40.0%     |
| <b>Net interest income</b>   | 4          | <b>98.3</b>                                  | <b>44.4</b>   | 121.4%    |
| Provision charge for impairment of debt financial assets   | 15, 16, 17 | (35.6)                                       | (48.4)        | -26.4%    |
| <b>Net interest income/(loss) after provision for impairment</b>   |            | <b>62.7</b>                                  | <b>(4.0)</b>  | -1,667.5% |
| <b>Net fee and commission income</b>   | 5          | <b>17.4</b>                                  | <b>15.4</b>   | 13.0%     |
| Gains net of losses arising from financial instruments at fair value through profit or loss  | 6          | 5.9  | 16.5          | -64.2%    |
| Losses net of gains from investment financial assets available-for-sale  | 17         | (1.8)  | (0.6)         | 200.0%    |
| (Losses net of gains)/gains net of losses arising from foreign currencies  | 7          | (8.4)  | 17.7          | -147.5%   |
| Losses on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers   |            | (0.4)  | (0.9)         | -55.6%    |
| Share in profit of associates and joint ventures   |            | 1.0  | 1.5           | -33.3%    |
| Gains net of losses arising from extinguishment of liabilities   |            | 2.0  | –             | n/a       |
| Provision charge for impairment of other assets, credit related commitments and legal claims   | 9, 29      | (5.0)  | (0.5)         | 900.0%    |
| Other operating income   |            | 6.2  | 4.4           | 40.9%     |
| <b>Non-interest (losses) / gains</b>   |            | <b>(0.5)</b>                                 | <b>38.1</b>   | -101.3%   |
| Net insurance premiums earned  |            | 22.7   | 10.6          | 114.2%    |
| Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs  |            | (20.8)                                       | (9.5)         | 118.9%    |
| <b>Revenues less expenses from insurance activity</b>  |            | <b>1.9</b>                                   | <b>1.1</b>    | 72.7%     |
| Revenue from other non-banking activities  |            | 5.7  | 6.4           | -10.9%    |
| Cost of sales and other expenses from other non-banking activities   | 8          | (7.8)  | (8.3)         | -6.0%     |
| Net loss from change in fair value of investment property recognised on revaluation  |            | (2.2)  | (10.1)        | -78.2%    |
| <b>Revenues less expenses from other non-banking operations</b>  |            | <b>(4.3)</b>                                 | <b>(12.0)</b> | -64.2%    |
| Other operating expense  |            | (6.4)  | (2.6)         | 146.2%    |
| Impairment of land, premises and intangible assets other than goodwill   |            | (0.3)  | –             | n/a       |
| Staff costs and administrative expenses  | 8          | (60.6)                                       | (54.6)        | 11.0%     |
| <b>Non-interest expenses</b>   |            | <b>(67.3)</b>                                | <b>(57.2)</b> | 17.7%     |
| <b>Profit/(loss) before tax</b>  |            | <b>9.9</b>                                   | <b>(18.6)</b> | -153.2%   |
| Income tax (expense)/benefit   | 10         | (5.2)  | 1.3           | -500.0%   |
| <b>Net profit/(loss) after tax</b>   |            | <b>4.7</b>                                   | <b>(17.3)</b> | -127.2%   |
| Loss after tax from subsidiaries acquired exclusively with a view to resale  |            | (4.1)  | (1.0)         | 310.0%    |
| <b>Net profit/(loss)</b>   |            | <b>0.6</b>                                   | <b>(18.3)</b> | -103.3%   |
| Net profit/(loss) attributable to:   |            |  |               |           |
| Shareholders of the parent   |            | 1.7  | (14.3)        | -111.9%   |
| Non-controlling interests  |            | (1.1)  | (4.0)         | -72.5%    |
| Basic and diluted earnings per share (expressed in Russian roubles per share)  | 33         | 0.00013                                      | (0.00112)     | -111.6%   |
| Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share) | 33         | 0.00045                                      | (0.00104)     | -143.3%   |

The notes № 1-35 form an integral part of these interim condensed consolidated financial statements.

VTB BANK INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE THREE MONTHS ENDED 31 MARCH (UNAUDITED)  
 (IN BILLIONS OF RUSSIAN ROUBLES)

|   | For the three-month period<br>ended 31 March |               |
|---|--|---------------|
|   | 2016   | 2015          |
| <b>Net profit/(loss)</b>  | <b>0.6</b>                                   | <b>(18.3)</b> |
| <b>Other comprehensive income/(loss)</b>  |  |               |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:     |  |               |
| Net result on financial assets available-for-sale, net of tax                                     | 4.1  | 5.7           |
| Cash flow hedges, net of tax  | –  | (0.3)         |
| Share of other comprehensive income of associates and joint ventures                              | (1.1)  | 0.4           |
| Effect of translation, net of tax   | (12.4)                                       | (9.0)         |
| Total other comprehensive loss to be reclassified to profit or loss in subsequent periods         | <b>(9.4)</b>                                 | <b>(3.2)</b>  |
| Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods: |  |               |
| Land and premises revaluation, net of tax   | –  | 0.1           |
| Total other comprehensive income not to be reclassified to profit or loss in subsequent periods   | <b>–</b>                                     | <b>0.1</b>    |
| <b>Other comprehensive loss, net of tax</b>   | <b>(9.4)</b>                                 | <b>(3.1)</b>  |
| <b>Total comprehensive loss</b>   | <b>(8.8)</b>                                 | <b>(21.4)</b> |
| Total comprehensive loss attributable to:   |  |               |
| Shareholders of the parent  | (7.2)  | (17.3)        |
| Non-controlling interests   | (1.6)  | (4.1)         |

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**VTB BANK INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**  
**(IN BILLIONS OF RUSSIAN ROUBLES)**

|  | Note | 31 March 2016<br>(unaudited) | 31 December<br>2015 | Change           |
|--|------|------------------------------|---------------------|------------------|
| <b>ASSETS</b>  |      |                              |                     |                  |
| Cash and short-term funds  | 11   | 909.9                        | 570.7               | 59.4%            |
| Mandatory cash balances with central banks   |      | 77.9                         | 70.8                | 10.0%            |
| Non-derivative financial assets at fair value through profit or loss   | 12   | 222.0                        | 237.1               | -6.4%            |
| Derivative financial assets  | 13   | 268.3                        | 304.8               | -12.0%           |
| Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements | 14   | 72.2                         | 165.0               | -56.2%           |
| Due from other banks, including pledged under repurchase agreements  | 15   | 1,090.6                      | 1,358.2             | -19.7%           |
| - Due from other banks   |      | 1,064.5                      | 1,353.2             | -21.3%           |
| - Due from other banks, pledged under repurchase agreements  |      | 26.1                         | 5.0                 | 422.0%           |
| Loans and advances to customers, including pledged under repurchase agreements   | 16   | 8,579.8                      | 9,437.5             | -9.1%            |
| - Loans and advances to customers  |      | 8,349.6                      | 8,827.7             | -5.4%            |
| - Loans and advances to customers, pledged under repurchase agreements   |      | 230.2                        | 609.8               | -62.2%           |
| Investment financial assets  | 17   | 343.6                        | 259.3               | 32.5%            |
| Investments in associates and joint ventures   | 18   | 97.4                         | 104.3               | -6.6%            |
| Assets of disposal groups held for sale  | 19   | 9.4                          | 15.8                | -40.5%           |
| Land, premises and equipment   |      | 344.0                        | 310.3               | 10.9%            |
| Investment property  |      | 244.5                        | 245.0               | -0.2%            |
| Goodwill and other intangible assets   |      | 159.8                        | 162.0               | -1.4%            |
| Deferred income tax asset  |      | 74.2                         | 76.6                | -3.1%            |
| Other assets   |      | 307.6                        | 324.5               | -5.2%            |
| <b>Total assets</b>  |      | <b>12,801.2</b>              | <b>13,641.9</b>     | <b>-6.2%</b>     |
| <b>LIABILITIES</b>   |      |                              |                     |                  |
| Due to other banks   | 20   | 965.8                        | 1,224.0             | -21.1%           |
| Customer deposits  | 21   | 7,431.7                      | 7,267.0             | 2.3%             |
| Derivative financial liabilities   | 13   | 227.2                        | 284.1               | -20.0%           |
| Other borrowed funds   | 22   | 1,568.4                      | 2,121.5             | -26.1%           |
| Debt securities issued   | 23   | 514.0                        | 623.5               | -17.6%           |
| Liabilities of disposal groups held for sale   | 19   | 11.7                         | 13.0                | -10.0%           |
| Deferred income tax liability  |      | 30.8                         | 30.2                | 2.0%             |
| Other liabilities  |      | 359.1                        | 361.7               | -0.7%            |
| <b>Total liabilities before subordinated debt</b>  |      | <b>11,108.7</b>              | <b>11,925.0</b>     | <b>-6.8%</b>     |
| Subordinated debt  |      | 243.7                        | 262.8               | -7.3%            |
| <b>Total liabilities</b>   |      | <b>11,352.4</b>              | <b>12,187.8</b>     | <b>-6.9%</b>     |
| <b>EQUITY</b>  |      |                              |                     |                  |
| Share capital  |      | 659.5                        | 659.5               | 0.0%             |
| Share premium  |      | 433.8                        | 433.8               | 0.0%             |
| Perpetual loan participation notes   |      | 152.1                        | 164.0               | -7.3%            |
| Treasury shares and bought back perpetual loan participation notes   |      | (2.4)                        | (2.9)               | -17.2%           |
| Other reserves   | 24   | 62.6                         | 72.2                | -13.3%           |
| Retained earnings  |      | 138.6                        | 127.6               | 8.6%             |
| <b>Equity attributable to shareholders of the parent</b>   |      | <b>1,444.2</b>               | <b>1,454.2</b>      | <b>-0.7%</b>     |
| <b>Non-controlling interests</b>   |      | <b>4.6</b>                   | <b>(0.1)</b>        | <b>-4,700.0%</b> |
| <b>Total equity</b>  |      | <b>1,448.8</b>               | <b>1,454.1</b>      | <b>-0.4%</b>     |
| <b>Total liabilities and equity</b>  |      | <b>12,801.2</b>              | <b>13,641.9</b>     | <b>-6.2%</b>     |

Approved for issue and signed on 16 May 2016

A.L. Kostin  
 President – Chairman of the Management Board

Herbert Moos  
 Chief Financial Officer – Deputy Chairman of the Management Board

The notes № 1-35 form an integral part of these interim condensed consolidated financial statements.

VTB BANK INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH (UNAUDITED)  
(IN BILLIONS OF RUSSIAN ROUBLES)

|  | Note | For the three-month period<br>ended 31 March |               |
|--|------|--|---------------|
|  |      | 2016   | 2015          |
| <b>Cash flows from operating activities</b>  |      |  |               |
| Interest received  |      | 278.7  | 276.2         |
| Interest paid  |      | (182.2)                                      | (198.6)       |
| Payments to deposit insurance system   |      | (2.7)  | (2.0)         |
| Losses on operations with financial assets at fair value through profit or loss                            |      | (24.5)                                       | –             |
| (Losses)/gains on dealing in foreign currency  |      | (97.7)                                       | 20.4          |
| Fees and commissions received  |      | 26.0   | 21.1          |
| Fees and commissions paid  |      | (5.8)  | (5.0)         |
| Other operating income received  |      | 4.3  | 4.2           |
| Other operating expenses paid  |      | (3.3)  | (1.5)         |
| Staff costs, administrative expenses paid  |      | (68.5)                                       | (68.8)        |
| Income received from non-banking activities  |      | 10.8   | 9.5           |
| Expenses paid in non-banking activities  |      | (9.7)  | (8.6)         |
| Net insurance premiums received  |      | 27.4   | 16.4          |
| Net insurance claims paid  |      | (15.4)                                       | (10.2)        |
| Income tax paid  |      | (8.4)  | (9.4)         |
| <b>Cash flows (used in) / from operating activities before changes in operating assets and liabilities</b> |      | <b>(71.0)</b>                                | <b>43.7</b>   |
| <b>Net decrease/(increase) in operating assets</b>   |      |  |               |
| Net increase in mandatory cash balances with central banks   |      | (7.4)  | (3.6)         |
| Net decrease/(increase) in restricted cash   |      | 0.9  | (0.1)         |
| Net (increase)/decrease in correspondent accounts in precious metals                                       |      | (0.5)  | 2.0           |
| Net decrease in financial assets at fair value through profit or loss                                      |      | 31.5   | 86.2          |
| Net decrease/(increase) in due from other banks  |      | 255.3  | (631.2)       |
| Net decrease in loans and advances to customers  |      | 537.5  | 287.3         |
| Net decrease in other assets   |      | 18.7   | 15.7          |
| <b>Net (decrease)/increase in operating liabilities</b>  |      |  |               |
| Net decrease in due to other banks   |      | (6.4)  | (1.8)         |
| Net increase in customer deposits  |      | 252.1  | 757.6         |
| Net (decrease)/increase in debt securities issued other than bonds issued                                  |      | (34.9)                                       | 3.9           |
| Net decrease in other liabilities  |      | (2.1)  | (44.0)        |
| <b>Net cash from operating activities</b>  |      | <b>973.7</b>                                 | <b>515.7</b>  |
| <b>Cash flows used in investing activities</b>   |      |  |               |
| Dividends and other distributions received   |      | 0.1  | 0.1           |
| Proceeds from sales or maturities of investment financial assets available-for-sale                        |      | 43.6   | 66.3          |
| Purchase of investment financial assets available-for-sale   |      | (52.0)                                       | (59.6)        |
| Proceeds from sale of share in associates  |      | 0.7  | –             |
| Purchase of investment financial assets held-to-maturity   |      | (13.0)                                       | (15.0)        |
| Proceeds from redemption of investment financial assets held-to-maturity                                   |      | 0.2  | 0.2           |
| Purchase of land, premises and equipment   |      | (15.4)                                       | (15.3)        |
| Proceeds from sale of land, premises and equipment   |      | 0.8  | 0.3           |
| Purchase or construction of investment property  |      | (2.3)  | (2.6)         |
| Proceeds from sale of investment property  |      | 0.9  | 0.9           |
| Purchase of intangible assets  |      | (1.2)  | (2.4)         |
| Proceeds from sale of intangible assets  |      | 0.6  | –             |
| <b>Net cash used in investing activities</b>   |      | <b>(37.0)</b>                                | <b>(27.1)</b> |

The notes № 1-35 form an integral part of these interim condensed consolidated financial statements.

VTB BANK INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
 FOR THE THREE MONTHS ENDED 31 MARCH (UNAUDITED)  
 (IN BILLIONS OF RUSSIAN ROUBLES)

|   | Note | For the three-month period<br>ended 31 March |                |
|---|------|--|----------------|
|   |      | 2016   | 2015           |
| <b>Cash flows used in financing activities</b>  |      |  |                |
| Proceeds from issuance of local bonds   |      | –  | 0.1            |
| Repayment of local bonds  |      | (42.3)                                       | (22.8)         |
| Buy-back of local bonds   |      | (16.1)                                       | (1.7)          |
| Proceeds from sale of previously bought-back local bonds  |      | 26.4   | 1.0            |
| Repayment of Eurobonds  |      | (15.4)                                       | (134.0)        |
| Buy-back of Eurobonds   |      | (4.7)  | (14.5)         |
| Proceeds from sale of previously bought-back Eurobonds  |      | 3.2  | 8.4            |
| Proceeds from syndicated loans  |      | 0.5  | –              |
| Repayment of syndicated loans   |      | (0.4)  | (1.3)          |
| Proceeds from other borrowings and funds from local central banks   |      | 1,001.1                                      | 3,215.2        |
| Repayment of other borrowings and funds from local central banks  |      | (1,532.5)                                    | (3,554.8)      |
| Buy-back of subordinated debt   |      | (8.4)  | (2.3)          |
| Proceeds from sale of previously bought-back subordinated debt  |      | –  | 1.2            |
| Cash received from sale of treasury shares  |      | 7.9  | 2.4            |
| Cash paid for treasury shares   |      | (7.9)  | (2.2)          |
| Cash received from sale of non-controlling interests in subsidiaries and non-parent interests in consolidated funds |      | 5.5  | –              |
| Buy-back of perpetual loan participation notes  |      | (0.8)  | (0.4)          |
| Proceeds from sale of previously bought-back perpetual loan participation notes                                     |      | 1.3  | –              |
| <b>Net cash used in financing activities</b>  |      | <b>(582.6)</b>                               | <b>(505.7)</b> |
| Effect of exchange rate changes on cash and cash equivalents  |      | (14.5)                                       | (1.4)          |
| <b>Net increase /(decrease) in cash and cash equivalents</b>  |      | <b>339.6</b>                                 | <b>(18.5)</b>  |
| <b>At the beginning of period</b>   | 11   | <b>561.6</b>                                 | <b>687.7</b>   |
| <b>At the end of period</b>   | 11   | <b>901.2</b>                                 | <b>669.2</b>   |

The notes № 1-35 form an integral part of these interim condensed consolidated financial statements.

VTB BANK INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH (UNAUDITED)  
(IN BILLIONS OF RUSSIAN ROUBLES)

|  | Attributable to shareholders of the parent |               |                                    |  |                          |                   |                |                           |                |
|--|--|---------------|------------------------------------|--|--------------------------|-------------------|----------------|---------------------------|----------------|
|  | Share capital                              | Share premium | Perpetual loan participation notes | Treasury shares and bought back perpetual loan participation notes | Other reserves (Note 24) | Retained earnings | Total          | Non-controlling interests | Total equity   |
| <b>Balance at 1 January 2015</b>   | <b>352.1</b>                               | <b>433.8</b>  | <b>126.6</b>                       | <b>(6.7)</b>   | <b>42.8</b>              | <b>169.3</b>      | <b>1,117.9</b> | <b>13.1</b>               | <b>1,131.0</b> |
| Net result from treasury shares transactions                             | –  | –             | –                                  | 0.2  | –                        | (0.2)             | –              | –                         | –              |
| Net result from treasury perpetual loan participation notes transactions | –  | –             | –                                  | (0.4)  | –                        | 0.1               | <b>(0.3)</b>   | –                         | <b>(0.3)</b>   |
| Loss for the period  | –  | –             | –                                  | –  | –                        | (14.3)            | <b>(14.3)</b>  | (4.0)                     | <b>(18.3)</b>  |
| Other comprehensive income/(loss)  | –  | –             | –                                  | –  | (3.1)                    | 0.1               | <b>(3.0)</b>   | (0.1)                     | <b>(3.1)</b>   |
| <b>Total comprehensive loss for the period</b>                           | <b>–</b>                                   | <b>–</b>      | <b>–</b>                           | <b>–</b>   | <b>(3.1)</b>             | <b>(14.2)</b>     | <b>(17.3)</b>  | <b>(4.1)</b>              | <b>(21.4)</b>  |
| Transfer of premises revaluation reserve upon disposal or depreciation   | –  | –             | –                                  | –  | (0.1)                    | 0.1               | –              | –                         | –              |
| Share-based payments (Note 32)   | –  | –             | –                                  | –  | –                        | (0.6)             | <b>(0.6)</b>   | –                         | <b>(0.6)</b>   |
| Acquisition of subsidiaries  | –  | –             | –                                  | –  | –                        | –                 | –              | 3.8                       | <b>3.8</b>     |
| Acquisition of non-controlling interests                                 | –  | –             | –                                  | –  | –                        | (0.1)             | <b>(0.1)</b>   | 0.4                       | <b>0.3</b>     |
| Foreign exchange translation of perpetual loan participation notes       | –  | –             | 4.9                                | –  | –                        | (4.9)             | –              | –                         | –              |
| Tax effect recognized on perpetual loan participation notes              | –  | –             | –                                  | –  | –                        | 1.0               | <b>1.0</b>     | –                         | <b>1.0</b>     |
| <b>Balance at 31 March 2015</b>  | <b>352.1</b>                               | <b>433.8</b>  | <b>131.5</b>                       | <b>(6.9)</b>   | <b>39.6</b>              | <b>150.5</b>      | <b>1,100.6</b> | <b>13.2</b>               | <b>1,113.8</b> |
| <b>Balance at 1 January 2016</b>   | <b>659.5</b>                               | <b>433.8</b>  | <b>164.0</b>                       | <b>(2.9)</b>   | <b>72.2</b>              | <b>127.6</b>      | <b>1,454.2</b> | <b>(0.1)</b>              | <b>1,454.1</b> |
| Net result from treasury perpetual loan participation notes transactions | –  | –             | –                                  | 0.5  | –                        | –                 | <b>0.5</b>     | –                         | 0.5            |
| Profit for the period  | –  | –             | –                                  | –  | –                        | 1.7               | <b>1.7</b>     | (1.1)                     | 0.6            |
| Other comprehensive income/(loss)  | –  | –             | –                                  | –  | (9.0)                    | 0.1               | <b>(8.9)</b>   | (0.5)                     | (9.4)          |
| <b>Total comprehensive loss for the period</b>                           | <b>–</b>                                   | <b>–</b>      | <b>–</b>                           | <b>–</b>   | <b>(9.0)</b>             | <b>1.8</b>        | <b>(7.2)</b>   | <b>(1.6)</b>              | <b>(8.8)</b>   |
| Transfer of premises revaluation reserve upon disposal or depreciation   | –  | –             | –                                  | –  | (0.6)                    | 0.6               | –              | –                         | –              |
| Share-based payments (Note 32)   | –  | –             | –                                  | –  | –                        | (0.1)             | <b>(0.1)</b>   | –                         | (0.1)          |
| Sale of non-controlling interests (Note 28)                              | –  | –             | –                                  | –  | –                        | (0.8)             | <b>(0.8)</b>   | 6.3                       | 5.5            |
| Foreign exchange translation of perpetual loan participation notes       | –  | –             | (11.9)                             | –  | –                        | 11.9              | –              | –                         | –              |
| Tax effect recognized on perpetual loan participation notes              | –  | –             | –                                  | –  | –                        | (2.4)             | <b>(2.4)</b>   | –                         | (2.4)          |
| <b>Balance at 31 March 2016</b>  | <b>659.5</b>                               | <b>433.8</b>  | <b>152.1</b>                       | <b>(2.4)</b>   | <b>62.6</b>              | <b>138.6</b>      | <b>1,444.2</b> | <b>4.6</b>                | <b>1,448.8</b> |

The notes № 1-35 form an integral part of these interim condensed consolidated financial statements.

## 1. PRINCIPAL ACTIVITIES

VTB Bank and its subsidiaries (the “Group”) comprise Russian and foreign commercial banks, insurance, leasing and other entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the “Bank”, or “VTB”), was formed as Russia’s foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganizations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. In March 2007, the Bank for Foreign Trade was renamed into “VTB Bank” (Open Joint-Stock Company). In June 2015 “VTB Bank” (open joint-stock company) was renamed into VTB Bank (Public Joint-Stock Company) in accordance with the legislative requirements.

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation (“CBR”). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depository services. VTB and other Russian banks within the Group are regulated and supervised by the CBR. Foreign banks within the Group operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation “Deposit Insurance Agency” (“DIA”). The Group subsidiary banks in Russia: “Bank VTB 24”, PJSC, “Bank of Moscow”, OJSC and “Post Bank”, PJSC (former “Leto Bank”, PJSC – refer to Note 28) are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA guarantees repayment of individual deposits up to the maximum total guaranteed amount of RUR 1.4 million with a 100% compensation of deposited amount from 29 December 2014.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB’s Head Office is located in Moscow.

The Group operates in the corporate and investment banking, retail, real estate and other sectors. Corporate and investment banking include deposit taking and commercial lending in freely convertible currencies and in Russian roubles, support of clients’ export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks with its network of 40 full service branches, including 24 branches of VTB, 8 branches of “Bank VTB 24”, PJSC, 8 branches of “Bank of Moscow”, OJSC located in major Russian regions.

The Group operates outside Russia through 13 subsidiary banks, located in Austria, Germany, France, Great Britain, Serbia, Armenia, Belarus, Kazakhstan, Azerbaijan, Ukraine (2 banks), Georgia and Angola; through 3 representative offices located in Italy, China and Kyrgyzskaya Republic; through 2 VTB branches in China and India and 2 branches of “VTB Capital”, Plc in Singapore and Dubai. The Group investment banking division also performs broker/dealer operations in the United States of America, securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB’s majority shareholder is the Russian Federation, acting through the Federal Property Agency, which holds 60.9% of VTB’s issued and outstanding ordinary shares as at 31 March 2016 (31 December 2015: 60.9%).

Unless otherwise noted herein, all amounts are expressed in billions of Russian roubles rounded off to one decimal.

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements as at 31 March 2016 and for the three-month period ended 31 March 2016 ("financial statements") have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with International Accounting Standard 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, by the revaluation of land, premises and investment properties, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss, and by assets of disposal groups held for sale and property intended for sale in the ordinary course of business measured at fair value less costs to sell.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the financial statements. Actual results can differ significantly from such estimates. Judgments and significant estimates in these financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

Income tax expense in respect of the current tax assets and liabilities is recognized based on the income tax

rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group is present. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred assets are realized or liabilities are settled based on the income tax rates officially enacted by the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2015. Operating results for the three-month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

These interim condensed consolidated financial statements are presented in Russian roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled. As at 31 March 2016, the principal closing rate of exchange used for translating balances in USD to Russian roubles was USD 1 to RUR 67.6076 (31 December 2015: USD 1 to RUR 72.8827), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 76.5386 (31 December 2015: EUR 1 to RUR 79.6972).

## DELVING INTO NUMBERS

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### 3. ANALYSIS BY SEGMENT

In accordance with IFRS 8, *Operating Segments*, the Group has defined five reportable segments.

- Corporate-Investment banking (CIB).
- Mid-Corporate banking (MCB).
- Retail business (RB).
- Treasury.
- Other business.

The Group has also separately disclosed its Corporate Centre.

The composition of reportable segments is approved by resolutions of VTB Group's Management Committee, the body that on a regular basis assesses performance of reportable segments and allocates resources to them.

As at 31 March 2016, the Group's reportable segments and their compositions remained as disclosed in the consolidated financial statements as at 31 December 2015 except for the changes described below.

During the three months ended 31 March 2016, the Group reallocated certain operations between *Loans and Deposits* and *Transaction Banking* product lines within CIB and MCB reportable segments including operations with term deposits, issued securities, factoring and overdrafts.

As a result, segment information for the three months ended 31 March 2016 and 2015 is not presented on a comparable basis because the necessary information was not readily available and the cost to develop it would have been excessive.

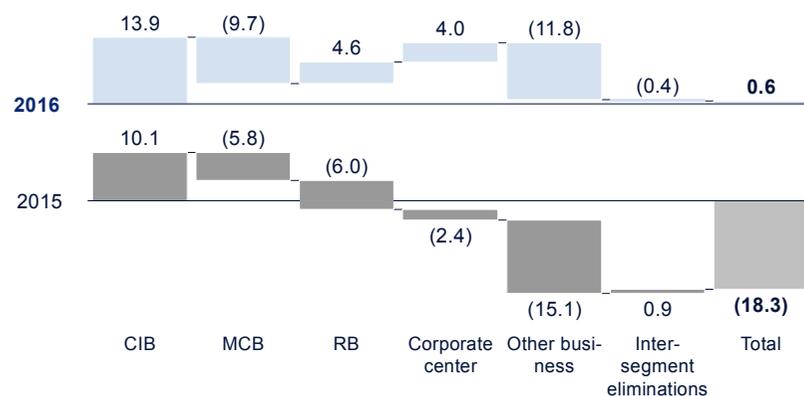
31 MARCH 2016

## 3. ANALYSIS BY SEGMENT (CONTINUED)

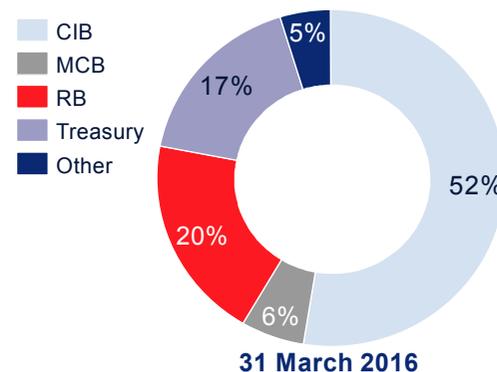
| For the three-month period ended 31 March<br>(unaudited)  | Corporate-<br>Investment<br>banking (CIB) |              | Mid-Corporate<br>banking (MCB) |              | Retail business<br>(RB) |              | Treasury     |              | Corporate centre |              | Other business |               | Inter-segment<br>eliminations |                | Total        |               |
|---|---|--------------|--------------------------------|--------------|-------------------------|--------------|--------------|--------------|------------------|--------------|----------------|---------------|-------------------------------|----------------|--------------|---------------|
|   | 2016                                      | 2015         | 2016                           | 2015         | 2016                    | 2015         | 2016         | 2015         | 2016             | 2015         | 2016           | 2015          | 2016                          | 2015           | 2016         | 2015          |
| <b>Revenues from:</b>   |   |              |                                |              |                         |              |              |              |                  |              |                |               |                               |                |              |               |
| External customers  | 173.6                                     | 177.1        | 24.9                           | 35.0         | 110.7                   | 108.7        | 25.3         | 19.4         | –                | 0.3          | 25.5           | 12.9          | –                             | –              | 360.0        | 353.4         |
| Other segments  | 62.1                                      | 53.6         | 13.4                           | 15.5         | 25.5                    | 18.1         | 153.6        | 155.2        | –                | –            | 2.7            | 2.2           | (257.3)                       | (244.6)        | –            | –             |
| <b>Total revenues</b>   | <b>235.7</b>                              | <b>230.7</b> | <b>38.3</b>                    | <b>50.5</b>  | <b>136.2</b>            | <b>126.8</b> | <b>178.9</b> | <b>174.6</b> | <b>–</b>         | <b>0.3</b>   | <b>28.2</b>    | <b>15.1</b>   | <b>(257.3)</b>                | <b>(244.6)</b> | <b>360.0</b> | <b>353.4</b>  |
| <b>Segment income and expense:</b>  |   |              |                                |              |                         |              |              |              |                  |              |                |               |                               |                |              |               |
| Interest income   | 215.1                                     | 195.9        | 35.3                           | 46.0         | 107.2                   | 100.0        | 177.2        | 170.7        | –                | –            | 3.9            | 3.0           | (254.8)                       | (243.1)        | 283.9        | 272.5         |
| Interest expense  | (170.0)                                   | (161.5)      | (28.2)                         | (36.1)       | (61.8)                  | (63.8)       | (170.6)      | (202.1)      | –                | –            | (6.1)          | (4.8)         | 253.9                         | 242.2          | (182.6)      | (226.1)       |
| Payments to deposit insurance system  | –   | –            | –                              | –            | (2.7)                   | (2.0)        | (0.1)        | –            | –                | –            | –              | –             | –                             | –              | (2.8)        | (2.0)         |
| Treasury result allocation  | (18.2)                                    | (24.7)       | (3.0)                          | (0.7)        | 2.9                     | 0.8          | 11.4         | 30.2         | 10.1             | –            | (3.2)          | (5.6)         | –                             | –              | –            | –             |
| <b>Net interest income/(expense)</b>  | <b>26.9</b>                               | <b>9.7</b>   | <b>4.1</b>                     | <b>9.2</b>   | <b>45.6</b>             | <b>35.0</b>  | <b>17.9</b>  | <b>(1.2)</b> | <b>10.1</b>      | <b>–</b>     | <b>(5.4)</b>   | <b>(7.4)</b>  | <b>(0.9)</b>                  | <b>(0.9)</b>   | <b>98.3</b>  | <b>44.4</b>   |
| (Provision charge)/reversal of provision for<br>impairment of debt financial assets   | 0.2                                       | (6.1)        | (13.0)                         | (12.4)       | (21.6)                  | (29.0)       | (1.2)        | (0.9)        | –                | –            | –              | –             | –                             | –              | (35.6)       | (48.4)        |
| <b>Net interest income after provision for<br/>impairment</b>   | <b>27.1</b>                               | <b>3.6</b>   | <b>(8.9)</b>                   | <b>(3.2)</b> | <b>24.0</b>             | <b>6.0</b>   | <b>16.7</b>  | <b>(2.1)</b> | <b>10.1</b>      | <b>–</b>     | <b>(5.4)</b>   | <b>(7.4)</b>  | <b>(0.9)</b>                  | <b>(0.9)</b>   | <b>62.7</b>  | <b>(4.0)</b>  |
| Net fee and commission income/(expense)   | 3.8                                       | 3.1          | 2.4                            | 3.3          | 10.7                    | 8.7          | 0.5          | 0.1          | –                | –            | 0.1            | 0.2           | (0.1)                         | –              | 17.4         | 15.4          |
| Other gains less losses arising from financial<br>instruments and foreign currencies  | 6.9                                       | 21.6         | –                              | 0.3          | 2.0                     | 2.4          | (16.5)       | 3.3          | –                | –            | 4.2            | 3.5           | 0.7                           | 1.6            | (2.7)        | 32.7          |
| Share in income of associates and joint ventures<br>(Provision charge)/reversal of provision for<br>impairment of other assets, contingencies and<br>credit related commitments | 1.2                                       | 1.0          | –                              | –            | –                       | –            | –            | 0.2          | (0.2)            | 0.3          | –              | –             | –                             | –              | 1.0          | 1.5           |
| Other   | (3.1)                                     | 0.3          | 0.4                            | (0.4)        | (2.2)                   | (0.3)        | –            | (0.1)        | –                | –            | (0.1)          | –             | –                             | –              | (5.0)        | (0.5)         |
| <b>Net operating (loss)/income</b>  | <b>37.1</b>                               | <b>30.9</b>  | <b>(6.2)</b>                   | <b>0.3</b>   | <b>38.5</b>             | <b>21.1</b>  | <b>1.0</b>   | <b>1.3</b>   | <b>9.9</b>       | <b>0.3</b>   | <b>(7.6)</b>   | <b>(17.2)</b> | <b>(2.2)</b>                  | <b>(0.7)</b>   | <b>70.5</b>  | <b>36.0</b>   |
| Staff costs and administrative expenses   | (16.6)                                    | (14.9)       | (5.7)                          | (7.2)        | (32.1)                  | (28.3)       | (1.0)        | (1.3)        | (5.1)            | (3.2)        | (1.2)          | (1.0)         | 1.1                           | 1.3            | (60.6)       | (54.6)        |
| <b>Segment results: (loss)/profit before taxation</b>   | <b>20.5</b>                               | <b>16.0</b>  | <b>(11.9)</b>                  | <b>(6.9)</b> | <b>6.4</b>              | <b>(7.2)</b> | <b>–</b>     | <b>–</b>     | <b>4.8</b>       | <b>(2.9)</b> | <b>(8.8)</b>   | <b>(18.2)</b> | <b>(1.1)</b>                  | <b>0.6</b>     | <b>9.9</b>   | <b>(18.6)</b> |
| Income tax expense  | (6.6)                                     | (5.9)        | 2.2                            | 1.1          | (1.8)                   | 1.2          | –            | –            | (0.8)            | 0.5          | 1.3            | 4.4           | 0.5                           | –              | (5.2)        | 1.3           |
| <b>Net (loss)/profit after tax</b>  | <b>13.9</b>                               | <b>10.1</b>  | <b>(9.7)</b>                   | <b>(5.8)</b> | <b>4.6</b>              | <b>(6.0)</b> | <b>–</b>     | <b>–</b>     | <b>4.0</b>       | <b>(2.4)</b> | <b>(7.5)</b>   | <b>(13.8)</b> | <b>(0.6)</b>                  | <b>0.6</b>     | <b>4.7</b>   | <b>(17.3)</b> |
| (Loss)/profit after tax from subsidiaries acquired<br>exclusively with a view to resale   | –   | –            | –                              | –            | –                       | –            | –            | –            | –                | –            | (4.3)          | (1.3)         | 0.2                           | 0.3            | (4.1)        | (1.0)         |
| <b>Net profit/(loss)</b>  | <b>13.9</b>                               | <b>10.1</b>  | <b>(9.7)</b>                   | <b>(5.8)</b> | <b>4.6</b>              | <b>(6.0)</b> | <b>–</b>     | <b>–</b>     | <b>4.0</b>       | <b>(2.4)</b> | <b>(11.8)</b>  | <b>(15.1)</b> | <b>(0.4)</b>                  | <b>0.9</b>     | <b>0.6</b>   | <b>(18.3)</b> |

3. ANALYSIS BY SEGMENT (CONTINUED)

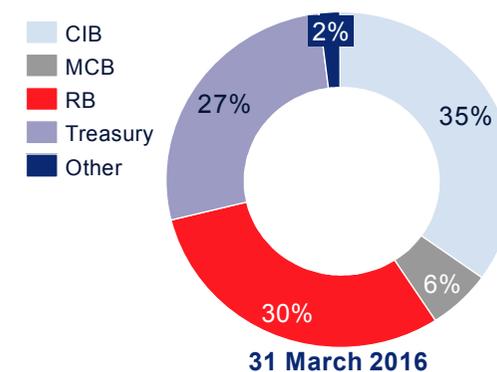
Net profit / (loss) after tax by segment for the three-month period ended 31 March



Segment assets



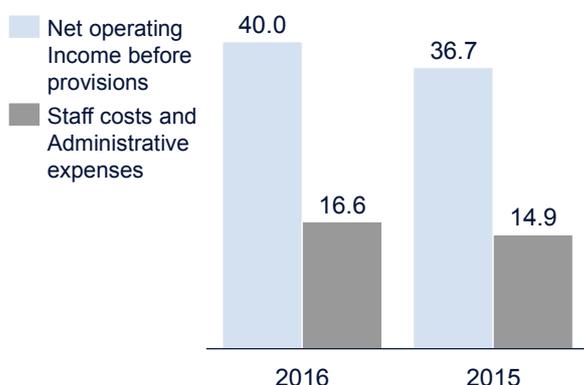
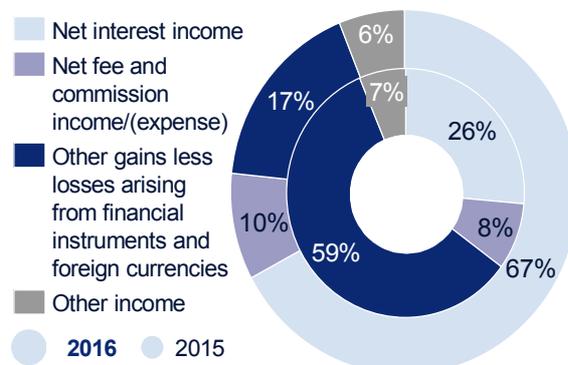
Segment liabilities



|  | Corporate-Investment banking (CIB) |                  | Mid-Corporate banking (MCB) |                  | Retail business (RB)      |                  | Treasury                  |                  | Corporate centre          |                  | Other business            |                  | Inter-segment eliminations |                  | Total                     |                  |
|--|------------------------------------|------------------|-----------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|----------------------------|------------------|---------------------------|------------------|
|  | 31 March 2016 (unaudited)          | 31 December 2015 | 31 March 2016 (unaudited)   | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited)  | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 |
| Cash and short-term funds  | 48.3                               | 39.9             | -                           | 1.1              | 164.4                     | 153.8            | 689.6                     | 375.4            | -                         | -                | 7.6                       | 0.5              | -                          | -                | 909.9                     | 570.7            |
| Mandatory cash balances with central banks                                     | -                                  | -                | -                           | -                | 18.3                      | 16.6             | 59.6                      | 54.2             | -                         | -                | -                         | -                | -                          | -                | 77.9                      | 70.8             |
| Due from other banks, including pledged under repurchase agreements            | 313.7                              | 312.8            | -                           | -                | 114.1                     | 122.6            | 646.3                     | 901.2            | -                         | -                | 16.5                      | 21.6             | -                          | -                | 1,090.6                   | 1,358.2          |
| Loans and advances to customers, including pledged under repurchase agreements | 5,329.6                            | 6,139.5          | 664.7                       | 711.5            | 1,975.7                   | 1,971.5          | 601.0                     | 606.0            | -                         | -                | 8.8                       | 9.0              | -                          | -                | 8,579.8                   | 9,437.5          |
| Other financial instruments  | 537.8                              | 587.6            | 2.3                         | 2.6              | 69.4                      | 55.1             | 192.3                     | 216.6            | -                         | -                | 104.3                     | 104.3            | -                          | -                | 906.1                     | 966.2            |
| Investments in associates and joint ventures                                   | 69.4                               | 70.2             | 0.3                         | 0.3              | -                         | -                | 8.4                       | 8.8              | 19.2                      | 24.2             | 0.1                       | 0.8              | -                          | -                | 97.4                      | 104.3            |
| Other assets items   | 414.6                              | 431.9            | 93.6                        | 83.9             | 160.1                     | 181.2            | 11.0                      | 11.3             | -                         | -                | 460.2                     | 425.9            | -                          | -                | 1,139.5                   | 1,134.2          |
| Net amount of intersegment settlements   | -                                  | -                | -                           | -                | 1,294.1                   | 1,288.4          | 1,200.0                   | 2,244.2          | -                         | -                | -                         | -                | (2,494.1)                  | (3,532.6)        | -                         | -                |
| <b>Segment assets</b>  | <b>6,713.4</b>                     | <b>7,581.9</b>   | <b>760.9</b>                | <b>799.4</b>     | <b>3,796.1</b>            | <b>3,789.2</b>   | <b>3,408.2</b>            | <b>4,417.7</b>   | <b>19.2</b>               | <b>24.2</b>      | <b>597.5</b>              | <b>562.1</b>     | <b>(2,494.1)</b>           | <b>(3,532.6)</b> | <b>12,801.2</b>           | <b>13,641.9</b>  |
| Due to other banks   | 92.2                               | 79.4             | 0.5                         | 0.5              | 46.3                      | 26.4             | 826.2                     | 1,117.6          | -                         | -                | 0.6                       | 0.1              | -                          | -                | 965.8                     | 1,224.0          |
| Customer deposits  | 3,391.2                            | 3,212.3          | 623.1                       | 589.7            | 3,236.5                   | 3,280.3          | 175.9                     | 178.0            | -                         | -                | 5.0                       | 6.7              | -                          | -                | 7,431.7                   | 7,267.0          |
| Other borrowed funds   | 159.5                              | 120.3            | -                           | -                | 28.9                      | 20.2             | 1,371.2                   | 1,971.8          | -                         | -                | 8.8                       | 9.2              | -                          | -                | 1,568.4                   | 2,121.5          |
| Debt securities issued   | 28.2                               | 29.2             | 8.7                         | 34.4             | 40.8                      | 50.8             | 434.7                     | 507.5            | -                         | -                | 1.6                       | 1.6              | -                          | -                | 514.0                     | 623.5            |
| Subordinated debt  | -                                  | -                | -                           | -                | 2.1                       | 2.1              | 241.6                     | 260.7            | -                         | -                | -                         | -                | -                          | -                | 243.7                     | 262.8            |
| Other liabilities items  | 313.3                              | 386.1            | 7.6                         | 7.8              | 90.8                      | 82.2             | 8.7                       | 11.9             | -                         | -                | 208.4                     | 201.0            | -                          | -                | 628.8                     | 689.0            |
| Net amount of intersegment settlements   | 2,067.2                            | 3,082.5          | 17.6                        | 69.9             | -                         | -                | -                         | -                | -                         | -                | 409.3                     | 380.2            | (2,494.1)                  | (3,532.6)        | -                         | -                |
| <b>Segment liabilities</b>   | <b>6,051.6</b>                     | <b>6,909.8</b>   | <b>657.5</b>                | <b>702.3</b>     | <b>3,445.4</b>            | <b>3,462.0</b>   | <b>3,058.3</b>            | <b>4,047.5</b>   | <b>-</b>                  | <b>-</b>         | <b>633.7</b>              | <b>598.8</b>     | <b>(2,494.1)</b>           | <b>(3,532.6)</b> | <b>11,352.4</b>           | <b>12,187.8</b>  |

**3. ANALYSIS BY SEGMENT (CONTINUED)**

| For the three-month period ended<br>31 March (unaudited)  | Corporate-Investment banking (CIB) by product lines |             |                    |               |                     |             |                        |              |              |              |
|---|---|-------------|--------------------|---------------|---------------------|-------------|------------------------|--------------|--------------|--------------|
|   | Investment banking                                  |             | Loans and deposits |               | Transaction banking |             | Inter-CIB eliminations |              | Total CIB    |              |
|   | 2016  | 2015        | 2016               | 2015          | 2016                | 2015        | 2016                   | 2015         | 2016         | 2015         |
| <b>Revenues from:</b>   |   |             |                    |               |                     |             |                        |              |              |              |
| External customers  | 55.0  | 65.6        | 112.6              | 108.7         | 6.0                 | 2.8         | –                      | –            | 173.6        | 177.1        |
| Other segments  | 38.6  | 34.1        | 2.6                | 11.4          | 21.0                | 8.2         | (0.1)                  | (0.1)        | 62.1         | 53.6         |
| <b>Total revenues</b>   | <b>93.6</b>   | <b>99.7</b> | <b>115.2</b>       | <b>120.1</b>  | <b>27.0</b>         | <b>11.0</b> | <b>(0.1)</b>           | <b>(0.1)</b> | <b>235.7</b> | <b>230.7</b> |
| <b>Segment income and expense</b>   |   |             |                    |               |                     |             |                        |              |              |              |
| Interest income   | 82.2  | 73.4        | 109.5              | 114.5         | 23.5                | 8.1         | (0.1)                  | (0.1)        | 215.1        | 195.9        |
| Interest expense  | (62.5)  | (62.9)      | (91.1)             | (97.4)        | (16.5)              | (1.3)       | 0.1                    | 0.1          | (170.0)      | (161.5)      |
| Treasury result allocation  | (0.7)   | (1.7)       | (17.4)             | (23.0)        | (0.1)               | –           | –                      | –            | (18.2)       | (24.7)       |
| <b>Net interest income</b>  | <b>19.0</b>   | <b>8.8</b>  | <b>1.0</b>         | <b>(5.9)</b>  | <b>6.9</b>          | <b>6.8</b>  | <b>–</b>               | <b>–</b>     | <b>26.9</b>  | <b>9.7</b>   |
| (Provision charge)/reversal of provision for impairment of debt financial assets                                      | (0.2)   | (0.6)       | 0.3                | (5.5)         | 0.1                 | –           | –                      | –            | 0.2          | (6.1)        |
| <b>Net interest income after provision for impairment</b>   | <b>18.8</b>   | <b>8.2</b>  | <b>1.3</b>         | <b>(11.4)</b> | <b>7.0</b>          | <b>6.8</b>  | <b>–</b>               | <b>–</b>     | <b>27.1</b>  | <b>3.6</b>   |
| Net fee and commission income/(expense)   | 0.6   | 0.2         | 0.1                | 0.1           | 3.1                 | 2.8         | –                      | –            | 3.8          | 3.1          |
| Other gains less losses arising from financial instruments and foreign currencies                                     | 7.7   | 20.5        | (0.8)              | 1.1           | –                   | –           | –                      | –            | 6.9          | 21.6         |
| Share in income of associates and joint ventures  | 1.0   | 0.7         | 0.2                | 0.3           | –                   | –           | –                      | –            | 1.2          | 1.0          |
| (Provision charge)/reversal of provision for impairment of other assets, contingencies and credit related commitments | –   | 0.2         | (3.2)              | 0.2           | 0.1                 | (0.1)       | –                      | –            | (3.1)        | 0.3          |
| Other   | (0.1)   | (0.2)       | 1.4                | 1.5           | (0.1)               | –           | –                      | –            | 1.2          | 1.3          |
| <b>Net operating income/(expense)</b>   | <b>28.0</b>   | <b>29.6</b> | <b>(1.0)</b>       | <b>(8.2)</b>  | <b>10.1</b>         | <b>9.5</b>  | <b>–</b>               | <b>–</b>     | <b>37.1</b>  | <b>30.9</b>  |
| Staff costs and administrative expenses   | (9.4)   | (8.6)       | (4.5)              | (4.1)         | (2.7)               | (2.2)       | –                      | –            | (16.6)       | (14.9)       |
| <b>Segment results: (loss)/profit before taxation</b>   | <b>18.6</b>   | <b>21.0</b> | <b>(5.5)</b>       | <b>(12.3)</b> | <b>7.4</b>          | <b>7.3</b>  | <b>–</b>               | <b>–</b>     | <b>20.5</b>  | <b>16.0</b>  |
| Income tax expense  | (5.0)   | (3.7)       | (0.1)              | (0.7)         | (1.5)               | (1.5)       | –                      | –            | (6.6)        | (5.9)        |
| <b>Net profit/(loss) after tax</b>  | <b>13.6</b>   | <b>17.3</b> | <b>(5.6)</b>       | <b>(13.0)</b> | <b>5.9</b>          | <b>5.8</b>  | <b>–</b>               | <b>–</b>     | <b>13.9</b>  | <b>10.1</b>  |
| <b>Net profit/(loss)</b>  | <b>13.6</b>   | <b>17.3</b> | <b>(5.6)</b>       | <b>(13.0)</b> | <b>5.9</b>          | <b>5.8</b>  | <b>–</b>               | <b>–</b>     | <b>13.9</b>  | <b>10.1</b>  |

**Net operating income and administrative expenses for the three-month period ended 31 March: dynamics (CIB)****Net operating income before provisions for the three-month period ended 31 March: structure (CIB)**

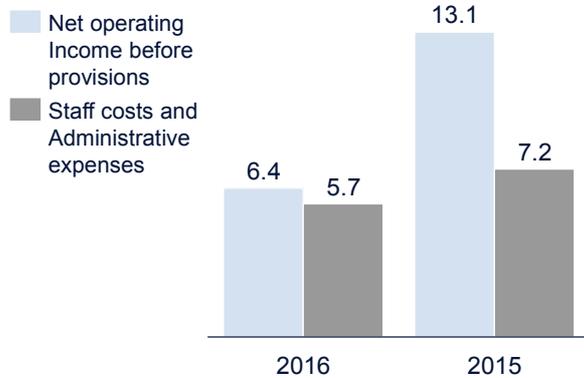
## 3. ANALYSIS BY SEGMENT (CONTINUED)

|  | Corporate-Investment banking (CIB) by product lines |                     |                                 |                     |                                 |                     |                                 |                     |                                 |                     |
|--|---|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
|  | Investment banking                                  |                     | Loans and deposits              |                     | Transaction banking             |                     | Inter-CIB eliminations          |                     | Total CIB                       |                     |
|  | 31 March<br>2016<br>(unaudited)                     | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 |
| Cash and short-term funds  | 47.3  | 39.6                | 1.0                             | 0.3                 | -                               | -                   | -                               | -                   | 48.3                            | 39.9                |
| Due from other banks, including pledged under repurchase agreements            | 177.7   | 167.8               | 136.0                           | 145.0               | -                               | -                   | -                               | -                   | 313.7                           | 312.8               |
| Loans and advances to customers, including pledged under repurchase agreements | 1,281.7   | 1,921.2             | 3,981.0                         | 4,218.3             | 66.9                            | -                   | -                               | -                   | 5,329.6                         | 6,139.5             |
| Other financial instruments  | 527.0   | 576.8               | 10.8                            | 10.8                | -                               | -                   | -                               | -                   | 537.8                           | 587.6               |
| Investments in associates and joint ventures                                   | 69.4  | 70.2                | -                               | -                   | -                               | -                   | -                               | -                   | 69.4                            | 70.2                |
| Other assets items   | 93.7  | 99.3                | 290.7                           | 309.2               | 30.2                            | 23.4                | -                               | -                   | 414.6                           | 431.9               |
| Net amount of intersegment settlements   | 142.1   | 48.9                | -                               | -                   | 1,613.7                         | 674.0               | (1,755.8)                       | (722.9)             | -                               | -                   |
| <b>Segment assets</b>  | <b>2,338.9</b>                                      | <b>2,923.8</b>      | <b>4,419.5</b>                  | <b>4,683.6</b>      | <b>1,710.8</b>                  | <b>697.4</b>        | <b>(1,755.8)</b>                | <b>(722.9)</b>      | <b>6,713.4</b>                  | <b>7,581.9</b>      |
| Due to other banks   | 76.3  | 67.4                | 15.9                            | 12.0                | -                               | -                   | -                               | -                   | 92.2                            | 79.4                |
| Customer deposits  | 1,748.6   | 2,204.8             | 6.8                             | 371.1               | 1,635.8                         | 636.4               | -                               | -                   | 3,391.2                         | 3,212.3             |
| Other borrowed funds   | 2.7   | 3.1                 | 156.8                           | 117.2               | -                               | -                   | -                               | -                   | 159.5                           | 120.3               |
| Debt securities issued   | 23.4  | 24.4                | 0.7                             | 4.8                 | 4.1                             | -                   | -                               | -                   | 28.2                            | 29.2                |
| Other liabilities items  | 282.4   | 353.8               | 16.9                            | 19.9                | 14.0                            | 12.4                | -                               | -                   | 313.3                           | 386.1               |
| Net amount of intersegment settlements   | -   | -                   | 3,823.0                         | 3,805.4             | -                               | -                   | (1,755.8)                       | (722.9)             | 2,067.2                         | 3,082.5             |
| <b>Segment liabilities</b>   | <b>2,133.4</b>                                      | <b>2,653.5</b>      | <b>4,020.1</b>                  | <b>4,330.4</b>      | <b>1,653.9</b>                  | <b>648.8</b>        | <b>(1,755.8)</b>                | <b>(722.9)</b>      | <b>6,051.6</b>                  | <b>6,909.8</b>      |

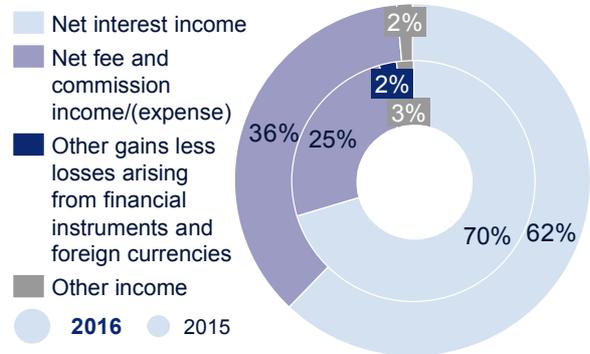
| For the three-month period ended 31 March<br>(unaudited)  | Mid-Corporate banking (MCB) by product lines |            |                    |               |                     |            |               |              |      |      |
|---|--|------------|--------------------|---------------|---------------------|------------|---------------|--------------|------|------|
|   | Investment banking                           |            | Loans and deposits |               | Transaction banking |            | Total MCB     |              |      |      |
|   | 2016   | 2015       | 2016               | 2015          | 2016                | 2015       | 2016          | 2015         | 2016 | 2015 |
| <b>Revenues from:</b>   |  |            |                    |               |                     |            |               |              |      |      |
| External customers  | 0.1  | 0.5        | 22.0               | 30.7          | 2.8                 | 3.8        | 24.9          | 35.0         |      |      |
| Other segments  | -  | -          | 0.1                | 11.5          | 13.3                | 4.0        | 13.4          | 15.5         |      |      |
| <b>Total revenues</b>   | <b>0.1</b>                                   | <b>0.5</b> | <b>22.1</b>        | <b>42.2</b>   | <b>16.1</b>         | <b>7.8</b> | <b>38.3</b>   | <b>50.5</b>  |      |      |
| <b>Segment income and expense</b>   |  |            |                    |               |                     |            |               |              |      |      |
| Interest income   | 0.1  | 0.1        | 21.8               | 41.9          | 13.4                | 4.0        | 35.3          | 46.0         |      |      |
| Interest expense  | (0.1)  | (0.1)      | (18.6)             | (35.6)        | (9.5)               | (0.4)      | (28.2)        | (36.1)       |      |      |
| Treasury result allocation  | -  | -          | (2.8)              | (0.7)         | (0.2)               | -          | (3.0)         | (0.7)        |      |      |
| <b>Net interest income</b>  | <b>-</b>                                     | <b>-</b>   | <b>0.4</b>         | <b>5.6</b>    | <b>3.7</b>          | <b>3.6</b> | <b>4.1</b>    | <b>9.2</b>   |      |      |
| (Provision charge)/reversal of provision for impairment of debt financial assets                                      | -  | -          | (13.0)             | (12.4)        | -                   | -          | (13.0)        | (12.4)       |      |      |
| <b>Net interest income after provision for impairment</b>   | <b>-</b>                                     | <b>-</b>   | <b>(12.6)</b>      | <b>(6.8)</b>  | <b>3.7</b>          | <b>3.6</b> | <b>(8.9)</b>  | <b>(3.2)</b> |      |      |
| Net fee and commission income/(expense)   | -  | -          | -                  | 0.1           | 2.4                 | 3.2        | 2.4           | 3.3          |      |      |
| Other gains less losses arising from financial instruments and foreign currencies                                     | -  | 0.3        | -                  | -             | -                   | -          | -             | 0.3          |      |      |
| (Provision charge)/reversal of provision for impairment of other assets, contingencies and credit related commitments | -  | -          | 0.3                | -             | 0.1                 | (0.4)      | 0.4           | (0.4)        |      |      |
| Other   | -  | 0.1        | -                  | 0.1           | (0.1)               | 0.1        | (0.1)         | 0.3          |      |      |
| <b>Net operating income/(expense)</b>   | <b>-</b>                                     | <b>0.4</b> | <b>(12.3)</b>      | <b>(6.6)</b>  | <b>6.1</b>          | <b>6.5</b> | <b>(6.2)</b>  | <b>0.3</b>   |      |      |
| Staff costs and administrative expenses   | -  | -          | (2.9)              | (3.7)         | (2.8)               | (3.5)      | (5.7)         | (7.2)        |      |      |
| <b>Segment results: (loss)/profit before taxation</b>   | <b>-</b>                                     | <b>0.4</b> | <b>(15.2)</b>      | <b>(10.3)</b> | <b>3.3</b>          | <b>3.0</b> | <b>(11.9)</b> | <b>(6.9)</b> |      |      |
| Income tax expense  | -  | (0.1)      | 2.9                | 1.8           | (0.7)               | (0.6)      | 2.2           | 1.1          |      |      |
| <b>Net (loss)/profit after tax</b>  | <b>-</b>                                     | <b>0.3</b> | <b>(12.3)</b>      | <b>(8.5)</b>  | <b>2.6</b>          | <b>2.4</b> | <b>(9.7)</b>  | <b>(5.8)</b> |      |      |
| <b>Net (loss)/profit</b>  | <b>-</b>                                     | <b>0.3</b> | <b>(12.3)</b>      | <b>(8.5)</b>  | <b>2.6</b>          | <b>2.4</b> | <b>(9.7)</b>  | <b>(5.8)</b> |      |      |

**3. ANALYSIS BY SEGMENT (CONTINUED)**

**Net operating income and administrative expenses for the three-month period ended 31 March: dynamics (MCB)**



**Net operating income before provisions for the three-month period ended 31 March: structure (MCB)**

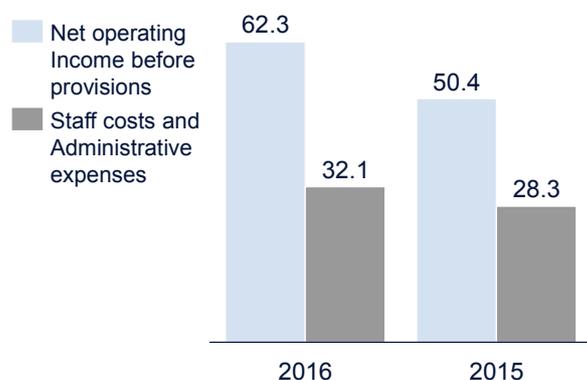
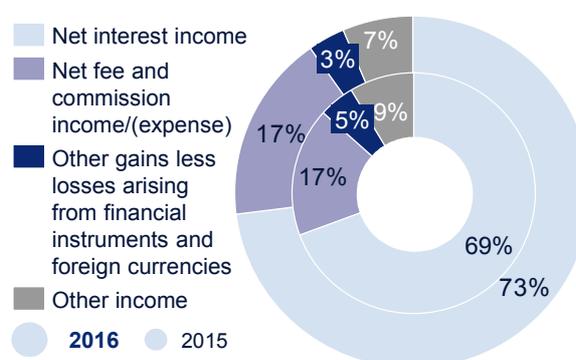


Mid-Corporate banking (MCB) by product lines

|  | Investment banking        |                  | Loans and deposits        |                  | Transaction banking       |                  | Inter-MCB eliminations    |                  | Total MCB                 |                  |
|--|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|
|  | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 |
| Cash and short-term funds  | -                         | -                | -                         | -                | -                         | 1.1              | -                         | -                | -                         | 1.1              |
| Loans and advances to customers, including pledged under repurchase agreements | 0.6                       | 0.5              | 662.5                     | 711.0            | 1.6                       | -                | -                         | -                | 664.7                     | 711.5            |
| Other financial instruments  | 2.1                       | 2.4              | 0.2                       | 0.2              | -                         | -                | -                         | -                | 2.3                       | 2.6              |
| Investments in associates and joint ventures                                   | -                         | -                | 0.3                       | 0.3              | -                         | -                | -                         | -                | 0.3                       | 0.3              |
| Other assets items   | 0.1                       | 0.1              | 62.8                      | 58.4             | 30.7                      | 25.4             | -                         | -                | 93.6                      | 83.9             |
| Net amount of intersegment settlements   | -                         | -                | -                         | -                | 619.8                     | 212.2            | (619.8)                   | (212.2)          | -                         | -                |
| <b>Segment assets</b>  | <b>2.8</b>                | <b>3.0</b>       | <b>725.8</b>              | <b>769.9</b>     | <b>652.1</b>              | <b>238.7</b>     | <b>(619.8)</b>            | <b>(212.2)</b>   | <b>760.9</b>              | <b>799.4</b>     |
| Due to other banks   | -                         | -                | 0.5                       | 0.5              | -                         | -                | -                         | -                | 0.5                       | 0.5              |
| Customer deposits  | 0.3                       | 0.2              | 0.6                       | 371.6            | 622.2                     | 217.9            | -                         | -                | 623.1                     | 589.7            |
| Debt securities issued   | -                         | -                | -                         | 34.4             | 8.7                       | -                | -                         | -                | 8.7                       | 34.4             |
| Other liabilities items  | -                         | -                | 1.4                       | 2.3              | 6.2                       | 5.5              | -                         | -                | 7.6                       | 7.8              |
| Net amount of intersegment settlements   | 2.0                       | 2.1              | 635.4                     | 280.0            | -                         | -                | (619.8)                   | (212.2)          | 17.6                      | 69.9             |
| <b>Segment liabilities</b>   | <b>2.3</b>                | <b>2.3</b>       | <b>637.9</b>              | <b>688.8</b>     | <b>637.1</b>              | <b>223.4</b>     | <b>(619.8)</b>            | <b>(212.2)</b>   | <b>657.5</b>              | <b>702.3</b>     |

**3. ANALYSIS BY SEGMENT (CONTINUED)**

| For the three-month period ended 31 March<br>(unaudited)   | Retail business (RB) by product lines |               |             |             |                       |              |              |              |
|--|---------------------------------------|---------------|-------------|-------------|-----------------------|--------------|--------------|--------------|
|  | Retail banking                        |               | Insurance   |             | Inter-RB eliminations |              | Total RB     |              |
|  | 2016                                  | 2015          | 2016        | 2015        | 2016                  | 2015         | 2016         | 2015         |
| <b>Revenues from:</b>  |                                       |               |             |             |                       |              |              |              |
| External customers   | 99.9                                  | 96.9          | 10.8        | 11.8        | –                     | –            | 110.7        | 108.7        |
| Other segments   | 26.3                                  | 17.5          | 0.7         | 1.2         | (1.5)                 | (0.6)        | 25.5         | 18.1         |
| <b>Total revenues</b>  | <b>126.2</b>                          | <b>114.4</b>  | <b>11.5</b> | <b>13.0</b> | <b>(1.5)</b>          | <b>(0.6)</b> | <b>136.2</b> | <b>126.8</b> |
| <b>Segment income and expense</b>  |                                       |               |             |             |                       |              |              |              |
| Interest income  | 106.2                                 | 99.3          | 1.2         | 1.0         | (0.2)                 | (0.3)        | 107.2        | 100.0        |
| Interest expense   | (61.9)                                | (63.9)        | –           | –           | 0.1                   | 0.1          | (61.8)       | (63.8)       |
| Payments to deposit insurance system   | (2.7)                                 | (2.0)         | –           | –           | –                     | –            | (2.7)        | (2.0)        |
| Treasury result allocation   | 2.9                                   | 0.8           | –           | –           | –                     | –            | 2.9          | 0.8          |
| <b>Net interest income</b>   | <b>44.5</b>                           | <b>34.2</b>   | <b>1.2</b>  | <b>1.0</b>  | <b>(0.1)</b>          | <b>(0.2)</b> | <b>45.6</b>  | <b>35.0</b>  |
| (Provision charge)/reversal of provision for<br>impairment of debt financial assets              | (21.4)                                | (28.9)        | –           | –           | (0.2)                 | (0.1)        | (21.6)       | (29.0)       |
| <b>Net interest income after provision for<br/>impairment</b>                                    | <b>23.1</b>                           | <b>5.3</b>    | <b>1.2</b>  | <b>1.0</b>  | <b>(0.3)</b>          | <b>(0.3)</b> | <b>24.0</b>  | <b>6.0</b>   |
| Net fee and commission income/(expense)  | 11.9                                  | 8.7           | (0.1)       | –           | (1.1)                 | –            | 10.7         | 8.7          |
| Other gains less losses arising from financial<br>instruments and foreign currencies             | 2.2                                   | 1.8           | (0.2)       | 0.6         | –                     | –            | 2.0          | 2.4          |
| Provision charge for impairment of other assets,<br>contingencies and credit related commitments | (1.8)                                 | (0.1)         | (0.4)       | (0.2)       | –                     | –            | (2.2)        | (0.3)        |
| Other  | (1.0)                                 | 0.1           | 4.5         | 4.2         | 0.5                   | –            | 4.0          | 4.3          |
| <b>Net operating income/(expense)</b>  | <b>34.4</b>                           | <b>15.8</b>   | <b>5.0</b>  | <b>5.6</b>  | <b>(0.9)</b>          | <b>(0.3)</b> | <b>38.5</b>  | <b>21.1</b>  |
| Staff costs and administrative expenses  | (30.3)                                | (26.6)        | (1.9)       | (1.8)       | 0.1                   | 0.1          | (32.1)       | (28.3)       |
| <b>Segment results: (loss)/profit before taxation</b>  | <b>4.1</b>                            | <b>(10.8)</b> | <b>3.1</b>  | <b>3.8</b>  | <b>(0.8)</b>          | <b>(0.2)</b> | <b>6.4</b>   | <b>(7.2)</b> |
| Income tax expense   | (1.0)                                 | 1.9           | (1.0)       | (0.7)       | 0.2                   | –            | (1.8)        | 1.2          |
| <b>Net profit/(loss) after tax</b>   | <b>3.1</b>                            | <b>(8.9)</b>  | <b>2.1</b>  | <b>3.1</b>  | <b>(0.6)</b>          | <b>(0.2)</b> | <b>4.6</b>   | <b>(6.0)</b> |
| <b>Net profit/(loss)</b>   | <b>3.1</b>                            | <b>(8.9)</b>  | <b>2.1</b>  | <b>3.1</b>  | <b>(0.6)</b>          | <b>(0.2)</b> | <b>4.6</b>   | <b>(6.0)</b> |

**Net operating income and administrative expenses for the three-month period ended 31 March: dynamics (RB)****Net operating income before provisions for the three-month period ended 31 March: structure (RB)**

**3. ANALYSIS BY SEGMENT (CONTINUED)**

|   | Retail business (RB) by product lines |                     |                                 |                     |                                 |                     |                                 |                     |
|---|---------------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
|   | Retail banking                        |                     | Insurance                       |                     | Inter-RB eliminations           |                     | Total RB                        |                     |
|   | 31 March<br>2016<br>(unaudited)       | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 | 31 March<br>2016<br>(unaudited) | 31 December<br>2015 |
| Cash and short-term funds   | 163.2                                 | 153.2               | 1.2                             | 0.6                 | –                               | –                   | 164.4                           | 153.8               |
| Mandatory cash balances with central banks  | 18.3                                  | 16.6                | –                               | –                   | –                               | –                   | 18.3                            | 16.6                |
| Due from other banks, including pledged<br>under repurchase agreements            | 86.4                                  | 98.2                | 27.7                            | 24.4                | –                               | –                   | 114.1                           | 122.6               |
| Loans and advances to customers, including<br>pledged under repurchase agreements | 1,975.7                               | 1,971.5             | –                               | –                   | –                               | –                   | 1,975.7                         | 1,971.5             |
| Other financial instruments   | 57.9                                  | 43.7                | 11.5                            | 11.4                | –                               | –                   | 69.4                            | 55.1                |
| Other assets items  | 138.4                                 | 159.4               | 21.7                            | 21.8                | –                               | –                   | 160.1                           | 181.2               |
| Net amount of intersegment settlements  | 1,278.1                               | 1,275.9             | 16.0                            | 12.5                | –                               | –                   | 1,294.1                         | 1,288.4             |
| <b>Segment assets</b>   | <b>3,718.0</b>                        | <b>3,718.5</b>      | <b>78.1</b>                     | <b>70.7</b>         | <b>–</b>                        | <b>–</b>            | <b>3,796.1</b>                  | <b>3,789.2</b>      |
| Due to other banks  | 46.3                                  | 26.4                | –                               | –                   | –                               | –                   | 46.3                            | 26.4                |
| Customer deposits   | 3,236.5                               | 3,280.3             | –                               | –                   | –                               | –                   | 3,236.5                         | 3,280.3             |
| Other borrowed funds  | 28.9                                  | 20.2                | –                               | –                   | –                               | –                   | 28.9                            | 20.2                |
| Debt securities issued  | 40.8                                  | 50.8                | –                               | –                   | –                               | –                   | 40.8                            | 50.8                |
| Subordinated debt   | 2.1                                   | 2.1                 | –                               | –                   | –                               | –                   | 2.1                             | 2.1                 |
| Other liabilities items   | 31.5                                  | 28.8                | 59.3                            | 53.4                | –                               | –                   | 90.8                            | 82.2                |
| <b>Segment liabilities</b>  | <b>3,386.1</b>                        | <b>3,408.6</b>      | <b>59.3</b>                     | <b>53.4</b>         | <b>–</b>                        | <b>–</b>            | <b>3,445.4</b>                  | <b>3,462.0</b>      |

| For the three-month period ended 31 March<br>(unaudited)   | Other business                  |               |              |              |                             |              |                         |               |
|--|---------------------------------|---------------|--------------|--------------|-----------------------------|--------------|-------------------------|---------------|
|  | Construction and<br>development |               | Other        |              | Inter-Other<br>eliminations |              | Total<br>Other business |               |
|  | 2016                            | 2015          | 2016         | 2015         | 2016                        | 2015         | 2016                    | 2015          |
| <b>Revenues from:</b>  |                                 |               |              |              |                             |              |                         |               |
| External customers   | 3.9                             | 4.3           | 21.6         | 8.6          | –                           | –            | 25.5                    | 12.9          |
| Other segments   | 0.8                             | 0.8           | 2.0          | 1.5          | (0.1)                       | (0.1)        | 2.7                     | 2.2           |
| <b>Total revenues</b>  | <b>4.7</b>                      | <b>5.1</b>    | <b>23.6</b>  | <b>10.1</b>  | <b>(0.1)</b>                | <b>(0.1)</b> | <b>28.2</b>             | <b>15.1</b>   |
| <b>Segment income and expense</b>  |                                 |               |              |              |                             |              |                         |               |
| Interest income  | 0.8                             | 0.9           | 3.2          | 2.2          | (0.1)                       | (0.1)        | 3.9                     | 3.0           |
| Interest expense   | (4.4)                           | (2.9)         | (1.8)        | (2.0)        | 0.1                         | 0.1          | (6.1)                   | (4.8)         |
| Treasury result allocation   | –                               | –             | (3.2)        | (5.6)        | –                           | –            | (3.2)                   | (5.6)         |
| <b>Net interest income</b>   | <b>(3.6)</b>                    | <b>(2.0)</b>  | <b>(1.8)</b> | <b>(5.4)</b> | <b>–</b>                    | <b>–</b>     | <b>(5.4)</b>            | <b>(7.4)</b>  |
| <b>Net interest income after provision for<br/>impairment</b>                                    | <b>(3.6)</b>                    | <b>(2.0)</b>  | <b>(1.8)</b> | <b>(5.4)</b> | <b>–</b>                    | <b>–</b>     | <b>(5.4)</b>            | <b>(7.4)</b>  |
| Net fee and commission income/(expense)  | –                               | –             | 0.1          | 0.2          | –                           | –            | 0.1                     | 0.2           |
| Other gains less losses arising from financial<br>instruments and foreign currencies             | 1.8                             | 4.2           | 2.4          | (0.7)        | –                           | –            | 4.2                     | 3.5           |
| Provision charge for impairment of other assets,<br>contingencies and credit related commitments | –                               | –             | (0.1)        | –            | –                           | –            | (0.1)                   | –             |
| Other  | (1.6)                           | (12.8)        | (4.8)        | (0.7)        | –                           | –            | (6.4)                   | (13.5)        |
| <b>Net operating income/(expense)</b>  | <b>(3.4)</b>                    | <b>(10.6)</b> | <b>(4.2)</b> | <b>(6.6)</b> | <b>–</b>                    | <b>–</b>     | <b>(7.6)</b>            | <b>(17.2)</b> |
| Staff costs and administrative expenses  | (0.1)                           | (0.1)         | (1.1)        | (0.9)        | –                           | –            | (1.2)                   | (1.0)         |
| <b>Segment results: (loss)/profit before taxation</b>  | <b>(3.5)</b>                    | <b>(10.7)</b> | <b>(5.3)</b> | <b>(7.5)</b> | <b>–</b>                    | <b>–</b>     | <b>(8.8)</b>            | <b>(18.2)</b> |
| Income tax expense   | 0.3                             | 2.3           | 1.0          | 2.1          | –                           | –            | 1.3                     | 4.4           |
| <b>Net (loss)/profit after tax</b>   | <b>(3.2)</b>                    | <b>(8.4)</b>  | <b>(4.3)</b> | <b>(5.4)</b> | <b>–</b>                    | <b>–</b>     | <b>(7.5)</b>            | <b>(13.8)</b> |
| (Loss)/profit after tax from subsidiaries acquired<br>exclusively with a view to resale          | –                               | –             | (4.3)        | (1.3)        | –                           | –            | (4.3)                   | (1.3)         |
| <b>Net loss</b>  | <b>(3.2)</b>                    | <b>(8.4)</b>  | <b>(8.6)</b> | <b>(6.7)</b> | <b>–</b>                    | <b>–</b>     | <b>(11.8)</b>           | <b>(15.1)</b> |

**3. ANALYSIS BY SEGMENT (CONTINUED)**

|  | Other business               |                  |                           |                  |                           |                  |                           |                  |
|--|------------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|
|  | Construction and development |                  | Other                     |                  | Inter-Other eliminations  |                  | Total Other business      |                  |
|  | 31 March 2016 (unaudited)    | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 | 31 March 2016 (unaudited) | 31 December 2015 |
| Cash and short-term funds  | 0.2                          | 0.2              | 7.4                       | 0.3              | -                         | -                | 7.6                       | 0.5              |
| Due from other banks, including pledged under repurchase agreements            | -                            | -                | 16.5                      | 21.6             | -                         | -                | 16.5                      | 21.6             |
| Loans and advances to customers, including pledged under repurchase agreements | 0.6                          | 0.6              | 8.2                       | 8.4              | -                         | -                | 8.8                       | 9.0              |
| Other financial instruments  | -                            | -                | 104.3                     | 104.3            | -                         | -                | 104.3                     | 104.3            |
| Investments in associates and joint ventures                                   | -                            | -                | 0.1                       | 0.8              | -                         | -                | 0.1                       | 0.8              |
| Other assets items   | 322.8                        | 316.4            | 137.4                     | 109.5            | -                         | -                | 460.2                     | 425.9            |
| <b>Segment assets</b>  | <b>323.6</b>                 | <b>317.2</b>     | <b>273.9</b>              | <b>244.9</b>     | <b>-</b>                  | <b>-</b>         | <b>597.5</b>              | <b>562.1</b>     |
| Due to other banks   | 0.5                          | -                | 0.1                       | 0.1              | -                         | -                | 0.6                       | 0.1              |
| Customer deposits  | -                            | -                | 5.0                       | 6.7              | -                         | -                | 5.0                       | 6.7              |
| Other borrowed funds   | 3.0                          | 3.2              | 5.8                       | 6.0              | -                         | -                | 8.8                       | 9.2              |
| Debt securities issued   | -                            | -                | 1.6                       | 1.6              | -                         | -                | 1.6                       | 1.6              |
| Other liabilities items  | 69.8                         | 68.9             | 138.6                     | 132.1            | -                         | -                | 208.4                     | 201.0            |
| Net amount of intersegment settlements   | 284.3                        | 277.5            | 125.0                     | 102.7            | -                         | -                | 409.3                     | 380.2            |
| <b>Segment liabilities</b>   | <b>357.6</b>                 | <b>349.6</b>     | <b>276.1</b>              | <b>249.2</b>     | <b>-</b>                  | <b>-</b>         | <b>633.7</b>              | <b>598.8</b>     |

**4. INTEREST INCOME AND EXPENSE**

|  | For the three-month period ended 31 March (unaudited) |                |
|--|---|----------------|
|  | 2016  | 2015           |
| <b>Interest income</b>   |   |                |
| Loans and advances to customers                                  | 260.7   | 252.5          |
| Due from other banks   | 12.1  | 11.6           |
| Other financial assets, including securities                     | 5.8   | 1.4            |
| <b>Financial assets not at fair value through profit or loss</b> | <b>278.6</b>  | <b>265.5</b>   |
| <b>Financial assets at fair value through profit or loss</b>     | <b>5.3</b>  | <b>7.0</b>     |
| <b>Total interest income</b>                                     | <b>283.9</b>  | <b>272.5</b>   |
| <b>Interest expense</b>  |   |                |
| Customer deposits  | (114.9)   | (110.1)        |
| Due to other banks and other borrowed funds                      | (52.6)  | (94.1)         |
| Debt securities issued   | (9.6)   | (15.4)         |
| Subordinated debt  | (5.7)   | (6.5)          |
| <b>Total interest expense</b>                                    | <b>(182.8)</b>  | <b>(226.1)</b> |
| <b>Payments to deposit insurance system</b>                      | <b>(2.8)</b>  | <b>(2.0)</b>   |
| <b>Net interest income</b>                                       | <b>98.3</b>   | <b>44.4</b>    |

**5. NET FEE AND COMMISSION INCOME**

|  | For the three-month period ended 31 March (unaudited) |              |
|--|---|--------------|
|  | 2016  | 2015         |
| Commission on settlement transactions                        | 14.1  | 12.0         |
| Commission on guarantees issued and trade finance            | 2.9   | 3.9          |
| Commission on cash transactions                              | 1.7   | 1.2          |
| Agents' fee received for insurance products distribution     | 1.4   | 1.5          |
| Commission on operations with securities and capital markets | 1.3   | 1.0          |
| Other  | 2.1   | 0.9          |
| <b>Total fee and commission income</b>                       | <b>23.5</b>   | <b>20.5</b>  |
| Commission on settlement transactions                        | (4.2)   | (3.3)        |
| Commission on cash transactions                              | (0.6)   | (0.7)        |
| Other  | (1.3)   | (1.1)        |
| <b>Total fee and commission expense</b>                      | <b>(6.1)</b>  | <b>(5.1)</b> |
| <b>Net fee and commission income</b>                         | <b>17.4</b>   | <b>15.4</b>  |

**6. GAINS NET OF LOSSES ARISING FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|   | For the three-month period<br>ended 31 March (unaudited) |             |
|---|--|-------------|
|   | 2016   | 2015        |
| Gains less losses arising from trading financial instruments  | 6.8  | 17.3        |
| Losses net of gains arising from financial instruments designated as at fair value through profit or loss                         | (0.4)  | (1.6)       |
| (Losses net of gains) / gains net of losses from associates and joint-ventures designated as at fair value through profit or loss | (0.5)  | 0.8         |
| <b>Total gains net of losses arising from financial instruments at fair value through profit or loss</b>                          | <b>5.9</b>   | <b>16.5</b> |

**7. (LOSSES NET OF GAINS) / GAINS NET OF LOSSES ARISING FROM FOREIGN CURRENCIES**

|  | For the three-month period<br>ended 31 March (unaudited) |             |
|--|--|-------------|
|  | 2016   | 2015        |
| (Losses net of gains)/gains net of losses arising from dealing in foreign currencies   | (113.3)  | 7.6         |
| Foreign exchange translation gains net of losses                                       | 104.9  | 10.1        |
| <b>Total (losses net of gains)/gains net of losses arising from foreign currencies</b> | <b>(8.4)</b>   | <b>17.7</b> |

Losses net of gains arising from dealing in foreign currencies represent foreign currency trading results and changes in value of foreign currency derivative positions, including those economically hedging net foreign currency positions.

**8. STAFF COSTS AND ADMINISTRATIVE EXPENSES**

|   | For the three-month period<br>ended 31 March (unaudited) |             |
|---|--|-------------|
|   | 2016   | 2015        |
| Staff costs   | 35.3   | 31.1        |
| Defined contribution pension expense  | 4.9  | 4.1         |
| Depreciation and other expenses related to premises and equipment   | 4.6  | 5.0         |
| Leasing and rent expenses   | 3.1  | 3.2         |
| Amortization and other expenses related to intangibles, except for amortization of core deposit and customer loan | 2.6  | 1.7         |
| Advertising expenses  | 1.9  | 1.8         |
| Taxes other than on income  | 1.7  | 1.5         |
| Charity   | 1.7  | 0.7         |
| Amortization of core deposit and customer loan  | 1.2  | 1.2         |
| Post and telecommunication expenses   | 1.2  | 1.1         |
| Professional services   | 1.0  | 1.5         |
| Security expenses   | 0.5  | 0.9         |
| Transport expenses  | 0.2  | 0.3         |
| Insurance costs   | 0.1  | 0.1         |
| Other   | 0.6  | 0.4         |
| <b>Total staff costs and administrative expenses</b>  | <b>60.6</b>  | <b>54.6</b> |

The number of employees of the Group as at 31 March 2016 was 90,057 (31 December 2015: 92,882) including non-banking operations employees. The average number of employees of the Group for the three months ended 31 March 2016 was 90,615 (for the three months ended 31 March 2015: 99,686), including non-banking operations employees.

For the three months ended 31 March 2016, included in cost of sales and other expenses from other non-banking activities are staff costs in the amount of RUR 1.8 billion and depreciation and amortization related to premises, equipment and intangible assets in the amount of RUR 0.8 billion (for the three months ended 31 March 2015: staff costs in the amount of RUR 2.1 billion and depreciation and amortization related to premises, equipment and intangible assets in the amount of RUR 0.9 billion).

**9. ALLOWANCE FOR IMPAIRMENT OF OTHER ASSETS AND PROVISIONS FOR LEGAL CLAIMS**

The movements in allowances for impairment of other assets accounted at amortised cost and provisions for legal claims were as follows:

|  | Other assets | Legal claims |
|--|--------------|--------------|
| <b>1 January 2015</b>  | <b>3.6</b>   | –            |
| Provision for impairment during the period                         | 0.5          | –            |
| Write-offs   | (0.2)        | –            |
| Effect of translation  | (0.1)        | –            |
| <b>31 March 2015 (unaudited)</b>                                   | <b>3.8</b>   | –            |
| <b>1 January 2016</b>  | <b>4.8</b>   | <b>0.4</b>   |
| Provision/(reversal of provision) for impairment during the period | 1.0          | (0.1)        |
| Write-offs   | (0.4)        | –            |
| Effect of translation  | (0.1)        | 0.1          |
| <b>31 March 2016 (unaudited)</b>                                   | <b>5.3</b>   | <b>0.4</b>   |

**10. INCOME TAX**

Income tax expense comprises the following:

|  | For the three-month period<br>ended 31 March (unaudited) |              |
|--|--|--------------|
|  | 2016   | 2015         |
| Current tax expense  | 5.6  | 3.3          |
| Deferred income tax benefit due to the origination and reversal of temporary differences | (0.4)  | (4.6)        |
| <b>Income tax expense/(benefit) for the period</b>                                       | <b>5.2</b>   | <b>(1.3)</b> |

The Group's effective income tax rate for the three months ended 31 March 2016 was 52.5% (the three months of 2015: 7.0%). The effective income tax rate for the three-month period ended 31 March 2016 differs from the theoretical tax rate mainly due to non-deductible expenses.

The following table provides disclosure of income tax effects relating to each component of other comprehensive income / (loss):

|  | For the three-month period ended 31 March (unaudited) |                            |              |              |              |              |
|--|---|----------------------------|--------------|--------------|--------------|--------------|
|  | 2016  |                            |              | 2015         |              |              |
|  | Before tax  | Tax expense/<br>(recovery) | Net of tax   | Before tax   | Tax expense  | Net of tax   |
| Net result on financial assets available-for-sale                    | 5.3   | (1.2)                      | 4.1          | 6.8          | (1.1)        | 5.7          |
| Cash flow hedges   | –   | –                          | –            | (0.3)        | –            | (0.3)        |
| Share of other comprehensive income of associates and joint ventures | (1.1)   | –                          | (1.1)        | 0.4          | –            | 0.4          |
| Effect of translation  | (12.9)  | 0.5                        | (12.4)       | (8.4)        | (0.6)        | (9.0)        |
| Land and premises revaluation  | –   | –                          | –            | 0.1          | –            | 0.1          |
| <b>Other comprehensive income/(loss)</b>                             | <b>(8.7)</b>  | <b>(0.7)</b>               | <b>(9.4)</b> | <b>(1.4)</b> | <b>(1.7)</b> | <b>(3.1)</b> |

**11. CASH AND SHORT-TERM FUNDS**

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| Cash on hand  | 126.5                        | 145.5            |
| Cash balances (other than mandatory) with central banks | 650.2                        | 297.8            |
| Correspondent accounts with other banks                 |                              |                  |
| - Russia  | 91.8                         | 51.8             |
| - OECD  | 33.0                         | 60.9             |
| - Other countries                                       | 8.4                          | 14.7             |
| Total correspondent accounts with other banks           | 133.2                        | 127.4            |
| <b>Total cash and short-term funds</b>                  | <b>909.9</b>                 | <b>570.7</b>     |
| Less: correspondent accounts in precious metals         | (6.7)                        | (6.2)            |
| Less: restricted cash                                   | (2.0)                        | (2.9)            |
| <b>Total cash and cash equivalents</b>                  | <b>901.2</b>                 | <b>561.6</b>     |

**12. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| Financial assets held for trading   | 184.7                        | 196.5            |
| Financial assets designated as at fair value through profit or loss               | 37.3                         | 40.6             |
| <b>Total non-derivative financial assets at fair value through profit or loss</b> | <b>222.0</b>                 | <b>237.1</b>     |

**Financial assets held for trading**

|  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--|------------------------------|------------------|
| Debt securities                                      |                              |                  |
| - Bonds and eurobonds of Russian companies and banks | 93.9                         | 77.3             |
| - Bonds and eurobonds of foreign governments         | 32.5                         | 35.9             |
| - Bonds and eurobonds of foreign companies and banks | 25.9                         | 37.5             |
| - Bonds and eurobonds of the Russian Federation      | 12.9                         | 22.3             |
| - Russian municipal bonds                            | 10.5                         | 11.5             |
| Total debt securities                                | 175.7                        | 184.5            |
| Trading credit products                              | 5.2                          | 6.5              |
| Equity securities                                    | 3.8                          | 5.5              |
| <b>Total financial assets held for trading</b>       | <b>184.7</b>                 | <b>196.5</b>     |

As at 31 March 2016, bonds and eurobonds of Russian companies and banks are represented mostly by debt securities issued by banks, finance, metal industry companies and railway transportation companies; equity securities are represented mostly by securities issued by foreign oil and insurance companies.

**Financial assets designated as at fair value through profit or loss**

|  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--|------------------------------|------------------|
| Reverse sale and repurchase agreements to maturity                               | 22.2                         | 24.2             |
| Equity securities  | 15.1                         | 16.4             |
| <b>Total financial assets designated as at fair value through profit or loss</b> | <b>37.3</b>                  | <b>40.6</b>      |

As at 31 March 2016 equity securities are represented mostly by securities issued by Russian retail and finance companies.

**13. DERIVATIVE FINANCIAL INSTRUMENTS**

Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The table below includes derivative contracts outstanding:

|  | 31 March 2016 (unaudited) |                     | 31 December 2015    |                     |
|--|---------------------------|---------------------|---------------------|---------------------|
|  | Positive fair value       | Negative fair value | Positive fair value | Negative fair value |
| <b>Derivative financial assets and liabilities at fair value through profit or loss held for trading</b>       |                           |                     |                     |                     |
| Foreign exchange and precious metals contracts   |                           |                     |                     |                     |
| forwards   | 3.6                       | (4.2)               | 4.9                 | (5.1)               |
| futures  | 0.4                       | (2.0)               | 1.3                 | (7.2)               |
| swaps  | 9.6                       | (10.6)              | 6.2                 | (12.4)              |
| options  | 2.8                       | (7.2)               | 11.3                | (14.2)              |
| Contracts with securities  |                           |                     |                     |                     |
| forward sale of equity securities  | 17.4                      | –                   | 19.4                | –                   |
| forward sale of debt securities  | –                         | (0.1)               | –                   | –                   |
| options  | 5.1                       | (3.8)               | 9.2                 | (7.0)               |
| swaps  | 2.8                       | –                   | 1.7                 | –                   |
| Interest Rate contracts  |                           |                     |                     |                     |
| single currency interest rate swaps  | 34.9                      | (30.6)              | 28.3                | (24.8)              |
| cross currency interest rate swaps   | 170.1                     | (152.4)             | 197.9               | (196.2)             |
| cap/floor  | –                         | (0.4)               | –                   | (0.4)               |
| interest rate futures  | 0.1                       | –                   | –                   | –                   |
| Contracts with other basic variables   |                           |                     |                     |                     |
| CDS protection sold  | 2.0                       | (1.4)               | 2.5                 | (2.0)               |
| CDS protection purchased   | 0.6                       | (1.3)               | 1.3                 | (1.4)               |
| futures on indexes   | –                         | (0.1)               | –                   | (0.3)               |
| options on indexes   | 3.0                       | (2.6)               | 2.0                 | (1.9)               |
| commodity swaps  | 0.7                       | (0.1)               | 0.1                 | (0.1)               |
| commodity futures  | 0.2                       | (0.3)               | 0.1                 | (0.1)               |
| commodity options  | 5.5                       | (5.6)               | 7.0                 | (6.8)               |
| commodity forwards   | 0.2                       | (0.5)               | –                   | –                   |
| Embedded derivatives on structured instruments   |                           |                     |                     |                     |
| embedded derivatives on foreign exchange instruments   | 9.0                       | (3.2)               | 11.4                | (4.0)               |
| embedded derivatives on credit risk  | 0.1                       | –                   | 0.2                 | –                   |
| <b>Total derivative financial assets and liabilities at fair value through profit or loss held for trading</b> | <b>268.1</b>              | <b>(226.4)</b>      | <b>304.8</b>        | <b>(283.9)</b>      |
| <b>Derivative financial assets and liabilities designated as hedging instruments</b>                           |                           |                     |                     |                     |
| Derivatives held as fair value hedges  |                           |                     |                     |                     |
| interest rate swaps  | –                         | (0.5)               | –                   | –                   |
| Derivatives held as cash flow hedges   |                           |                     |                     |                     |
| interest rate swaps  | –                         | (0.1)               | –                   | –                   |
| foreign exchange swaps   | 0.2                       | –                   | –                   | (0.1)               |
| foreign exchange forwards  | –                         | (0.2)               | –                   | (0.1)               |
| <b>Total derivative financial assets and liabilities designated as hedging instruments</b>                     | <b>0.2</b>                | <b>(0.8)</b>        | <b>–</b>            | <b>(0.2)</b>        |
| <b>Total derivative financial assets and liabilities</b>   | <b>268.3</b>              | <b>(227.2)</b>      | <b>304.8</b>        | <b>(284.1)</b>      |

**14. FINANCIAL ASSETS, OTHER THAN LOANS AND ADVANCES TO CUSTOMERS AND DUE FROM OTHER BANKS, PLEDGED UNDER REPURCHASE AGREEMENTS**

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| <b>Financial assets at fair value through profit or loss</b>  |                              |                  |
| Financial assets held for trading   |                              |                  |
| Debt securities   |                              |                  |
| - Bonds and eurobonds of Russian companies and banks  | 45.2                         | 49.5             |
| - Bonds and eurobonds of the Russian Federation   | 4.7                          | 19.9             |
| <b>Total debt securities</b>  | <b>49.9</b>                  | <b>69.4</b>      |
| Equity securities   | 1.5                          | 1.6              |
| <b>Total financial assets at fair value through profit or loss</b>  | <b>51.4</b>                  | <b>71.0</b>      |
| <b>Investment financial assets available-for-sale</b>   |                              |                  |
| Debt securities   |                              |                  |
| - Bonds and eurobonds of Russian companies and banks  | 5.8                          | 5.2              |
| - Bonds and eurobonds of foreign governments  | 3.0                          | 2.6              |
| - Bonds and eurobonds of foreign companies and banks  | 0.3                          | 0.3              |
| - Bonds and eurobonds of the Russian Federation   | -                            | 12.5             |
| <b>Total debt securities</b>  | <b>9.1</b>                   | <b>20.6</b>      |
| <b>Total investments financial assets available-for-sale</b>  | <b>9.1</b>                   | <b>20.6</b>      |
| <b>Investment financial assets held-to-maturity</b>   |                              |                  |
| - Bonds and eurobonds of Russian companies and banks  | 11.7                         | 8.5              |
| - Bonds and eurobonds of the Russian Federation   | -                            | 64.9             |
| <b>Total gross investment financial assets held-to-maturity</b>   | <b>11.7</b>                  | <b>73.4</b>      |
| <b>Total net investment financial assets held-to-maturity</b>   | <b>11.7</b>                  | <b>73.4</b>      |
| <b>Total financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements</b> | <b>72.2</b>                  | <b>165.0</b>     |

As at 31 March 2016, bonds and eurobonds of Russian companies and banks included in financial assets pledged under repurchase agreements are mostly represented by debt securities issued by banks and oil companies.

**15. DUE FROM OTHER BANKS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS**

|  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--|------------------------------|------------------|
| Due from other banks   |                              |                  |
| - Russia   | 411.5                        | 428.6            |
| - OECD   | 190.4                        | 196.2            |
| - Other countries  | 465.5                        | 731.5            |
| <b>Total gross due from other banks</b>  | <b>1,067.4</b>               | <b>1,356.3</b>   |
| Less: Allowance for impairment   | (2.9)                        | (3.1)            |
| <b>Total net due from other banks</b>  | <b>1,064.5</b>               | <b>1,353.2</b>   |
| Due from other banks pledged under repurchase agreements                         |                              |                  |
| - Russia   | 26.1                         | 5.0              |
| <b>Total gross due from other banks, pledged under repurchase agreements</b>     | <b>26.1</b>                  | <b>5.0</b>       |
| <b>Total due from other banks, including pledged under repurchase agreements</b> | <b>1,090.6</b>               | <b>1,358.2</b>   |

**15. DUE FROM OTHER BANKS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)**

The movements in allowances for impairment of due from other banks, including pledged under repurchase agreements, by classes were as follows:

|  | Russia     | OECD       | Other      | Total      |
|--|------------|------------|------------|------------|
| <b>1 January 2015</b>                                  | <b>1.5</b> | <b>0.1</b> | <b>2.6</b> | <b>4.2</b> |
| Reversal of provision for impairment during the period | –          | –          | (0.2)      | (0.2)      |
| Effect of translation                                  | –          | –          | 0.2        | 0.2        |
| <b>31 March 2015 (unaudited)</b>                       | <b>1.5</b> | <b>0.1</b> | <b>2.6</b> | <b>4.2</b> |
| <b>1 January 2016</b>                                  | <b>1.8</b> | <b>0.1</b> | <b>1.2</b> | <b>3.1</b> |
| Effect of translation                                  | –          | –          | (0.2)      | (0.2)      |
| <b>31 March 2016 (unaudited)</b>                       | <b>1.8</b> | <b>0.1</b> | <b>1.0</b> | <b>2.9</b> |

**16. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS**

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| Loans to legal entities   |                              |                  |
| - Current activity financing  | 5,191.8                      | 5,339.3          |
| - Project finance and other   | 1,441.4                      | 1,629.9          |
| - Finance leases  | 247.0                        | 261.0            |
| - Reverse sale and repurchase agreements  | 159.6                        | 309.5            |
| <b>Total gross loans to legal entities</b>  | <b>7,039.8</b>               | <b>7,539.7</b>   |
| Less: Allowance for loans to legal entities impairment                                      | (471.3)                      | (478.8)          |
| <b>Net loans to legal entities</b>  | <b>6,568.5</b>               | <b>7,060.9</b>   |
| Loans to individuals  |                              |                  |
| - Mortgages   | 896.5                        | 875.1            |
| - Consumer loans and other  | 867.8                        | 857.3            |
| - Credit cards  | 126.3                        | 124.1            |
| - Car loans   | 93.4                         | 100.2            |
| - Reverse sale and repurchase agreements  | 3.5                          | 3.3              |
| <b>Total gross loans to individuals</b>   | <b>1,987.5</b>               | <b>1,960.0</b>   |
| Less: Allowance for loans to individuals impairment   | (206.4)                      | (193.2)          |
| <b>Net loans to individuals</b>   | <b>1,781.1</b>               | <b>1,766.8</b>   |
| Loans and advances to customers pledged under repurchase agreements                         |                              |                  |
| - Current activity financing  | 230.6                        | 610.3            |
| <b>Total gross loans and advances to customers pledged under repurchase agreements</b>      | <b>230.6</b>                 | <b>610.3</b>     |
| Less: Allowance for loans pledged under REPO impairment                                     | (0.4)                        | (0.5)            |
| <b>Net loans and advances pledged under repurchase agreements</b>                           | <b>230.2</b>                 | <b>609.8</b>     |
| <b>Total loans and advances to customers, including pledged under repurchase agreements</b> | <b>8,579.8</b>               | <b>9,437.5</b>   |

Finance leases represent loans to leasing companies and net investment in leases. As at 31 March 2016, included in gross loans are finance lease receivables of RUR 170.1 billion (31 December 2015: RUR 178.5 billion), equal to the net investment in lease before allowance for impairment.

As at 31 March 2016, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 2,059.5 billion, or 22.2% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2015: RUR 2,439.1 billion or 24.1%).

As at 31 March 2016, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 662.6 billion or 7.2% of the aggregate of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2015: RUR 635.4 billion, or 6.3%).

In March 2016, as a result of debt settlement, the Group recognised RUR 34.8 billion of premises, RUR 2.3 billion of investment property and RUR 8.9 billion of other assets.

**16. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)**

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

|   | 31 March 2016 (unaudited) |              | 31 December 2015 |              |
|---|---------------------------|--------------|------------------|--------------|
|   | Amount                    | %            | Amount           | %            |
| Individuals   | 1,987.5                   | 21.5         | 1,960.0          | 19.4         |
| Building construction   | 965.7                     | 10.4         | 1,007.8          | 10.0         |
| Oil and gas   | 860.5                     | 9.3          | 900.5            | 8.9          |
| Government bodies   | 842.7                     | 9.1          | 884.3            | 8.7          |
| Manufacturing   | 832.7                     | 9.0          | 888.5            | 8.8          |
| Metals  | 766.7                     | 8.3          | 1,217.6          | 12.0         |
| Trade and commerce  | 472.5                     | 5.1          | 540.4            | 5.3          |
| Finance   | 456.1                     | 4.9          | 509.9            | 5.0          |
| Chemical  | 450.7                     | 4.9          | 634.9            | 6.3          |
| Energy  | 433.6                     | 4.7          | 387.9            | 3.8          |
| Transport   | 411.3                     | 4.4          | 402.5            | 4.0          |
| Telecommunications and media  | 273.0                     | 2.9          | 243.0            | 2.4          |
| Food and agriculture  | 195.6                     | 2.1          | 200.1            | 2.0          |
| Coal mining   | 173.4                     | 1.9          | 187.1            | 1.9          |
| Aircraft  | 12.2                      | 0.1          | 12.3             | 0.1          |
| Other   | 123.7                     | 1.4          | 133.2            | 1.4          |
| <b>Total gross loans and advances to customers, including pledged under repurchase agreements</b> | <b>9,257.9</b>            | <b>100.0</b> | <b>10,110.0</b>  | <b>100.0</b> |

Finance industry includes loans issued to holding companies of industrial groups, mergers and acquisitions financing, and loans to leasing, insurance and other non-bank financial companies.

The movements in allowances for impairment of loans and advances to legal entities, including pledged under repurchase agreements, by class were as follows:

|  | Current activity financing | Project finance and other | Reverse sale and repurchase agreements with legal entities | Finance leases | Loans and advances under repurchase agreements | Total         |
|--|----------------------------|---------------------------|--|----------------|--|---------------|
| <b>1 January 2015</b>  | <b>286.6</b>               | <b>148.6</b>              | <b>–</b>   | <b>21.3</b>    | <b>0.5</b>                                     | <b>457.0</b>  |
| Provision for impairment during the period                           | 21.9                       | 2.5                       | –  | 0.5            | –  | <b>24.9</b>   |
| Write-offs   | (16.9)                     | (3.8)                     | –  | (0.8)          | –  | <b>(21.5)</b> |
| Recoveries of amounts written-off in previous period                 | 0.2                        | –                         | –  | –              | –  | <b>0.2</b>    |
| Effect of translation  | (3.4)                      | 2.4                       | –  | 0.1            | –  | <b>(0.9)</b>  |
| <b>31 March 2015 (unaudited)</b>                                     | <b>288.4</b>               | <b>149.7</b>              | <b>–</b>   | <b>21.1</b>    | <b>0.5</b>                                     | <b>459.7</b>  |
| <b>1 January 2016</b>  | <b>286.1</b>               | <b>158.2</b>              | <b>0.1</b>   | <b>34.4</b>    | <b>0.5</b>                                     | <b>479.3</b>  |
| Provision / (reversal of provision) for impairment during the period | 18.8                       | (0.8)                     | –  | (0.2)          | –  | <b>17.8</b>   |
| Write-offs   | (3.0)                      | (5.7)                     | –  | –              | –  | <b>(8.7)</b>  |
| Recoveries of amounts written-off in previous period                 | 0.7                        | 0.1                       | –  | –              | –  | <b>0.8</b>    |
| Effect of translation  | (10.0)                     | (5.3)                     | –  | (2.1)          | (0.1)  | <b>(17.5)</b> |
| <b>31 March 2016 (unaudited)</b>                                     | <b>292.6</b>               | <b>146.5</b>              | <b>0.1</b>   | <b>32.1</b>    | <b>0.4</b>                                     | <b>471.7</b>  |

Allowance for finance leases represents allowances for loans to leasing companies and net investment in leases.

**16. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)**

The movements in allowances for impairment of loans and advances to individuals by class were as follows:

|  | Mortgages   | Consumer<br>loans and other | Credit cards | Car loans  | Total        |
|--|-------------|-----------------------------|--------------|------------|--------------|
| <b>1 January 2015</b>                                | <b>15.6</b> | <b>116.3</b>                | <b>15.5</b>  | <b>8.7</b> | <b>156.1</b> |
| Provision for impairment during the period           | 0.5         | 19.4                        | 3.0          | 0.8        | 23.7         |
| Write-offs   | (0.2)       | (0.7)                       | (0.1)        | (0.1)      | (1.1)        |
| Recoveries of amounts written-off in previous period | –           | 0.2                         | –            | –          | 0.2          |
| Effect of translation                                | 0.2         | (0.9)                       | (0.1)        | (0.3)      | (1.1)        |
| <b>31 March 2015 (unaudited)</b>                     | <b>16.1</b> | <b>134.3</b>                | <b>18.3</b>  | <b>9.1</b> | <b>177.8</b> |
| <b>1 January 2016</b>                                | <b>17.2</b> | <b>145.4</b>                | <b>21.1</b>  | <b>9.5</b> | <b>193.2</b> |
| Provision for impairment during the period           | 1.7         | 13.1                        | 2.4          | 0.6        | 17.8         |
| Write-offs   | (0.8)       | (2.1)                       | (0.3)        | (0.1)      | (3.3)        |
| Recoveries of amounts written-off in previous period | 0.2         | 0.3                         | –            | –          | 0.5          |
| Effect of translation                                | (1.0)       | (0.8)                       | 0.1          | (0.1)      | (1.8)        |
| <b>31 March 2016 (unaudited)</b>                     | <b>17.3</b> | <b>155.9</b>                | <b>23.3</b>  | <b>9.9</b> | <b>206.4</b> |

**17. INVESTMENT FINANCIAL ASSETS**

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| <b>Investment financial assets available-for-sale</b>           |                              |                  |
| Debt securities   |                              |                  |
| - Bonds and eurobonds of foreign governments                    | 73.3                         | 81.3             |
| - Bonds and eurobonds of the Russian Federation                 | 50.2                         | 25.8             |
| - Bonds and eurobonds of foreign companies and banks            | 15.8                         | 16.6             |
| - Bonds and eurobonds of Russian companies and banks            | 15.5                         | 20.3             |
| - Russian municipal bonds                                       | 2.1                          | 2.2              |
| - Promissory notes of Russian companies and banks               | 0.2                          | 0.2              |
| Total debt securities   | 157.1                        | 146.4            |
| Equity securities   | 45.1                         | 43.7             |
| <b>Total investment financial assets available-for-sale</b>     | <b>202.2</b>                 | <b>190.1</b>     |
| <b>Investment financial assets held-to-maturity</b>             |                              |                  |
| - Bonds and eurobonds of the Russian Federation                 | 78.3                         | 16.0             |
| - Bonds and eurobonds of Russian companies and banks            | 58.1                         | 52.7             |
| - Bonds and eurobonds of foreign companies and banks            | 4.5                          | 0.2              |
| - Bonds and eurobonds of foreign governments                    | 0.6                          | 0.4              |
| <b>Total gross investment financial assets held-to-maturity</b> | <b>141.5</b>                 | <b>69.3</b>      |
| Less: Allowance for impairment                                  | (0.1)                        | (0.1)            |
| <b>Total net investment financial assets held-to-maturity</b>   | <b>141.4</b>                 | <b>69.2</b>      |
| <b>Total investment financial assets</b>                        | <b>343.6</b>                 | <b>259.3</b>     |

As at 31 March 2016, bonds and eurobonds of foreign governments are represented mostly by bonds issued by German and USA government and municipal bodies. As at 31 March 2016, bonds and eurobonds of Russian companies and banks are represented mostly by bonds issued by oil and finance companies; equity securities are represented mostly by shares of Russian energy, metal and finance companies.

During three-month period ended 31 March 2016, the Group recognized an impairment loss of RUR 0.7 billion before tax, and realised portion of negative revaluation of financial assets available-for-sale transferred to income statement due to the sale of financial assets available-for-sale at loss of RUR 1.1 billion before tax (2015: RUR 4.0 billion of impairment and RUR 3.4 billion of positive revaluation respectively).

**17. INVESTMENT FINANCIAL ASSETS (CONTINUED)****Reclassifications**

During three-month period ended 31 March 2016, the Group reclassified certain financial assets that met the definition of loans and receivables out of investment financial assets available-for-sale category to due from other banks. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and

reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 6.4% to 6.8%. As at the date of reclassification the Group expects to recover the estimated cash flows of RUR 13.0 billion.

|  | Due from other banks |
|--|----------------------|
| Fair value as at the date of reclassification  | 12.4                 |
| Carrying amount as at 31 March   | 10.9                 |
| Fair value as at 31 March  | 10.9                 |
| Loss recognized after reclassification in other comprehensive income for the three-months period ended 31 March 2016 | (1.0)                |
| Loss recognized after reclassification in profit or loss for the three-months period ended 31 March 2016             | (0.5)                |

**18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| Investments in associates and joint ventures designated as at fair value through profit or loss | 63.0                         | 63.5             |
| Investments in associates and joint ventures accounted under equity method                      | 34.4                         | 40.8             |
| <b>Total investments in associates and joint ventures</b>                                       | <b>97.4</b>                  | <b>104.3</b>     |

In February 2016 Bank of Moscow, OJSC sold 49.0% of shares in associated entity "Perovskoe", OJSC to a third party for the total consideration of RUR 0.7 billion with no gain or loss recognized.

**19. DISPOSAL GROUPS HELD FOR SALE**

The Group has investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these investments in the near future, within one year from the initial classification as a disposal group.

|   |                         | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|-------------------------|------------------------------|------------------|
| <b>Assets of disposal groups held for sale:</b>           |                         |                              |                  |
| Mariisky NPZ, CJSC  | 99.3% owned subsidiary  | 6.9                          | 13.3             |
| Hotel complex Orehovo, JSC                                | 100.0% owned subsidiary | 1.7                          | 1.7              |
| Other   | 100.0% owned subsidiary | 0.8                          | 0.8              |
| <b>Total assets of disposal groups held for sale</b>      |                         | <b>9.4</b>                   | <b>15.8</b>      |
| <b>Liabilities of disposal groups held for sale:</b>      |                         |                              |                  |
| Mariisky NPZ, CJSC  | 99.3% owned subsidiary  | 11.1                         | 12.4             |
| Hotel complex Orehovo, JSC                                | 100.0% owned subsidiary | 0.3                          | 0.3              |
| Other   | 100.0% owned subsidiary | 0.3                          | 0.3              |
| <b>Total liabilities of disposal groups held for sale</b> |                         | <b>11.7</b>                  | <b>13.0</b>      |

As at 31 March 2016 the Group accounted for investments in Hotel complex Orehovo, JSC as a disposal group held for sale under IFRS 5 and considers that sale is highly probable.

As at 31 March 2016 the Group remains committed to the plans to sell Mariisky NPZ, CJSC and considers that sale is highly probable.

**20. DUE TO OTHER BANKS**

|  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--|------------------------------|------------------|
| Term loans and deposits                                      | 763.5                        | 1,046.4          |
| Correspondent accounts and overnight deposits of other banks | 150.5                        | 145.1            |
| Sale and repurchase agreements with other banks              | 51.8                         | 32.5             |
| <b>Total due to other banks</b>                              | <b>965.8</b>                 | <b>1,224.0</b>   |

**21. CUSTOMER DEPOSITS**

|                                | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--------------------------------|------------------------------|------------------|
| <b>Government bodies</b>       |                              |                  |
| Current/settlement deposits    | 78.0                         | 102.4            |
| Term deposits                  | 620.8                        | 443.2            |
| <b>Other legal entities</b>    |                              |                  |
| Current/settlement deposits    | 1,416.9                      | 905.9            |
| Term deposits                  | 2,491.5                      | 2,926.1          |
| <b>Individuals</b>             |                              |                  |
| Current/settlement deposits    | 461.4                        | 465.7            |
| Term deposits                  | 2,363.0                      | 2,417.7          |
| Sale and repurchase agreements | 0.1                          | 6.0              |
| <b>Total customer deposits</b> | <b>7,431.7</b>               | <b>7,267.0</b>   |

As at 31 March 2016, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 2,227.7 billion or 30.0% of total customer deposits (31 December 2015: RUR 2,071.3 billion or 28.5%).

As at 31 March 2016, deposits of RUR 75.8 billion (31 December 2015: RUR 53.4 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees (Note 29).

**22. OTHER BORROWED FUNDS**

|  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--|------------------------------|------------------|
| Funds from local central banks:          | 1,167.3                      | 1,751.6          |
| - Term deposits from local central banks | 893.4                        | 946.6            |
| - Sale and Repurchase Agreements         | 273.9                        | 805.0            |
| Syndicated loans                         | 146.4                        | 156.8            |
| Other borrowings                         | 254.7                        | 213.1            |
| <b>Total other borrowed funds</b>        | <b>1,568.4</b>               | <b>2,121.5</b>   |

In September 2011, "Bank of Moscow", OJSC received a RUR 294.8 billion deposit from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support (the "Plan") of "Bank of Moscow", OJSC approved by the CBR and the DIA. During the fourth quarter 2014, the DIA agreed to the deposit extension due to adverse effects of the current political and macro-economic environment on "Bank of Moscow", OJSC and its clients, which in turn influenced the execution of the Plan. In December 2014, the CBR and the DIA approved the extension of the deposit until September 2026 at 0.51% p.a.

As at 31 March 2016, the carrying amount of the deposit amounted to RUR 75.6 billion (31 December 2015: RUR 73.7 billion) and was included in Other Borrowings. The contractual amount of the deposit was

RUR 269.2 billion as at 31 March 2016 (31 December 2015: RUR 269.4 billion). The deposit was collateralized by loans and advances to customers with the carrying amount of RUR 216.0 billion as at 31 March 2016 (31 December 2015: RUR 119.2 billion).

Under the terms of the deposit agreement, if certain reference distressed assets perform better than originally anticipated, the Group is required to repay a corresponding part of the deposit.

As at 31 March 2016, funds from local central banks contain the amount of RUR 873.4 billion (31 December 2015: RUR 929.0 billion) secured by pledged loans to customers in the amount of RUR 1,187.6 billion (31 December 2015: RUR 1,070.9 billion).

**23. DEBT SECURITIES ISSUED**

|                                     | 31 March 2016<br>(unaudited) | 31 December 2015 |
|-------------------------------------|------------------------------|------------------|
| Bonds                               | 409.0                        | 479.5            |
| Promissory notes                    | 86.9                         | 126.4            |
| Deposit certificates                | 18.1                         | 17.6             |
| <b>Total debt securities issued</b> | <b>514.0</b>                 | <b>623.5</b>     |

The bonds represent eurobonds issued mostly under EMTN and ECP programs and local bonds issued by VTB and other Group members with the carrying amounts at the end of the reporting periods as follows:

|                      | Rates, p.a.     | Maturity  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|----------------------|-----------------|-----------|------------------------------|------------------|
| USD Eurobonds (EMTN) | 6.00% to 6.88%  | 2017-2035 | 288.0                        | 307.8            |
| Local bonds          | 3.00% to 27.00% | 2016-2046 | 66.3                         | 98.9             |
| CHF Eurobonds (EMTN) | 2.90% to 3.15%  | 2016-2018 | 32.2                         | 34.2             |
| Other Eurobonds      | 2.25% to 11.00% | 2016-2017 | 22.5                         | 38.6             |
| <b>Total bonds</b>   |                 |           | <b>409.0</b>                 | <b>479.5</b>     |

Promissory notes represent notes primarily issued in the local market as an alternative to customer/bank deposits. As at 31 March 2016 promissory notes issued included both discount and interest bearing promissory notes denominated mainly in RUR with maturity ranging from demand to December 2044 (31 December 2015: from demand to December 2044).

**24. OTHER RESERVES**

Movements in other reserves were as follows:

|  | Unrealised gain on<br>financial assets<br>available-for-sale<br>and cash flow hedge | Land and<br>premises<br>revaluation<br>reserve | Currency<br>translation<br>difference | Total       |
|--|---|--|---------------------------------------|-------------|
| <b>1 January 2015</b>  | <b>(18.7)</b>   | <b>17.2</b>                                    | <b>44.3</b>                           | <b>42.8</b> |
| Total comprehensive income/(loss) for the period                       | 5.4   | 0.1  | (8.6)                                 | (3.1)       |
| Transfer of premises revaluation reserve upon disposal or depreciation | -   | (0.1)  | -                                     | (0.1)       |
| <b>31 March 2015 (unaudited)</b>                                       | <b>(13.3)</b>   | <b>17.2</b>                                    | <b>35.7</b>                           | <b>39.6</b> |
| <b>1 January 2016</b>  | <b>(5.3)</b>  | <b>22.2</b>                                    | <b>55.3</b>                           | <b>72.2</b> |
| Total comprehensive income/(loss) for the period                       | 4.3   | -  | (13.3)                                | (9.0)       |
| Transfer of premises revaluation reserve upon disposal or depreciation | -   | (0.6)  | -                                     | (0.6)       |
| <b>31 March 2016 (unaudited)</b>                                       | <b>(1.0)</b>  | <b>21.6</b>                                    | <b>42.0</b>                           | <b>62.6</b> |

## RISK

|  |    |
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## 25. OPERATING ENVIRONMENT OF THE GROUP

### The Russian Federation

The majority of the Group's operations are conducted in the Russian Federation (Russia). 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 2014 and 2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. During the three months ended 31 March 2016, the following were the key changes in select macro-economic indicators:

- the CBR exchange rate appreciated from RUR 72.8827 to RUR 67.6076 per USD;
- the CBR key interest rate remained at 11.0% p.a.;
- the RTS stock exchange index increased from 757.0 to 876.2.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Also, factors including contraction of real incomes of households, reduced corporate liquidity and profitability and increased corporate and personal insolvencies may affect the Group's borrowers' ability to repay the amounts due to the Group. In addition, adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

### Ukraine

In 2014 and 2015, the economic and political situation in Ukraine deteriorated significantly. As a result, Ukraine has experienced a fall in gross domestic product, a significant negative balance of payments and a sharp reduction in foreign currency reserves. Furthermore, during the three months ended 31 March 2016 the Ukrainian Hryvnia devalued to major foreign currencies by approximately 9%. The National Bank of Ukraine imposed certain restrictions on foreign currency operations. Restrictions have also been introduced for certain cross-border settlements, including payments of dividends. International rating agencies have downgraded sovereign debt ratings for Ukraine.

As at 31 March 2016 and 31 December 2015, the Group's investments in Ukrainian sovereign and municipal securities as well as loans to Ukrainian government fully or majority owned enterprises amounted to less than 0.1% of the Group's total assets. The Group continues to monitor the situation in Ukraine and take appropriate actions in order to minimize the effects of these risks. The risk assessment is reviewed constantly to reflect the current situation.

The combination of the above events has resulted in a tighter credit conditions and deterioration of asset quality. Further significant negative developments in Ukraine could adversely impact the results and financial position of the Group and of the Group's Ukrainian subsidiaries in a manner not currently determinable.

### Other jurisdictions

In addition to Russia, the Group conducts operations in Belarus, Kazakhstan, Azerbaijan, Armenia and Georgia, certain European countries (Austria, Germany, France, Great Britain and Serbia) and several other countries. Difficult economic and financial market situation in certain of these jurisdictions led to a decrease or negative growth of GDP, currency devaluation, reduced consumption, as well as a decline in investment activities.

Since the second half of 2014 the Group operates under limited sectorial sanctions imposed by several countries on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and its financial performance.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 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 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement of a financial instrument in its entirety.

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 March 2016:

|  | Quoted prices<br>in active<br>markets<br>Level 1 | Significant<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 | Total |
|--|--|--|--|-------|
| <b>Financial assets measured at fair value</b>   |  |  |  |       |
| <b>Non-derivative financial assets at fair value through profit or loss</b>  |  |  |  |       |
| Financial assets held for trading  |  |  |  |       |
| - Debt securities  | 96.1   | 61.5   | 18.1   | 175.7 |
| - Trading credit products  | –  | –  | 5.2  | 5.2   |
| - Equity securities  | 3.8  | –  | –  | 3.8   |
| Financial assets designated as at fair value through profit or loss  |  |  |  |       |
| - Reverse sale and repurchase agreements to maturity   | –  | 22.2   | –  | 22.2  |
| - Equity securities  | 9.1  | –  | 6.0  | 15.1  |
| <b>Derivative financial assets at fair value through profit or loss</b>  |  |  |  |       |
| <b>Trading derivative financial instruments</b>  |  |  |  |       |
| - Interest rate contracts  | –  | 174.5  | 30.6   | 205.1 |
| - Foreign exchange and precious metals contracts   | –  | 16.1   | 0.3  | 16.4  |
| - Contracts with securities  | –  | 7.9  | 17.4   | 25.3  |
| - Other basic assets contracts   | –  | 12.0   | 0.2  | 12.2  |
| - Embedded derivatives on structured instruments   | –  | 0.1  | 9.0  | 9.1   |
| <b>Hedging derivative financial instruments</b>  |  |  |  |       |
| - Derivatives held as cash flow hedges   | –  | 0.2  | –  | 0.2   |
| <b>Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements</b> |  |  |  |       |
| <b>Financial assets held for trading</b>   |  |  |  |       |
| - Debt securities  | 14.0   | 35.6   | 0.3  | 49.9  |
| - Equity securities  | 1.5  | –  | –  | 1.5   |
| <b>Investment financial assets available-for-sale</b>  |  |  |  |       |
| - Debt securities  | 0.6  | 8.5  | –  | 9.1   |
| <b>Investment financial assets available-for-sale</b>  |  |  |  |       |
| - Debt securities  | 77.8   | 76.9   | 2.4  | 157.1 |
| - Equity securities  | 19.0   | –  | 26.1   | 45.1  |
| <b>Investments in associates and joint ventures designated as at fair value through profit or loss</b>               |  |  |  |       |
|  | –  | –  | 63.0   | 63.0  |
| <b>Other financial assets</b>  |  |  |  |       |
| Amounts in course of settlement related to regular way transactions with financial instruments                       | –  | 0.5  | –  | 0.5   |
| Other financial assets accounted at fair value   | –  | 2.2  | –  | 2.2   |
| <b>Financial liabilities measured at fair value</b>  |  |  |  |       |
| <b>Derivative financial liabilities</b>  |  |  |  |       |
| <b>Trading derivative financial instruments</b>  |  |  |  |       |
| - Interest rate contracts  | –  | 183.4  | –  | 183.4 |
| - Foreign exchange and precious metals contracts   | –  | 24.0   | –  | 24.0  |
| - Contracts with securities  | –  | 3.9  | –  | 3.9   |
| - Other basic assets contracts   | –  | 11.9   | –  | 11.9  |
| - Embedded derivatives on structured instruments   | –  | –  | 3.2  | 3.2   |
| <b>Hedging derivative financial instruments</b>  |  |  |  |       |
| - Derivatives held as fair flow hedges   | –  | 0.5  | –  | 0.5   |
| - Derivatives held as cash flow hedges   | –  | 0.3  | –  | 0.3   |
| <b>Other financial liabilities</b>   |  |  |  |       |
| Obligation to deliver securities   | 35.4   | 0.1  | –  | 35.5  |
| Non-controlling interests in consolidated mutual funds   | –  | –  | 2.8  | 2.8   |
| Amounts in course of settlement related to regular way transactions with financial instruments                       | –  | 0.4  | –  | 0.4   |
| Other financial liabilities accounted at fair value  | –  | 0.1  | 3.8  | 3.9   |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2015:

|  | Quoted prices<br>in active<br>markets<br>Level 1 | Significant<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 | Total |
|--|--|--|--|-------|
| <b>Financial assets measured at fair value</b>   |  |  |  |       |
| <b>Non-derivative financial assets at fair value through profit or loss</b>  |  |  |  |       |
| Financial assets held for trading  |  |  |  |       |
| - Debt securities  | 98.3   | 70.8   | 15.4   | 184.5 |
| - Trading credit products  | –  | –  | 6.5  | 6.5   |
| - Equity securities  | 5.5  | –  | –  | 5.5   |
| Financial assets designated as at fair value through profit or loss  |  |  |  |       |
| - Debt securities  | –  | –  | –  | –     |
| - Reverse sale and repurchase agreements to maturity   | –  | 24.2   | –  | 24.2  |
| - Equity securities  | 10.3   | –  | 6.1  | 16.4  |
| <b>Derivative financial assets at fair value through profit or loss</b>  |  |  |  |       |
| Trading derivative financial instruments   |  |  |  |       |
| - Interest rate contracts  | –  | 187.8  | 38.4   | 226.2 |
| - Foreign exchange and precious metals contracts   | –  | 19.2   | 4.5  | 23.7  |
| - Contracts with securities  | –  | 10.9   | 19.4   | 30.3  |
| - Other basic assets contracts   | –  | 12.7   | 0.3  | 13.0  |
| - Embedded derivatives on structured instruments   | –  | 0.2  | 11.4   | 11.6  |
| <b>Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements</b> |  |  |  |       |
| Financial assets held for trading  |  |  |  |       |
| - Debt securities  | 35.9   | 32.9   | 0.6  | 69.4  |
| - Equity securities  | 1.6  | –  | –  | 1.6   |
| Investment financial assets available-for-sale   |  |  |  |       |
| - Debt securities  | 2.0  | 18.5   | 0.1  | 20.6  |
| <b>Investment financial assets available-for-sale</b>  |  |  |  |       |
| - Debt securities  | 69.1   | 67.1   | 10.2   | 146.4 |
| - Equity securities  | 17.8   | –  | 25.9   | 43.7  |
| <b>Investments in associates and joint ventures designated as at fair value through profit or loss</b>               | –  | –  | 63.5   | 63.5  |
| <b>Other financial assets</b>  |  |  |  |       |
| Amounts in course of settlement related to regular way transactions with financial instruments                       | –  | 0.1  | –  | 0.1   |
| Other financial assets accounted at fair value   | –  | 0.1  | –  | 0.1   |
| <b>Financial liabilities measured at fair value</b>  |  |  |  |       |
| <b>Derivative financial liabilities</b>  |  |  |  |       |
| Trading derivative financial instruments   |  |  |  |       |
| - Interest rate contracts  | –  | 221.4  | –  | 221.4 |
| - Foreign exchange and precious metals contracts   | –  | 38.9   | –  | 38.9  |
| - Contracts with securities  | –  | 7.0  | –  | 7.0   |
| - Other basic assets contracts   | –  | 12.6   | –  | 12.6  |
| - Embedded derivatives on structured instruments   | –  | –  | 4.0  | 4.0   |
| Hedging derivative financial instruments   |  |  |  |       |
| - Derivatives held as cash flow hedges   | –  | 0.2  | –  | 0.2   |
| <b>Other financial liabilities</b>   |  |  |  |       |
| Obligation to deliver securities   | 36.9   | 0.3  | –  | 37.2  |
| Non-controlling interests in consolidated mutual funds   | –  | –  | 2.7  | 2.7   |
| Amounts in course of settlement related to regular way transactions with financial instruments                       | –  | 0.3  | –  | 0.3   |
| Other financial liabilities accounted at fair value  | –  | 0.1  | 4.2  | 4.3   |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

Financial assets at fair value through profit or loss are mainly dependent on the change of input variables used to determine fair value, such as interest rates, credit spreads, and foreign exchange rates. A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

**Movement in Level 3 financial instruments measured at fair value**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the three-month period ended 31 March 2016 is as follows:

|   | Non-derivative financial assets at fair value through profit or loss             |   | Investment financial assets available-for-sale, including pledged under repurchase agreements | Investments in associates and joint ventures at fair value through profit or loss | Trading derivative financial assets and liabilities (net) | Other financial liabilities                            |   |
|---|--|---|---|---|---|--|---|
|   | Financial assets held for trading, including pledged under repurchase agreements | Financial assets designated as at fair value through profit or loss |   |   |   | Non-controlling interests in consolidated mutual funds | Other financial liabilities accounted at fair value |
| <b>Fair value at 1 January 2016</b>                     | <b>22.5</b>  | <b>6.1</b>  | <b>36.2</b>   | <b>63.5</b>   | <b>70.0</b>   | <b>(2.7)</b>   | <b>(4.2)</b>  |
| Gains/(losses) recognised in income statement           | (1.0)  | (0.1)   | 0.9   | (0.5)   | (10.6)  | (0.1)  | 0.4   |
| - of which unrealised gains or (losses)                 | (0.6)  | (0.1)   | 0.9   | (0.5)   | (11.7)  | (0.1)  | 0.4   |
| Gains/(losses) recognised in other comprehensive income | -  | -   | (0.6)   | -   | (0.4)   | -  | -   |
| Purchase  | 5.0  | -   | 5.8   | -   | -   | -  | -   |
| Sale  | (1.1)  | -   | (0.2)   | -   | -   | -  | -   |
| Settlement  | (2.8)  | -   | (1.6)   | -   | (4.7)   | -  | -   |
| Transfers into Level 3                                  | 5.1  | -   | 0.7   | -   | -   | -  | -   |
| Transfers out of Level 3                                | (4.1)  | -   | (0.3)   | -   | -   | -  | -   |
| Transfers into categories not measured at fair value    | -  | -   | (12.4)  | -   | -   | -  | -   |
| <b>Fair value at 31 March 2016 (unaudited)</b>          | <b>23.6</b>  | <b>6.0</b>  | <b>28.5</b>   | <b>63.0</b>   | <b>54.3</b>   | <b>(2.8)</b>   | <b>(3.8)</b>  |

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the three-month period ended 31 March 2015 is as follows:

|   | Non-derivative financial assets at fair value through profit or loss             |   | Investment financial assets available-for-sale, including pledged under repurchase agreements | Investments in associates and joint ventures at fair value through profit or loss | Trading derivative financial assets and liabilities (net) | Other financial liabilities                            |   |
|---|--|---|---|---|---|--|---|
|   | Financial assets held for trading, including pledged under repurchase agreements | Financial assets designated as at fair value through profit or loss |   |   |   | Non-controlling interests in consolidated mutual funds | Other financial liabilities accounted at fair value |
| <b>Fair value at 1 January 2015</b>                     | <b>56.5</b>  | <b>6.2</b>  | <b>46.3</b>   | <b>60.7</b>   | <b>45.0</b>   | <b>(2.6)</b>   | <b>(3.3)</b>  |
| Gains/(losses) recognised in income statement           | 3.4  | (1.6)   | 1.8   | 0.8   | 2.5   | (0.5)  | (0.1)   |
| - of which unrealised gains or (losses)                 | 3.0  | -   | -   | 0.8   | 2.5   | (0.5)  | (0.1)   |
| Gains/(losses) recognised in other comprehensive income | (0.3)  | -   | 1.8   | -   | 0.2   | -  | -   |
| Purchase  | 7.5  | 3.2   | 5.4   | -   | (1.7)   | -  | -   |
| Sale  | (12.7)   | (4.4)   | (11.1)  | -   | -   | -  | -   |
| Settlement  | (2.4)  | -   | (1.1)   | -   | (0.1)   | -  | -   |
| Transfers into Level 3                                  | 9.2  | -   | -   | -   | -   | -  | -   |
| Transfers out of Level 3                                | (16.8)   | -   | (1.6)   | -   | -   | -  | -   |
| <b>Fair value at 31 March 2016 (unaudited)</b>          | <b>44.4</b>  | <b>3.4</b>  | <b>41.5</b>   | <b>61.5</b>   | <b>45.9</b>   | <b>(3.1)</b>   | <b>(3.4)</b>  |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Transfers between levels**

| For the three-month period<br>ended 31 March 2016<br>(unaudited) | Reason for transfer<br>(valuation at the reporting date) | Non-derivative<br>financial assets held<br>for trading, including<br>pledged under<br>repurchase<br>agreements | Investments financial<br>assets available-for-<br>sale, including pledged<br>under repurchase<br>agreements | <b>Total</b> |
|--|--|--|---|--------------|
| <b>From Level 1:</b>   |  |  |   |              |
| - to Level 2   | valuation models with market<br>observable inputs        | 17.9   | 0.8   | <b>18.7</b>  |
| - to Level 3   | valuation models with non-<br>market-observable inputs   | 1.3  | 0.7   | <b>2.0</b>   |
| <b>From Level 2:</b>   |  |  |   |              |
| - to Level 1   | active market quotes                                     | 16.3   | 0.4   | <b>16.7</b>  |
| - to Level 3   | valuation models with non-<br>market-observable inputs   | 3.8  | –   | <b>3.8</b>   |
| <b>From Level 3:</b>   |  |  |   |              |
| - to Level 1   | active market quotes                                     | 3.6  | 0.3   | <b>3.9</b>   |
| - to Level 2   | valuation models with market<br>observable inputs        | 0.5  | –   | <b>0.5</b>   |
| <b>Total</b>   |  | <b>43.4</b>  | <b>2.2</b>  | <b>45.6</b>  |

| For the three-month period<br>ended 31 March 2015<br>(unaudited) | Reason for transfer<br>(valuation at the reporting date) | Non-derivative<br>financial assets held<br>for trading, including<br>pledged under<br>repurchase<br>agreements | Investments financial<br>assets available-for-<br>sale, including pledged<br>under repurchase<br>agreements | <b>Total</b> |
|--|--|--|---|--------------|
| <b>From Level 1:</b>   |  |  |   |              |
| - to Level 2   | valuation models with market<br>observable inputs        | 6.9  | 0.1   | <b>7.0</b>   |
| <b>From Level 2:</b>   |  |  |   |              |
| - to Level 1   | active market quotes                                     | 17.0   | 8.9   | <b>25.9</b>  |
| - to Level 3   | valuation models with non-<br>market-observable inputs   | 9.2  | –   | <b>9.2</b>   |
| <b>From Level 3:</b>   |  |  |   |              |
| - to Level 1   | active market quotes                                     | 7.7  | 1.6   | <b>9.3</b>   |
| - to Level 2   | valuation models with market<br>observable inputs        | 9.1  | –   | <b>9.1</b>   |
| <b>Total</b>   |  | <b>49.9</b>  | <b>10.6</b>   | <b>60.5</b>  |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Impact on fair value of Level 3 financial instruments of changes to key assumptions**

The following table shows the quantitative information as at 31 March 2016 (unaudited) about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

|  | Fair value   | Valuation techniques                | Unobservable input description   | Range  |
|--|--------------|-------------------------------------|--|--|
| <b>Non-derivative financial assets at fair value through profit or loss</b>                          |              |                                     |  |  |
| <b>Financial instruments held for trading, including pledged under repurchase agreements</b>         |              |                                     |  |  |
| <b>Debt securities</b>   |              |                                     |  |  |
| Finance companies and banks  | 4.1          | Discounted Cash flow                | Uncertainty factor   | -8.3%-8.3% (0.0%)  |
|  | 3.9          | Other                               | n/a  | n/a  |
| Finance Companies Servicing Mortgage And Real Estate Debts   | 2.1          | Other                               | n/a  | n/a  |
| Oil  | 0.1          | Other                               | n/a  | n/a  |
| Government bodies  | 0.7          | Other                               | n/a  | n/a  |
| Ferrous metals   | 3.3          | Discounted Cash flow                | Credit spread  | 80.0%-120.0% (100.0%)  |
| Other economic sectors   | 4.2          | Other                               | n/a  | n/a  |
| <b>Trading credit products</b>   |              |                                     |  |  |
| Railway transportation   | 4.2          | Discounted Cash flow                | Uncertainty factor   | -8.3%-8.3% (0.0%)  |
| Other economic sectors   | 1.0          | Other                               | n/a  | n/a  |
| <b>Financial assets designated as at fair value through profit or loss</b>                           |              |                                     |  |  |
| <b>Equity securities</b>   |              |                                     |  |  |
| Finance companies  | 3.1          | Gordon and Comparables method       | Cost of Equity<br>Terminal growth<br>Terminal ROE  | 23.5%-25.5% (24.5%)<br>2.0%-6.0% (4.0%)<br>12.7%-14.7% (13.7%) |
| Other economic sectors   | 2.9          | Other                               | n/a  | n/a  |
| <b>Derivative financial instruments</b>  |              |                                     |  |  |
| Equity derivatives   | 17.4         | Discounted Cash flow                | CDS Spread   | 4.5%-6.5% (5.5%)   |
| Index derivatives  | 0.2          | Other                               | n/a  | n/a  |
| Embedded derivatives on structured instruments   | 9.0<br>(3.2) | Modified Black model<br>Black model | CDS spread<br>Implied volatility   | 5.3%-7.3% (6.3%)<br>14.0%-83.0% (29.9%)                        |
| Foreign exchange   | 0.3          | Other                               | n/a  | n/a  |
| Interest rate derivatives  | 29.2<br>1.4  | Discounted Cash flow<br>Other       | CDS spread<br>n/a  | 2.9%-4.9% (3.9%)<br>n/a  |
| <b>Investment financial assets available-for-sale, including pledged under repurchase agreements</b> |              |                                     |  |  |
| <b>Debt securities</b>   |              |                                     |  |  |
| Finance companies and banks  | 1.5          | Discounted Cash flow                | Uncertainty factor   | -8.3%-8.3% (0.0%)  |
|  | 0.2          | Other                               | n/a  | n/a  |
| Other economic sectors   | 0.7          | Other                               | n/a  | n/a  |
| <b>Equity securities</b>   |              |                                     |  |  |
| Finance companies and banks  | 2.1          | Discounted Cash flow                | discount rate that can be changed based on changes in macroeconomic backdrop exit multiple | 9.5%-13.5% (11.5%)<br>0.5-0.9 (0.7)                            |
|  | 5.2          | Gordon and Comparables method       | Cost of Equity<br>Terminal growth<br>Terminal ROE  | 23.5%-25.5% (24.5%)<br>2.0%-6.0% (4.0%)<br>12.7%-14.7% (13.7%) |
|  | 1.0          | Other                               | n/a  | n/a  |
| Manufacturing  | 4.3          | Comparative method                  | EV/EBITDA (defence/security systems)<br>EV/EBITDA (microelectronics)                       | 5.6-19.2 (10.4)<br>3.3-72.6 (10.8)                             |
| Non-ferrous metals   | 8.9          | Discounted Cash flow                | Weighted average cost of capital<br>Terminal growth  | 15.0%-14.0% (15.0%)<br>3.0%-4.0% (4.0%)                        |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)**

|  | Fair value | Valuation techniques                     | Unobservable input description   | Range   |
|--|------------|--|--|---|
| <b>Investment financial assets available-for-sale, including pledged under repurchase agreements (continued)</b> |            |  |  |   |
| <b>Equity securities (continued)</b>   |            |  |  |   |
| Air transport  | 2.5        | Market comparable companies              | EV/pax, comparable airports<br>Discount to comparable airports   | 63.8-77.9 (70.9)<br>15.0%-35.0% (25.0%)   |
| Other economic sectors   | 2.1        | Other                                    | n/a  | n/a   |
| <b>Investments in associates and joint ventures designated as at fair value through profit or loss</b>           |            |  |  |   |
| Telecommunications   | 54.0       | Discounted Cash flow                     | Weighted average cost of capital<br>Terminal growth<br>CAGR 2015-2027 of subscriber base<br>CAGR 2015-2027 of ARPU<br>CAPEX/Revenue  | 15.2%-16.2% (15.2%)<br>1.0%-3.0% (3.0%)<br>5.9%-6.3% (6.3%)<br>1.4%-1.6% (1.6%)<br>12.0%-17.5% (12.0%)      |
| Air transport  | 7.5        | Discounted Dividend flow                 | Base equity cost of capital<br>Risk free rate<br>RUB/EUR rate at the end of the period (1H 2016 - 2039)<br>RUR Inflation (CPI) from 2019<br>Growth rate of international airlines traffic in 2017-2018 | 7.5%-8.0% (7.5%)<br>10.5%-11.0% (10.5%)<br>10.0%-15.0% (0.0%)<br>5.0%-5.5% (5.5%)<br>0.0%-0.0% (2.6%-8.8%)  |
| Other economic sectors   | 1.5        | Discounted Cash flow; EV/EBITDA multiple | Change in Growth of Cards Sold (%)<br>Change in PT Growth per Client (%)<br>WACC<br>Weight of DCF and multiple valuations  | -2.0% - 2.0% (0.0%)<br>1.0%-5.0% (3.0%)<br>13.3%-15.3% (14.3%)<br>0.0%-100.0% (50.0% - 50.0%)               |
| <b>Non-derivative financial liabilities measured at fair value</b>   |            |  |  |   |
| Non-controlling interests in consolidated mutual funds   | (2.8)      | Net asset value                          | n/a  | n/a   |
| Other financial liabilities accounted at fair value  | (3.8)      | Discounted Dividend flow                 | Base equity cost of capital<br>Risk free rate<br>RUB/EUR rate at the end of the period (1H 2016 - 2039)<br>RUR Inflation (CPI) from 2019<br>Growth rate of international airlines traffic in 2017-2018 | 7.5%-8.0% (7.5%)<br>10.5%-11.0% (10.5%)<br>10.0%-15.0% (0.0%)<br>5.0% -5.5% (5.5%)<br>0.0%-0.0% (2.6%-8.8%) |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)**

The following table shows the quantitative information as at 31 December 2015 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

|  | Fair value | Valuation techniques         | Unobservable input description   | Range                               |
|--|------------|------------------------------|--|-------------------------------------|
| <b>Non-derivative financial assets at fair value through profit or loss</b>                          |            |                              |  |                                     |
| <b>Financial instruments held for trading, including pledged under repurchase agreements</b>         |            |                              |  |                                     |
| <b>Debt securities</b>   |            |                              |  |                                     |
| Finance companies and banks  | 0.7        | Discounted Cash flow         | Counterparty Credit spread   | 1.5%-1.7% (1.6%)                    |
|  | 4.5        | Discounted Cash flow         | Uncertainty factor   | -8.3%-8.3% (0.0%)                   |
|  | 3.1        | Other                        | n/a  | n/a                                 |
| Finance Companies Servicing Mortgage And Real Estate Debts   | 1.7        | Discounted Cash flow         | Credit spread  | 1.0%-3.0% (2.0%)                    |
|  | 2.0        | Other                        | n/a  | n/a                                 |
| Government bodies  | 1.7        | Other                        | n/a  | n/a                                 |
| Other economic sectors   | 2.3        | Other                        | n/a  | n/a                                 |
| <b>Trading credit products</b>   |            |                              |  |                                     |
| Railway transportation   | 4.3        | Discounted Cash flow         | Uncertainty factor   | -8.3%-8.3% (0.0%)                   |
| Other economic sectors   | 2.2        | Other                        | n/a  | n/a                                 |
| <b>Financial assets designated as at fair value through profit or loss</b>                           |            |                              |  |                                     |
| <b>Equity securities</b>   |            |                              |  |                                     |
| Finance companies  | 3.1        | Gordon and Comparable method | Cost of Equity   | 23.5%-25.5% (24.5%)                 |
|  |            |                              | Terminal growth  | 2.0%-6.0% (4.0%)                    |
|  |            |                              | Terminal ROE   | 12.7%-14.7% (13.7%)                 |
| Other economic sectors   | 3.0        | Other                        | n/a  | n/a                                 |
| <b>Derivative financial instruments</b>  |            |                              |  |                                     |
| Equity derivatives   | 19.4       | Discounted Cash flow         | CDS Spread   | 4.5%-6.5% (5.5%)                    |
| Index derivatives  | 0.3        | Other                        | n/a  | n/a                                 |
| Embedded derivatives on structured instruments   | 11.4       | Modified Black model         | CDS spread   | 2.5%-6.5% (4.5%)                    |
|  | (4.0)      | Black model                  | Implied volatility   | 14.0%-83.0% (48.5%)                 |
| Foreign exchange   | 4.2        | Interest rate parity         | Overnight BYR yield  | 16.0%-46.9% (29.9%)                 |
|  | 0.3        | Other                        | n/a  | n/a                                 |
| Interest rate derivatives  | 36.8       | Discounted Cash flow         | CDS spread   | 4.3%-6.3% (5.3%)                    |
|  | 1.6        | Other                        | n/a  | n/a                                 |
| <b>Investment financial assets available-for-sale, including pledged under repurchase agreements</b> |            |                              |  |                                     |
| <b>Debt securities</b>   |            |                              |  |                                     |
| Finance companies and banks  | 1.5        | Discounted Cash flow         | Uncertainty factor   | -8.3%-8.3% (0.0%)                   |
|  | 6.6        | Discounted Cash flow         | USD yields of RB banks   | 3.5%-7.5% (6.5%)                    |
|  | 0.2        | Other                        | n/a  | n/a                                 |
| Other economic sectors   | 2.0        | Other                        | n/a  | n/a                                 |
| <b>Equity securities</b>   |            |                              |  |                                     |
| Finance companies and banks  | 2.2        | Discounted Cash flow         | Discount rate that can be changed based on changes in macroeconomic backdrop exit multiple | 9.5%-13.5% (11.5%)<br>0.5-0.9 (0.7) |
|  | 5.1        | Gordon and Comparable method | Cost of Equity   | 23.5%-25.5% (24.5%)                 |
|  |            |                              | Terminal growth  | 2.0%-6.0% (4.0%)                    |
|  |            |                              | Terminal ROE   | 12.7%-14.7% (13.7%)                 |
|  | 1.1        | Other                        | n/a  | n/a                                 |
| Manufacturing  | 4.3        | Comparative method           | EV/EBITDA (defence/security systems)   | 5.6-19.2 (10.4)                     |
|  |            |                              | EV/EBITDA (microelectronics)   | 3.3-72.6 (10.8)                     |
| Non-ferrous metals   | 8.5        | Discounted Cash flow         | Weighted average cost of capital   | 15.0%-14.0% (15.0%)                 |
|  |            |                              | Terminal growth  | 3.0%-4.0% (4.0%)                    |

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)**

|  | Fair value | Valuation techniques                     | Unobservable input description   | Range   |
|--|------------|--|--|---|
| <b>Investment financial assets available-for-sale, including pledged under repurchase agreements (continued)</b> |            |  |  |   |
| <b>Equity securities (continued)</b>   |            |  |  |   |
| Air transport  | 2.5        | Market comparable companies              | EV/pax, comparable airports<br>Discount to comparable airports   | 59.6-72.9 (66.3)<br>15.0%-35.0% (25.0%)   |
| Other economic sectors   | 2.2        | Other                                    | n/a  | n/a   |
| <b>Investments in associates and joint ventures designated as at fair value through profit or loss</b>           |            |  |  |   |
| Telecommunications   | 53.6       | Discounted Cash flow                     | Weighted average cost of capital<br>Terminal growth<br>CAGR 2015-2027 of subscriber base<br>CAGR 2015-2027 of ARPU<br>CAPEX/Revenue  | 16.0%-17.0% (16.0%)<br>1.0%-3.0% (3.0%)<br>6.0%-6.4% (6.4%)<br>1.4%-1.6% (1.6%)<br>10.0%-15.0% (10.0%)                      |
| Air transport  | 8.4        | Discounted Dividend flow                 | Base equity cost of capital<br>Risk free rate<br>RUB/EUR rate at the end of the period (1H 2016 - 2039)<br>RUR Inflation (CPI) from 2019<br>Growth rate of international airlines traffic in 2017-2018 | 7.5%-8% (7.5%)<br>11.1% -11.6% (11.1%)<br>10.0%-15.0% (0.0%)<br>depreciation<br>5.0%-6.5% (6.5%)<br>0.0%-0.0% (2.6%-8.8%)   |
| Other economic sectors   | 1.5        | Discounted Cash flow; EV/EBITDA multiple | Change in Growth of Cards Sold (%)<br>Change in PT Growth per Client (%)<br>WACC<br>Weight of DCF and multiple valuations  | -2.0% - 2.0% (0.0%)<br>1.0%-5.0% (3.0%)<br>12.4%-14.4% (13.4%)<br>0.0%-100.0% (50.0% - 50.0%)                               |
| <b>Non-derivative financial liabilities measured at fair value</b>   |            |  |  |   |
| Non-controlling interests in consolidated mutual funds   | (2.7)      | Net asset value                          | n/a  | n/a   |
| Other financial liabilities accounted at fair value  | (4.2)      | Discounted Dividend flow                 | Base equity cost of capital<br>Risk free rate<br>RUB/EUR rate at the end of the period (1H 2016-2039)<br>RUR Inflation (CPI) from 2019<br>Growth rate of international airlines traffic in 2017-2018   | 7.5%-8.0% (7.5%)<br>11.1% -11.6% (11.1%)<br>10.0%-15.0% (0.0%)<br>depreciation<br>5.0%-6.5% (6.5%)<br>0.0%-0.0% (2.6%-8.8%) |

For financial instruments which fair value is estimated using significant unobservable inputs, parameters and assumptions, the exact value of such inputs at the reporting date might be drawn from a range of reasonably possible alternatives. For each unobservable input to which the fair value is most sensitive, the Group calculates its impact on valuation by taking each individual input to the extreme point of its reasonably possible range, while keeping other inputs unchanged. The table below presents the range of fair value of the respective class of financial instruments calculated using the approach discussed above.

Should all the parameters be changed simultaneously to the extreme points of their reasonable ranges, the impact on the fair value would be more significant than disclosed in the table, however, the Group considers that it is unlikely that all parameters and assumptions will be simultaneously at their extreme points.

This disclosure is intended to illustrate the magnitude of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable parameters, however, the disclosure is not indicative of future movements in fair value.

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)**

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

|   | 31 March 2016 (unaudited) |   | 31 December 2015 |   |
|---|---------------------------|---|------------------|---|
|   | Carrying amount           | Effect of reasonably possible alternative assumptions | Carrying amount  | Effect of reasonably possible alternative assumptions |
| Non-derivative financial assets held for trading, including pledged under repurchase agreements | 23.6                      | 22.9 – 24.3   | 22.5             | 21.8 – 23.3   |
| Trading derivative financial instruments  | 54.3                      | 55.9 – 59.6   | 70.0             | 67.0 – 70.0   |
| Financial assets designated as at fair value through profit or loss                             | 6.0                       | 5.8 – 6.1   | 6.1              | 5.9 – 6.3   |
| Investment financial assets – available-for-sale, including pledged under repurchase agreements | 28.5                      | 24.1 – 35.7   | 36.2             | 31.9 – 43.9   |
| Investments in associates and joint ventures designated as at fair value through profit or loss | 63.0                      | 46.3 – 63.3   | 63.5             | 45.0 – 63.9   |
| Non-controlling interests in consolidated mutual funds  | (2.8)                     | (2.5) – (3.1)   | (2.7)            | (2.4) – (3.0)   |
| Other financial liabilities accounted at fair value   | (3.8)                     | (3.5) – (4.1)   | (4.2)            | (3.9) – (4.5)   |

**Methods and assumptions for Level 2 financial instruments**

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (discounted cash flows) method using the assumption of future coupon payment, recent transactions prices and the quotes of non-active markets if based on the Group's analysis such quotes represent the best estimate of the fair value of the financial instrument as at the reporting date. Probability models were calibrated using market indicators (currency forward, ITRAX Index).

**Valuation processes for level 3 fair value measurements**

In order to value Level 3 equity investments, the Group utilises comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Internal valuation of the fair value of joint-ventures and associates designated as at fair value is performed at the time of commencing the project. Internal valuations of the fair value are performed on the quarterly basis, which are reviewed by business owners of the portfolio on at least a quarterly basis to make decisions on the best timing to exit the investment according to the investment strategy.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

**Fair value of financial assets and liabilities not carried at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

**Assets for which fair value approximates carrying value.** For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to customer current/settlement deposits without a specific maturity.

**Fixed and variable rate financial instruments.** For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

|  | 31 March 2016 (unaudited) |            | 31 December 2015 |            |
|--|---------------------------|------------|------------------|------------|
|  | Carrying amount           | Fair value | Carrying amount  | Fair value |
| <b>Financial assets for which fair values are disclosed</b>                    |                           |            |                  |            |
| Cash and short-term funds  | 909.9                     | 909.9      | 570.7            | 570.7      |
| Mandatory cash balances with central banks                                     | 77.9                      | 77.9       | 70.8             | 70.8       |
| Financial assets, other than loans, pledged under repurchase agreements        | 11.7                      | 12.1       | 73.3             | 74.7       |
| Due from other banks, including pledged under repurchase agreements            | 1,090.6                   | 1,092.6    | 1,358.2          | 1,359.4    |
| - Russia   | 435.8                     | 436.9      | 431.8            | 433.7      |
| - OECD   | 190.3                     | 190.4      | 196.1            | 195.0      |
| - Other countries  | 464.5                     | 465.3      | 730.3            | 730.7      |
| Loans and advances to customers, including pledged under repurchase agreements | 8,579.8                   | 8,613.2    | 9,437.5          | 9,406.9    |
| - Loans to legal entities  | 6,798.7                   | 6,814.4    | 7,670.7          | 7,617.8    |
| - Loans to individuals   | 1,781.1                   | 1,798.8    | 1,766.8          | 1,789.1    |
| Investment securities held-to-maturity   | 141.4                     | 149.4      | 69.2             | 71.5       |
| Financial assets within assets of disposal groups held for sale                | 1.2                       | 1.2        | 7.1              | 7.1        |
| Other financial assets   | 67.4                      | 67.4       | 95.1             | 95.1       |
| <b>Financial liabilities for which fair values are disclosed</b>               |                           |            |                  |            |
| Due to other banks   | 965.8                     | 970.3      | 1,224.0          | 1,233.9    |
| Customer deposits  | 7,431.7                   | 7,388.6    | 7,267.0          | 7,243.8    |
| - Deposits of legal entities   | 4,607.3                   | 4,592.0    | 4,383.6          | 4,370.1    |
| - Deposits of individuals  | 2,824.4                   | 2,796.6    | 2,883.4          | 2,873.7    |
| Other borrowed funds   | 1,568.4                   | 1,602.7    | 2,121.5          | 2,154.8    |
| Debt securities issued   | 514.0                     | 530.3      | 623.5            | 633.4      |
| Subordinated debt  | 243.7                     | 241.2      | 262.8            | 257.9      |
| Financial liabilities within liabilities of disposal groups held for sale      | 11.0                      | 11.0       | 12.4             | 12.4       |
| Other financial liabilities  | 26.4                      | 26.4       | 26.6             | 26.6       |

**27. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

**Capital adequacy ratio in accordance with statutory requirements**

The CBR requires Russian banks to maintain a minimum capital adequacy ratio of 10% of risk-weighted assets, determined in accordance with CBR's requirements. In other countries the Group members comply with the regulatory capital requirements of the local central banks or other supervisory authorities.

As at 31 March 2016 and 31 December 2015 the Bank's capital adequacy ratio in accordance with CBR requirements exceeded the minimum level.

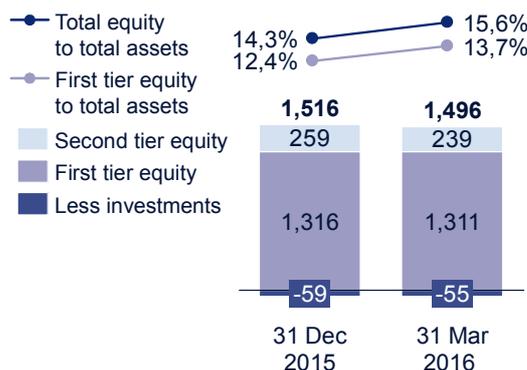
**Capital adequacy ratio in accordance with the Basel Accord guidelines**

The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks.

These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

|   | 31 March 2016<br>(unaudited) | 31 December 2015 |
|---|------------------------------|------------------|
| <b>Tier 1 capital</b>   |                              |                  |
| Share capital   | 659.5                        | 659.5            |
| Share premium   | 433.8                        | 433.8            |
| Treasury shares   | (2.3)                        | (2.3)            |
| Perpetual loan participation notes excluding bought back                              | 152.0                        | 163.4            |
| Retained earnings   | 138.6                        | 127.6            |
| Unrealized gain on financial assets available-for-sale and cash flow hedge            | (1.0)                        | (5.3)            |
| Currency translation difference   | 42.0                         | 55.3             |
| Non-controlling interests   | 4.6                          | (0.1)            |
| Deducted: Goodwill  | (115.8)                      | (116.1)          |
| <b>Total Tier 1 capital</b>   | <b>1,311.4</b>               | <b>1,315.8</b>   |
| <b>Tier 2 capital</b>   |                              |                  |
| Land and premises revaluation reserve   | 21.6                         | 22.2             |
| Subordinated debt   | 217.8                        | 237.1            |
| <b>Total Tier 2 capital</b>   | <b>239.4</b>                 | <b>259.3</b>     |
| <b>Total capital before deductions</b>  | <b>1,550.8</b>               | <b>1,575.1</b>   |
| Deducted: equity investments in financial institutions and subordinated debt provided | (54.8)                       | (59.2)           |
| <b>Total capital after deductions</b>   | <b>1,496.0</b>               | <b>1,515.9</b>   |
| <b>Risk-weighted assets</b>   |                              |                  |
| Credit risk   | 9,093.9                      | 10,074.3         |
| Market risks  | 467.8                        | 555.8            |
| <b>Total risk-weighted assets</b>   | <b>9,561.7</b>               | <b>10,630.1</b>  |
| <b>Tier 1 capital ratio to total risk-weighted assets</b>                             | <b>13.7%</b>                 | <b>12.4%</b>     |
| <b>Total capital ratio to total risk-weighted assets</b>                              | <b>15.6%</b>                 | <b>14.3%</b>     |

**Group equity, calculated in accordance with the Basel Accord**



**28. NON-CONTROLLING INTERESTS**

In January 2016 the Group's subsidiary "Bank VTB 24", PJSC and Russian Post, a government controlled entity, entered into a binding agreement to create a "Post Bank" on the basis of "Leto Bank", PJSC. As a part of the transaction "Bank VTB 24", PJSC sold 49.99% of shares in "Leto Bank", PJSC to a subsidiary of Russian Post for the total consideration of RUR 5.5 billion. Since the Group retained control over "Leto Bank", PJSC the

difference between the non-controlling interest recorded and the fair value of the consideration received is recorded directly in equity as a reduction of retained earnings. Post Bank started its operations during the first quarter of 2016 and provides a range of banking services through post offices. In March 2016 "Leto Bank", PJSC was renamed into "Post Bank", PJSC.

**29. CONTINGENCIES AND COMMITMENTS****Legal proceedings**

From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims.

One of the Group's subsidiaries is involved in a legal case related to its performance guarantee of RUR 5.7 billion as at 31 March 2016 (31 December 2015: RUR 5.7 billion) issued to a third party which is a government-controlled entity. In March 2016, the Moscow District Arbitration Court issued a final ruling in favour of the third party. Group management believes the ultimate loss, if any, under the guarantee will be significantly lower than the notional amount of the guarantee and will depend, among other matters, on the outcome of a continuing legal case between the third party beneficiary of the guarantee and its supplier. Accordingly, management established a reserve of RUR 1.4 billion as at 31 March 2016 based on its current best estimate of the loss under the guarantee.

Management assessed probable outflow of resources and the respective provision has been made (Note 9).

**Tax contingencies**

Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant state authorities.

The Russian transfer pricing legislation as currently in effect allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions supported by appropriate transfer pricing documentation and proper reporting to the Russian tax authorities. During the first quarter of 2016 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices.

Apart from the Russian Federation, the Group also operates in a number of foreign jurisdictions. The Group

includes companies incorporated outside of Russia that are taxed pursuant to the provisions of the tax legislation of the jurisdictions of incorporation of the respective companies. Tax liabilities of the Group are determined on the basis that non-Russian companies of the Group do not have a permanent establishment in Russia, do not qualify as Russian tax residents and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.).

Russian tax laws that were in effect before 1 January 2015 did not contain detailed rules on taxation of foreign companies. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and courts as to their interpretation and application, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged, in which case the foreign companies may be taxed according to the rules similar to the rules applicable to the Russian entities.

Effective 1 January 2015 the concepts of "tax residency" for foreign legal entities, "beneficial ownership" and rules for taxation of undistributed profit of controlled foreign companies in Russia were introduced into the Russian tax legislation. The introduction of these concepts generally leads to an increase in the administrative (including tax) burden for the Russian entities that have subsidiary structures incorporated outside of Russia.

Interpretation of the above provisions of the Russian tax legislation in conjunction with the recent trends in law enforcement practice in taxation suggest that the tax authorities and courts are taking more assertive positions in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and late payment interest may be assessed by the relevant authorities.

**29. CONTINGENCIES AND COMMITMENTS (CONTINUED)****Tax contingencies (continued)**

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 March 2016, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions should be sustained vis-a-vis tax authorities and courts.

**Credit related commitments**

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

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan.

Outstanding credit related commitments are as follows:

|  | 31 March 2016<br>(unaudited) | 31 December 2015 |
|--|------------------------------|------------------|
| Guarantees issued                              | 854.4                        | 970.6            |
| Letters of credit                              | 93.6                         | 111.6            |
| Undrawn credit lines                           | 21.0                         | 25.4             |
| Commitments to extend credit                   | 3.7                          | 4.8              |
| Less: provision for credit related commitments | (18.2)                       | (14.3)           |
| <b>Total credit related commitments</b>        | <b>954.5</b>                 | <b>1,098.1</b>   |

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 31 March 2016 was RUR 324.1 billion (31 December 2015: RUR 283.3 billion).

As at 31 March 2016, the guaranties issued for largest interrelated foreign entity accounted for RUR 75.8 billion or 8.9% of the guaranties issued. (31 December 2015: interrelated foreign entity RUR 81.4 billion or 8.4% of the guaranties issued).

Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 75.8 billion (31 December 2015: RUR 53.4 billion) (Note 21).

As at 31 March 2016, the 10 largest groups of interrelated customers accounted for RUR 382.7 billion or 44.8% of the guaranties issued (31 December 2015: RUR 386.8 billion or 39.9% of the guaranties issued).

**29. CONTINGENCIES AND COMMITMENTS (CONTINUED)****Credit related commitments (continued)**

The movements in provisions for credit related commitments were as follows:

|                                  |             |
|----------------------------------|-------------|
| <b>1 January 2015</b>            | <b>21.3</b> |
| Write-offs due to execution      | (1.7)       |
| Effect of translation            | 0.3         |
| <b>31 March 2015 (unaudited)</b> | <b>19.9</b> |
| <b>1 January 2016</b>            | <b>14.3</b> |
| Provision during the period      | 4.1         |
| Effect of translation            | (0.2)       |
| <b>31 March 2016 (unaudited)</b> | <b>18.2</b> |

Provisions for credit-related commitments are recorded within other liabilities.

**Purchase commitments**

As at 31 March 2016 the Group had RUR 106.0 billion of outstanding commitments for the purchase of precious metals (31 December 2015: RUR 61.5 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognized on these contracts.

**30. SUBSEQUENT EVENTS**

On 10 May 2016, the Group completed a transfer to VTB Bank of substantially all of the performing assets and certain customer accounts and other related liabilities of "Bank of Moscow", OJSC, its wholly-owned subsidiary. Concurrent with the transfer, the subsidiary was renamed to "BM-Bank", OJSC, and its remaining assets represent predominantly loans subject to the CBR and DIA plan of support and certain other assets. This transfer represents an intercompany transaction for VTB Group consolidated financial statements, and is expected to have no effect on the consolidated financial statements.

**31. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities and associates and joint ventures and are stated in the tables below:

**Statements of financial position**

|  | 31 March 2016 (unaudited)   |   | 31 December 2015            |   |
|--|-----------------------------|---|-----------------------------|---|
|  | Government-related entities | Associates and joint ventures and other | Government-related entities | Associates and joint ventures and other |
| <b>Assets</b>  |                             |   |                             |   |
| Cash and short-term funds  | 621.0                       | 0.4                                     | 202.6                       | 0.2                                     |
| Mandatory cash balances with central banks                                     | 63.2                        | –                                       | 56.5                        | –                                       |
| Non-derivative financial assets at fair value through profit or loss           | 62.5                        | –                                       | 66.0                        | –                                       |
| Derivative financial assets  | 94.0                        | –                                       | 100.6                       | –                                       |
| Financial assets, other than loans, pledged under repurchase agreements        | 35.8                        | –                                       | 127.1                       | –                                       |
| Due from other banks, including pledged under repurchase agreements            | 367.4                       | 405.3                                   | 389.5                       | 683.3                                   |
| Loans and advances to customers, including pledged under repurchase agreements | 2,288.5                     | 195.5                                   | 2,353.9                     | 176.6                                   |
| Allowance for loan impairment  | (26.5)                      | (7.8)                                   | (26.6)                      | (7.8)                                   |
| Investment financial assets  | 192.6                       | –                                       | 103.5                       | –                                       |
| Other assets   | 33.1                        | 0.1                                     | 58.2                        | –                                       |
| <b>Liabilities</b>   |                             |   |                             |   |
| Due to other banks   | 280.1                       | 259.9                                   | 238.2                       | 524.8                                   |
| Customer deposits  | 2,521.9                     | 53.0                                    | 2,177.3                     | 55.2                                    |
| Derivatives financial liabilities  | 32.8                        | –                                       | 36.3                        | –                                       |
| Other borrowed funds   | 1,231.4                     | 0.1                                     | 1,815.8                     | 0.1                                     |
| Subordinated debt  | 102.2                       | –                                       | 104.9                       | –                                       |
| Other liabilities  | 12.9                        | 4.2                                     | 11.7                        | 4.5                                     |
| <b>Credit Related Commitments</b>  |                             |   |                             |   |
| Guarantees issued  | 317.8                       | 23.4                                    | 376.5                       | 27.9                                    |
| Import letters of credit   | 0.6                         | –                                       | 1.7                         | –                                       |
| Undrawn credit lines   | 0.4                         | 0.1                                     | 0.3                         | 0.1                                     |

**Income statements**

|  | For the three-month period ended 31 March (unaudited) |        |
|--|---|--------|
|  | 2016  | 2015   |
| <b>Interest income</b>                                   |   |        |
| Loans and advances to customers                          | 66.4  | 56.1   |
| Securities   | 5.9   | 5.0    |
| Due from other banks                                     | 5.7   | 8.5    |
| <b>Interest expense</b>                                  |   |        |
| Due to other banks and other borrowed funds              | (37.1)  | (80.2) |
| Customer deposits  | (42.8)  | (48.1) |
| Subordinated debt  | (3.1)   | (3.7)  |
| Provision charge for impairment of debt financial assets | (2.4)   | (0.9)  |

For the three-month period ended 31 March 2016, the total remuneration of the key management personnel of the Group including pension contributions amounted to RUR 1.4 billion (the three-month period ended 31 March 2015: RUR 0.9 billion). Key management personnel include VTB Supervisory Council, VTB Management

Board, VTB Statutory Audit Commission and key management of subsidiaries. Loans to the key management personnel as at 31 March 2016 amounted to RUR 0.2 billion (31 December 2015: RUR 0.2 billion). Compensation to key management personnel primarily consists of short term employee benefits.

**32. SHARE-BASED PAYMENTS**

*Shares Plan.* As at 31 March 2016 the total value of the award granted under the Shares Plan was RUR 1.0 billion (31 December 2015: RUR 1.1 billion) represented by 16.0 billion shares of VTB (31 December 2015: 18.4 billion).

*GDRs Plan.* As at 31 March 2016 the total value of the award granted under the GDRs Plan was RUR 1.6 billion (31 December 2015: RUR 1.8 billion) represented by 11.0 million of GDRs of VTB (31 December 2015: 9.6 million). Each GDR contains 2,000 VTB shares.

For the three-month period ended 31 March 2016 the Group recognised in Staff costs the amount of RUR 0.2 billion (for the three-month period ended 31 March 2015: RUR 0.3 billion) as expenses related to the above equity-settled share-based payment transactions.

**33. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

|   | For the three-month period<br>ended 31 March (unaudited) |                    |
|---|--|--------------------|
|   | 2016   | 2015               |
| Weighted average number of ordinary shares in issue   | 12,915,543,882,335                                       | 12,811,563,141,544 |
| <b>Total net profit/(loss) attributable to shareholders of the parent</b>   | <b>1.7</b>   | <b>(14.3)</b>      |
| <b>Basic and diluted earnings per share (expressed in Russian roubles per share)</b>  | <b>0.00013</b>   | <b>(0.00112)</b>   |
| Loss after tax from subsidiaries acquired exclusively with a view to resale   | (4.1)  | (1.0)              |
| <b>Basic and diluted earnings per share based on profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)</b> | <b>(0.00032)</b>   | <b>(0.00008)</b>   |
| Total net profit/(loss) attributable to shareholders of the parent net of profit after tax from subsidiaries acquired exclusively with a view to resale                     | 5.8  | (13.3)             |
| <b>Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)</b>   | <b>0.00045</b>   | <b>(0.00104)</b>   |

**34. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRITATIONS**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations as at 1 January 2016 noted below:

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

**Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation** (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments have clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments have clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

**Amendments to IAS 16 and IAS 41 Bearer Plants** (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants. In accordance with these amendments bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment. These amendments had no impact on the Group's financial position since the Group does not own or control bearer plants.

**Amendments to IAS 27 Equity Method in Separate Financial Statements** (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not applicable for consolidated financial statements of the Group.

**Amendments to IFRS 11 Joint Arrangements** (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

**Annual Improvements to IFRSs 2014** (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". These amendments had no impact on the Group's financial position.

**Amendments to IAS 1 Disclosure Initiative** (effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

**34. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRITATIONS (CONTINUED)**

**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception** (applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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

These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

**35. CHANGES IN PRESENTATION****Payments to Deposit Insurance System and Other operating expense**

Starting 2015 the Group presents payments to deposit insurance system directly related to interest-bearing liabilities as a separate line of the net interest income. Starting 2015, the Group decided to present certain expenses directly related to non-interest gains in the consolidated income statement consistently with the presentation of the other operating income having separated them from the staff and administrative expenses.

Accordingly the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the interim condensed consolidated income statement for the three-month period ended 31 March 2015 (unaudited) is as follows:

|  | As previously reported | Reclassification | As reclassified |
|--|------------------------|------------------|-----------------|
| Payments to deposit insurance system   | –                      | (2.0)            | (2.0)           |
| Other operating expense  | –                      | (2.6)            | (2.6)           |
| Revenue from other non-banking activities  | (3.7)                  | 10.1             | 6.4             |
| Net (loss)/gain from change in fair value of investment property recognised on revaluation | –                      | (10.1)           | (10.1)          |
| Staff costs and administrative expenses  | (59.2)                 | 4.6              | (54.6)          |

The effect of corresponding reclassifications on disclosure of the interim consolidated statement of cash flows for the three-month period ended 31 March 2015 (unaudited) is as follows:

|   | As previously reported | Reclassification | As reclassified |
|---|------------------------|------------------|-----------------|
| <b>Cash flows from operating activities</b> |                        |                  |                 |
| Payments to deposit insurance system        | –                      | (2.0)            | (2.0)           |
| Other operating expenses paid               | –                      | (1.5)            | (1.5)           |
| Staff costs, administrative expenses paid   | (72.3)                 | 3.5              | (68.8)          |

The effect of reclassification of the comparative information in Staff Costs and Administrative Expenses note (Note 8) for the three-month period ended 31 March 2015 (unaudited) was as follows:

|   | As previously reported | Reclassification | As reclassified |
|---|------------------------|------------------|-----------------|
| Depreciation and other expenses related to premises and equipment | 6.1                    | (1.1)            | 5.0             |
| Taxes other than on income  | 1.7                    | (0.2)            | 1.5             |
| Insurance costs   | 0.2                    | (0.1)            | 0.1             |
| Amortization of core deposit and customer loan                    | 1.3                    | (0.1)            | 1.2             |
| Payments to deposit insurance system                              | 2.0                    | (2.0)            | –               |
| Other   | 1.5                    | (1.1)            | 0.4             |