

PSC “ORIENT EXPRESS BANK”

**International Financial Reporting Standards
Consolidated Condensed Interim Financial
Information (Unaudited)**

30 June 2016

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Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Board of Directors of PSC "Orient Express Bank":

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of PSC "Orient Express Bank" and its subsidiaries (the "Group") as of 30 June 2016 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 4 in the consolidated financial information which indicates that the Group incurred losses during the years ended 31 December 2014 and 31 December 2015 which significantly reduced the level of net assets of the Group. As stated in Note 4 this indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

29 August 2016

Moscow, Russian Federation

N.V. Belov, Senior manager (licence no. 01-001571), AO PricewaterhouseCoopers Audit

Audited entity: PSC "Orient Express Bank"

Independent auditor: AO PricewaterhouseCoopers Audit

Registration number No. 1460 assigned by the Central Bank of the Russian Federation on 12 May 1991.

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

Certificate of inclusion in the Unified State Register of Legal Entities No. 1022800000112 issued on 27 August 2002.

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


1. Svyatitelya Innokentiya Pereulok, 675000, Blagoveschensk, Amursky Region, Russian Federation.

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


PSC Orient Express Bank
Consolidated Condensed Interim Statement of Financial Position (Unaudited)

<i>In thousands of Russian Roubles</i>	Note	30 June 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6	9 042 505	18 736 126
Mandatory balances with the CBRF		725 534	783 522
Securities	7	32 514 564	18 262 558
Securities pledged under repurchase agreements	7	26 528 726	32 209 279
Due from other banks	8	1 065 949	850 049
Loans and advances to customers	9	76 342 986	87 568 069
Investment properties	10	1 491 000	1 491 000
Premises and equipment		3 237 254	3 460 925
Intangible assets		554 452	607 980
Deferred income tax asset	21	7 261 569	6 737 575
Other assets	11	2 636 213	4 660 793
TOTAL ASSETS		161 400 752	175 367 876
LIABILITIES			
Due to other banks	12	25 598 742	30 557 911
Customer accounts	13	106 509 023	117 935 620
Debt securities in issue	14	44 531	267 315
Other liabilities	15	1 895 536	1 578 847
Subordinated debt	16	13 222 154	15 447 268
TOTAL LIABILITIES		147 269 986	165 786 961
EQUITY			
Share capital	17	6 421 528	3 421 528
Share premium		11 601 336	11 601 336
Retained loss		(6 802 890)	(5 591 915)
Revaluation reserve for available for sale securities		2 727 762	(31 675)
Translation reserve		(551)	(1 940)
Equity component of convertible debt	16	183 581	183 581
TOTAL EQUITY		14 130 766	9 580 915
TOTAL LIABILITIES AND EQUITY		161 400 752	175 367 876

Approved for issue and signed on 25 August 2016.


A.V. Nesterenko,
Acting Chairman of the Management Board




K.V. Rogov,
Chief Financial Officer

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
(Unaudited)

<i>In thousands of Russian Roubles</i>	Note	Six-Month Period Ended 30 June		Three-Month Period Ended 30 June	
		2016	2015	2016	2015
Interest income	18	14 539 189	19 955 302	7 225 068	10 006 051
Interest expense	18	(7 425 792)	(10 031 896)	(3 563 015)	(5 024 628)
Net interest income		7 113 397	9 923 406	3 662 053	4 981 423
Provision for loan impairment	9	(6 715 649)	(17 306 786)	(2 869 990)	(7 834 916)
Net interest loss after provision for loan impairment		397 748	(7 383 380)	792 063	(2 853 493)
Fee and commission income	19	2 269 576	2 747 632	1 263 568	1 417 201
Fee and commission expense	19	(483 283)	(461 818)	(238 411)	(188 498)
Result on sale of loans	9	76 789	318 791	8 482	318 791
Gains less losses from operations with securities, net		176 135	1 047 778	283 560	749 886
Gains less losses from foreign currencies, net		970 635	243 740	226 324	163 461
Foreign exchange translation gains less losses		79 711	162 844	67 216	31 791
Other operating income		44 327	111 744	28 557	80 763
Administrative and other operating expenses	20	(4 500 665)	(4 871 113)	(2 300 032)	(2 450 259)
Other provisions		(343 370)	(90 092)	(191 652)	(35 996)
Loss before tax		(1 312 397)	(8 173 874)	(60 325)	(2 766 353)
Income tax benefit/(charge)	21	101 422	1 579 197	(44 909)	524 108
LOSS FOR THE PERIOD		(1 210 975)	(6 594 677)	(105 234)	(2 242 245)
Other comprehensive income/(loss):					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Revaluation of available for sale securities, net of tax		2 759 437	-	1 648 459	-
Exchange differences on translation to presentation currency		1 389	(1 327)	329	(1 012)
Other comprehensive income/(loss) for the period		2 760 826	(1 327)	1 648 788	(1 012)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		1 549 851	(6 596 004)	1 543 554	(2 243 257)

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

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

	Note	Share capital	Share premium	Retained earnings	Revaluation reserve for available for sale securities	Translation reserve	Equity-settled employee benefits reserve	Equity component of convertible debt	Total Equity
<i>In thousands of Russian Roubles</i>									
Balance at 1 January 2015		863 528	11 601 286	5 061 833	-	702	12 500	183 581	17 723 430
Loss for the period		-	-	(6 594 677)	-	-	-	-	(6 594 677)
Other comprehensive loss for the period		-	-	-	-	(1 327)	-	-	(1 327)
Total comprehensive loss for the period		-	-	(6 594 677)	-	(1 327)	-	-	(6 596 004)
Issue of shares	17	2 558 000	50	-	-	-	-	-	2 558 050
Cancellation of share-based payment		-	-	12 500	-	-	(12 500)	-	-
Balance at 30 June 2015		3 451 528	11 601 336	(1 520 344)	-	(625)	-	183 581	13 685 476
Balance at 1 January 2016		3 421 528	11 601 336	(5 591 915)	(31 675)	(1 940)	-	183 581	9 580 915
Loss for the period		-	-	(1 210 975)	-	-	-	-	(1 210 975)
Other comprehensive income		-	-	-	2 759 437	1 389	-	-	2 760 826
Total comprehensive income for the period		-	-	(1 210 975)	2 759 437	1 389	-	-	1 549 851
Issue of shares	17	3 000 000	-	-	-	-	-	-	3 000 000
Balance at 30 June 2016		6 421 528	11 601 336	(6 802 890)	2 727 762	(551)	-	183 581	14 130 766

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

PSC Orient Express Bank
Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

	Note	Six-Month Period Ended 30 June 2016	Six-Month Period Ended 30 June 2015
<i>In thousands of Russian Roubles</i>			
Cash flows from operating activities			
Interest received		14 835 773	20 728 545
Interest paid		(7 596 004)	(10 111 194)
Fees and commissions received		2 256 453	2 841 676
Fees and commissions paid		(483 283)	(461 818)
Net gains arising from dealing in securities		1 578 126	1 060 412
Income received from dealing in foreign currencies		804 641	169 200
Other operating income received		37 112	111 744
Administrative and other operating expenses paid		(3 818 177)	(4 367 867)
Income tax (paid)/received		(842 985)	60 820
Cash flows from operating activities before changes in operating assets and liabilities		6 771 656	10 031 518
<i>Net decrease/(increase) in:</i>			
- mandatory cash balances with the CBRF		57 988	154 903
- due from other banks		(212 465)	618 707
- trading securities and trading securities pledged under repurchase agreements		(15 199 015)	(14 073 147)
- loans and advances to customers		4 304 284	12 712 948
- sale of loans		95 987	414 106
- other assets		1 026 608	169 563
<i>Net increase/(decrease) in:</i>			
- due to other banks		(1 152 192)	2 150 846
- customer accounts		(10 124 076)	(6 422 320)
- other liabilities		70 871	(33 771)
Net cash from operating activities		(14 360 354)	5 723 353
Cash flows from investing activities			
Proceeds from disposal of investment securities available for sale		3 146 269	-
Acquisition of investment securities held to maturity		-	(6 851 220)
Acquisition of premises and equipment		(49 030)	(26 551)
Proceeds from disposal of premises and equipment		3 744	75 585
Acquisition of intangible assets		(64 718)	(226 812)
Acquisition of investment property		-	(17 585)
Net cash used in investing activities		3 036 265	(7 046 583)
Cash flows from financing activities			
Proceeds from debt securities issued		-	49 791
Repayment of debt securities issued		(218 786)	(7 920 662)
Repayment of other borrowed funds		-	(1 365 767)
Proceeds from issue of subordinated debt		-	832 203
Repayment of subordinated debt		(935 134)	-
Issue of shares		3 000 000	2 558 050
Net cash used in financing activities		1 846 080	(5 846 385)
Effect of exchange rate changes on cash and cash equivalents		(215 612)	136 591
Net (decrease) in cash and cash equivalents		(9 693 621)	(7 033 024)
Cash and cash equivalents at the beginning of the period		18 736 126	21 208 608
Cash and cash equivalents at the end of the period	6	9 042 505	14 175 584

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

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six-month period ended 30 June 2016 for Public Stock Company “Orient Express Bank” (the “Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a public stock company, where the responsibility of shareholders is limited by shares belonging to them, and it was set up in accordance with Russian regulations.

The ultimate controlling party of the Bank as at 30 June 2016 and 31 December 2015 is Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund. As at 30 June 2016 and 31 December 2015 the Bank did not have a single ultimate controlling party.

As at 30 June 2016 and 31 December 2015 the shareholders of the Bank were:

	30 June 2016	31 December 2015
Shareholders		
Evizon Holdings Limited (on behalf of Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund)	55.7	74.4
Uniastrum Bank (LLC)	25.0	-
Troyte Investments Limited (controlled by Russia Partners III, L.P.)	8.2	15.3
Other shareholders – each less than 5%	11.1	10.3
Total	100	100

Principal activity. The Group's principal business activity is retail banking operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 12 May 1991. The Bank participates in the State deposit insurance scheme, which was introduced by Federal Law № 177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 30 June 2016 the Group had 7 branches and 467 offices located across the Russian Federation (31 December 2015: 7 branches and 368 offices). As at 30 June 2016 the Bank had 6 279 employees (at 31 December 2015: 5 264).

Registered address and place of business. The Bank's registered office is located at 1 Svyatitelya Innokentiya Pereulok, Blagoveschensk, Amursky Region, 675000, Russian Federation.

The Bank's principal place of business is 22, Frunze Street, Khabarovsk, 680000, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in thousands of Russian Roubles (“RR”), unless otherwise stated.

2 Operating Environment of the Bank

The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation.

Russian Federation. 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 (Note 19). During 2015 and 2016, the Russian economy has been negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could significantly differ from actual results.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

3 Summary of Significant Accounting Policies

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

At 30 June 2016 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 64.2575 (31 December 2015: USD 1 = RR 72.8827) and EUR 1 = RR 71.2102 (31 December 2015: EUR 1 = RR 79.6972).

The accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2015 except as disclosed below.

This consolidated condensed interim financial information does not contain all the explanatory notes as required for a full set of financial statements, including certain disclosures introduced by IFRS 7 "Financial Instruments: Disclosures".

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

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current period amounts.

The effect of reclassifications for presentation purposes was as follows on amounts for three-month period ended 31 March 2016:

<i>In thousands of Russian Roubles</i>	As originally presented 31 March 2016	Reclassification	As reclassified 31 March 2016
Fee and commission expense	(178 692)	(66 180)	(244 872)
Administrative and other operating expenses	(2 266 813)	66 180	(2 200 633)

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern. The economic environment the Group operates in is characterised by negative events and uncertainty, which has led to a decrease in the profitability of the Russian retail banking sector.

The main reasons that led to the deterioration of the Group's financial results in 2015 were:

- slowdown of the Russian economy in general and the banking services market in particular; the drop in household income and consumer activity;
- increase in the level of overdue loans in the retail lending segment, caused by high debt load and stagnation processes in the economy;
- increased funding costs, due to a sharp increase in December 2014 of the CBRF key rate and the deteriorating external borrowing conditions due to the difficult global market conditions, which impacted the whole of 2015.

During the prior two years the Group incurred significant losses under IFRS. As a result, the equity of the Group as recorded in its IFRS financial statements decreased to RR 9 580 915 thousand as at 31 December 2015. In the first half of 2016 the shareholders have injected RR 3 000 000 thousands of new share capital and recorded a positive Comprehensive Income of RR 1 549 851 thousands. As part of this injection of new share capital Uniastrum Bank has become a 25% shareholder of the bank. This has increased the net assets of the Group to RR 14 130 766 thousand as at 30 June 2016. As at 30 June 2016 the Bank reported Tier 1 regulatory capital (under Russian accounting standards) of RR 17 685 934 (at 31 December 2015 RR 17 017 926 thousand unaudited) and a capital adequacy ratio (N1.0) of 9.97% compared to 8% regulatory minimum (at 31 December 2015 11.6% unaudited). Subsequent to the period end the Board of the Bank has approved the proposal to merge the Bank with Uniastrum Bank which is still subject to shareholder and regulatory approval, both of which Management are confident will be obtained by the end of 2016. Such merger is expected to create a more diversified bank with greater critical mass and better improved operating efficiency than either of the individual banks. The combined profitability of the banks is expected to increase with cross selling and cost synergies being realised. The uncertainty that may cast significant doubt about the Group's ability to continue as a going concern still remains a risk but assuming the successful completion of this merger and the continuing positive improvement of the Group's results management believe this risk is decreasing.

The management of the Group is continuing its discussions with its subordinated debt holders in order to agree a restructuring plan with the aim to further strengthen the regulatory capital of the Group.

In addition, the Group is undertaking the following actions to increase future profitability and the financial position of the business as this is already shown in higher profitability parameters for H1 2016 and significant improvements on credit risk management.

Management prepared these consolidated financial statements on a going concern basis. In making this judgement the management considered the Group's financial position, current intentions, capital adequacy, liquidity, expected results of operations, access to financial resources, impact of the operating environment on the Group and other factors. The management consider that the actions already and being undertaken will result in the Group having sufficient regulatory capital to comply with the CBRF regulatory capital normatives during the next 12 months.

Further, the Management consider that the continued recognition of its deferred tax asset is justifiable. The details of critical accounting estimates in respect of deferred tax asset recognition is disclosed in the paragraphs below.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable.

The amount of deferred tax asset of the Bank as at 30 June 2016 is RR 7 261 569 thousand, which is 51% of the equity of the Group.

In order to utilise the deferred tax amount the Group needs to obtain future taxable profits (before reversal of the temporary differences) more than RR 35 billion. The management of the bank has prepared a medium term business plan assessing whether it is probable for the Group to obtain sufficient taxable profits. Based on the business plan, the Bank management estimates that it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Key assumptions in the business plan were stated in the consolidated financial statement of the Bank as at 31 December 2015 and currently the Bank is in line with business plan for the year 2016.

In case the Group will not be able to obtain sufficient taxable profits, the deferred tax asset of the Group will need to be impaired, which would lead to a decrease in the equity of the Group.

Impairment losses on loans and advances to individuals. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 1 472 569 thousand (31 December 2015: RR 2 997 031 thousand).

As at 30 June 2016 the Group has RR 15 794 315 thousand of loans overdue for more than 90 days (31 December 2015: RR 30 711 224 thousand). The Group has created provision for loan impairment for these loans in the amount of RR 12 473 737 thousand (31 December 2015: RR 24 736 096 thousand). In case provision for loan impairment for these loans will be increased up to 100% from their carrying amount the provision will be increased on RR 3 320 578 thousand (31 December 2015: RR 5 975 128 thousand).

Valuation of investment properties using income capitalisation method. Investment property is stated at its fair value based on reports prepared independent appraiser. As a result of the current economic environment and market conditions as described in Note 2, the frequency of property transactions is low in Russian Federation. Nevertheless, in management's assessment there remains sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value for the Group's investment properties.

For these properties, the valuation was based principally on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation, and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period. Notwithstanding the above, management considers that the valuation of its investment properties is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds on a sale may differ from the carrying value.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

The principal assumptions underlying the estimation of the fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group, and those reported by the market.

The investment properties were valued on 31 December 2015 at fair value, by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category.

On the date of revaluation, the principal assumptions made and the impact on the aggregate valuations of reasonably possible changes in these assumptions, with all other variables held constant, are as follows:

- The future rental rates from RR 30 thousand to RR 50 thousand per square meter per annum. Had these rental rates been increased or decreased by 10 percent, the total carrying value of investment properties would be RR 48 120 thousand higher or RR 48 299 thousand lower, respectively.
- Vacancy loss rate was assumed to be 10%. Should the vacancy loss rate increase/decrease by 1 percentage point, the carrying value of the investment properties would be RR 5 559 thousand lower/RR 5 559 thousand higher.
- Repair expenses and property management fees are assumed to be RR 5 thousand a year for one square metre. Should these expenses increase/decrease by 10 percent, the carrying value of the investment property would be RR 7 393 thousand lower/higher.
- The capitalisation rate was assumed to be 10,75%. Should this capitalisation rate increase/decrease by 1 percentage point, the carrying value of the investment property would be RR 32 692 thousand lower/RR 38 860 thousand higher.

5 New Accounting Pronouncements

There were no new standards and interpretations became effective for the Group from 1 January 2016.

Since the Group published its last annual consolidated financial statements, no new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2017 apart from those disclosed in the annual consolidated financial statements of the Group.

6 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Cash on hand	4 515 520	8 230 214
Cash balances with the CBRF (other than mandatory reserves)	2 147 447	2 898 386
Correspondent accounts with other banks:		
- Russian Federation	1 714 538	864 184
- Other countries	665 000	6 743 342
Total cash and cash equivalents	9 042 505	18 736 126

At 30 June 2016 the Group had 1 counterparty bank (31 December 2015: 1 bank) with aggregated cash and cash equivalents balances above RR 500 000 thousand. The total aggregate amount of these balances was RR 1 071 648 (31 December 2015: RR 6 300 399 thousand) or 12% of the cash and cash equivalents (31 December 2015: 34%).

7 Securities and Securities Pledged under Repurchase Agreements

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Investment securities available for sale	19 795 044	9 970 205
Investment securities available for sale pledged under repurchase agreements	18 318 723	10 433 079
Trading securities	10 290 618	5 750 180
Securities held to maturity pledged under repurchase agreements	5 119 248	6 278 620
Trading securities pledged under repurchase agreements	3 090 755	15 497 580
Investment securities held to maturity	2 456 083	2 569 354
Less: Provision for impairment of investment securities held to maturity	(27 181)	(27 181)
Total securities and securities pledged under repurchase agreements	59 043 290	50 471 837

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 1 331 139 thousand of trading securities (31 December 2015: RR 1 514 670 thousand). The Group did not use the overdraft facility as at 30 June 2016 or 31 December 2015.

Trading securities and trading securities pledged under repurchase agreements

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Trading securities		
Corporate bonds	3 596 687	1 890 007
Russian Federation bonds	2 613 364	1 207 154
Municipal bonds	2 407 094	735 183
Bonds of credit and finance organisations	1 323 595	1 413 988
Foreign government bonds	349 878	503 848
Total trading securities	10 290 618	5 750 180
Trading securities pledged under repurchase agreements		
Municipal bonds	2 038 366	2 915 165
Russian Federation bonds	748 187	643 193
Bonds of credit and finance organisations	299 133	4 546 950
Corporate bonds	5 069	7 392 272
Total trading securities pledged under repurchase agreements	3 090 755	15 497 580
Total trading securities and trading securities pledged under repurchase agreements	13 381 373	21 247 760

Bonds of credit and finance organisations represent bonds of domestic banks and financial companies of large domestic corporations.

Corporate bonds represent bonds of large domestic corporations.

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

Securities pledged under repurchase agreements represent securities sold under direct sale and repurchase agreements, which the counterparty has the right, by contract, to sell or repledge (Note 12). The repurchase agreements were short-term in nature and matured in July 2016 (31 December 2015: January 2016).

7 Securities and Securities Pledged under Repurchase Agreements (Continued)

Investment Securities Available for Sale

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Investment securities available for sale		
Corporate bonds	14 363 867	6 215 535
Foreign government bonds	2 793 020	2 709 906
Bonds of credit and finance organisations	2 605 709	1 012 316
Shares	32 448	32 448
Total investment securities available for sale	19 795 044	9 970 205
Investment securities available for sale pledged under repurchase agreements		
Corporate bonds	17 479 963	9 472 481
Bonds of credit and finance organisations	838 760	960 598
Total investment securities available for sale pledged under repurchase agreements	18 318 723	10 433 079
Total investment securities available for sale and investment securities available for sale pledged under repurchase agreements	38 113 767	20 403 284

Total investment securities held to maturity and investment securities held to maturity pledged under repurchase agreements

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Investment securities held to maturity		
Bonds of credit and finance organisations	1 461 735	1 629 474
Corporate bonds	994 348	939 880
Less: Provision for impairment of investment securities held to maturity	(27 181)	(27 181)
Total investment securities held to maturity	2 428 902	2 542 173
Investment securities held to maturity pledged under repurchase agreements		
Corporate bonds	5 119 248	5 964 534
Bonds of credit and finance organisations	-	314 086
Total investment securities held to maturity pledged under repurchase agreements	5 119 248	6 278 620
Total investment securities held to maturity and investment securities held to maturity pledged under repurchase agreements	7 548 150	8 820 793

During the period from 31 January 2015 to 30 June 2016 the Bank has sold the bonds in the amount of RR 320 151 thousand from its held to maturity portfolio. Management of the Group consider that this sale represents absolutely insignificant portion of held to maturity portfolio and thus the Group is allowed not to reclassify the whole held to maturity portfolio.

8 Due from Other Banks

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Reverse sale and repurchase agreement	1 065 949	850 049
Interbank loans	70 000	70 000
Less allowance for impairment	(70 000)	(70 000)
Total due from other banks	1 065 949	850 049

9 Loans and Advances to Customers

Loans and advances to customers represent both loans originated and purchased by the Group.

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Loans and advances to individuals	87 968 754	113 067 605
Loans and advances to corporate customers	4 204 575	4 841 527
Total gross loans and advances to customers	92 173 329	117 909 132
Less: Provision for loan impairment	(15 830 343)	(30 341 063)
Total loans and advances to customers	76 342 986	87 568 069

As at 30 June 2016 and 31 December 2015 loans and advances to individuals comprise:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Consumer loans	43 946 386	71 176 270
Credit cards	31 742 394	27 213 031
Car loans	4 325 722	5 573 271
Mortgage loans	2 316 220	1 488 131
SME loans	1 516 522	2 940 849
Other loans	4 121 510	4 676 053
Total gross loans and advances to individuals	87 968 754	113 067 605
Less: Provision for loan impairment	(15 463 230)	(29 970 314)
Total loans and advances to individuals	72 505 524	83 097 291

Other loans represent retail loans purchased from other banks. At 30 June 2016 other loans include RR 3 329 186 thousand of mortgage loans purchased from third parties (31 December 2015: RR 3 849 168 thousand).

9 Loans and Advances to Customers (Continued)

As at 30 June 2016 and 31 December 2015 loans and advances to corporate customers comprise:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Corporate loans	4 070 287	4 443 498
SME loans	134 288	157 843
Reverse sale and repurchase agreements	-	240 186
Total gross loans and advances to corporate customers	4 204 575	4 841 527
Less: Provision for loan impairment	(367 113)	(370 749)
Total loans and advances to corporate customers	3 837 462	4 470 778

Movements in the provision for impairment of loans to individuals during the six-month period ended 30 June 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	Mortgage loans	SME loans	Other loans	Total
Provision for impairment of loans to individuals at 1 January 2016	21 264 900	4 099 314	2 711 381	188 607	834 882	871 230	29 970 314
Provision/(recovery of provision) for impairment during the period	4 457 797	1 740 370	(136 229)	19 351	582 522	55 474	6 719 285
Provision used on sale of loans	(5 669 405)	(379 390)	(44 377)	-	(37 637)	(68 523)	(6 199 332)
Write-off of loans against allowance for impairment	(11 275 065)	(2 894 939)	-	(624)	(1 066 542)	(6 752)	(15 243 922)
Recovery of written-off loans	144 247	61 660	-	-	10 978	-	216 885
Provision for impairment of loans to individuals at 30 June 2016	8 922 474	2 627 015	2 530 775	207 334	324 203	851 429	15 463 230

9 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans to individuals during the three-month period ended 30 June 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	Mortgage loans	SME loans	Other loans	Total
Provision for impairment of loans to individuals at 31 March 2016	17 491 884	3 113 957	2 516 947	201 768	532 498	854 699	24 711 753
Provision for impairment during the period	1 374 256	883 611	55 184	6 190	485 122	68 462	2 872 825
Provision used on sale of loans	(5 533 435)	(219 268)	(41 356)	-	(34 619)	(66 127)	(5 894 805)
Write-off of loans against allowance for impairment	(4 441 365)	(1 164 594)	-	(624)	(661 167)	(5 605)	(6 273 355)
Recovery of written-off loans	31 134	13 309	-	-	2 369	-	46 812
Provision for impairment of loans to individuals at 30 June 2016	8 922 474	2 627 015	2 530 775	207 334	324 203	851 429	15 463 230

Movements in the provision for impairment of loans to individuals during the six-month period ended 30 June 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	Mortgage loans	SME loans	Other loans	Total
Provision for impairment of loans to individuals at 1 January 2015	23 037 893	5 849 361	3 007 824	185 661	2 019 075	910 634	35 010 448
Provision for impairment during the period	13 296 336	2 964 240	169 273	47 909	762 329	76 477	17 316 564
Provision used on sale of loans	(319 411)	(125 150)	(2 175)	(39 184)	(33 724)	(60 317)	(579 961)
Write-off of loans against allowance for impairment	(14 816 297)	(3 738 141)	-	-	(1 389 876)	(2 874)	(19 947 188)
Recovery of written-off loans	512 249	218 971	-	-	38 987	-	770 207
Provision for impairment of loans to individuals at 30 June 2015	21 710 770	5 169 281	3 174 922	194 386	1 396 791	923 920	32 570 070

9 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans to individuals during the three-month period ended 30 June 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	Mortgage loans	SME loans	Other loans	Total
Provision for impairment of loans to individuals at 31 March 2015	21 724 465	5 636 596	3 397 735	188 486	1 714 034	915 406	33 576 722
Provision/(recovery of provision) for impairment during the period	6 484 275	1 204 194	(221 644)	42 906	290 511	38 343	7 838 585
Provision used on sale of loans	(312 918)	(119 613)	(1 169)	(37 006)	(32 073)	(29 215)	(531 994)
Write-off of loans against allowance for impairment	(6 631 596)	(1 730 414)	-	-	(607 038)	(614)	(8 969 662)
Recovery of written-off loans	446 544	178 518	-	-	31 357	-	656 419
Provision for impairment of loans to individuals at 30 June 2015	21 710 770	5 169 281	3 174 922	194 386	1 396 791	923 920	32 570 070

Movements in the provision for impairment of loans to corporate customers during the six-month period ended 30 June 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
Provision for impairment of loans to corporate customers at 1 January 2016	329 417	41 332	370 749
Provision/(recovery of provision) for impairment during the period	1 560	(5 196)	(3 636)
Provision for impairment of loans to corporate customers at 30 June 2016	330 977	36 136	367 113

Movements in the provision for impairment of loans to corporate customers during the three-month period ended 30 June 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
Provision for impairment of loans to corporate customers at 31 March 2016	332 375	37 573	369 948
Recovery of provision for impairment during the period	(1 398)	(1 437)	(2 835)
Provision used on sale of loans			
Provision for impairment of loans to corporate customers at 30 June 2016	330 977	36 136	367 113

9 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans to corporate customers during the six-month period ended 30 June 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
Provision for impairment of loans to corporate customers at 1 January 2015	306 497	45 797	352 294
Recovery of provision for impairment during the period	(4 692)	(5 086)	(9 778)
Provision for impairment of loans to corporate customers at 30 June 2015	301 805	40 711	342 516

Movements in the provision for impairment of loans to corporate customers during the three-month period ended 30 June 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
Provision for impairment of loans to corporate customers at 31 March 2015	305 145	41 040	346 185
Recovery of provision for impairment during the period	(3 340)	(329)	(3 669)
Provision for impairment of loans to corporate customers at 30 June 2015	301 805	40 711	342 516

During the six-month period ended 30 June 2016 the Bank disposed of loans and advances to customers under cession agreements with the total gross value of RR 6 244 298 thousand (six-month period ended 30 June 2015: RR 675 276 thousand) for cash proceeds of RR 19 198 thousand (six-month period ended 30 June 2015: RR 95 315 thousand) and receivable cash proceeds of RR 25 768 thousand (six-month period ended 30 June 2015: zero). As of the date of disposal these loans were provided for impairment in the total amount of RR 6 199 332 thousand (six-month period ended 30 June 2015: RR 579 961 thousand). In addition the Bank disposed of loans previously written-off in the amount of RR 5 727 785 thousand for cash proceeds RR 76 789 thousand recognised in the consolidated condensed interim statement of profit or loss and other comprehensive income. The loans were disposed of by transferring the contractual rights to receive the cash flows to other banks, collection agencies, other legal entities and related parties (Note 26).

During the three-month period ended 30 June 2016 the Bank disposed of loans and advances to customers under cession agreements with the total gross value of RR 5 932 161 thousand (three-month period ended 30 June 2015: RR 597 841 thousand) for cash proceeds of RR 11 588 thousand (three-month period ended 30 June 2015: RR 65 847 thousand) and receivable cash proceeds of RR 25 768 thousand (three-month period ended 30 June 2015: zero). As of the date of disposal these loans were provided for impairment in the total amount of RR 5 894 805 thousand (three-month period ended 30 June 2015: RR 531 994 thousand). In addition the Bank disposed of loans previously written-off in the amount of RR 1 200 930 thousand for cash proceeds RR 8 482 thousand recognised in the consolidated condensed interim statement of profit or loss and other comprehensive income. The loans were disposed of by transferring the contractual rights to receive the cash flows to other banks, collection agencies, other legal entities and related parties (Note 26).

9 Loans and Advances to Customers (Continued)

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

<i>In thousands of Russian Roubles</i>	30 June 2016		31 December 2015	
	Amount	%	Amount	%
Individuals	87 968 754	95.5	113 067 605	95.9
Financial services	3 167 981	3.4	3 791 163	3.2
Trade	291 562	0.3	475 484	0.4
Manufacturing	272 515	0.3	234 019	0.2
Other	472 517	0.5	340 861	0.3
Total loans and advances to customers (gross)	92 173 329	100.0	117 909 132	100.0

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 30 June 2016 is as follows:

<i>In thousands of Russian Rouble</i>	Consumer loans	Credit cards	Car loans	Mortgage loans	SME loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	2 136 860	2 250 607	5 964	296 926	-	-	4 690 357
Loans without overdue payments at reporting date							
- Loans with all payments (more than six), from origination date to reporting date, being done on time	7 054 216	3 474 732	337 716	371 080	224 445	-	11 462 189
- Loans with history of 1 to 6 on-time payments and no past due payments	2 631 581	9 090 979	1 449	685 683	-	302 947	12 712 639
- Loans with history of past due payments of up to 15 days	12 559 069	9 469 942	763 783	317 729	615 536	509 193	24 235 252
- Loans with history of past due payments of up to 30 days	2 612 588	2 062 951	178 006	72 593	98 975	255 746	5 280 859
- Loans with history of past due payments over 30 days	3 662 514	1 389 432	222 513	136 773	142 699	750 746	6 304 677
Total neither past due nor impaired (gross)	30 656 828	27 738 643	1 509 431	1 880 784	1 081 655	1 818 632	64 685 973
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	2 564 123	1 140 581	91 553	161 596	60 774	251 565	4 270 192
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	14 474	-	110 691	81 875	12 168	853 937	1 073 145
Total overdue but not impaired loans	2 578 597	1 140 581	202 244	243 471	72 942	1 105 502	5 343 337
Loans determined to be impaired							
Loans with payments that are overdue by 31 – 90 days	1 804 990	595 794	43 890	2 225	38 509	1 624	2 487 032
Non-performing loans (loans overdue by 91 or more days)							
- Loans with payments that are overdue by 91 – 180 days	2 523 522	708 707	71 027	1 251	78 148	1 074	3 383 729
- Loans with payments that are overdue by 181 – 360 days	6 382 449	1 558 669	222 328	9 635	245 268	17 853	8 436 202
- Loans with payments that are overdue over 360 days	-	-	2 276 802	178 854	-	1 176 825	3 632 481
Total non-performing loans (loans overdue by 91 or more days)	8 905 971	2 267 376	2 570 157	189 740	323 416	1 195 752	15 452 412
Total overdue loans (gross)	10 710 961	2 863 170	2 614 047	191 965	361 925	1 197 376	17 939 444
Total loans and advances to individuals (gross)	43 946 386	31 742 394	4 325 722	2 316 220	1 516 522	4 121 510	87 968 754
Less impairment provisions	(8 922 474)	(2 627 015)	(2 530 775)	(207 334)	(324 203)	(851 429)	(15 463 230)
Total loans and advances to individuals	35 023 912	29 115 379	1 794 947	2 108 886	1 192 319	3 270 081	72 505 524

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 30 June 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	SME loans	Total
<i>Neither past due nor impaired</i>			
Non classified loans	58 383	-	58 383
Loans with all payments (more than six), from origination date to reporting date, being done on time	95 854	7 857	103 711
Other current loans	3 598 710	84 299	3 683 009
Total neither past due nor impaired (gross)	3 752 947	92 156	3 845 103
<i>Overdue but not impaired loans</i>			
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	12 094	5 475	17 569
Total overdue but not impaired loans	12 094	5 475	17 569
<i>Loans individually determined to be impaired</i>			
Non-performing loans (loans overdue by 91 or more days)			
- Loans with payments that are overdue over 360 days	305 246	36 657	341 903
Total non-performing loans (loans overdue by 91 or more days)	305 246	36 657	341 903
Total individually impaired loans (gross)	305 246	36 657	341 903
Total loans and advances to legal entities (gross)	4 070 287	134 288	4 204 575
Less impairment provisions	(330 977)	(36 136)	(367 113)
Total loans and advances to legal entities	3 739 310	98 152	3 837 462

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 31 December 2015 is as follows:

<i>In thousands of Russian Rouble</i>	Consumer loans	Credit cards	Car loans	SME loans	Mortgage loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	1 277 607	2 207 583	-	-	136 761	-	3 621 951
Loans without overdue payments at reporting date							
- Loans with all payments (more than six), from origination date to reporting date, being done on time	12 446 516	2 750 419	667 648	504 145	339 005	-	16 707 733
- Loans with history of 1 to 6 on-time payments and no past due payments	4 892 854	4 585 780	1 460	-	198 270	400 668	10 079 032
- Loans with history of past due payments of up to 15 days	17 773 009	8 522 093	1 212 872	1 036 028	271 896	657 755	29 473 653
- Loans with history of past due payments of up to 30 days.	3 471 221	2 140 499	277 892	158 856	76 575	354 820	6 479 863
- Loans with history of past due payments over 30 days	2 943 036	1 381 583	272 215	171 197	119 969	862 250	5 750 250
Total neither past due nor impaired (gross)	42 804 243	21 587 957	2 432 087	1 870 226	1 142 476	2 275 493	72 112 482
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	2 718 950	921 765	121 125	87 863	80 977	214 973	4 145 653
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	21 608	443	159 662	20 456	79 925	1 012 623	1 294 717
Total overdue but not impaired loans	2 740 558	922 208	280 787	108 319	160 902	1 227 596	5 440 370
Loans determined to be impaired							
Loans with payments that are overdue by 31 – 90 days	4 294 069	693 666	96 191	92 371	1 683	2 020	5 180 000
Non-performing loans (loans overdue by 91 or more days)							
- Loans with payments that are overdue by 91 – 180 days	7 833 570	1 001 595	160 999	182 192	6 387	9 097	9 193 840
- Loans with payments that are overdue by 181 – 360 days	13 503 830	3 007 605	570 862	687 741	12 537	40 247	17 822 822
- Loans with payments that are overdue over 360 days	-	-	2 032 345	-	164 146	1 121 600	3 318 091
Total non-performing loans (loans overdue by 91 or more days)	21 337 400	4 009 200	2 764 206	869 933	183 070	1 170 944	30 334 753
Total overdue loans (gross)	25 631 469	4 702 866	2 860 397	962 304	184 753	1 172 964	35 514 753
Total loans and advances to individuals (gross)	71 176 270	27 213 031	5 573 271	2 940 849	1 488 131	4 676 053	113 067 605
Less impairment provisions	(21 264 900)	(4 099 314)	(2 711 381)	(834 882)	(188 607)	(871 230)	(29 970 314)
Total loans and advances to individuals	49 911 370	23 113 717	2 861 890	2 105 967	1 299 524	3 804 823	83 097 291

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 31 December 2015 is as follows:

	Corporate loans	Reverse sale and repurchase agreements	SME loans	Total
<i>In thousands of Russian Roubles</i>				
Neither past due nor impaired				
Non classified loans	3 604 584	-	-	3 604 584
Loans with all payments (more than six), from origination date to reporting date, being done on time	317 723	-	23 987	341 710
Other current loans	195 649	240 186	890	436 725
Total neither past due nor impaired (gross)	4 117 956	240 186	24 877	4 383 019
Overdue but not impaired loans				
- Loans with payments that are overdue by no more than 30 days at reporting date	-	-	73 704	73 704
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	5 016	-	3 317	8 333
Total overdue but not impaired loans	5 016	-	77 021	82 037
Loans individually determined to be impaired				
Non-performing loans (loans overdue by 91 or more days)				
- Loans with payments that are overdue over 360 days	320 526	-	55 945	376 471
Total non-performing loans (loans overdue by 91 or more days)	320 526	-	55 945	376 471
Total individually impaired loans (gross)	320 526	-	55 945	376 471
Total loans and advances to legal entities (gross)	4 443 498	240 186	157 843	4 841 527
Less impairment provisions	(329 417)	-	(41 332)	(370 749)
Total loans and advances to legal entities	4 114 081	240 186	116 511	4 470 778

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The Group's internal ratings scale includes the following categories:

- Non classified loans – loans originated close to the reporting date. No payments were due on those loans from the date of origination to the reporting date, and there is no evidence of impairment at the reporting date.

9 Loans and Advances to Customers (Continued)

- Loans without overdue payments at reporting date, consisting of:
 - Loans with all payments (more than six payments), from origination date to reporting date, being done on time;
 - Other loans without overdue payments at reporting date – loans with no overdue payments at reporting date, but with at least one past due payment, from origination date to reporting date, which was paid by the reporting date.
- Other loans – include all other loans that do not fall into categories set out above.

Loans to entrepreneurs-individuals are classified as SME loans to individuals; loans to SME legal entities are classified as SME corporate loans.

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and the Group's ability to sell any related collateral for more than the current outstanding loan balance.

Past due, but not impaired, loans include loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized and loans with payments that are overdue by no more than 30 days at reporting date. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

10 Investment Properties

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2016	Six-Month Period Ended 30 June 2015
Investment properties at fair value at 1 January	1 491 000	1 440 521
Expenditure on enhancements	-	17 585
Investment properties at fair value at 30 June	1 491 000	1 458 106

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 30 June 2016	Three-Month Period Ended 30 June 2015
Investment properties at fair value at 31 March	1 491 000	1 440 522
Expenditure on enhancements	-	17 584
Investment properties at fair value at 30 June	1 491 000	1 458 106

The investment properties were valued on 31 December 2015 at fair value, by an independent, professionally qualified valuer who has recent experience in valuing similar properties in the Russian Federation.

11 Other Assets

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Other financial assets		
Settlements with exchanges	1 394 315	3 363 322
Settlements with payment systems	442 735	567 286
Debts of individuals	323 828	-
Accounts receivable	261 432	182 365
Debtors for sale of loans	203 834	178 067
Other financial assets	162 735	142 410
Total gross other financial assets	2 788 879	4 433 450
Less: Provision for impairment of other financial assets	(743 326)	(387 556)
Total other financial assets	2 045 553	4 045 894
Other non-financial assets		
Prepayments for services and equipment	394 795	350 606
Reposessed collateral	238 273	291 741
Prepayment for profit tax	6 610	34 747
Other non-financial assets	13 177	-
Total gross other non-financial assets	652 855	677 094
Less: Provision for impairment of other non-financial assets	(62 195)	(62 195)
Total other non-financial assets	590 660	614 899
Total other assets	2 636 213	4 660 793

Settlements with exchanges represent a security deposit for trading in foreign currency. The amount of the deposit depends on the size of the deals. The exchanges block the balances and the Bank's access to money is thus restricted until the relevant deals are complete.

Settlements with payment systems represent amounts placed with international credit card companies to ensure continuous processing of credit card payments.

Reposessed collateral is represented by real estate, cars, inventory and other items acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future.

11 Other Assets (Continued)

Movements in the provision for impairment of other assets during the six-month period ended 30 June 2016 are as follows:

	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Debts of individuals	Other financial assets	Total
<i>In thousands of Russian Roubles</i>						
Provision for impairment at 1 January 2016	85 400	62 195	178 067	-	124 089	449 751
Provision for impairment during the period	18 396	-	-	323 828	18 375	360 599
Write-off of accounts receivable against allowance for impairment	(4 829)	-	-	-	-	(4 829)
Provision for impairment at 30 June 2016	98 967	62 195	178 067	323 828	142 464	805 521

Movements in the provision for impairment of other assets during the three-month period ended 30 June 2016 are as follows:

	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Debts of individuals	Other financial assets	Total
<i>In thousands of Russian Roubles</i>						
Provision for impairment at 31 March 2016	95 676	62 195	178 067	104 876	139 761	580 575
Provision for impairment during the period	7 227	-	-	218 952	2 703	228 882
Write-off of accounts receivable against allowance for impairment	(3 936)	-	-	-	-	(3 936)
Provision for impairment at 30 June 2016	98 967	62 195	178 067	323 828	142 464	805 521

Movements in the provision for impairment of other assets during the six-month period ended 30 June 2015 are as follows:

	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Other financial assets	Total
<i>In thousands of Russian Roubles</i>					
Provision for impairment at 1 January 2015	79 321	62 195	144 288	95 926	381 730
Provision for impairment during the period	33 934	-	33 200	6 706	73 840
Write-off of accounts receivable against allowance for impairment	(5 156)	-	-	-	(5 156)
Provision for impairment at 30 June 2015	108 099	62 195	177 488	102 632	450 414

11 Other Assets (Continued)

Movements in the provision for impairment of other assets during the three-month period ended 30 June 2015 are as follows:

	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Other financial assets	Total
<i>In thousands of Russian Roubles</i>					
Provision for impairment at 31 March 2015	80 539	62 195	165 936	99 434	408 104
Provision for impairment during the period	29 995	-	11 552	3 198	44 745
Write-off of accounts receivable against allowance for impairment	(2 435)	-	-	-	(2 435)
Provision for impairment at 30 June 2015	108 099	62 195	177 488	102 632	450 414

12 Due to Other Banks

	30 June 2016	31 December 2015
<i>In thousands of Russian Roubles</i>		
Liability to return collateral sold or repledged	20 971 261	-
Direct sale and repurchase agreements	2 446 253	996 491
Direct sale and repurchase agreements with CBRF	2 000 609	29 197 264
Loans from Russian commercial banks	173 098	356 687
Correspondent accounts and overnight placements of other banks	7 521	7 469
Total due to other banks	25 598 742	30 557 911

13 Customer Accounts

	30 June 2016	31 December 2015
<i>In thousands of Russian Roubles</i>		
Individuals		
- Term deposits	90 065 304	100 608 321
- Current/demand accounts	12 831 154	11 946 215
Corporate customers		
- Term deposits	1 420 484	2 286 010
- Current/settlement accounts	1 941 911	2 258 247
- Liability to return collateral sold or repledged	-	285 290
State and public organisations		
- Term deposits	198 340	490 508
- Current/settlement accounts	51 830	61 029
Total customer accounts	106 509 023	117 935 620

13 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016		31 December 2015	
	Amount	%	Amount	%
Individuals	102 896 458	96.6	112 554 536	95.5
Wholesale and retail trade	860 023	0.8	853 265	0.7
Financial services	579 182	0.5	1 482 806	1.3
Construction	452 504	0.4	508 482	0.4
Manufacturing	401 406	0.4	637 716	0.6
Real estate, renting	292 646	0.3	358 820	0.3
Transport, storage and communications	167 520	0.2	150 067	0.1
Trade unions, non-for-profit organizations, individuals entrepreneurs	92 899	0.1	282 751	0.2
Agriculture, hunting and forestry	60 102	0.1	159 666	0.1
Hotels and restaurants	55 211	0.1	81 516	0.1
Education	22 009	-	36 657	-
Health and social work	14 587	-	37 363	-
Electricity, gas and water supply	12 994	-	70 184	0.1
Fishing	721	-	4 572	-
Other	600 761	0.5	717 219	0.6
Total customer accounts	106 509 023	100.0	117 935 620	100.0

At 30 June 2016 deposits and current accounts of the Group's ten largest depositors amounted to RR 2 288 038 thousand or 2.1% of total customer accounts (31 December 2015: RR 2 672 937 thousand or 2.3%).

The Group has several deposits from related parties. Information on related party deposits is disclosed in Note 26.

14 Debt Securities in Issue

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Bonds issued on domestic market, 7th tranche (RR 5 000 000 thousand), matures in July 2018	29 151	29 593
Promissory notes	15 380	237 722
Total debt securities in issue	44 531	267 315

15 Other Liabilities

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Other financial liabilities		
Accrued expenses	288 334	310 513
Accounts payable	58 234	92 344
Foreign currency spots	5 064	159 614
Foreign currency forwards	-	11 444
Other	117 299	51 993
Total other financial liabilities	468 931	625 908
Other non-financial liabilities		
Taxes other than on income	424 246	419 794
Current tax liability	284 142	14 349
Provision for legal claims	251 772	269 001
Accrued vacation liability to employees	209 383	101 892
Accrued salary	154 625	15
Accrued short-term bonuses	92 966	145 547
Other	9 471	2 341
Total other non-financial liabilities	1 426 605	952 939
Total other liabilities	1 895 536	1 578 847

The provision for legal claims represents the present value of the management's best estimate of the future outflows of economic benefits that will be required under the Group's obligation to reimburse some credit related commissions that the Group collected from its customers before such practice of Russian banks was questioned by the courts. The estimate has been made on the basis of historical trends for such claims and court practice and may vary as a result of new developments in the legislation and business practice.

16 Subordinated Debt

<i>In thousands of Russian Roubles</i>		30 June 2016	31 December 2015
Subordinated USD denominated notes due in May 2019	a	7 867 394	8 892 505
Subordinated RR denominated bonds due in Aug 2018	b	2 898 410	3 880 993
Subordinated USD denominated notes due in June 2017	c	1 866 916	2 095 139
Subordinated convertible RR denominated bonds due in May 2020	d	589 434	578 631
Total subordinated debt		13 222 154	15 447 268

a) In November 2013 the Bank issued USD denominated subordinated notes in the amount of USD 125 000 thousand (equivalent of RR 4 141 650 thousand). The notes bear a fixed interest rate of 12% per annum payable semi-annually from the issuance until 29 May 2019.

b) In February 2013 the Bank issued on the Moscow Exchange a tranche of non-convertible subordinated bonds with a nominal amount of RR 4 500 000 thousand with a coupon rate of 13.6% per annum payable semi-annually until maturity on 9 August 2018. In March 2016 the Bank repurchased subordinated notes with the nominal amount of RUR 222 000 thousand. In May 2016 the Bank repurchased subordinated notes with the nominal amount of RUR 663 134 thousand. In June 2016 the Bank repurchased subordinated notes with the nominal amount of RUR 50 000 thousand.

16 Subordinated Debt (Continued)

- c) In June 2007 the Group issued USD denominated subordinated notes in the amount of USD 43 000 thousand. The notes bear a fixed interest rate of 8.17% payable semi-annually until maturity on 26 June 2017.
- d) In December 2014 the Bank issued on the Moscow Exchange a tranche of convertible subordinated bonds with a nominal amount of RR 733 919 thousand with a coupon rate of 18% per annum payable semi-annually until maturity on 28 May 2020. The equity component of this instrument is disclosed as a separate line item in the balance sheet.

The debt ranks after all other creditors in the case of liquidation.

17 Share Capital

Statutory capital authorised, issued and fully paid comprises:

<i>In thousands of Russian Roubles except for number of shares</i>	Number of Ordinary outstanding shares	Number of Preference outstanding shares	Ordinary shares	Preference shares	Total
At 1 January 2015	86 352 829 088	20 000	863 528	-	863 528
At 30 June 2015	86 352 829 088	20 000	863 528	-	863 528
At 1 January 2016	342 152 829 088	20 000	3 421 528	-	3 421 528
New shares issued	300 000 000 000	-	3 000 000	-	3 000 000
At 30 June 2016	642 152 829 088	20 000	6 421 528	-	6 421 528

All ordinary shares carry equal rights and have a nominal value of RR 0.01. Preference shares have a nominal value of RR 0.01 and are not redeemable, carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. Holders of the preference shares are entitled to receive annual dividends of RR 0.017 per share subject to approval at the general meeting of shareholders. Share premium represents the excess of contributions received over the nominal value of shares issued. If the dividends are not paid, preference shares carry the right to vote at annual and general meetings until the dividends are paid.

In June 2015 the Bank issued 255 800 000 000 ordinary shares with nominal value of RR 0.01 per share. Evizon Holdings Limited purchased 200 000 000 000 shares, the Troyte Investments Limited – 49 000 000 000 shares, Alexander Taranov – 6 800 000 000 shares. Issue of shares resulted in increase in share capital of RR 2 558 000 thousand.

In June 2016 the Bank issued 300 000 000 000 ordinary shares with nominal value of RR 0.01 per share. Uniastrum Bank purchased 160 500 000 000 shares, the Evizon Holdings Limited – 139 500 000 000 shares. Issue of shares resulted in increase in share capital of RR 3 000 000 thousand.

18 Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June		Three-Month Period Ended 30 June	
	2016	2015	2016	2015
Interest income				
Loans and advances to individuals	12 320 248	18 340 381	6 055 265	9 074 906
Securities and securities pledged under repurchase agreements	1 870 734	1 242 283	966 798	721 442
Loans and advances to corporate customers	260 423	129 124	157 846	73 328
Interest income on reverse repo	73 106	119 046	34 761	78 560
Due from other banks	14 678	124 468	10 398	57 815
Total Interest income	14 539 189	19 955 302	7 225 068	10 006 051
Interest expense				
Term deposits of individuals	5 515 144	7 552 496	2 638 054	3 851 520
Subordinated debt	888 725	882 851	493 624	491 185
Interest expense on direct repo transactions	831 578	141 110	359 551	52 609
Term deposits of legal entities	97 254	521 856	38 483	205 065
Term deposits of other banks	65 680	350 849	29 041	189 435
Debt securities issued	22 256	456 306	2 504	214 380
Current/settlement accounts	5 155	33 816	1 758	11 806
Other borrowed funds	-	92 612	-	8 628
Total Interest expense	7 425 792	10 031 896	3 563 015	5 024 628
Net interest income	7 113 397	9 923 406	3 662 053	4 981 423

19 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June		Three-Month Period Ended 30 June	
	2016	2015	2016	2015
Insurance agency commissions	1 674 267	2 071 232	903 428	1 004 221
Commission on settlement and foreign currency exchange	254 756	260 172	134 068	189 411
Commission on plastic cards	100 561	89 808	93 848	44 884
Commission on sms information	87 391	79 140	47 101	36 261
Agency fees	75 168	38 514	39 793	29 104
Commission on cash transactions	18 660	28 501	10 299	14 131
Commissions received for withdrawals of cash from ATMs of other banks	11 967	29 665	6 187	14 092
Commission for account maintenance	9 959	92 147	7 259	45 744
Other	36 847	58 453	21 585	39 353
Total fee and commission income	2 269 576	2 747 632	1 263 568	1 417 201
Collection agency fees	372 133	342 532	186 855	130 978
Commission on settlement and foreign currency exchange	62 386	47 894	31 278	23 325
Cash collection	25 507	27 781	11 327	12 892
Commissions paid to other banks for clients' withdrawals from their ATMs	11 967	29 665	6 187	14 092
Commission on cash transactions	3 638	7 617	1 260	3 816
Other	7 652	6 329	1 504	3 395
Total fee and commission expense	483 283	461 818	238 411	188 498
Net fee and commission income	1 786 293	2 285 814	1 025 157	1 228 703

The purchase of insurance policy by clients is not a precondition of loan origination, does not affect terms of the loan, and, therefore, insurance agent commissions are not part of the loan effective interest rate, and are recognised as commission income on the effective commencement dates of the related insurance policies.

20 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June		Three-Month Period Ended 30 June	
	2016	2015	2016	2015
Staff costs	1 614 843	1 911 715	791 093	911 842
Social security	415 336	505 641	197 927	231 737
Fines and penalties	294 664	272 124	187 695	163 360
Taxes other than on income	240 104	193 416	100 732	109 998
Depreciation of premises and equipment	235 348	284 411	113 655	140 635
Advertising and marketing	230 799	146 090	118 473	60 722
Deposit insurance fee	210 570	253 693	108 175	127 649
Expenses related to premises and equipment	177 807	169 616	87 204	85 047
Rent expense	145 207	312 879	80 551	139 116
Communication and postage	134 553	130 912	17 468	78 796
Amortisation of intangible assets	118 246	115 416	66 009	57 942
IT expenses	129 430	87 119	92 291	56 699
Legal and arbitration costs	88 383	111 593	68 171	49 613
Security	47 046	65 097	23 830	29 489
Business trip expenses	25 564	26 576	17 112	11 695
Insurance	24 051	28 625	10 001	11 968
Other expenses	368 714	256 190	219 645	183 951
Total administrative and other operating expenses	4 500 665	4 871 113	2 300 032	2 450 259

21 Income Taxes

Income tax comprised the following:

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June		Three-Month Period Ended 30 June	
	2016	2015	2016	2015
Current tax	1 112 778	26 569	691 889	184 100
Deferred tax	(1 214 200)	(1 605 766)	(646 980)	(708 208)
Income tax (charge)/benefit for the period	(101 422)	(1 579 197)	44 909	(524 108)

The income tax rate applicable to the majority of the Group's income was 20% (2015: 20%).

For the six-month period ended 30 June 2016 the income tax recorded in other comprehensive loss amounts to RR 690 206 thousand (six-month period ended 30 June 2015: RR 97 thousand).

For the three-month period ended 30 June 2016 the income tax recorded in other comprehensive loss amounts to RR 412 196 thousand (three-month period ended 30 June 2015: RR 18 thousand).

22 Segment Analysis

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

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

The Group is organised on the basis of four main business segments:

- Retail banking – includes deposit taking and lending to individuals and individual entrepreneurs, money transfer and foreign exchange services, settlements and cash management;
- Corporate banking – includes deposit taking and lending to corporate clients, small and medium enterprises and settlements, cash management and cash collection;
- Mortgage lending – includes issuing loans to potential owners of certain types of residential properties and secured by the properties. The segment also includes purchase of portfolios of such loans from other banks and selling them both to banks and State Agency for Mortgage Lending;
- Treasury operations – includes trading in securities and currencies, subordinated and interbank loans taking and lending.

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

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and client services.

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

The Group uses IFRS as a measurement basis for segment reporting and evaluates performance of its operating segments on the basis of profit or loss before tax. The accounting policies used for preparation of the segment information are the same as those described in the summary of significant accounting policies.

22 Segment Analysis (Continued)

The CODM reviews financial information prepared based on IFRS accounting policies. Income taxes are not allocated to segments.

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

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

Segment breakdown of assets and liabilities of the Group is set out below:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Retail banking	111 161 745	118 415 658
Treasury	72 775 231	75 708 738
Mortgage lending	4 990 328	4 637 750
Corporate banking	4 837 760	5 478 611
Unallocated assets	7 694 702	7 170 614
Eliminations	(40 059 014)	(36 043 495)
Total assets	161 400 752	175 367 876
Retail banking	103 364 652	113 049 200
Treasury	67 670 639	72 277 707
Mortgage lending	4 640 297	4 427 572
Corporate banking	4 498 431	5 230 326
Unallocated liabilities	7 154 981	6 845 651
Eliminations	(40 059 014)	(36 043 495)
Total liabilities	147 269 986	165 786 961

22 Segment Analysis (Continued)

Segment information for the six months ended 30 June 2016 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallo- cated	Elimina- tions	Total
Interest income	260 423	13 415 835	1 958 518	806 976	-	(1 902 563)	14 539 189
Interest expense	(123 820)	(5 153 902)	(3 421 333)	(629 300)	-	1 902 563	(7 425 792)
Net interest income	136 603	8 261 933	(1 462 815)	177 676	-	-	7 113 397
Provision for loan impairment	3 636	(6 699 934)	-	(19 351)	-	-	(6 715 649)
Net interest income/(expense) after provision for loan impairment	140 239	1 561 999	(1 462 815)	158 325	-	-	397 748
Fee and commission income	188 013	2 081 563	-	-	-	-	2 269 576
Fee and commission expense	-	(446 486)	-	-	(36 797)	-	(483 283)
Result on sale of loans	76 789	-	-	-	-	-	76 789
Operations with securities, net	-	-	176 135	-	-	-	176 135
Gains less losses arising from dealing in foreign currencies	-	-	970 635	-	-	-	970 635
Foreign exchange translation gain, net	-	-	79 711	-	-	-	79 711
Other operating income	14 750	719	3 558	-	25 300	-	44 327
Administrative and Other Operating Expenses	(11 337)	(4 149 663)	(296 819)	(495)	(42 351)	-	(4 500 665)
Other provisions	-	17 229	-	-	(360 599)	-	(343 370)
Profit/(loss) before tax	408 454	(934 639)	(529 595)	157 830	(414 447)	-	(1 312 397)
Income tax credit	-	-	-	-	101 422	-	101 422
PROFIT/(LOSS) FOR THE PERIOD	408 454	(934 639)	(529 595)	157 830	(313 025)	-	(1 210 975)

22 Segment Analysis (Continued)

Segment information for the three months ended 30 June 2016 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallo- cated	Elimina- tions	Total
Interest income	157 846	6 611 804	1 011 957	439 848	-	(996 387)	7 225 068
Interest expense	(47 114)	(2 445 409)	(1 737 569)	(329 310)	-	996 387	(3 563 015)
Net interest income	110 732	4 166 395	(725 612)	110 538	-	-	3 662 053
Provision for loan impairment	2 835	(2 866 635)	-	(6 190)	-	-	(2 869 990)
Net interest income/(expense) after provision for loan impairment	113 567	1 299 760	(725 612)	104 348	-	-	792 063
Fee and commission income	101 653	1 161 915	-	-	-	-	1 263 568
Fee and commission expense	-	(224 320)	-	-	(14 091)	-	(238 411)
Result on sale of loans	8 482	-	-	-	-	-	8 482
Operations with securities, net	-	-	283 560	-	-	-	283 560
Gains less losses arising from dealing in foreign currencies	-	-	226 324	-	-	-	226 324
Foreign exchange translation gain, net	-	-	67 216	-	-	-	67 216
Other operating income	3 050	364	3 558	-	21 585	-	28 557
Administrative and Other Operating Expenses	(4 736)	(2 140 705)	(138 373)	(275)	(15 943)	-	(2 300 032)
Other provisions	-	37 230	-	-	(228 882)	-	(191 652)
Profit/(loss) before tax	222 016	134 244	(283 327)	104 073	(237 331)	-	(60 325)
Income tax expense	-	-	-	-	(44 909)	-	(44 909)
PROFIT/(LOSS) FOR THE PERIOD	222 016	121 864	(283 327)	116 453	(282 240)	-	(105 234)

22 Segment Analysis (Continued)

Segment information for the six months ended 30 June 2015 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallo- cated	Elimina- tions	Total
Interest income	609 259	18 298 751	1 485 797	713 441	-	(1 151 946)	19 955 302
Interest expense	(555 672)	(7 493 263)	(2 620 451)	(514 456)	-	1 151 946	(10 031 896)
Net interest income	53 587	10 805 488	(1 134 654)	198 985	-	-	9 923 406
Provision for loan impairment	9 778	(17 192 178)	-	(124 386)	-	-	(17 306 786)
Net interest income/(expense) after provision for loan impairment	63 365	(6 386 690)	(1 134 654)	74 599	-	-	(7 383 380)
Fee and commission income	131 535	2 613 767	-	-	2 330	-	2 747 632
Fee and commission expense	-	(420 091)	-	-	(41 727)	-	(461 818)
Result on sale of loans and debts	-	318 791	-	-	-	-	318 791
Operations with securities, net	-	-	1 047 778	-	-	-	1 047 778
Gains less losses arising from dealing in foreign currencies	-	-	243 740	-	-	-	243 740
Foreign exchange translation gain, net	-	-	162 844	-	-	-	162 844
Other operating income	7 647	2 864	23 236	393	77 604	-	111 744
Administrative and Other Operating Expenses	(34 098)	(4 591 024)	(165 618)	(974)	(79 399)	-	(4 871 113)
Other provisions	(33 562)	(16 250)	-	-	(40 280)	-	(90 092)
Profit/(loss) before tax	134 887	(8 478 633)	177 326	74 018	(81 472)	-	(8 173 874)
Income tax credit	-	-	-	-	1 579 197	-	1 579 197
PROFIT/(LOSS) FOR THE PERIOD	134 887	(8 478 633)	177 326	74 018	1 497 725	-	(6 594 677)

22 Segment Analysis (Continued)

Segment information for the three months ended 30 June 2015 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallo- cated	Elimina- tions	Total
Interest income	288 505	9 155 296	857 817	363 206	-	(658 773)	10 006 051
Interest expense	(216 871)	(3 681 407)	(1 385 825)	(399 298)	-	658 773	(5 024 628)
Net interest income	71 634	5 473 889	(528 008)	(36 092)	-	-	4 981 423
Provision for loan impairment	3 669	(7 757 336)	-	(81 249)	-	-	(7 834 916)
Net interest income/(expense) after provision for loan impairment	75 303	(2 283 447)	(528 008)	(117 341)	-	-	(2 853 493)
Fee and commission income	73 849	1 355 224	-	-	(11 872)	-	1 417 201
Fee and commission expense	-	(168 395)	-	-	(20 103)	-	(188 498)
Result on sale of loans and debts	-	318 791	-	-	-	-	318 791
Operations with securities, net	-	-	749 886	-	-	-	749 886
Gains less losses arising from dealing in foreign currencies	-	-	163 461	-	-	-	163 461
Foreign exchange translation gain, net	-	-	31 791	-	-	-	31 791
Other operating income	4 259	2 159	16 989	197	57 159	-	80 763
Administrative and Other Operating Expenses	(23 038)	(2 309 169)	(81 163)	(974)	(35 915)	-	(2 450 259)
Other provisions	(11 813)	8 750	-	-	(32 933)	-	(35 996)
Profit/(loss) before tax	118 560	(3 076 087)	352 956	(118 118)	(43 664)	-	(2 766 353)
Income tax credit	-	-	-	-	524 108	-	524 108
PROFIT/(LOSS) FOR THE PERIOD	118 560	(3 076 087)	352 956	(118 118)	480 444	-	(2 242 245)

22 Segment Analysis (Continued)

Capital expenditures and depreciation and amortisation charge by the segment for the six months ended 30 June 2016 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	1 177	27 053	17 712	1 215	1 873	49 030
Depreciation and amortisation	8 492	195 106	127 732	8 759	13 505	353 594

Capital expenditures and depreciation and amortisation charge by the segment for the three months ended 30 June 2016 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	781	18 106	11 842	841	1 269	32 839
Depreciation and amortisation	4 234	99 006	64 673	4 738	7 013	179 664

Capital expenditures and depreciation and amortisation charge by the segment for the six months ended 30 June 2015 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	4 080	63 071	27 592	2 033	3 132	99 908
Depreciation and amortisation	16 328	252 407	110 420	8 136	12 536	399 827

Capital expenditures and depreciation and amortisation charge by the segment for the three months ended 30 June 2015 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	2 752	45 482	21 333	1 434	2 356	73 357
Depreciation and amortisation	6 299	119 557	63 138	2 912	6 671	198 577

Outstanding credit related commitments (Note 24) by the segment are set out below:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Retail banking	29 553 862	27 760 566
Corporate banking	346 942	904 184
Total credit related commitments	29 900 804	28 664 750

23 Management of capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation ("CBRF"), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a level of capital sufficient to keep the trust of investors, creditors and the market in general (iv) to maintain capital sufficient for further growth of the Group's operations.

23 Management of Capital (Continued)

Compliance with capital adequacy ratios set by the CBRF is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the CBRF, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. If the Bank does not meet the CBRF requirements, certain sanctions may be imposed. Regulatory capital is based on the Bank's reports prepared under Russian accounting standards, which differ significantly from IFRS. The below numbers were disclosed in accounting (financial) statements (prepared under Russian accounting standards) of the Bank at 30 June 2016 and 31 December 2015:

<i>In thousands of Russian Roubles (unaudited)</i>	30 June 2016	31 December 2015
Net assets under Russian GAAP	20 986 638	19 669 808
Less intangible assets	(241 510)	(3 460)
Plus subordinated debt	5 339 685	8 754 463
Other	(1 450 278)	(1 647 499)
Total regulatory capital	24 634 535	26 773 312

The Group's international risk based capital adequacy ratio, computed in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), is commonly known as Basel I. The ratio exceeds the minimum ratio of 8% recommended by Basle Accord for the total capital and of 4% for Tier 1 capital.

The capital adequacy as at 30 June 2016 and 31 December 2015 was computed as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Constituents of capital		
Core capital (Tier 1)		
Share capital, ordinary and fully paid up	6 421 528	3 421 528
Disclosed reserves	4 798 446	6 009 421
Total Tier 1	11 219 974	9 430 949
Supplementary capital (Tier 2)		
Subordinated term debt	5 609 987	4 531 894
Translation and revaluation reserves	2 727 211	(33 615)
Equity component of convertible debt	183 581	183 581
Total Tier 2	8 520 779	4 681 860
Total capital	19 740 753	14 112 809
Capital adequacy ratio	11.9%	8.6%

The Bank complied with the statutory capital adequacy requirements set by the CBRF as at 30 June 2016 and for the six-month period then ended.

24 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. The Group was engaged in litigations in relation to loan servicing fees that were charged to borrowers in previous periods. A provision of RR 251 772 thousand (at 31 December 2015: RR 269 001 thousand) was created by Management for these litigations as professional advice has indicated that it is likely that a loss will eventuate (Note 15). On the basis of its own estimates and both internal and external professional advice, the management is of the opinion that no material losses exceeding this provision recorded in this condensed consolidated interim financial information will be incurred in respect of such claims.

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

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to a 20% tax rate. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes for temporary differences that arise from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes. Refer to Note 21.

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

Capital expenditure commitments

As at 30 June 2016 and 31 December 2015 the Group had no contractual commitments for the acquisition of property, plant and equipment.

24 Contingencies and Commitments (Continued)

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Not later than 1 year	235 694	197 872
Later than 1 year and not later than 5 years	240 571	209 841
Later than 5 years	30 794	37 574
Total operating lease commitments	507 059	445 287

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. 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, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Overdrafts and unused limits on credit cards	29 900 804	27 828 200
Financial guarantees issued to third parties	-	836 550
Total credit related commitments	29 900 804	28 664 750

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments is close to zero because these commitments are not unconditional and depend upon counterparties' ability to meet certain credit quality requirements.

Compliance with laws and regulations. As Russian banking industry regulation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that improve statutory capital adequacy ratio (H 1). While management currently estimates that interpretations that it has taken can probably be sustained, there is a possible risk that Central Bank of Russian Federation will challenge them which may influence statutory capital adequacy ratio (H 1).

The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position of the Group.

24 Contingencies and Commitments (Continued)

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

The exposure to and concentration of performance guarantees expressed at the amounts guaranteed is as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016	31 December 2015
Guarantee of performance under insurance contracts	317 372	242 190
Guarantee of rendering of services	209 879	361 316
Total guaranteed amounts	527 251	603 506

Assets pledged and restricted

The Group had assets pledged as collateral with the following carrying value:

<i>In thousands of Russian Roubles</i>	Notes	30 June 2016		31 December 2015	
		Asset pledged	Related liability	Asset pledged	Related liability
Investment securities available for sale pledged under repurchase agreements	7, 12	18 318 723	17 551 825	10 433 079	9 478 865
Investment securities held to maturity pledged under repurchase agreements	7, 12	5 119 248	4 904 935	6 278 620	5 442 501
Trading securities pledged under repurchase agreements	9, 12	3 090 755	2 961 363	15 497 580	14 275 898
Loans to customers pledged under loans from other banks	9, 12	221 741	173 098	397 737	356 687
Total		26 750 467	25 591 221	32 607 016	29 553 951

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 1 331 139 thousand of trading securities (31 December 2015: RR 1 514 670 thousand). The Group did not use the overdraft facility as at 30 June 2016 and 31 December 2015.

As at 30 June 2016 the related liability amount in the table above includes zero (31 December 2015: zero) received under repo agreements collateralized by securities received by the Bank under reverse repo agreements.

Mandatory cash balances with the CBRF of RR 725 534 thousand (31 December 2015: RR 783 522 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

24 Contingencies and Commitments (Continued)

Receivables from exchanges represent a security deposit for trade in foreign currency and the balance depends on the size of the deals. The exchanges block the balances and the Bank's access to money is thus restricted until the relevant deals are complete.

25 Fair Value

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

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

25 Fair Value (Continued)

In thousands of Russian Roubles	30 June 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
<i>Trading securities</i>								
- Corporate bonds	3 596 687	-	-	3 596 687	1 890 007	-	-	1 890 007
- Russian federation bonds	2 613 364	-	-	2 613 364	1 207 154	-	-	1 207 154
- Municipal bonds	2 407 094	-	-	2 407 094	735 183	-	-	735 183
- Bonds of credit and finance organizations	1 323 595	-	-	1 323 595	1 413 988	-	-	1 413 988
- Foreign government bonds	349 878	-	-	349 878	503 848	-	-	503 848
<i>Trading securities pledged under repurchase agreements</i>								
- Municipal bonds	2 038 366	-	-	2 038 366	2 915 165	-	-	2 915 165
- Bonds of credit and finance organizations	299 133	-	-	299 133	4 546 950	-	-	4 546 950
- Russian Federation bonds	748 187	-	-	748 187	643 193	-	-	643 193
- Corporate bonds	5 069	-	-	5 069	7 392 272	-	-	7 392 272
<i>Investment securities available for sale</i>								
- Corporate bonds	14 363 867	-	-	14 363 867	6 215 535	-	-	6 215 535
- Foreign government bonds	2 793 020	-	-	2 793 020	2 709 906	-	-	2 709 906
- Bonds of credit and finance organizations	2 605 709	-	-	2 605 709	1 012 316	-	-	1 012 316
- Shares	-	-	32 448	32 448	-	-	32 448	32 448
<i>Investment securities available for sale pledged under repurchase agreements</i>								
- Corporate bonds	17 479 963	-	-	17 479 963	9 472 481	-	-	9 472 481
- Bonds of credit and finance organizations	838 760	-	-	838 760	960 598	-	-	960 598
<i>Other financial assets</i>								
- Foreign currency spots	-	27	-	27	-	118	-	118
<i>Non-financial assets</i>								
- Investment property	-	-	1 491 000	1 491 000	-	-	1 491 000	1 491 000
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS								
	51 462 692	27	1 523 448	52 986 167	41 618 596	118	1 523 448	43 142 162

25 Fair Value (Continued)

<i>In thousands of Russian Roubles</i>	30 June 2016			31 December 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
LIABILITIES CARRIED AT FAIR VALUE						
FINANCIAL LIABILITIES						
Due to other banks						
- Liability to return collateral sold or repledged	23 417 514	-	23 417 514	996 491	-	996 491
Customer accounts						
- Liability to return collateral sold or repledged	-	-	-	285 290	-	285 290
Other financial liabilities						
- Foreign currency spots	-	5 064	5 064	-	159 614	159 614
- Foreign currency forwards	-	-	-	-	11 444	11 444
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS						
	23 417 514	5 064	23 422 578	1 281 781	171 058	1 452 839

A reconciliation of movements in Level 3 of the fair value hierarchy for the six-month period ended 30 June 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Investment property
Fair value at 1 January 2016	1 491 000
Investment properties at fair value at 30 June 2016	1 491 000

Please refer to Note 4 for the valuation methodology, major assumptions used and their sensitivity for the Level 3 fair value measurement of investment property.

25 Fair Value (Continued)

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

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In thousands of Russian Roubles	30 June 2016				31 December 2015			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial assets								
Cash and cash equivalents	4 515 520	4 526 985	-	9 042 505	8 230 214	10 505 912	-	18 736 126
- Cash on hand	4 515 520	-	-	4 515 520	8 230 214	-	-	8 230 214
- Cash balances with the CBRF	-	2 147 447	-	2 147 447	-	2 898 386	-	2 898 386
- Correspondent accounts	-	2 379 538	-	2 379 538	-	7 607 526	-	7 607 526
Mandatory balances with the CBRF	-	725 534	-	725 534	-	783 522	-	783 522
Due from other banks	-	1 065 949	-	1 065 949	-	850 049	-	850 049
- Reverse sale and repurchase agreement	-	1 065 949	-	1 065 949	-	850 049	-	850 049
Loans and advances to customers	-	-	94 520 947	76 342 986	-	-	98 786 472	87 568 069
Loans to individuals	-	-	90 623 773	72 505 524	-	-	94 275 343	83 097 291
- Consumer loans	-	-	53 751 009	35 023 912	-	-	62 108 876	49 911 370
- Credit cards	-	-	28 728 662	29 115 379	-	-	23 427 803	23 113 717
- Car loans	-	-	1 972 557	1 794 947	-	-	2 240 707	2 861 890
- Mortgage loans	-	-	1 948 670	2 108 886	-	-	1 044 489	1 299 524
- Other loans	-	-	4 222 875	4 462 400	-	-	5 453 468	5 910 790
Loans to legal entities	-	-	3 897 174	3 837 462	-	-	4 511 129	4 470 778
- Corporate loans	-	-	3 803 578	3 739 310	-	-	4 163 444	4 114 081
- SME loans	-	-	93 596	98 152	-	-	107 499	116 511
- Reverse sale and repurchase agreements	-	-	-	-	-	-	240 186	240 186
Investment securities held to maturity	2 622 923	-	-	2 428 902	2 475 888	-	-	2 542 173
- Bonds of credit and finance organisations	1 560 774	-	-	1 461 735	1 631 312	-	-	1 629 474
- Corporate bonds	1 062 149	-	-	967 167	844 576	-	-	912 699
Investment securities held to maturity pledged under repurchase agreements	5 517 199	-	-	5 119 248	6 055 715	-	-	6 278 620
- Corporate bonds	5 517 199	-	-	5 119 248	5 750 461	-	-	5 964 534
- Bonds of credit and finance organisations	-	-	-	-	305 254	-	-	314 086
Other financial assets	-	1 837 050	208 476	2 045 526	-	3 930 608	115 168	4 045 776
- Settlements with exchanges	-	1 394 315	-	1 394 315	-	3 363 322	-	3 363 322
- Settlements with payment systems	-	442 735	-	442 735	-	567 286	-	567 286
- Accounts receivable	-	-	162 465	162 465	-	-	96 965	96 965
- Debtors for sale of loans	-	-	25 767	25 767	-	-	-	-
- Other financial assets	-	-	20 244	20 244	-	-	18 203	18 203
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	12 655 642	8 155 518	94 729 423	96 770 650	16 761 817	16 070 091	98 901 640	120 804 335

25 Fair Value (Continued)

Fair values analysed by level in the fair value hierarchy and carrying amount of liabilities not measured at fair value are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016			31 December 2015		
	Level 2	Level 3	Carrying amount	Level 2	Level 3	Carrying amount
Financial liabilities						
Due to other banks	-	25 598 742	25 598 742	-	30 557 911	30 557 911
Customer accounts	-	109 871 147	106 509 023	-	120 355 796	117 935 620
<i>Individuals</i>						
- Current/demand accounts	-	12 831 154	12 831 154	-	11 946 215	11 946 215
- Term deposits	-	93 382 395	90 065 304	-	102 953 428	100 608 321
<i>Corporate customers</i>						
- Current/settlement accounts	-	1 941 911	1 941 911	-	2 258 247	2 258 247
- Term deposits	-	1 460 042	1 420 484	-	2 343 857	2 286 010
- Liability to return collateral sold or repledged	-	-	-	-	285 290	285 290
<i>State and public organisations</i>						
- Current/settlement accounts	-	51 830	51 830	-	61 029	61 029
- Term deposits	-	203 815	198 340	-	507 730	490 508
Debt securities issued	29 151	15 380	44 531	28 113	237 722	267 315
- Bonds issued on domestic market	29 151	-	29 151	28 113	-	29 593
- Promissory notes	-	15 380	15 380	-	237 722	237 722
Other financial liabilities	-	463 867	463 867	-	454 850	454 850
- Accrued expenses	-	288 334	288 334	-	310 513	310 513
- Accounts payable	-	58 234	58 234	-	92 344	92 344
- Other	-	117 299	117 299	-	51 993	51 993
Subordinated debt	7 687 095	1 654 679	13 222 154	8 275 914	1 552 893	15 447 268
- Subordinated USD denominated notes	5 585 850	1 654 679	9 734 310	6 313 679	1 552 893	10 987 644
- Subordinated RR denominated bonds	2 101 245	-	3 487 844	1 962 235	-	4 459 624
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	7 716 246	137 603 815	145 838 317	8 304 027	153 159 172	164 662 964

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

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

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

25 Fair Value (Continued)

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 best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where quoted market prices were not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	30 June 2016	31 December 2015
Loans and advances to customers		
<i>Loans to individuals</i>		
- Consumer loans	18.77% to 21.68% p.a.	17.36% to 28.74% p.a.
- Credit cards	28.73% to 30.71% p.a.	28.64% to 33.23% p.a.
- Mortgage loans	20.23% to 22.17% p.a.	17.16% to 22.19% p.a.
- Car loans	15.88% to 32.41% p.a.	15.88% to 44.42% p.a.
- Other loans	13.58% to 43.52% p.a.	13.18% to 43.52% p.a.
<i>Loans to legal entities</i>		
- Corporate loans	6.00% to 16.00% p.a.	6.00% to 17.50% p.a.
- SME loans	17.73% to 19.00% p.a.	15.00% to 19.00% p.a.
Customer accounts		
<i>Individuals</i>		
- Term deposits	1.69% to 9.07% p.a.	3.22% to 7.59% p.a.
<i>Corporate customers</i>		
- Term deposits	1.65% to 9.95% p.a.	0.33% to 4.39% p.a.
<i>State and public organisations</i>		
- Term deposits	0.29% to 9.93% p.a.	0.63% to 3.77% p.a.
Subordinated debt		
- Subordinated debt	13.41% p.a.	13.35% p.a.

The fair value of financial assets and liabilities other than those disclosed in the table above approximates their carrying amount due to their short term nature.

26 Related Party Transactions

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

At 30 June 2016 the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of the Board of Directors (BOD)	Management (excluding BOD)	Other related parties
Balances as at 30 June 2016				
Securities (contractual interest rate: 15% – 17 % p.a.)	-	-	-	1 632 513
Loans issued (contractual interest rate: 6.0% – 29.9% p.a.)	-	-	10 797	3 185 023
Other assets (contractual interest rate: 0% p.a.)	-	-	-	52 124
Customer accounts (contractual interest rate: 12% – 16% p.a.)	-	5 883	15 834	20 059
Other liabilities (contractual interest rate: 0% p.a.)	110	-	-	9 017
Credit related commitments	76	3 000	8 871	78 403

The income and expense items with related parties for the six-month period ended 30 June 2016 were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
Interest income	-	-	477	376 001
Interest expense	-	2	634	773
Fee and commission income	-	3	100	26 760
Gains from operations with securities, net	-	-	-	12 379
Other operating income	-	-	-	1 377
Administrative and other operating expenses	-	2 824	-	2 076

The income and expense items with related parties for the three-month period ended 30 June 2016 were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
Interest income	-	-	225	225 229
Interest expense	-	2	330	58
Fee and commission income	-	2	46	11 578
Gains from operations with securities, net	-	-	-	(20 758)
Other income	-	-	-	644
Other expense	-	1 533	-	1 038

Included in the “other related parties” category above are balances and income and expenses from transactions with the companies controlled by shareholders of the Group.

26 Related Party Transactions (Continued)

At 31 December 2015 the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of the Board of Directors (BOD)	Management (excluding BOD)	Other related parties
Balances as at 31 December 2015				
Securities (contractual interest rate: 17 % p.a.)	-	-	-	1 259 477
Loans issued (contractual interest rate: 6.0% – 19.0% p.a.)	-	-	15 397	3 601 178
Other assets (contractual interest rate: 0% p.a.)	-	-	-	1 264
Customer accounts (contractual interest rate: 11.5%-16% p.a.)	-	4 846	8 995	76 319
Subordinated debt (contractual interest rate: 13.6% p.a.)	-	-	-	-
Other liabilities (contractual interest rate: 0% p.a.)	-	-	-	10
Credit related commitments	836 550	-	3 674	1 384

The income and expense items with related parties for the six-month period ended 30 June 2015 were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
Interest income	37	-	916	50 427
Interest expense	2 473	382	2 273	274 520
Fee and commission income	18 039	14	61	1 739 204
Fee and commission expense	3	-	13	-
Gains from operations with securities, net	-	-	-	407
Other operating income	-	-	-	10 721
Administrative and other operating expenses	-	-	40	19 629

The income and expense items with related parties for the three-month period ended 30 June 2015 were as follows:

<i>In thousands of Russian Roubles</i>	Share- holders with significant influence	Members of Board of Directors	Management (excluding Board of Directors)	Other related parties
Interest income	36	-	577	46 848
Interest expense	932	44	663	173 499
Fee and commission income	18 022	4	35	817 716
Fee and commission expense	1	-	9	-
Gains from operations with securities, net	-	-	-	407
Other operating income	-	-	-	6 373
Administrative and other operating expenses	-	-	40	8 778

26 Related Party Transactions (Continued)

In addition to the above key management compensation for the six-month period and three-month period is presented below:

	Six-month ended 30 June 2016	Three-month ended 30 June 2016	30 June 2016	Six-month ended 30 June 2015	Three-month ended 30 June 2015	31 December 2015
<i>In thousands of Russian Roubles</i>	Expense	Expense	Accrued liability	Expense	Expense	Accrued liability
<i>Short-term benefits:</i>	113 991	59 848	-	62 137	27 034	49 062
<i>Long-term benefits:</i>	1 414	87	23 382	527	265	16 501
Total	115 405	59 935	23 382	62 664	27 299	65 563

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

27 Events after the End of the Reporting Period

The Board of the Bank has approved the proposal to merge the Bank with Uniastrum Bank which is still subject to shareholder and regulatory approval, both of which Management are confident will be obtained by the end of 2016.

N. V. Belov, Senior manager
AO PricewaterhouseCoopers Audit
29 August 2016



54 (fifty four) pages are numbered, bound and sealed.