

PSC “ORIENT EXPRESS BANK”

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

31 March 2017

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

<i>In thousands of Russian Roubles</i>	Note	31 March 2017	31 December 2016
ASSETS			
Cash and cash equivalents	6	13 148 886	10 524 774
Mandatory balances with the CBRF		1 372 568	814 838
Securities	7	42 095 532	13 864 804
Securities pledged under repurchase agreements	7	4 010 388	18 807 703
Due from other banks	8	2 676 404	12 996 702
Loans and advances to customers	9	114 071 963	74 792 080
Investment properties	10	11 192 574	1 492 000
Premises and equipment		7 714 050	3 132 533
Intangible assets		603 265	467 970
Deferred income tax asset	21	6 136 575	5 966 663
Other assets	11	4 831 686	3 835 913
TOTAL ASSETS		207 853 891	146 695 980
LIABILITIES			
Due to other banks	12	5 634 857	17 565 230
Customer accounts	13	160 769 545	98 726 513
Debt securities in issue	14	235 156	52 657
Other liabilities	15	2 721 173	1 692 429
Subordinated debt	16	11 506 724	12 724 583
TOTAL LIABILITIES		180 867 455	130 761 412
EQUITY			
Share capital	17	7 896 025	6 288 667
Share premium		20 637 915	11 601 336
Accumulated deficit		(1 931 360)	(2 393 745)
Revaluation reserve for available for sale securities		205 283	255 143
Translation reserve		(5 008)	(414)
Equity component of convertible debt	16	183 581	183 581
TOTAL EQUITY		26 986 436	15 934 568
TOTAL LIABILITIES AND EQUITY		207 853 891	146 695 980

Approved for issue and signed on 30 May 2017.


 A.S. Kordichev
 Chief Executive Officer


 K.V. Rogov
 Chief Financial Officer

The notes set out on pages 5 to 47 form an integral part of this consolidated condensed interim financial information.

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	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
Interest income	18	8 931 974	7 314 121
Interest expense	18	(3 852 950)	(3 862 777)
Net interest income		5 079 024	3 451 344
Provision for loan impairment	9	(2 135 464)	(3 845 659)
Net interest income/(loss) after provision for loan impairment		2 943 560	(394 315)
Fee and commission income	19	1 980 342	1 006 008
Fee and commission expense	19	(447 535)	(178 692)
Result on sale of loans	9	-	68 307
Gains less losses from operations with securities, net/(losses less gains)		672 117	(107 425)
(Losses less gains) from foreign currencies, net/ gains less losses		(38 531)	744 311
Foreign exchange translation (Losses less gains) /gains less losses		(112 447)	12 495
Other operating income		33 148	15 770
Dividends income		6 008	-
Administrative and other operating expenses	20	(4 003 640)	(2 266 813)
Other provisions		(425 333)	(151 718)
Profit/(loss) before tax		607 689	(1 252 072)
Income tax (charge)/benefit	21	(145 304)	146 331
PROFIT/(LOSS) FOR THE PERIOD		462 385	(1 105 741)
Other comprehensive (loss)/income: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Revaluation of available for sale securities, net of tax		(49 860)	1 110 978
Exchange differences on translation to presentation currency		(4 594)	1 060
Other comprehensive (loss)/income for the period		(54 454)	1 112 038
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		407 931	6 297

The notes set out on pages 5 to 47 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 2016		3 421 528	11 601 336	(5 591 915)	(31 675)	(1 940)	-	183 581	9 580 915
Loss for the period		-	-	(1 105 741)	-	-	-	-	(1 105 741)
Other comprehensive income for the period		-	-	-	1 110 978	1 060	-	-	1 112 038
Total comprehensive income for the period		-	-	(1 105 741)	1 110 978	1 060	-	-	6 297
Balance at 31 March 2016		3 421 528	11 601 336	(6 697 656)	1 079 303	(880)	-	183 581	9 587 212
Balance at 1 January 2017		6 288 667	11 601 336	(2 393 745)	-	255 143	(414)	183 581	15 934 568
Profit for the period				462 385					462 385
Other comprehensive loss						(49 860)	(4 594)		(54 454)
Total comprehensive income for the period		-	-	462 385	-	(49 860)	(4 594)	-	407 931
Issue of shares	a)	3 212 358	1 887 508						5 099 866
Purchase of treasury shares		(1 605 000)							(1 605 000)
Business combination with Commercial Bank "Uniastrum Bank"			7 149 071						7 149 071
Balance at 31 March 2017		7 896 025	20 637 915	(1 931 360)	-	205 283	(5 008)	183 581	26 986 436

The notes set out on pages 5 to 47 form an integral part of this consolidated condensed interim financial information.

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

<i>In thousands of Russian Roubles</i>	Note	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
Cash flows from operating activities			
Interest received	18	7 411 538	7 497 266
Interest paid	18	(4 745 502)	(3 696 768)
Fees and commissions received	19	1 871 370	1 006 008
Fees and commissions paid	19	(447 535)	(178 692)
Net gains arising from dealing in securities		1 220 464	1 319 739
(Loss)/Income received from dealing in foreign currencies		(17 695)	584 816
Other operating income received		32 991	15 770
Administrative and other operating expenses paid	20	(3 231 359)	(1 831 186)
Income tax received/(paid)	21	621 832	(6 829)
Cash flows from operating activities before changes in operating assets and liabilities		2 716 104	4 710 124
<i>Net (increase)/decrease in:</i>			
- mandatory cash balances with the CBRF		(557 730)	38 133
- due from other banks	8	10 243 633	(195 942)
- trading securities and trading securities pledged under repurchase agreements	7	(242 880)	2 300 631
- loans and advances to customers	9	2 739 104	4 058 657
- sale of loans	9	-	75 917
- other assets	11	(869 898)	1 202 610
<i>Net (decrease)/increase in:</i>			
- due to other banks	12	(11 311 662)	173 162
- customer accounts	13	(292 007)	(8 711 406)
- other liabilities	15	11 415	471 891
Net cash from operating activities		2 436 079	4 123 777
Cash flows from investing activities			
Proceeds from disposal of investment securities available for sale	7	-	(11 485 101)
Acquisition of investment securities available for sale	7	658 711	306 398
Dividends received		6 008	-
Acquisition of premises and equipment		(149 472)	(16 192)
Proceeds from disposal of premises and equipment		15 951	3 203
Acquisition of intangible assets		10 169	(4 056)
Net cash used in investing activities		541 367	(11 195 748)
Cash flows from financing activities			
Proceeds from debt securities issued	14	50 172	11 586
Repayment of debt securities issued	14	(15 100)	(230 372)
Repayment of subordinated debt	16	-	(222 000)
Net cash used in financing activities		35 072	(440 786)
Effect of exchange rate changes on cash and cash equivalents		(388 406)	74 273
Net (decrease) in cash and cash equivalents		2 624 112	(7 438 484)
Cash and cash equivalents at the beginning of the period	6	10 524 774	18 736 126
Cash and cash equivalents at the end of the period		13 148 886	11 297 642

The notes set out on pages 5 to 47 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 Three-month period ended 31 March 2017 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.

As at 31 March 2017 and 31 December 2016 the shareholders of the Bank were:

Shareholders	31 March 2017	31 December 2016
Evizon Holdings Limited (on behalf of Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund)	44,6	55,7
Finvision Holdings Limited	32,0	-
Troyte Investments Limited (controlled by Russia Partners III, L.P.)	6,5	8,2
Uniastrum Bank (LLC)	-	20,0
Pyshenko Anna	-	5,0
Other shareholders – each less than 5%	16,9	11,1
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 31 March 2017 the Group had 8 branches and 627 offices located across the Russian Federation (31 December 2016: 7 branches and 624 offices). As at 31 March 2017 the Bank had 9 113 employees (at 31 December 2016: 8 212).

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 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

At 31 March 2017 the principal rate of exchange used for translating foreign currency balances was USD 1 = 56.3779 (31 December 2016: USD 1 = RR 60.6569) and EUR 1 = RR 60.5950 (31 December 2016: EUR 1 = RR 63.8111).

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 2016 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.

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:

Business combinations. On 20 January 2017, Orient Express Bank was legally merged with Commercial Bank "Uniastrum Bank" (Limited Liability Company), hereafter referred as "Uniastrum Bank". The transaction increases Orient Express Bank's share in retail and corporate banking markets and is expected to enhance profitability through the economies of scale.

On 20 January 2017, Orient Express Bank shares previously owned by Uniastrum Bank (20% share) were redeemed and shareholders of Uniastrum Bank received 40% of shares in the share capital of Orient Express Bank after acquisition. At the date of the transaction Finvision Holdings Limited was the major shareholder of Uniastrum Bank and owned 80% of the share capital of Uniastrum Bank.

In accordance with IFRS 3 "Business Combinations" the Group recognises acquired identifiable assets, liabilities and contingencies at fair value at the date of acquisition. The merger was recognised based on the preliminary results of the purchase price allocation at the date of transaction. The results of purchase price allocation can be subsequently revised in 2017, which will lead to further adjustments.

Going concern. On 2 May 2017 Bank received results of the meeting of holders of the U.S.\$125 million 12% Notes due on 29 May 2019 (ISIN XS0973219495), the Meeting approved amendments to a number of documents in connection with the Notes, including the Loan Agreement. As a result of those changes, the Loan and the Notes will have no fixed date for repayment and redemption and the interest rate thereunder will change to 10% per annum. The draft changes and the new interest rate were previously agreed with the CBR. As at the period of IFRS report preparation the Bank has filed an application for the CBR to include the loan to into the sources of additional capital (tier 1) and expects to receive an approval by end of June 2017. Mentioned changes would allow to increase N1.0 ratio by 1.2% and N1.2 ratio by 1.99%.

On January 2017 Bank has merged with commercial bank "Uniastrum Bank" (Limited liability Company). As a result of that merger a Bank with a more diversified business and a larger client base was created. Profitability of merged bank is also expected to be higher due to cross-sales and cost redemption.

Based on the events, mentioned above, the Management has prepared these consolidated financial statement under the assumption of the going concern basis. Management believes that the Group would be able to comply with all requirements of the related parties and therefore this financial statement is prepared under the going concern basis. While making this judgment, the management has considered the financial position of the Group, existing intensions, capital adequacy, liquidity, expected results from operations, access to the financial resources, impact of the economic environment where the Group operates and other factors.

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 31 March 2017 is RR 6 136 575 thousand, which is 23% 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 30 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 2016 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 1 121 381 thousand (31 December 2016: RR 900 142 thousand).

As at 31 March 2017 the Group has RR 12 608 122 thousand of loans overdue for more than 90 days (31 December 2016: RR 10 497 845 thousand). The Group has created provision for loan impairment for these loans in the amount of RR 9 809 927 thousand (31 December 2016: RR 8 108 887 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 2 798 195 thousand (31 December 2016: RR 2 388 958 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 2016 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 47 083 thousand higher or RR 47 159 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 5 401 thousand lower/RR 5 401 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 7 766 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 32 514 thousand lower/RR 38 793 thousand higher.

5 New Accounting Pronouncements

There were no new standards and interpretations became effective for the Group from 1 January 2017.

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>	31 March 2017	31 December 2016
Cash on hand	7 570 725	7 223 811
Cash balances with the CBRF (other than mandatory reserves)	2 760 495	2 341 707
Correspondent accounts with other banks:		
- Russian Federation	1 887 326	567 845
- Other countries	930 340	391 411
Total cash and cash equivalents	13 148 886	10 524 774

At 31 March 2017 the Group had 1 counterparty bank (31 December 2016: no counterparty bank) with aggregated cash and cash equivalents balances above RR 500 000 thousand. The total aggregate amount of these balances was RR 1 155 087 thousand (31 December 2016: RR zero thousand) or 9 % of the cash and cash equivalents (31 December 2016: 0%).

7 Securities and Securities Pledged under Repurchase Agreements

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Trading securities	27 087 893	13 208 704
Investment securities available for sale	15 007 639	656 100
Investment securities available for sale pledged under repurchase agreements	2 022 607	10 538 475
Trading securities pledged under repurchase agreements	1 987 781	8 269 228
Total securities and securities pledged under repurchase agreements	46 105 920	32 672 507

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 1 844 616 thousand of trading securities (31 December 2016: RR 1 792 287 thousand). The Group did not use the overdraft facility as at 31 March 2017 or 31 December 2016.

Trading securities and trading securities pledged under repurchase agreements

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Trading securities		
Corporate bonds	12 365 045	5 118 092
Municipal bonds	6 161 910	5 983 126
Bonds of credit and finance organisations	4 384 179	708 296
Russian Federation bonds	3 770 850	1 087 901
Foreign government bonds	390 824	311 289
Shares	15 085	-
Total trading securities	27 087 893	13 208 704
Trading securities pledged under repurchase agreements		
Russian Federation bonds	1 089 280	3 636 272
Bonds of credit and finance organisations	873 277	780 797
Corporate bonds	25 224	2 987 746
Municipal bonds	-	498 224
Foreign government bonds	-	366 189
Total trading securities pledged under repurchase agreements	1 987 781	8 269 228
Total trading securities and trading securities pledged under repurchase agreements	29 075 674	21 477 932

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 April 2017 (31 December 2016: January 2017).

7 Securities and Securities Pledged under Repurchase Agreements (Continued)**Investment Securities Available for Sale**

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Investment securities available for sale		
Shares	7 006 100	440 448
Corporate bonds	6 651 678	-
Bonds of credit and finance organisations	1 087 366	215 652
Foreign government bonds	262 495	-
Total Investment securities available for sale	15 007 639	656 100
Investment securities available for sale pledged under repurchase agreements		
Corporate bonds	2 022 607	8 961 937
Bonds of credit and finance organisations	-	1 302 138
Foreign government bonds	-	274 400
Total Investment securities available for sale pledged under repurchase agreements	2 022 607	10 538 475
Total Investment securities available for sale and Investment securities available for sale pledged under repurchase agreements	17 030 246	11 194 575

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

During the period from 01 July 2016 to 31 September 2016 the Bank has sold a significant part bonds of the held to maturity portfolio. Management of the Group took the decision to reclassify the investment securities held to maturity to the Investment securities available for sale at fair value.

PSC Orient Express Bank
Notes to the Consolidated Condensed Interim Financial Information (Unaudited) – 31 March 2017

8 Due from Other Banks

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Reverse sale and repurchase agreement	2 642 571	12 996 702
Interbank loans	103 833	70 000
Less allowance for impairment	(70 000)	(70 000)
Total due from other banks	2 676 404	12 996 702

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>	31 March 2017	31 December 2016
Loans and advances to individuals	85 157 085	79 998 460
Loans and advances to corporate customers	46 409 910	4 765 546
Total gross loans and advances to customers	131 566 995	84 764 006
Less: Provision for loan impairment	(17 495 032)	(9 971 926)
Total loans and advances to customers	114 071 963	74 792 080

As at 31 March 2017 and 31 December 2016 loans and advances to individuals comprise:

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Credit cards	41 503 659	37 739 443
Consumer loans	30 627 144	31 026 017
Mortgage loans	5 407 761	3 823 391
Car loans	3 407 977	2 594 577
SME loans	494 331	744 631
Other loans	3 716 213	4 070 401
Total gross loans and advances to individuals	85 157 085	79 998 460
Less: Provision for loan impairment	(11 871 415)	(9 661 468)
Total loans and advances to individuals	73 285 670	70 336 992

Other loans represent retail loans purchased from other banks. At 31 March 2017 other loans include RR 2 615 966 thousand of mortgage loans purchased from third parties (31 December 2016: RR 2 858 190 thousand).

9 Loans and Advances to Customers (Continued)

As at 31 March 2017 and 31 December 2016 loans and advances to corporate customers comprise:

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Corporate loans	35 600 325	3 811 184
SME loans	10 809 585	954 362
Total gross loans and advances to corporate customers	46 409 910	4 765 546
Less: Provision for loan impairment	(5 623 617)	(310 458)
Total loans and advances to corporate customers	40 786 293	4 455 088

Movements in the provision for impairment of loans to individuals during the Three-month period ended 31 March 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	SME loans	Mortgage loans	Other loans	Total
Provision for impairment of loans to individuals at 1 January 2017	5 055 490	2 124 208	1 397 080	113 272	204 583	766 835	9 661 468
(Recovery of provision)/provision for impairment during the period	253 550	750 867	573 258	(31 586)	267 822	31 562	1 845 473
Provision used on sale of loans	-	-	-	-	-	(31 328)	(31 328)
Write-off of loans against allowance for impairment	(1 348 491)	(379 498)	-	(56 769)	-	(681)	(1 785 439)
Business combination with Commercial Bank “Uniastrum Bank”	417 045	240 116	404 406	-	202 203	-	1 263 770
Recovery of written-off loans	610 191	260 839	-	46 441	-	-	917 471
Provision for impairment of loans to individuals at 31 March 2017	4 987 785	2 996 532	2 374 744	71 358	674 608	766 388	11 871 415

9 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans to individuals during the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Car loans	SME loans	Mortgage loans	Other loans	Total
Provision for impairment of loans to individuals at 01 January 2016	21 264 900	4 099 314	2 711 381	834 882	188 607	871 230	29 970 314
(Recovery of provision)/provision for impairment during the period	3 083 541	856 759	(191 413)	97 400	13 161	(12 988)	3 846 460
Provision used on sale of loans	(135 970)	(160 122)	(3 021)	(3 018)	-	(2 396)	(304 527)
Write-off of loans against allowance for impairment	(6 833 700)	(1 730 345)	-	(405 375)	-	(1 147)	(8 970 567)
Recovery of written-off loans	113 113	48 351	-	8 609	-	-	170 073
Provision for impairment of loans to individuals at 31 March 2016	17 491 884	3 113 957	2 516 947	532 498	201 768	854 699	24 711 753

Movements in the provision for impairment of loans to corporate customers during the Three-month period ended 31 March 2017 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 2017	271 562	38 896	310 458
(Recovery of provision)/provision for impairment during the period	190 784	99 207	289 991
Business combination with Commercial Bank “Uniastrum Bank”	3 867 839	1 155 329	5 023 168
Provision for impairment of loans to corporate customers at 31 March 2017	4 330 185	1 293 432	5 623 617

Movements in the provision for impairment of loans to corporate customers during the three-month period ended 31 March 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
(Recovery of provision)/provision for impairment during the period	2 958	(3 759)	(801)
Provision for impairment of loans to corporate customers at 31 March 2016	332 375	37 573	369 948

9 Loans and Advances to Customers (Continued)

During the Three-month period ended 31 March 2017 the Bank disposed of loans and advances to customers under cession agreements with the total gross value of RR 61 393 thousand (Three-month period ended 31 March 2016: RR 312 137 thousand) for cash proceeds of RR 30 065 thousand (Three-month period ended 31 March 2016: RR 7 610 thousand) and receivable cash proceeds of RR zero thousand (Three-month period ended 31 March 2016: zero). As of the date of disposal these loans were provided for impairment in the total amount of RR 31 328 thousand (Three-month period ended 31 March 2016: RR 304 527 thousand). (Note 26).

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

<i>In thousands of Russian Roubles</i>	31 March 2017		31 December 2016	
	Amount	%	Amount	%
Individuals	85 157 085	64,7	79 998 460	94,3
Trade	17 199 972	13,1	466 952	0,6
Manufacturing	9 376 070	7,1	343 032	0,4
Financial services	536 266	0,4	2 871 631	3,4
Other	19 297 602	14,7	1 083 931	1,3
Total loans and advances to customers (gross)	131 566 995	100,0	84 764 006	100,0

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 31 March 2017 is as follows:

<i>In thousands of Russian Rouble</i>	Credit cards	Consumer loans	Mortgage loans	Car loans	SME loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	2 935 714	1 274 742	388 555	12 800	-	-	4 611 811
Loans without overdue payments at reporting date							
- Loans with all payments (more than six), from origination date to reporting date, being done on time	6 383 310	3 891 817	1 046 346	137 086	58 963	-	11 517 522
- Loans with history of 1 to 6 on-time payments and no past due payments	10 412 550	2 869 838	1 258 375	76 490	-	229 996	14 847 249
- Loans with history of past due payments of up to 15 days	12 083 181	8 403 407	832 004	377 131	216 367	403 501	22 315 591
- Loans with history of past due payments of up to 30 days.	2 186 425	1 975 214	86 632	87 931	45 144	220 998	4 602 344
- Loans with history of past due payments over 30 days	1 995 555	4 249 411	425 827	140 517	57 309	1 023 037	7 891 656
Total neither past due nor impaired (gross)	35 996 735	22 664 429	4 037 739	831 955	377 783	1 877 532	65 786 173
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	1 871 416	1 393 828	273 393	42 842	19 672	128 140	3 729 291
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	690	177 706	156 102	74 060	2 054	339 822	750 434
Total overdue but not impaired loans	1 872 106	1 571 534	429 495	116 902	21 726	467 962	4 479 725
Loans determined to be impaired							
Loans with payments that are overdue by 31 – 90 days	1 089 363	1 120 818	30 022	16 685	16 580	9 597	2 283 065
Non-performing loans (loans overdue by 91 or more days)							
- Loans with payments that are overdue by 91 – 180 days	837 068	1 150 294	11 430	22 053	19 838	4 319	2 045 002
- Loans with payments that are overdue by 181 – 360 days	1 319 969	3 162 799	7 015	61 958	58 404	3 459	4 613 604
- Loans with payments that are overdue over 360 days	388 418	957 270	892 060	2 358 424	-	1 353 344	5 949 516
Total non-performing loans (loans overdue by 91 or more days)	2 545 455	5 270 363	910 505	2 442 435	78 242	1 361 122	12 608 122
Total overdue loans (gross)	3 634 818	6 391 181	940 527	2 459 120	94 822	1 370 719	14 891 187
Total loans and advances to individuals (gross)	41 503 659	30 627 144	5 407 761	3 407 977	494 331	3 716 213	85 157 085
Less impairment provisions	(2 996 532)	(4 987 785)	(674 608)	(2 374 744)	(71 358)	(766 388)	(11 871 415)
Total loans and advances to individuals	38 507 127	25 639 359	4 733 153	1 033 233	422 973	2 949 825	73 285 670

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 31 March 2017 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	412 046	45 169	457 215
Loans with all payments (more than six), from origination date to reporting date, being done on time	2 519 360	6 155	2 525 515
Other current loans	29 701 878	8 145 068	37 846 946
Total neither past due nor impaired (gross)	32 633 284	8 196 392	40 829 676
<i>Overdue but not impaired loans</i>			
- Loans with payments that are overdue by no more than 30 days at reporting date	149 736	178 387	328 123
Total overdue but not impaired loans	149 736	178 387	328 123
<i>Loans individually determined to be impaired</i>			
Loans with payments that are overdue by 31 – 90 days	461 541	135 168	596 709
Non-performing loans (loans overdue by 91 or more days) - Кредиты с задержкой платежа от 91 до 180 дней	56 638	144 457	201 095
- Loans with payments that are overdue by 181 – 360 days	54 127	316 794	370 921
- Loans with payments that are overdue over 360 days	2 244 999	1 838 387	4 083 386
Total non-performing loans (loans overdue by 91 or more days)	2 355 764	2 299 638	4 655 402
Total individually impaired loans (gross)	2 817 305	2 434 806	5 252 111
Total loans and advances to legal entities (gross)	35 600 325	10 809 585	46 409 910
Less impairment provisions	(4 330 185)	(1 293 432)	(5 623 617)
Total loans and advances to legal entities	31 270 140	9 516 153	40 786 293

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Analysis of credit quality of loans to individuals outstanding at 31 December 2016 is as follows:

<i>In thousands of Russian Rouble</i>	Credit cards	Consumer loans	Mortgage loans	Car loans	SME loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	2 585 717	1 184 224	506 692	9 875	-	-	4 286 508
Loans without overdue payments at reporting date							
- Loans with all payments (more than six), from origination date to reporting date, being done on time	4 977 243	4 581 636	651 320	171 837	98 620	-	10 480 656
- Loans with history of 1 to 6 on-time payments and no past due payments	11 648 469	2 752 194	1 368 074	109 806	-	266 437	16 144 980
- Loans with history of past due payments of up to 15 days	11 460 439	9 714 786	700 973	483 255	326 442	438 748	23 124 643
- Loans with history of past due payments of up to 30 days.	2 346 661	2 344 350	108 413	118 176	64 244	222 348	5 204 192
- Loans with history of past due payments over 30 days	1 187 549	2 780 278	165 789	143 452	83 002	1 245 462	5 605 532
Total neither past due nor impaired (gross)	34 206 078	23 357 468	3 501 261	1 036 401	572 308	2 172 995	64 846 511
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	984 381	1 194 221	47 593	41 599	24 807	100 908	2 393 509
- Loans with payments that are overdue by more than 30 days at reporting date but are fully collateralized	169	13 703	74 102	51 719	3 257	479 385	622 335
Total overdue but not impaired loans	984 550	1 207 924	121 695	93 318	28 064	580 293	3 015 844
Loans determined to be impaired							
Loans with payments that are overdue by 31 – 90 days	609 317	978 887	6 853	20 096	18 786	4 321	1 638 260
Non-performing loans (loans overdue by 91 or more days)							
- Loans with payments that are overdue by 91 – 180 days	678 383	1 420 853	11 484	28 488	26 343	774	2 166 325
- Loans with payments that are overdue by 181 – 360 days	1 261 115	4 060 885	2 230	102 940	99 130	2 816	5 529 116
- Loans with payments that are overdue over 360 days	-	-	179 868	1 313 334	-	1 309 202	2 802 404
Total non-performing loans (loans overdue by 91 or more days)	1 939 498	5 481 738	193 582	1 444 762	125 473	1 312 792	10 497 845
Total overdue loans (gross)	2 548 815	6 460 625	200 435	1 464 858	144 259	1 317 113	12 136 105
Total loans and advances to individuals (gross)	37 739 443	31 026 017	3 823 391	2 594 577	744 631	4 070 401	79 998 460
Less impairment provisions	(2 124 208)	(5 055 490)	(204 583)	(1 397 080)	(113 272)	(766 835)	(9 661 468)
Total loans and advances to individuals	35 615 235	25 970 527	3 618 808	1 197 497	631 359	3 303 566	70 336 992

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 31 December 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	-	-	-
Loans with all payments (more than six), from origination date to reporting date, being done on time	3 097 793	10 069	3 107 862
Other current loans	451 334	902 656	1 353 990
Total neither past due nor impaired (gross)	3 549 127	912 725	4 461 852
<i>Loans individually determined to be impaired</i>			
Non-performing loans (loans overdue by 90 or more days) - <i>Loans with payments that are overdue over 360 days</i>	262 057	41 637	303 694
Total non-performing loans (loans overdue by 91 or more days)	262 057	41 637	303 694
Total individually impaired loans (gross)	262 057	41 637	303 694
Total loans and advances to legal entities (gross)	3 811 184	954 362	4 765 546
Less impairment provisions	(271 562)	(38 896)	(310 458)
Total loans and advances to legal entities	3 539 622	915 466	4 455 088

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>	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
Investment properties at fair value at 1 January	1 492 000	1 491 000
Business combination with Commercial Bank "Uniastrum Bank"	9 700 574	-
Investment properties at fair value at 31 March	11 192 574	1 491 000

The investment properties were valued on 31 December 2016 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>	31 March 2017	31 December 2016
Other financial assets		
Accounts receivable	1 245 577	139 657
Settlements with payment systems	990 099	640 975
Debtors for sale of loans	760 647	196 734
Settlements with exchanges	398 857	991 447
Foreign currency spots	-	62 421
Other financial assets	407 218	193 033
Total gross other financial assets	3 802 398	2 224 267
Less: Provision for impairment of other financial assets	(1 026 362)	(460 706)
Total other financial assets	2 776 036	1 763 561
Other non-financial assets		
Prepayment for profit tax	778 016	1 436 714
Prepayments for services and equipment	686 627	511 113
Repossessed collateral	645 941	237 959
Other non-financial assets	7 261	6 065
Total gross other non-financial assets	2 117 845	2 191 851
Less: Provision for impairment of other non-financial assets	(62 195)	(119 499)
Total other non-financial assets	2 055 650	2 072 352
Total other assets	4 831 686	3 835 913

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.

Repossessed 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.

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11 Other Assets (Continued)

Movements in the provision for impairment of other assets during the Three-month period ended 31 March 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Other financial assets	Total
Provision for impairment at 1 January 2017	96 151	62 195	196 734	225 125	580 205
Provision for impairment during the period	277 728	-	388 797	(251 252)	415 273
Write-off of accounts receivable against allowance for impairment	(3 986)	-	-	-	(3 986)
Business combination with Commercial Bank "Uniastrum Bank"	(32 970)	-	-	130 035	97 065
Provision for impairment at 31 March 2017	336 923	62 195	585 531	103 908	1 088 557

Movements in the provision for impairment of other assets during the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Accounts receivable	Prepayments for services and equipment	Debtor for sale of loans	Other financial assets	Total
Provision for impairment at 1 January 2016	85 400	62 195	178 067	124 089	449 751
Provision for impairment during the period	11 169	-	-	120 548	131 717
Write-off of accounts receivable against allowance for impairment	(893)	-	-	-	(893)
Provision for impairment at 31 March 2016	95 676	62 195	178 067	244 637	580 575

12 Due to Other Banks

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Direct sale and repurchase agreements	3 954 277	16 988 516
Loans from Russian commercial banks	1 674 597	57 883
Correspondent accounts and overnight placements of other banks	5 983	18 831
Direct sale and repurchase agreements with CBRF		500 000
Total due to other banks	5 634 857	17 565 230

13 Customer Accounts

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Individuals		
- Term deposits	129 988 056	79 105 560
- Current/settlement accounts	20 758 105	14 246 895
Corporate customers		
- Term deposits	1 915 855	1 602 354
- Current/settlement accounts	7 773 349	2 662 177
- Direct REPO	-	899 887
State and public organisations		
- Term deposits	221 403	167 032
- Current/demand accounts	112 777	42 608
Total customer accounts	160 769 545	98 726 513

13 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2016		31 December 2016	
			Amount	%
Individuals	150 746 161	93,7	93 352 455	94,6
Wholesale and retail trade	2 717 755	1,7	899 885	0,9
Manufacturing	1 394 148	0,9	376 664	0,4
Real estate, renting	1 225 936	0,8	443 236	0,4
Construction	1 140 207	0,7	734 318	0,7
Financial services	829 625	0,5	1 827 266	1,9
Transport, storage and communications	270 925	0,2	132 844	0,1
Trade unions, non-for-profit organizations, individuals entrepreneurs	186 654	0,1	77 670	0,1
Agriculture, hunting and forestry	100 244	0,1	53 824	0,1
Electricity, gas and water supply	93 363	0,1	42 695	0,0
Health and social work	58 280	0,0	14 750	0,0
Education	56 651	0,0	51 908	0,1
Hotels and restaurants	10 311	0,0	18 266	0,0
Fishing	9 384	0,0	12 133	0,0
Other	1 929 901	1,2	688 599	0,7
Total customer accounts	160 769 545	100	98 726 513	100

At 31 March 2017 deposits and current accounts of the Group's ten largest depositors amounted to RR 2 534 354 thousand or 1,6 % of total customer accounts (31 December 2016: RR 3 468 130 thousand or 3.5 %).

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>	31 March 2017	31 December 2016
Issued savings certificates	146 819	-
Promissory notes	78 094	42 291
Bonds issued on domestic market, 7th tranche (RR 5 000 000 thousand), matures in July 2018	10 243	10 366
Total debt securities in issue	235 156	52 657

15 Other Liabilities

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Other financial liabilities		
Accrued expenses	353 765	392 015
Accounts payable	214 559	53 273
Foreign currency spots	20 836	-
Other	117 947	56 592
Total other financial liabilities	707 107	501 880
Other non-financial liabilities		
Taxes other than on income	600 300	400 981
Accrued vacation liability to employees	437 310	208 515
Current tax liability	311 897	32 674
Accrued bonuses	287 220	419 273
Accrued salary	238 245	12
Provision for legal claims	139 093	129 093
Other	1	1
Total other non-financial liabilities	2 014 066	1 190 549
Total other liabilities	2 721 173	1 692 429

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>		31 March 2017	31 December 2016
Subordinated USD denominated notes due in May 2019	a	7 120 110	7 438 294
Subordinated RR denominated bonds due in Aug 2018	b	2 806 341	2 900 842
Subordinated USD denominated notes due in June 2017	c	938 935	1 782 921
Subordinated convertible RR denominated bonds due in May 2020	d	641 338	602 526
Total subordinated debt		11 506 724	12 724 583

- 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. In December 2014 the Bank repurchased subordinated notes with the nominal amount of USD 3 283 thousand (the equivalent of RUR 185 438 thousand). On 28 April 2015 the Bank sold previously repurchased subordinated notes back to the open market.
- 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 December 2015 the Bank repurchased subordinated notes with the nominal amount of RUR 807 603 thousand. 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.

- c) In June 2007 the Group issued USD denominated subordinated notes in the amount of USD 43 000 thousand (equivalent of RR 1 115 300 thousand). The notes bear a fixed interest rate of 11% per annum payable semi-annually from the issuance until 26 June 2012 and an interest rate thereafter set at 8.17% representing the aggregate of the US Treasury Rate in effect on 26 June 2012 plus 7.45 per cent per annum payable semi-annually until maturity on 26 June 2017. In December 2014 the Bank repurchased subordinated notes with the nominal amount of USD 12 901 thousand (the equivalent of RUR 701 583 thousand). On 28 April 2015 the Bank sold previously repurchased subordinated notes back to the open market.
- 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 2016					
New shares issued	342 152 829 088	20 000	3 421 528	-	3 421 528
At 31 March 2016	342 152 829 088	20 000	3 421 528	-	3 421 528
At 1 January 2017	642 152 829 088	20 000	6 288 667	-	6 288 667
New shares issued	321 235 714 154		3 212 358		3 212 358
Treasury shares purchased	(160 500 000 000)		(1 605 000)		(1 605 000)
At 31 March 2017	802 888 543 242	20 000	7 896 025	-	7 896 025

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. The Evizon Holdings Limited purchased 200 000 000 000 shares, the Troyte Investments Limited purchased 49 000 000 000 shares and Alexander Taranov purchased 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 and Evizon Holdings Limited purchased 139 500 000 000 shares. Issue of shares resulted in increase in share capital of RR 3 000 000 thousand.

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In December 2016 the Bank repurchased 13 286 100 000 shares of the Bank from shareholders at market price for RR 132 861 thousand.

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's retained earnings under Russian Accounting Rules at 31 March 2017 amount to RR 6 180 577 thousand (2015: RR 4 432 942 thousand).

In January 2017 the Bank issued 321 235 714 154 ordinary shares with nominal value of RR 0.01 per share.

In January 2017 Orient Express Bank was legally merged with Commercial Bank "Uniastrum Bank" (Limited Liability Company) the Bank redeemed 160 500 000 000 ordinary shares with nominal value RR 0.01 per share.

18 Interest Income and Expense

	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
<i>In thousands of Russian Roubles</i>		
Interest income		
Loans and advances to individuals	6 049 517	6 264 983
Loans and advances to corporate customers	1 707 241	102 577
Securities and securities pledged under repurchase agreements	1 036 958	903 936
Interest income on reverse repo	85 069	38 345
Due from other banks	53 189	4 280
Total Interest income	8 931 974	7 314 121
Interest expense		
Term deposits of individuals	3 034 760	2 877 090
Interest expense on direct repo transactions	354 694	472 027
Subordinated debt	312 523	395 100
Term deposits of legal entities	87 862	58 771
Term deposits of other banks	44 878	36 639
Debt securities issued	14 209	19 753
Current/settlement accounts	4 024	3 397
Total Interest expense	3 852 950	3 862 777
Net interest income	5 079 024	3 451 344

19 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
Insurance agency commissions	1 028 257	770 839
Commission for issuance of Bank guarantees	345 978	3 991
Commission on settlement and foreign currency exchange	213 596	120 688
Commission on plastic cards	131 321	6 713
Commission on sms information	90 211	40 290
Agency fees	54 761	35 375
Commission for account maintenance	43 775	2 700
Commission on cash transactions	34 707	8 361
Commissions received for withdrawals of cash from ATMs of other banks	9 132	5 780
Other	28 604	11 271
Total fee and commission income	1 980 342	1 006 008
Collection agency fees	366 837	119 098
Commission on settlement and foreign currency exchange	46 319	31 108
Cash collection	22 337	14 180
Commissions paid to other banks for withdrawals from their ATMs by Bank's clients	9 132	5 780
Commission on cash transactions	2 807	2 378
Other	103	6 148
Total fee and commission expense	447 535	178 692
Net fee and commission income	1 532 807	827 316

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>	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
Staff costs	1 823 259	823 750
Social security	467 187	217 409
Deposit insurance fee	240 574	102 395
Advertising and marketing	193 951	112 326
IT Expenses	192 395	37 139
Taxes other than on income	188 107	139 372
Expenses related to premises and equipment	150 544	90 603
Rent expense	147 391	64 656
Depreciation of premises and equipment	114 670	121 693
Legal and arbitration costs	90 572	20 212
Communication and postage	74 917	183 265
Amortisation of intangible assets	66 018	52 237
Security	39 520	23 216
Marketing research and consulting services	29 325	-
Business trip expenses	26 156	8 452
Fines and penalties	12 029	106 969
Insurance	8 519	14 050
Other expenses	138 506	149 069
Total administrative and other operating expenses	4 003 640	2 266 813

21 Income Taxes

Income tax comprised the following:

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017	Three-Month Period Ended 31 March 2016
Current tax	322 216	420 889
Deferred tax	(176 912)	(567 220)
Income tax charge for the period	(145 304)	(146 331)

The income tax rate applicable to the majority of the Group's income was 20% (2016: 20%).

For the Three-month period ended 31 March 2017 the income tax recorded in other comprehensive income amounts to RR 7 000 thousand (Three-month period ended 31 March 2016: RR 278 010 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>	31 March 2017	31 December 2016
Retail banking	165 949 928	102 312 437
Treasury	75 204 697	59 565 812
Corporate banking	44 837 595	5 362 016
Mortgage lending	7 309 954	6 228 368
Unallocated assets	9 152 629	8 075 584
Eliminations	(94 600 912)	(34 848 237)
Total assets	207 853 891	146 695 980
Retail banking	151 143 098	93 736 637
Treasury	68 494 581	54 981 587
Corporate banking	40 836 975	4 869 826
Mortgage lending	6 657 726	5 656 654
Unallocated liabilities	8 335 988	6 364 945
Eliminations	(94 600 913)	(34 848 237)
Total liabilities	180 867 455	130 761 412

22 Segment Analysis (Continued)

Segment information for the Three months ended 31 March 2017 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	1 707 241	7 120 571	1 175 216	562 000	-	(1 633 054)	8 931 974
Interest expense	(514 426)	(2 752 830)	(1 784 055)	(434 693)	-	1 633 054	(3 852 950)
Net interest income	1 192 815	4 367 741	(608 839)	127 307	-	-	5 079 024
Provision for loan impairment	(289 991)	(1 577 651)	-	(267 822)	-	-	(2 135 464)
Net interest income/(expense) after provision for loan impairment	902 824	2 790 090	(608 839)	(140 515)	-	-	2 943 560
Fee and commission income	568 088	1 412 254	-	-	-	-	1 980 342
Fee and commission expense	-	(422 288)	-	-	(25 247)	-	(447 535)
Result on sale of loans	-	-	-	-	-	-	-
Operations with securities, net	-	-	672 117	-	-	-	672 117
Losses less gains arising from dealing in foreign currencies	-	-	(38 531)	-	-	-	(38 531)
Foreign exchange translation gain, net	-	-	(112 447)	-	-	-	(112 447)
Dividends income	-	-	6 008	-	-	-	6 008
Other operating income	1 494	-	14 492	-	17 162	-	33 148
Administrative and Other Operating Expenses	(133 321)	(3 583 257)	(238 617)	(13 612)	(34 833)	-	(4 003 640)
Other provisions	-	(10 000)	-	-	(415 333)	-	(425 333)
Profit/(loss) before tax	1 339 085	186 799	(305 817)	(154 127)	(458 251)	-	607 689
Income tax expense	-	-	-	-	(145 304)	-	(145 304)
PROFIT/(LOSS) FOR THE PERIOD	1 339 085	186 799	(305 817)	(154 127)	(603 555)	-	462 385

22 Segment Analysis (Continued)

Segment information for the three months ended 31 March 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	102 577	6 804 031	946 561	367 128	-	(906 176)	7 314 121
Interest expense	(76 706)	(2 708 493)	(1 683 764)	(299 990)	-	906 176	(3 862 777)
Net interest income	25 871	4 095 538	(737 203)	67 138	-	-	3 451 344
Provision for loan impairment	801	(3 621 057)	-	(225 403)	-	-	(3 845 659)
Net interest (expense)/income after provision for loan impairment	26 672	474 481	(737 203)	(158 265)	-	-	(394 315)
Fee and commission income	86 360	919 648	-	-	-	-	1 006 008
Fee and commission expense	-	(155 986)	-	-	(22 706)	-	(178 692)
Result on sale of loans	68 307	-	-	-	-	-	68 307
Operations with securities, net	-	-	(107 425)	-	-	-	(107 425)
Gains less losses arising from dealing in foreign currencies	-	-	744 311	-	-	-	744 311
Foreign exchange translation gain, net	-	-	12 495	-	-	-	12 495
Other operating income	11 700	355	-	-	3 715	-	15 770
Administrative and Other Operating Expenses	(6 800)	(2 069 373)	(163 211)	(227)	(27 202)	-	(2 266 813)
Other provisions	-	(20 001)	-	-	(131 717)	-	(151 718)
Profit/(loss) before tax	186 239	(850 876)	(251 033)	(158 492)	(177 910)	-	(1 252 072)
Income tax expense	-	-	-	-	146 331	-	146 331
PROFIT/(LOSS) FOR THE PERIOD	186 239	(850 876)	(251 033)	(158 492)	(31 579)	-	(1 105 741)

22 Segment Analysis (Continued)

Capital expenditures and depreciation and amortisation charge by the segment for the Three months ended 31 March 2017 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	22 159	82 012	37 166	3 613	4 523	149 473
Depreciation and amortisation	26 786	99 140	44 927	4 367	5 468	180 688

Capital expenditures and depreciation and amortisation charge by the segment for the three months ended 31 March 2016 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	396	8 947	5 870	374	604	16 191
Depreciation and amortisation	4 258	96 100	63 059	4 021	6 492	173 930

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

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Retail banking	33 716 302	31 976 583
Corporate banking	5 269 043	429 140
Total credit related commitments	38 985 345	32 405 723

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.

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. Refer to Note 4.

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 31 March 2017 and 31 December 2016:

<i>In thousands of Russian Roubles (unaudited)</i>	31 March 2017	31 December 2016
Net assets under Russian GAAP	28 043 829	19 843 256
Less intangible assets	(431 496)	(227 657)
Plus subordinated debt	3 116 383	5 037 400
Other	1 011 056	(1 888 947)
Total regulatory capital	31 739 772	22 764 052

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 31 March 2017 and 31 December 2016 was computed as follows:

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016
Constituents of capital		
Core capital (Tier 1)		
Share capital, ordinary and fully paid up	7 896 025	6 288 667
Disclosed reserves	18 706 555	9 207 591
Total Tier 1	26 602 580	15 496 258
Supplementary capital (Tier 2)		
Subordinated term debt	4 356 235	5 088 891
Translation and revaluation reserves	200 275	254 729
Equity component of convertible debt	183 581	183 581
Total Tier 2	4 740 091	5 527 201
Total capital	31 342 671	21 023 459
Capital adequacy ratio	13,7%	15,6%

The Bank complied with the statutory capital adequacy requirements set by the CBRF as at 31 March 2017 and for the Three-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 139 093 thousand (at 31 December 2016: RR 129 093 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 non-compliant 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 31 March 2017 and 31 December 2016 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>	31 March 2017	31 December 2016
Not later than 1 year	423 082	298 502
Later than 1 year and not later than 5 years	464 741	316 411
Later than 5 years	32 198	29 755
Total operating lease commitments	920 021	644 668

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>	31 March 2017	31 December 2016
Undrawn credit lines and unused limits on credit cards	38 985 345	32 405 723
Financial guarantees issued to third parties	-	-
Total credit related commitments, net of provision and cash covered exposures	38 985 345	32 405 723

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>	31 March 2017	31 December 2016
Guarantee of rendering of services	33 931 662	857 679
Guarantee of performance under insurance contracts	281 637	318 831
Total	34 213 299	1 176 510

Assets pledged and restricted

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

<i>In thousands of Russian Roubles</i>	Notes	31 March 2017		31 December 2016	
		Asset pledged	Related liability	Asset pledged	Related liability
Investment securities available for sale pledged under repurchase agreements	7, 12	2 022 607	1 994 308	10 538 475	9 657 666
Trading securities pledged under repurchase agreements	7, 12	1 987 781	1 959 969	8 269 228	8 730 737
Loans to customers pledged under loans from other banks	9, 12	77 246	34 980	110 673	57 883
Total		4 087 634	3 989 257	18 918 376	18 446 286

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 1 844 616 thousand of trading securities (31 December 2016: RR 1 792 287 thousand). The Group did not use the overdraft facility as at 31 March 2017 and 31 December 2016.

As at 31 March 2017 the related liability amount in the table above includes RR 0 thousand (31 December 2016: 1 678 458) received under repo agreements collateralized by securities received by the Bank under reverse repo agreements.

Mandatory cash balances with the CBRF of RR 1 372 568 thousand (31 December 2016: RR 814 838 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)

<i>In thousands of Russian Roubles</i>	31 March 2016				31 December 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Trading securities								
- Municipal bonds	6 161 910	-	-	6 161 910	5 983 126	-	-	5 983 126
- Corporate bonds	12 365 045	-	-	12 365 045	5 118 092	-	-	5 118 092
- Russian federation bonds	3 770 850	-	-	3 770 850	1 087 901	-	-	1 087 901
- Bonds of credit and finance organizations	4 384 179	-	-	4 384 179	708 296	-	-	708 296
- Foreign government bonds	390 824	-	-	390 824	311 289	-	-	311 289
Shares	15 085	-	-	15 085	-	-	-	
Trading securities pledged under repurchase agreements								
- Russian Federation bonds	1 089 280	-	-	1 089 280	3 636 272	-	-	3 636 272
- Corporate bonds	25 224	-	-	25 224	2 987 746	-	-	2 987 746
- Bonds of credit and finance organizations	873 277	-	-	873 277	780 797	-	-	780 797
- Municipal bonds	-	-	-		498 224	-	-	498 224
- Foreign government bonds	-	-	-		366 189	-	-	366 189
Investment securities available for sale								
- Shares	-	-	7 006 100	7 006 100	-	-	440 448	440 448
- Bonds of credit and finance organizations	1 087 366	-	-	1 087 366	215 652	-	-	215 652
- Corporate bonds	6 651 678	-	-	6 651 678	-	-	-	
- Foreign government bonds	262 495	-	-	262 495	-	-	-	
Investment securities available for sale pledged under repurchase agreements								
- Corporate bonds	2 022 607	-	-	2 022 607	8 961 937	-	-	8 961 937
- Bonds of credit and finance organizations	-	-	-		1 302 138	-	-	1 302 138
- Foreign government bonds	-	-	-		274 400	-	-	274 400
Other financial assets								
- Foreign currency spots	-	853	-	853	-	62 421	-	62 421
Non-financial assets								
- Investment property	-	-	11 192 574	11 192 574	-	-	1 492 000	1 492 000
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	39 099 820	853	18 198 674	57 299 347	32 232 059	62 421	1 932 448	34 226 928

25 Fair Value (Continued)

<i>In thousands of Russian Roubles</i>	31 March 2017			31 December 2016		
	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	-		-	-		-
Customer accounts						
- Liability to return collateral sold or repledged	-	-	-	-	-	-
Other financial liabilities						
- Foreign currency spots	-	20 836	20 836	-	-	-
- Foreign currency forwards	-	-	-	-	-	-
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	20 836	20 836	-	-	-

A reconciliation of movements in Level 3 of the fair value hierarchy for the Three-month period ended 31 March 2017 is as follows:

<i>In thousands of Russian Roubles</i>	Investment property
Fair value at 1 January 2016	1 492 000
Business combination with Commercial Bank "Uniastrum Bank"	9 700 574
Investment properties at fair value at 31 March 2017	11 192 574

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.

(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:

PSC Orient Express Bank

Notes to the Consolidated Condensed Interim Financial Information (Unaudited) – 31 March 2017

<i>In thousands of Russian Roubles</i>	31 March 2017				31 December 2016			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial assets								
Cash and cash equivalents	7 570 725	5 578 161	-	13 148 886	7 223 811	3 300 963	-	10 524 774
- Cash on hand	7 570 725	-	-	7 570 725	7 223 811	-	-	7 223 811
- Correspondent accounts	-	2 817 666	-	2 817 666	-	959 256	-	959 256
- Cash balances with the CBRF	-	2 760 495	-	2 760 495	-	2 341 707	-	2 341 707
Mandatory balances with the CBRF	-	1 372 568	-	1 372 568	-	814 838	-	814 838
Due from other banks	-	2 676 404	-	2 676 404	-	12 996 702	-	12 996 702
- Reverse sale and repurchase agreement	-	2 642 571	-	2 642 571	-	12 996 702	-	12 996 702
- Interbank loans	-	33 833	-	33 833	-	-	-	-
Loans and advances to customers	-	-	116 143 582	114 071 963	-	-	77 329 985	74 792 080
Loans to individuals	-	-	73 644 680	73 285 670	-	-	72 950 701	70 336 992
- Consumer loans	-	-	29 144 691	25 639 359	-	-	30 707 112	25 970 527
- Credit cards	-	-	35 580 132	38 507 127	-	-	33 642 272	35 615 235
- Mortgage loans	-	-	4 495 702	4 733 153	-	-	3 440 247	3 618 808
- Car loans	-	-	1 069 468	1 033 233	-	-	1 235 887	1 197 497
- Other loans	-	-	3 354 687	3 372 798	-	-	3 925 183	3 934 925
Loans to legal entities	-	-	42 498 902	40 786 293	-	-	4 379 284	4 455 088
- Corporate loans	-	-	32 087 405	31 270 140	-	-	3 468 076	3 539 622
- Reverse sale and repurchase agreements	-	-	-	-	-	-	-	-
- SME loans	-	-	10 411 497	9 516 153	-	-	911 208	915 466
Investment securities held to maturity	-	-	-	-	-	-	-	-
- Bonds of credit and finance organisations	-	-	-	-	-	-	-	-
- Corporate bonds	-	-	-	-	-	-	-	-
Investment securities held to maturity pledged under repurchase agreements	-	-	-	-	-	-	-	-
- Corporate bonds	-	-	-	-	-	-	-	-
- Bonds of credit and finance organisations	-	-	-	-	-	-	-	-
Other financial assets	-	1 388 956	1 386 227	2 775 183	-	1 632 422	68 718	1 701 140
- Settlements with exchanges	-	398 857	-	398 857	-	991 447	-	991 447
- Settlements with payment systems	-	990 099	-	990 099	-	640 975	-	640 975
- Accounts receivable	-	-	908 654	908 654	-	-	43 506	43 506
- Debtors for sale of loans	-	-	175 116	175 116	-	-	-	-
- Service fee asset	-	-	-	-	-	-	-	-
- Other financial assets	-	-	302 457	302 457	-	-	25 212	25 212
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	7 570 725	11 016 089	117 529 809	134 045 004	7 223 811	18 744 925	77 398 703	100 829 534

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:

	31 March 2017			31 December 2016		
	Level 2	Level 3	Carrying amount	Level 2	Level 3	Carrying amount
<i>{In thousands of Russian Roubles}</i>						
Financial liabilities						
<i>Due to other banks</i>	-	5 634 857	5 634 857	-	17 565 230	17 565 230
<i>Customer accounts</i>	-	168 636 456	160 769 545	-	104 140 536	98 726 513
<i>Individuals</i>						
- Current/demand accounts	-	20 758 105	20 758 105	-	14 246 895	14 246 895
- Term deposits	-	138 710 674	129 988 056	-	84 544 668	79 105 560
<i>Corporate customers</i>						
- Current/settlement accounts	-	7 773 349	7 773 349	-	2 662 177	2 662 177
- Term deposits	-	1 046 337	1 915 855	-	1 570 599	1 602 354
- Direct sale and repurchase agreements	-			-	899 887	899 887
<i>State and public organisations</i>						
- Current/settlement accounts	-	112 777	112 777	-	42 608	42 608
- Term deposits	-	235 184	221 403	-	173 702	167 032
<i>Debt securities issued</i>	10 150	224 914	235 156	10 273	42 291	52 657
- Bonds issued on domestic market	10 150	-	10 243	10 273	-	10 366
- Promissory notes	-	78 094	78 094	-	42 291	42 291
- Issued savings certificates	-			-		
<i>Other borrowed funds</i>	-	146 819	146 819	-	-	-
<i>Other financial liabilities</i>	-	707 107	707 107	-	501 880	501 880
- Settlements of purchase and sale of securities	-	353 765	353 765	-	-	-
- Accrued expenses	-	214 559	214 559	-	392 015	392 015
- Accounts payable	-	20 836	20 836	-	53 273	53 273
- Other	-	117 947	117 947	-	56 592	56 592
<i>Subordinated debt</i>	8 471 928	1 836 536	11 506 724	8 753 027	1 570 423	12 724 583
- Subordinated USD denominated notes	5 055 278	1 836 536	8 059 045	5 281 189	1 570 423	9 221 215
- Subordinated RR denominated notes	3 416 650	-	3 447 679	3 471 838	-	3 503 368
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	8 482 078	177 039 870	178 853 389	8 763 300	123 820 360	129 570 863

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:

	31 March 2017	31 December 2016
Loans and advances to customers		
<i>Loans to individuals</i>		
- Consumer loans	22.97% to 32.31% p.a.	21.97% to 33.01% p.a.
- Credit cards	30.21% to 30.56% p.a.	30.29% to 30.30% p.a.
- Mortgage loans	21.93% to 22.10% p.a.	21.66% to 22.94% p.a.
- Car loans	15.68% to 34.03% p.a.	15.68% to 33.72% p.a.
- Other loans	13.75% to 30.93% p.a.	13.83% to 30.62% p.a.
<i>Loans to legal entities</i>		
- Corporate loans	6.44% to 16.81% p.a.	12.00% to 17.85% p.a.
- SME loans	17.00% to 17.02% p.a.	16.43% to 16.63% p.a.
Customer accounts		
<i>Individuals</i>		
- Term deposits	1.29% to 8.40% p.a.	1.62% to 7.85% p.a.
<i>Corporate customers</i>		
- Term deposits	2.10% to 9.18% p.a.	2.10% to 8.61% p.a.
<i>State and public organisations</i>		
- Term deposits	2.30% to 7.14% p.a.	1.30% to 8.40% p.a.
Subordinated debt		
- Subordinated debt	12.87% p.a.	12.71% 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 31 March 2017 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 March 2017				
Cash and cash equivalents (contractual interest rate: 0 % p.a.)	-	-	-	1 863
Securities (contractual interest rate: 15% p.a.)	-	-	-	1 778 891
Loans issued (contractual interest rate: 9% – 17.5% p.a.)	-	108 669	10 159	228 420
Customer accounts (contractual interest rate: 2% – 14.75% p.a.)	-	56 736	88 105	13 036
Other liabilities (contractual interest rate: 0% p.a.)	-	190 000	-	-
Credit related commitments	-	6 000	9 816	50 000

The income and expense items with related parties for the three-month period ended 31 March 2017 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	805	1 952	333	126 530
Interest expense	-	1 026	1 532	-
Fee and commission income	-	166	81	344
Income on operations with foreign currencies	219 085	-	-	-
Expense on operations with foreign currencies	20 244	-	-	-
Other operating income	-	-	-	188
Administrative and other operating expenses	-	4 124	-	-

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 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 31 December 2016				
Cash and cash equivalents (contractual interest rate: 0 % p.a.)	10 968	-	-	-
Securities (contractual interest rate: 15 % p.a.)	-	-	-	1 778 549
Due from other banks (contractual interest rate: 3 %-11,5% p.a.)	11 981 043	-	-	-
Loans issued (contractual interest rate: 9 % -17,5 % p.a.)	-	-	10 009	2 937 578
Other assets (contractual interest rate: 0 % p.a.)	499 655	-	-	865
Due to other banks (contractual interest rate: 0 % p.a.)	12 826	-	-	-
Customer accounts (contractual interest rate: 2 % -16 % p.a.)	-	50 699	125 560	28 343
Other liabilities (contractual interest rate: 0 % p.a.)	1 610	190 000	-	10
Credit related commitments	535	6 000	9 961	51 027

The income and expense items with related parties for the Three-month period ended 31 March 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	-	-	252	150 772
Interest expense	-	-	304	715
Fee and commission income	-	1	54	15 182
Gains from operations with securities, net	-	-	-	33 137
Other operating income	-	-	-	733
Administrative and other operating expenses	-	1 291	-	13 861

26 Related Party Transactions (Continued)

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

<i>In thousands of Russian Roubles</i>	Three-month ended	31 March	Three-month ended	31 March
	31 March 2017	2017	31 March 2016	2016
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>	129 385	-	54 143	-
<i>Long-term benefits:</i>	-	12 789	1 327	20 038
Total	129 385	12 789	55 470	20 038

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

On 2 May 2017 Bank received results of the meeting of holders (the "Meeting") of the U.S.\$125 million 12% Notes due on 29 May 2019 (ISIN XS0973219495) issued by SCI Finance B.V. for the purpose of financing a subordinated loan (the "Loan") to the Bank . The Meeting approved amendments to a number of documents in connection with the Notes, including the Loan Agreement. As a result of those changes, the Loan and the Notes will have no fixed date for repayment and redemption and the interest rate thereunder will change to 10% per annum. The draft changes and the new interest rate were previously agreed with the CBR. As at the period of IFRS report preparation the Bank has filed an application for the CBR to include the loan to into the sources of additional capital (tier 1) and expects to receive an approval by end of June 2017.