

AO Raiffeisenbank

**International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and
Report on Review of Consolidated Condensed
Interim Financial Information**

31 March 2017

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Supervisory Board of AO Raiffeisenbank:

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of AO Raiffeisenbank and its subsidiaries (the "Group") as of 31 March 2017 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month then ended, changes in equity and cash flows for the three-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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


Conclusion

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

AO PricewaterhouseCoopers Audit

17 May 2017

Moscow, Russian Federation

 N. V. Kosova, certified auditor (licence No. 01-000396), AO PricewaterhouseCoopers Audit

Audited entity: AO Raiffeisenbank

State registration certificate № 3292 issued by the Central Bank of Russian Federation on 15 June 1996

17/1 Troitskaya Str., 129090 Moscow, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

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

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


Member of Self-regulated organization of auditors "Russian Union of auditors" (Association).

ORNZ 11603050547 in the register of auditors and audit organization.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

	Note	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>			
ASSETS			
Cash and cash equivalents	6	149 827 704	122 101 961
Mandatory cash balances with the Central Bank of the Russian Federation		5 525 019	5 622 919
Trading securities	7	30 942 992	23 393 275
Other securities at fair value through consolidated profit or loss	8	22 912 827	35 100 057
Due from other banks	9	17 828 397	31 857 908
Loans and advances to customers	10	491 816 181	474 399 662
Fixed assets and intangible assets		14 372 075	14 737 665
Deferred income tax asset		1 515 539	2 470 451
Investment securities held to maturity	11	4 113 715	4 173 747
Current income tax asset		1 454 566	-
Derivatives and other financial assets	12	30 074 403	34 539 611
Investment in associates		2 400 322	2 289 714
Assets held for sale		69 228	96 025
Other assets		2 786 619	3 017 012
TOTAL ASSETS		775 639 587	753 800 007
LIABILITIES			
Due to other banks	13	33 555 041	13 493 051
Customer accounts	14	550 772 338	547 596 730
Term borrowings from the Parent Bank	15	30 104 568	32 326 452
Debt securities in issue		6 396 090	6 422 315
Derivatives and other financial liabilities	16	25 903 089	32 057 128
Current income tax liability		-	504 557
Other liabilities		5 714 708	5 494 674
TOTAL LIABILITIES		652 445 834	637 894 907
EQUITY			
Share capital		43 268 888	43 268 888
Share premium		591 083	591 083
Additional paid-in capital		1 520 016	1 520 016
Retained earnings and other reserves		77 813 766	70 525 113
TOTAL EQUITY		123 193 753	115 905 100
TOTAL LIABILITIES AND EQUITY		775 639 587	753 800 007

Approved for issue and signed on 17 May 2017.


 Sergei Morin
 Chairman of the Board




 Gert Hebenstreit
 Chief Financial Officer

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

	Note	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Interest income	17	21 611 759	22 974 565
Interest expense	17	(11 053 788)	(12 441 810)
Net interest income		10 557 971	10 532 755
Charge of provision for loan impairment	10	(458 359)	(4 051 715)
Net interest income after provision for loan impairment		10 099 612	6 481 040
Fee and commission income	18	5 629 670	5 117 100
Fee and commission expense	18	(1 985 486)	(1 897 443)
(Losses less gains) / gains less losses from trading securities		(73 902)	314 112
Gains less losses from other securities at fair value through profit or loss		44 702	120 743
Gains less losses from trading in foreign currencies		1 095 602	1 041 685
Unrealized gains less losses from derivative financial instruments	19	548 774	6 985 318
Realized gains less losses from derivative financial instruments	20	883 986	1 826 964
Foreign exchange translation losses, net of gains		(499 322)	(7 873 466)
Amortisation of the hedging adjustment and hedge ineffectiveness		(193 376)	(88 865)
Release of provision for credit related commitments		6 911	8 974
Gains from sale of loans and from loans previously written off	10	7 223	5 790
Other operating income		92 143	33 378
Share of profit of associate		110 608	109 066
Income from realization of assets held for sale		14 729	49 735
Provision for investment securities held to maturity		25	(21)
Operating income		15 781 899	12 234 110
Administrative and other operating expenses	21	(6 499 691)	(6 079 077)
Profit before tax		9 282 208	6 155 033
Income tax expense		(1 993 555)	(1 287 950)
Profit for the period		7 288 653	4 867 083
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Revaluation of investment securities available for sale		-	29 100
Income tax recorded directly in other comprehensive income		-	(5 820)
Other comprehensive income for the period, net of tax		-	23 280
Total comprehensive income for the period, net of tax		7 288 653	4 890 363

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

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Changes in Equity

<i>In thousands of Russian Roubles</i>	Share capital	Share premium	Additional paid-in capital	Retained earnings and other reserves	Total
Balance at 1 January 2016	43 268 888	591 083	1 520 016	49 332 559	94 712 546
Profit for the period	-	-	-	4 867 083	4 867 083
Other comprehensive income for the period	-	-	-	23 280	23 280
Total comprehensive income for the period	-	-	-	4 890 363	4 890 363
Balance at 31 March 2016	43 268 888	591 083	1 520 016	54 222 922	99 602 909
Balance at 1 January 2017	43 268 888	591 083	1 520 016	70 525 113	115 905 100
Profit for the period	-	-	-	7 288 653	7 288 653
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	7 288 653	7 288 653
Balance at 31 March 2017	43 268 888	591 083	1 520 016	77 813 766	123 193 753

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Cash Flows

	Note	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Cash flows from operating activities			
Interest received		19 718 786	21 347 778
Interest paid		(11 894 276)	(13 086 365)
Fees and commissions received		5 766 052	5 124 001
Fees and commissions paid		(1 967 404)	(1 897 443)
Realized (losses net of gains) /gains less losses from trading in trading securities		(114 790)	246 312
Realized losses net of gains arising from other securities at fair value through profit or loss		(46 010)	(30 330)
Realized gains less losses from financial derivative instruments		883 986	1 826 964
Realized gains less losses/(losses net of gains) arising from trading in foreign currencies		1 095 602	(466 826)
Cash proceeds from sale of loans	10	54 410	82 916
Other operating income received		147 640	46 157
Staff costs paid		(3 005 568)	(2 846 294)
Administrative and other operating expenses paid		(1 970 138)	(2 008 241)
Income tax paid		(2 998 863)	(2 928 561)
Cash flows from operating activities before changes in operating assets and liabilities		5 669 427	5 410 068
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation		97 900	(191 069)
Net (increase) in trading securities		(8 243 630)	(327 489)
Net decrease/(increase) in other securities at fair value through consolidated profit and loss		11 161 011	(3 149 492)
Net decrease in due from other banks		12 264 461	11 421 201
Net (increase)/decrease in loans and advances to customers		(29 775 297)	7 460 591
Net decrease in derivatives and other financial assets		865 492	428 994
Net decrease in other assets		121 460	614 155
Net increase/(decrease) in due to other banks		21 040 937	(18 880 941)
Net increase/(decrease) in customer accounts		18 802 942	(4 213 737)
Net increase/(decrease) in derivatives and other financial liabilities		891 520	(503 802)
Net (decrease) in other liabilities		(480 340)	(166 647)
Net cash from/(used in) operating activities		32 415 883	(2 098 168)
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(309 892)	(677 822)
Proceeds from sale of premises and equipment		359	886
Proceeds from redemption investment securities held to maturity		-	3 150 580
Interest received on securities portfolio held-to-maturity		101 927	683 228
Proceeds from sale of assets held for sale		41 526	88 444
Net cash (used in)/ from investing activities		(166 080)	3 245 316
Cash flows from financing activities			
Proceeds from term borrowings from the Parent Bank and other financial institutions		-	222 215
Repayment of term borrowings from the Parent Bank and other financial institutions		-	(10 110 969)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(704 774)	(1 164 767)
Proceeds from issuance of debt securities		69 061	14 771
Repayment of debt securities in issue		(67 212)	(403 016)
Interest paid on debt securities		(169 965)	(516 615)
Net cash used in financing activities		(872 890)	(11 958 381)
Change in accrued interest on cash and cash equivalents		(3 713)	20 604
Effect of exchange rate changes on cash and cash equivalents		(3 647 457)	(6 892 397)
Net decrease in cash and cash equivalents		27 725 743	(17 683 026)
Cash and cash equivalents at the beginning of the period	6	122 101 961	159 565 835
Cash and cash equivalents at the end of the period	6	149 827 704	141 882 809

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

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the three months period ended 31 March 2017 for AO Raiffeisenbank (hereinafter – 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 joint stock company limited by shares and was set up in accordance with the Russian regulations. The Bank is owned by Raiffeisen CIS Region Holding GmbH and Raiffeisen-Invest-Gesellschaft m.b.H, subsidiaries of Raiffeisen Bank International AG (the “Parent Bank”), which is the ultimate controlling parent of the Group.

Principal activity. The Bank has operated under a full banking license issued by the Central Bank the Russian Federation (“CBRF”) since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law No. 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 case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 31 March 2017 the Group had 5 branches within the Russian Federation and 175 outlets (31 December 2016: 5 branches and 174 outlets).

The number of the Group’s employees at 31 March 2017 was 7 820 (31 December 2016: 7 664).

Registered address and place of business. The Bank’s registered address is: 17/1 Troitskaya Str., 129090, Moscow, Russian Federation. The Bank’s main place of business is: 28 Smolenskaya-Sennaya, 119002, Moscow, Russian Federation.

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

2 Operating Environment of the Group

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. During first quarter 2017, the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia’s credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

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

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34. This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2016.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

At 31 March 2017 principal rate of exchange used for translating foreign currency balances was USD 1 = RR 56,3779 (31 December 2016: USD 1 = RR 60,6569) and EUR 1 = 60,595 (31 December 2016: EUR 1 = 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. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016, became effective for the Group from 1 January 2017. They have not significantly affected this consolidated condensed interim financial information of the Group.

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.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim financial information 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 condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances to customers. 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 period, 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 1 078 182 thousand (2016: RR 1 151 883 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 772 761 thousand (2016: RR 845 246 thousand), respectively.

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

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. Refer to Note 26. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

5 New Accounting Pronouncements

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 annual consolidated financial statements of the Group.

6 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Cash on hand	20 542 113	26 191 439
Cash balances with the CBRF (other than mandatory reserve deposits)	29 462 272	17 302 045
Correspondent accounts and overnight placements with other banks		
- Russian Federation	10 237 693	5 297 996
- Other countries	11 319 925	8 253 152
Placements with other banks with original maturities of less than three months	18 552 291	-
Reverse securities sale and repurchase agreements with other banks and other financial institutions with original maturities of less than three months	59 713 410	65 057 329
Total cash and cash equivalents	149 827 704	122 101 961

At 31 March 2017 cash equivalents in the amount of RR 59 713 410 thousand (31 December 2016: RR 65 057 329 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 65 360 349 thousand (31 December 2016: RR 73 067 801 thousand) which the Group has a right to sell or repledge.

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months and deals with securities purchased under "reverse-repo agreements" with original maturities of less than three months represent balances with large and well-known foreign banks and top-rated Russian banks and financial institutions.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

7 Trading Securities

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Corporate Eurobonds	9 813 198	10 967 120
Federal loan bonds (OFZ)	9 813 061	3 894 430
Corporate bonds	7 052 364	6 647 900
Russian Federation Eurobonds	4 262 791	1 882 231
Municipal bonds	1 578	1 594
Total trading securities	30 942 992	23 393 275

Estimation of fair value of trading securities is based on their market quotations.

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

The Bank is licensed by the Federal Commission on Securities Markets of the Russian Federation for trading in securities.

At 31 March 2017 and 31 December 2016 no trading securities were past due or impaired and there were no renegotiated balances of trading securities that would otherwise be past due. Trading securities are not collateralised.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 23.

8 Other Securities at Fair Value Through Consolidated Profit or Loss

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
US Treasury Bonds	9 621 070	24 353 123
Federal loan bonds (OFZ)	8 754 289	6 152 667
Corporate Eurobonds	2 139 860	2 655 657
Corporate bonds	1 456 909	1 431 201
Russian Federation Eurobonds	566 741	129 709
Municipal bonds	373 958	377 700
Total other debt securities at fair value through consolidated profit and loss	22 912 827	35 100 057

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Asset and Liability Committee of the Group ("ALCO") assesses performance of the investments based on their fair values in accordance with a strategy documented in the business plan.

As the securities are carried at their fair value based on observable market data, the Group does not analyse or monitor separate impairment indicators.

Currency, geographical and liquidity analysis of other securities at fair value through consolidated profit or loss and Repurchase Receivables related to Other securities at Fair Value Through Consolidated Profit or Loss are disclosed in Note 23.

AO Raiffeisenbank
Notes to the Consolidated Condensed Interim Financial Information

9 Due from Other Banks

	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>		
Short-term placements with other banks with original maturities of more than three months and less than one year	6 237 252	19 534 539
Long-term placements with other banks with original maturities of more than one year	11 591 145	12 323 369
Total due from other banks	17 828 397	31 857 908

At 31 March 2017 and 31 December 2016 due from other banks are neither past due nor impaired.

Disclosure of the fair value of due from other banks is presented in Note 26.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

10 Loans and Advances to Customers

	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>		
Loans to corporate customers (Corporate loans)	280 568 836	274 816 219
Loans to individuals (Retail loans)	196 715 894	187 116 338
Loans to medium entities (Middle business)	23 804 409	23 301 117
Loans to small and micro entities (SME loans)	14 413 790	14 052 452
Total gross loans and advances to customers	515 502 929	499 286 126
Less: Provision for loan impairment	(23 686 748)	(24 886 464)
Total loans and advances to customers	491 816 181	474 399 662

Movements in the provision for loan impairment during three-month period ended 31 March 2017 are as follows:

	Loans to corporate customers	Loans to medium entities	Retail loans	Loans to small and micro entities	Total
<i>In thousands of Russian Roubles</i>					
Provision for loan impairment at 1 January 2017	10 881 314	689 405	12 112 426	1 203 319	24 886 464
Charge of provision for impairment during the period	140 089	7 256	300 205	45 809	493 359
Disposal of provisions as a result of disposal of loans	-	(29 820)	(69 302)	(1 262)	(100 384)
Amounts written off during the period as uncollectible	(794 630)	-	(46 339)	(5 195)	(846 164)
Exchange differences on provision for loan impairment	(634 562)	(2 210)	(109 753)	(2)	(746 527)
Provision for loan impairment at 31 March 2017 (Unaudited)	9 592 211	664 631	12 187 237	1 242 669	23 686 748

10 Loans and Advances to Customers (Continued)

Movements in the Retail provision by product for loan impairment during three-month period ended 31 March 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
Provision for loan impairment at 1 January 2017	6 600 859	1 829 262	1 509 381	2 172 924	12 112 426
Charge of provision for impairment during the period	271 833	(108 107)	(7 453)	143 932	300 205
Disposal of provisions as a result of disposal of loans	(14 350)	(53 693)	(802)	(457)	(69 302)
Amounts written off during the period as uncollectible	(10 330)	(20 322)	(11 458)	(4 229)	(46 339)
Exchange differences on provision for loan impairment	(3 129)	(90 839)	(7 036)	(8 749)	(109 753)
Provision for loan impairment at 31 March 2017 (Unaudited)	6 844 883	1 556 301	1 482 632	2 303 421	12 187 237

The provision for loan impairment during three-month period ended 31 March 2017 differs from the amount presented in Consolidated Condensed Interim Statement of Profit or Loss for the period due to RR 35 000 thousand recovery of amounts previously written-off as uncollectible (three-month period ended 31 March 2016: RR 16 716 thousand). This amount relates to Loans to corporate customers and was credited directly to the provisions line in Consolidated Condensed Interim Statement of Profit or Loss for the period.

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

<i>In thousands of Russian Roubles</i>	Loans to corporate customers	Loans to medium entities	Retail loans	Loans to small and micro entities	Total
Provision for loan impairment at 1 January 2016	19 008 009	871 487	13 775 402	2 094 954	35 749 852
Charge of provision for impairment during the period	2 238 925	122 207	1 584 735	122 564	4 068 431
Disposal of provisions as a result of disposal of loans	(3 298)	-	(78 551)	(10 518)	(92 367)
Amounts written off during the period as uncollectible	(2 636 431)	-	(59 993)	(25 481)	(2 721 905)
Exchange differences on provision for loan impairment	(950 356)	(18 049)	(173 209)	(4)	(1 141 618)
Provision for loan impairment at 31 March 2016 (Unaudited)	17 656 849	975 645	15 048 384	2 181 515	35 862 393

10 Loans and Advances to Customers (Continued)

Movements in the Retail provision by product for loan impairment during three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
Provision for loan impairment at 1 January 2016	7 430 901	1 819 434	2 012 247	2 512 820	13 775 402
Charge/(release) of provision for impairment during the period	856 892	367 164	113 269	247 408	1 584 733
Disposal of provisions as a result of disposal of loans	(92)	(77 787)	(653)	(19)	(78 551)
Amounts written off during the period as uncollectible	(15 210)	(38 719)	(2 661)	(3 402)	(59 992)
Exchange differences on provision for loan impairment	(5 244)	(139 648)	(13 201)	(15 115)	(173 208)
Provision for loan impairment at 31 March 2016 (Unaudited)	8 267 247	1 930 444	2 109 001	2 741 692	15 048 384

During the three-month period ended 31 March 2017 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 281 186 thousand (three-month period ended 31 March 2016: RR 208 550 thousand) for cash proceeds of RR 56 050 thousand (three-month period ended 31 March 2016: RR 82 916) and other assets with carrying value of RR 131 975 thousand (three-month period ended 31 March 2016: RR 39 057 thousand). As of the date of disposal during the three-month period ended 31 March 2017 these loans were provided for impairment in the total amount of RR 100 384 thousand (three-month period ended 31 March 2016: RR 92 367 thousand). The net financial result of a loan disposal during the three-month period ended 31 March 2017 recognized in the consolidated condensed interim statement of profit or loss and other comprehensive income was a gain of RR 7 223 thousand (three-month period ended 31 March 2016: RR 5 790 thousand).

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

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	196 715 894	38,16%	187 116 338	37,48%
Manufacturing	111 670 688	21,66%	106 966 472	21,42%
Real estate	68 342 592	13,26%	80 907 810	16,20%
Trade	67 742 605	13,14%	46 752 842	9,36%
Mining	25 431 831	4,93%	28 950 931	5,80%
Transport, storage and communication	14 849 155	2,88%	16 660 674	3,34%
Financial Services	17 175 063	3,33%	16 429 986	3,29%
Health and social work	5 906 825	1,15%	6 055 307	1,21%
Hotels and restaurants	1 764 238	0,34%	1 702 482	0,34%
Electricity, gas and water supply	342 329	0,07%	651 416	0,13%
Other	5 561 709	1,08%	7 091 868	1,42%
Total loans and advances to customers (before provision for loan impairment)	515 502 929	100,00%	499 286 126	100,00%

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 March 2017 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Middle business	SME loans	Total
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>				
Minimal risk	6 679 207	-	-	6 679 207
Excellent credit standing	49 388 517	-	-	49 388 517
Very good credit standing	64 207 118	-	1 584	64 208 702
Good credit standing	63 983 670	439 607	376 223	64 799 500
Sound credit standing	38 220 193	5 732 837	1 066 126	45 019 156
Acceptable credit standing	36 554 177	11 942 069	3 022 979	51 519 225
Marginal credit standing	2 457 488	4 307 143	6 658 823	13 423 454
Weak credit standing	1 159 845	310 624	1 098 725	2 569 194
Very weak credit standing	1 276 878	90 962	365 375	1 733 215
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	263 927 093	22 823 242	12 589 835	299 340 170
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>				
- less than 30 days overdue	759 117	-	97 728	856 845
- 31 – 60 days overdue	-	36 500	47 710	84 210
- 61 – 90 days overdue	-	-	38 680	38 680
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	759 117	36 500	184 118	979 735
<i>Loans individually determined to be impaired</i>				
- not overdue	7 763 990	112 149	81 701	7 957 840
- less than 30 days overdue	855	-	35 610	36 465
- 31 – 60 days overdue	-	-	19 744	19 744
- 61 – 90 days overdue	2 571 205	-	19 876	2 591 081
- 91 – 180 days overdue	1 864 354	-	115 914	1 980 268
- 181 – 364 days overdue	-	61 464	277 254	338 718
- over 365 days overdue	3 682 222	771 054	1 089 738	5 543 014
Total loans individually determined to be impaired (gross)	15 882 626	944 667	1 639 837	18 467 130
Total gross loans and advances to customers	280 568 836	23 804 409	14 413 790	318 787 035
Less: Provision for loan impairment	(9 592 211)	(664 631)	(1 242 669)	(11 499 511)
Total loans and advances to customers	270 976 625	23 139 778	13 171 121	307 287 524

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 December 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Middle business	SME loans	Total
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>				
Minimal risk	8 707 586	-	-	8 707 586
Excellent credit standing	47 486 328	-	-	47 486 328
Very good credit standing	50 622 390	-	-	50 622 390
Good credit standing	57 042 285	387 108	245 948	57 675 341
Sound credit standing	45 772 303	5 930 563	917 844	52 620 710
Acceptable credit standing	42 720 021	11 621 811	3 038 757	57 380 589
Marginal credit standing	2 523 983	3 925 267	6 509 381	12 958 631
Weak credit standing	692 063	320 881	1 272 831	2 285 775
Very weak credit standing	1 279 443	92 824	306 647	1 678 914
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	256 846 402	22 278 454	12 291 408	291 416 264
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>				
- less than 30 days overdue	-	-	89 790	89 790
- 31 – 60 days overdue	-	-	54 775	54 775
- 61 – 90 days overdue	-	-	50 627	50 627
- 91 – 180 days overdue	-	-	-	-
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	-	-	195 192	195 192
<i>Loans individually determined to be impaired</i>				
- not overdue	11 327 985	119 917	80 243	11 528 145
- less than 30 days overdue	-	-	29 490	29 490
- 31 – 60 days overdue	1 963 305	-	29 211	1 992 516
- 61 – 90 days overdue	-	-	17 874	17 874
- 91 – 180 days overdue	-	42 285	131 240	173 525
- 181 – 364 days overdue	-	157 642	255 918	413 560
- over 365 days overdue	4 678 527	702 819	1 021 876	6 403 222
Total loans individually determined to be impaired (gross)	17 969 817	1 022 663	1 565 852	20 558 332
Total gross loans and advances to customers	274 816 219	23 301 117	14 052 452	312 169 788
Less: Provision for loan impairment	(10 881 314)	(689 405)	(1 203 319)	(12 774 038)
Total loans and advances to customers	263 934 905	22 611 712	12 849 133	299 395 750

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 March 2017 is as follows:

<i>In thousands of Russian Roubles</i>	Unsecured consumer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total Retail Loans
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	2 485 459	37 721 541	795 542	481 258	41 483 800
Excellent credit standing	7 090 034	17 451 427	1 354 361	1 771 542	27 667 364
Very good credit standing	14 119 549	8 437 978	1 928 367	3 388 714	27 874 608
Good credit standing	20 356 546	5 219 156	1 506 540	3 853 202	30 935 444
Sound credit standing	17 981 961	3 903 357	620 926	2 554 229	25 060 473
Acceptable credit standing	11 827 206	1 942 505	209 349	1 205 402	15 184 462
Marginal credit standing	4 262 753	1 029 785	129 965	649 866	6 072 369
Weak credit standing	1 206 614	695 792	89 766	257 859	2 250 031
Very weak credit standing	1 750 044	1 227 541	95 176	202 210	3 274 971
Total current and not impaired loans, assessed for impairment on a collective basis	81 080 166	77 629 082	6 729 992	14 364 282	179 803 522
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 391 088	547 828	257 036	840 634	3 036 586
- 31 – 60 days overdue	336 232	169 575	65 547	138 122	709 476
- 61 – 90 days overdue	187 475	56 981	27 785	75 200	347 441
Total past due but not impaired loans, assessed for impairment on a collective basis	1 914 795	774 384	350 368	1 053 956	4 093 503
<i>Loans individually determined to be impaired</i>					
- not overdue	321 734	625 017	45 862	83 587	1 076 200
- less than 30 days overdue	91 154	123 618	20 359	32 945	268 076
- 31 – 60 days overdue	71 929	139 138	18 041	21 930	251 038
- 61 – 90 days overdue	69 185	132 401	13 382	16 985	231 953
- 91 – 180 days overdue	556 737	209 907	85 309	178 732	1 030 685
- 181 – 364 days overdue	1 173 101	282 026	173 221	714 456	2 342 804
- over 365 days overdue	3 731 980	1 482 722	1 332 132	1 071 279	7 618 113
Total individually impaired loans (gross)	6 015 820	2 994 829	1 688 306	2 119 914	12 818 869
Total gross loans and advances to customers	89 010 781	81 398 295	8 768 666	17 538 152	196 715 894
Less: Provision for loan impaired	(6 844 883)	(1 556 301)	(1 482 632)	(2 303 421)	(12 187 237)
Total loans and advances to customers	82 165 898	79 841 994	7 286 034	15 234 731	184 528 657

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 December 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Unsecured consumer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total Retail Loans
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	2 147 246	24 166 969	209 523	782 255	27 305 993
Excellent credit standing	5 685 211	19 579 082	1 561 903	1 971 038	28 797 234
Very good credit standing	13 592 763	8 812 567	3 313 566	2 990 444	28 709 340
Good credit standing	17 783 691	4 875 135	1 924 876	3 595 568	28 179 270
Sound credit standing	21 163 500	2 237 969	836 444	2 270 969	26 508 882
Acceptable credit standing	12 831 854	2 711 211	378 014	1 171 677	17 092 756
Marginal credit standing	4 792 850	1 928 179	179 794	637 855	7 538 678
Weak credit standing	1 535 198	1 042 852	117 265	281 271	2 976 586
Very weak credit standing	1 719 382	1 832 017	160 752	252 877	3 965 028
Total current and not impaired loans, assessed for impairment on a collective basis	81 251 695	67 185 981	8 682 137	13 953 954	171 073 767
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 035 645	519 605	238 686	610 159	2 404 095
- 31 – 60 days overdue	269 977	110 500	55 807	115 374	551 658
- 61 – 90 days overdue	169 479	86 155	26 535	57 364	339 533
Total past due but not impaired loans, assessed for impairment on a collective basis	1 475 101	716 260	321 028	782 897	3 295 286
<i>Loans individually determined to be impaired</i>					
- not overdue	388 239	672 985	56 217	89 179	1 206 620
- less than 30 days overdue	91 201	150 425	24 323	31 103	297 052
- 31 – 60 days overdue	62 117	82 575	19 491	16 209	180 392
- 61 – 90 days overdue	74 894	128 216	15 335	15 377	233 822
- 91 – 180 days overdue	585 642	300 758	103 813	186 999	1 177 212
- 181 – 364 days overdue	1 414 804	404 756	236 112	763 456	2 819 128
- over 365 days overdue	3 147 470	1 493 322	1 275 664	916 603	6 833 059
Total individually impaired loans (gross)	5 764 367	3 233 037	1 730 955	2 018 926	12 747 285
Total gross loans and advances to customers	88 491 163	71 135 278	10 734 120	16 755 777	187 116 338
Less: Provision for loan impaired	(6 600 859)	(1 829 262)	(1 509 381)	(2 172 924)	(12 112 426)
Total loans and advances to customers	81 890 304	69 306 016	9 224 739	14 582 853	175 003 912

10 Loans and Advances to Customers (Continued)

Disclosure of the fair value of the Group's loans and advances to customers at 31 March 2017 and 31 December 2016 is presented in Note 26. Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

11 Investment Securities Held to Maturity

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Eurobonds of the European Bank for Reconstruction and Development	2 887 543	2 889 200
Corporate eurobonds	918 102	966 727
Corporate bonds	308 866	318 641
Total gross investment securities held to maturity	4 114 511	4 174 568
Less: Provision for impairment	(796)	(821)
Total investment securities held to maturity	4 113 715	4 173 747

Refer to Note 26 for the disclosure of the fair value of each class of investment securities held to maturity. Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 23.

12 Derivatives and Other Financial Assets

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Fair value of currency rate based financial derivatives	22 960 089	27 877 389
Fair value of interest rate based financial derivatives	5 082 144	3 764 559
Plastic card receivables	1 960 221	2 845 480
Trade receivables	71 949	52 183
Total derivatives and other financial assets	30 074 403	34 539 611

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

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Notes to the Consolidated Condensed Interim Financial Information

13 Due to Other Banks

	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>		
Correspondent accounts and overnight placements of other banks	30 526 623	8 373 019
Short-term placements of other banks	1 827 726	4 216 980
Long-term placements of other banks	549 850	636 431
Loans from Central Bank secured by surety	650 842	266 621
Total due to other banks	33 555 041	13 493 051

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

14 Customer Accounts

	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>		
State and public organisations		
- Current/settlement accounts	619 987	871 737
- Term deposits	16 512	9 818
Legal entities		
- Current/settlement accounts	146 435 071	141 823 198
- Term deposits	63 877 965	50 753 136
Individuals		
- Current/demand accounts	206 902 562	198 911 522
- Term deposits	132 920 241	155 227 319
Total customer accounts	550 772 338	547 596 730

At 31 March 2017 the aggregate balances of twenty largest customers amounted to RR 48 718 702 thousand (2016: RR 33 987 351 thousand) or 8,8% (2016: 6,2%) of the total customer accounts.

At 31 March 2017 included in customer accounts are deposits of RR 1 377 990 thousand (31 December 2016: RR 707 431 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 25.

At 31 March 2017 included in customer accounts are deposits of RR 3 350 057 thousand (31 December 2016: RR 3 003 287 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 25.

Disclosure of the fair value of the Group's customer accounts at 31 March 2017 is presented in Note 26, Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

14 Customer Accounts (Continued)

Analysis of customer accounts by segments is set out below:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Customer accounts of individuals (Retail)	339 822 803	354 138 841
Customer accounts of corporates (Corporate)	150 814 085	131 231 930
Customer accounts of small and micro entities (SME)	33 611 624	33 390 708
Customer accounts of medium entities (Middle business)	25 887 327	27 953 696
Customer accounts of state and municipal organisations (Public sector)	636 499	881 555
Total customer accounts	550 772 338	547 596 730

15 Term Borrowings from the Parent Bank

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Subordinated Loans from the Parent Bank	30 104 568	32 326 452
Total term borrowings from the Parent Bank	30 104 568	32 326 452

In September 2014 the Group raised two Subordinated loans from the Parent Bank. Loan in the amount of USD 130 193 thousand is made available for an indefinite period of time. Borrower may repay the loan at its option but only with the consent of the lender and a written consent of CBRF, on the 5th anniversary of the date of inclusion the loan into own funds and each subsequent anniversary of the date. Loan in the amount USD 165 091 thousand has a maturity date on 27 September 2021. For both loans the Group shall pay interest on the outstanding principal amounts based on the Libor dependent floating interest rates.

In April 2015 the Group raised a Subordinated loan from the Parent Bank in amount of USD 228 160 thousand. The loan has maturity date on 22 April 2020. The Group shall pay interest on the outstanding principal amount based on the Libor dependent floating interest rates.

Carrying value of each class of term borrowings from the Parent Bank approximates fair value at 31 March 2017 and 31 December 2016 as all these liabilities bear a floating interest rate. Refer to Note 26.

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

16 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Fair value of currency rate based financial derivatives	11 973 799	17 300 157
Shortselling of trading assets	9 176 595	7 994 531
Fair value of interest rate based financial derivatives	2 584 595	4 427 233
Other accrued expenses	1 291 679	1 455 435
Provision for credit related commitments	437 286	445 423
Settlements on conversion operations	239 489	247 773
Plastic cards payables	154 580	152 640
Trade payables	28 158	27 057
Other	16 908	6 879
Total derivatives and other financial liabilities	25 903 089	32 057 128

Movement in the provisions for credit related commitments during three-months period ended 31 March 2017 includes provision release of RR 6 911 thousand (during three-months period ended 31 March 2016: release of RR 8 974 thousand). Effect of translation to presentation currency in amount RR 1 226 (during three-months period ended 31 March 2016: RR 1 608 thousand) is attributable to provisions for credit related commitments accounted for within Foreign exchange translation gains less losses.

Shortselling of trading assets are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently does not keep in its own securities' portfolio.

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 23. Information on related party transactions is presented in Note 27.

17 Interest Income and Expense

	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
<i>In thousands of Russian Roubles</i>		
Interest income		
Loans and advances to retail customers	6 982 232	6 826 094
Loans and advances to legal entities	6 442 525	7 055 859
Interest rate swap contracts	3 297 252	3 149 477
Foreign exchange swap contracts	1 653 182	2 075 780
Cross-currency interest rate swap contracts	1 011 972	2 143 815
Interest income from reverse repo transactions	992 380	575 534
Trading securities	488 966	462 545
Other securities at fair value through profit and loss	343 105	177 416
Due from other banks	262 550	301 528
Debt securities held to maturity	75 173	129 505
Interest income on impaired financial assets	44 618	4 945
Investment securities available for sale	17 804	72 067
Total interest income	21 611 759	22 974 565
Interest expense		
Interest rate swap contracts	3 478 788	3 151 889
Term deposits of individuals	1 632 366	2 652 798
Foreign exchange swap contracts	1 547 200	1 116 193
Current/settlement accounts	1 273 296	925 953
Term deposits of legal entities	1 012 257	1 125 063
Term borrowings from the Parent Bank	743 436	1 067 181
Cross-currency interest rate swap contracts	701 988	1 119 554
Term placements of other banks	458 128	773 488
Debt securities in issue	171 352	365 098
Placements of the Central Bank	20 196	115 335
Correspondent accounts of other banks	11 490	14 251
Interest expense from repo transactions	3 291	15 007
Total interest expense	11 053 788	12 441 810
Net interest income	10 557 971	10 532 755

18 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
Fee and commission income		
Commissions on operations with plastic cards	2 963 809	2 524 017
Commissions on settlement transactions	677 929	658 682
Insurance commission income	499 997	332 987
Commissions on documentary business and guarantees	367 514	352 459
Fiduciary activities	229 687	293 880
Commissions on cash operations	178 955	188 779
Early and late repayment fees	167 121	171 421
Commissions on export operations	152 512	145 228
Consulting service income	135 577	226 657
Credit facility fee	85 932	60 861
Commissions on transactions with securities	75 103	72 246
Other	95 534	89 883
Total fee and commission income	5 629 670	5 117 100
Fee and commission expense		
Commissions on operations with plastic cards	1 765 102	1 585 737
Commissions on settlement transactions	79 356	74 221
Commissions on cash operations	57 232	85 380
Commissions on transactions with securities	30 589	41 894
Commissions for agency services	29 033	13 030
Credit facility fee	6 274	27 275
Commissions on documentary business	-	10 170
Other	17 900	59 736
Total fee and commission expense	1 985 486	1 897 443
Net fee and commission income	3 644 184	3 219 657

19 Unrealized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
Cross currency interest rate swaps	3 360 629	185 363
Foreign exchange forwards	377 227	(1 619 685)
Interest rate swaps	327 253	27 630
Forwards with securities	1 969	313
Foreign exchange options	(481)	2 989
Foreign exchange swaps	(3 517 823)	8 388 708
Total unrealized gains less losses from derivative financial instruments	548 774	6 985 318

20 Realized Gains less Losses from Derivative Financial Instruments

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
Foreign exchange forwards	881 363	1 784 076
Foreign exchange options	3 663	36 767
Foreign exchange futures	-	3 781
Securities Futures	(1 040)	2 340
Total realized gains less losses from derivative financial instruments	883 986	1 826 964

21 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
Staff costs	3 545 445	3 304 265
Amortisation of intangible assets	650 518	469 005
Deposit insurance fee	412 592	363 978
Rent expenses	348 025	379 584
IT services	293 624	331 303
Premises and equipment maintenance expenses	272 526	228 652
Depreciation of premises and equipment	259 129	297 564
Advertising and marketing	233 761	85 363
Communication expenses	92 388	74 412
Professional services	78 151	235 201
Taxes other than on income	42 594	50 362
Security expenses	28 587	22 729
Other	242 351	236 659
Total administrative and other operating expenses	6 499 691	6 079 077

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 Managing board of the Group.

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

The Group is organized on a basis of three primary business divisions:

- Corporate banking – comprises corporate lending, loans to corporate entities and state and municipal organizations, corporate deposit services, trade finance operations, structured corporate lending, corporate finance advisory services and leasing services.
- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal instalment loans and loans to small and micro entities, auto loans and mortgages, money transfers and private banking services.

22 Segment Analysis (Continued)

- Proprietary business – comprises securities trading, debt and equity capital markets services, foreign currency and derivative products, structured financing, lending, including loans and advances to banks and other financial institutions and other transactions.

In addition to the primary business divisions, the performance of the Group is being assessed on a basis of seven geographical regions (“Hubs”) located across the Russian Federation. These geographical hubs are: Moscow, Centre, North-West, Siberia, South, Ural and Volga.

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

The Group’s business divisions are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

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

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments’ profits or losses rather than in other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis. In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates, which are determined by reference to market interest rate benchmarks.

Segment assets and liabilities are reported to the CODM net of inter-segment assets and liabilities.

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

Assets and liabilities of business segments of the Group are set out below:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Corporate business	286 516 222	279 312 696
Retail business	199 923 331	190 064 492
Proprietary business	287 219 972	282 752 837
Total business division assets	773 659 525	752 130 025
Corporate business	149 422 117	140 604 545
Retail business	374 629 830	390 126 554
Proprietary business	128 814 731	107 718 729
Total business division liabilities	652 866 678	638 449 828

22 Segment Analysis (Continued)

Business divisions of the Group for the three-month period ended 31 March 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	2 540 009	6 015 374	1 326 814	9 882 197
Net fee and commission result	1 242 454	3 473 850	6 324	4 722 628
Provision for loan impairment	(86 921)	(336 495)	7 296	(416 120)
Trading result	(108 868)	(17 413)	1 207 575	1 081 294
Valuation result from hedge accounting and other derivative instruments	-	-	110 965	110 965
Net income from investments	-	-	52 153	52 153
General administrative expenses	(1 155 712)	(4 803 722)	(311 661)	(6 271 095)
Other operating loss	-	-	(47 934)	(47 934)
Total business division result before tax	2 430 962	4 331 594	2 351 532	9 114 088
Income taxes	-	-	-	(1 980 933)
Total business division result after tax	2 430 962	4 331 594	2 351 532	7 133 155

Business divisions of the Group for the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	2 987 380	5 911 039	1 395 468	10 293 887
Net fee and commission result	1 260 294	3 216 653	9 113	4 486 060
Provision for loan impairment	(2 288 484)	(1 674 043)	8 784	(3 953 743)
Trading result	(2 989)	2 589	917 937	917 537
Valuation result from hedge accounting and other derivative instruments	-	-	56 266	56 266
Net income from investments	-	-	123 204	123 204
General administrative expenses	(1 177 774)	(4 372 398)	(275 899)	(5 826 071)
Other operating loss	-	-	(86 487)	(86 487)
Total business division result before tax	778 427	3 083 840	2 148 386	6 010 653
Income taxes	-	-	-	(1 279 686)
Total business division result after tax	778 427	3 083 840	2 148 386	4 730 967

Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues. Based on domicile of the customers substantially all of the revenues are from Russian customers.

22 Segment Analysis (Continued)

Major ratio calculations for the reportable segment of the Group annualized for the three-months period ended 31 March 2017 and actual the year ended 31 December 2016 are set out below:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Capital expenditure	309 892	2 740 244
Cost/income ratio	40,04%	38,17%
Average equity	119 549 427	105 308 823
Return on equity before tax	31,06%	28,18%
Return on equity after tax	24,39%	22,11%

Capital expenditure represents additions to non-current assets other than financial instruments.

(e) Information about reportable segment profit or loss, assets and liabilities by geographical location

Hubs of the Group¹ at 31 March 2017 and 31 December 2016 are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Head Office	284 081 138	279 230 867
Moscow	285 491 812	282 797 164
Centre	17 911 361	18 646 168
North-West	67 458 910	66 335 283
Siberia	30 134 089	25 300 149
South	29 211 774	23 458 502
Ural	26 571 720	27 949 869
Volga	32 798 721	28 412 023
Total hub assets	773 659 525	752 130 025
Head Office	110 949 887	86 960 696
Moscow	387 366 834	397 147 708
Centre	8 678 321	8 527 259
North-West	85 071 492	82 975 043
Siberia	10 815 477	11 298 754
South	15 857 044	16 088 281
Ural	8 988 247	10 334 065
Volga	25 139 376	25 118 022
Total hub liabilities	652 866 678	638 449 828

¹ All Hubs of the Group are within Russian Federation

AO Raiffeisenbank
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22 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 31 March 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Head Office (Unaudited)	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	1 178 291	5 061 075	357 223	1 294 373	481 518	436 172	522 284	551 261	9 882 197
Net fee and commission result	(65 482)	2 895 257	182 091	805 726	214 613	232 615	186 651	271 157	4 722 628
Provision for loan impairment	9 052	(102 349)	(26 830)	(117 300)	(79 663)	(50 497)	(14 752)	(33 781)	(416 120)
Trading result	1 207 575	(129 321)	15	3 025	-	-	-	-	1 081 294
Valuation result from hedge accounting and other derivative instruments	110 965	-	-	-	-	-	-	-	110 965
Net income from investments	52 153	-	-	-	-	-	-	-	52 153
General administrative expenses	(221 204)	(2 958 677)	(362 548)	(970 838)	(463 670)	(407 646)	(367 269)	(519 243)	(6 271 095)
Other operating loss	(47 934)	-	-	-	-	-	-	-	(47 934)
Total hub result before tax	2 223 416	4 765 985	149 951	1 014 986	152 798	210 644	326 914	269 394	9 114 088
Income taxes	(1 980 933)	-	-	-	-	-	-	-	(1 980 933)
Total hub result after tax	242 483	4 765 985	149 951	1 014 986	152 798	210 644	326 914	269 394	7 133 155

22 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 31 March 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Head Office (Unaudited)	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	1 269 425	5 397 475	374 305	1 320 178	465 786	449 005	484 996	532 717	10 293 887
Net fee and commission result	(80 153)	2 791 904	169 756	785 528	218 735	182 789	183 821	233 680	4 486 060
Provision for loan impairment	15 623	(2 810 512)	(157 983)	(219 916)	(176 597)	(252 001)	(156 578)	(195 779)	(3 953 743)
Trading result	917 984	(32 420)	(320)	8 595	-	-	23 059	639	917 537
Valuation result from hedge accounting and other derivative instruments	56 266	-	-	-	-	-	-	-	56 266
Net income from investments	123 204	-	-	-	-	-	-	-	123 204
General administrative expenses	(180 747)	(2 784 610)	(340 504)	(881 664)	(433 195)	(381 102)	(350 516)	(473 733)	(5 826 071)
Other operating loss	(86 487)	-	-	-	-	-	-	-	(86 487)
Total hub result before tax	2 035 115	2 561 837	45 254	1 012 721	74 729	(1 309)	184 782	97 524	6 010 653
Income taxes	(1 279 686)	-	-	-	-	-	-	-	(1 279 686)
Total hub result after tax	755 429	2 561 837	45 254	1 012 721	74 729	(1 309)	184 782	97 524	4 730 967

22 Segment Analysis (Continued)

(f) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reconciliation of segment revenues, segment result and other material items is presented below.

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
Total interest and fee and commission result for segment	14 604 825	14 779 947
Reclassification of interest result to trading result and net income from investments	680 090	221 870
Reclassification of commission result to trading result	(1 201 511)	(1 375 874)
Effect of the consolidation of the subsidiaries and other adjustments	118 751	126 469
Total net interest and fee and commission result	14 202 155	13 752 412

Total revenue comprises interest and similar income and fee and commission income.

Reconciliation of reportable segment result is presented below.

<i>In thousands of Russian Roubles</i>	Three-Month Period Ended 31 March 2017 (Unaudited)	Three-Month Period Ended 31 March 2016 (Unaudited)
Total segment result	7 133 155	4 730 967
Consolidation of subsidiaries and associate	161 960	135 968
Intercompany adjustments and other	(6 462)	148
Profit after tax	7 288 653	4 867 083

22 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the three-month period ended 31 March 2017 is as follows:

	Total amount for reportable segment	Reclassifi- cations	Consolidation of the subsi- diaries and associate and other	As reported under IFRS
<i>In thousands of Russian Roubles</i>				
Main income or expenses for the Three-month period ended 31 March 2017				
Net interest result	9 882 197	680 090	(4 316)	10 557 971
Net fee and commission result	4 722 628	(1 201 511)	123 067	3 644 184
Provision for loan impairment	(416 120)	(26 878)	(1 227)	(444 225)
Trading result	1 081 294	548 299	21 204	1 650 797
Valuation result from hedge accounting and other derivative instruments	110 965	-	-	110 965
Net income from investments	52 153	-	(7 426)	44 727
Depreciation and amortization	(908 922)	-	(725)	(909 647)
Other administrative expenses	(5 362 173)	-	14 480	(5 347 693)
Share of profit of associates	-	-	110 608	110 608
Other operating loss	(47 934)	-	(87 545)	(135 479)
Income taxes	(1 980 933)	-	(12 622)	(1 993 555)

Reconciliation of other material items of income or expenses for the three-month period ended 31 March 2016 is as follows:

	Total amount for reportable segment	Reclassifi- cations	Consolidation of the subsi- diaries and associate and other	As reported under IFRS
<i>In thousands of Russian Roubles</i>				
Main income or expenses for the Three-Month period ended 31 March 2016				
Net interest result	10 293 887	221 870	16 998	10 532 755
Net fee and commission result	4 486 060	(1 375 874)	109 471	3 219 657
Provision for loan impairment	(3 953 743)	(81 602)	(1 606)	(4 036 951)
Trading result	917 537	1 235 606	(3 661)	2 149 482
Valuation result from hedge accounting and other derivative instruments	56 266	-	-	56 266
Net income from investments	123 204	-	(2 482)	120 722
Depreciation and amortization	(765 344)	-	(1 225)	(766 569)
Other administrative expenses	(5 060 727)	-	(15 122)	(5 075 849)
Share of profit of associates	-	-	109 066	109 066
Other operating loss	(86 487)	-	(67 059)	(153 546)
Income taxes	(1 279 686)	-	(8 264)	(1 287 950)

Provision for loan impairment comprises of provision for impairment of loans and advances to customers, provision for credit related commitments and gains from the sale of loans.

Trading result, Net income from investments and valuation result from hedge accounting and other derivative instruments comprises gains less losses from trading securities, gains less losses from trading in foreign currencies, unrealised and realized gains less losses from derivative financial instruments and foreign exchange translation losses, less gains, ineffectiveness from hedge accounting, gain from redemption of investment securities available for sale, gains less losses from other securities at fair value through profit or loss and provision for investment securities held to maturity.

23 Financial Risk Management

The Group's risk management function is conducted regarding financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and credit risk concentrations. Its primary objectives are to identify and assess risks, establish risk limits, assume risk mitigation measures, ensure that all material risks are measured and limited, and that business in general is evaluated from a risk/return perspective. The operational and legal risk management functions are meant to ensure that internal policies and procedures work properly to minimize operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual consolidated financial statements for the year ended 31 December 2016.

Market risk. Market risk is the risk of loss due to adverse changes in interest rates, exchange rates, equity prices, commodity prices, bond issuer credit spreads, which may affect the Group's equity, profit or the market value of its assets and liabilities. Market risk derives from on- and off-balance sheet positions in the Bank's treasury, investment banking and lending operations.

The Group's market risk management approach encompasses the recognition, measurement, monitoring and management of market risk that results from the Group's banking business on a group basis. The Group encounters market risk in both trading and non-trading activities (including interest rate positions, balance sheet structures and hedging positions).

The Group's market risk management unit is in charge of identifying and assessing market risks and establishing procedures to control market risks, including monitoring position limits and exposures. The Bank's market risk management unit also assesses market risk for new businesses and products, including structured products. The Assets and Liabilities Management Department and Markets and Investment Banking Directorate, which trade within the trading limits set by the market risk management unit and approved by the ALCO/Parent Bank' MACO/CC, performs trading and market positioning for the Bank. The Bank is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Bank's market risk management unit is in charge of daily limit monitoring and reporting to the Parent Bank, and is responsible for reporting any limited breach to the Bank's management and Parent Bank. In the case of a limit breach, the Parent Bank's MACO has the right to intervene in the Bank's risk management activities and practices.

Market Risk is controlled by the following activities:

- Establishment of market risk limits (interest rate, FX) by ALCO and MACO;
- Provide Market Risk Report on a daily basis to Bank's Management; informing about limit violation and current taking risks;
- Analysis of each issues and setting the liquidity limit for issues;
- Limits control during the day by Financial Markets Risk Management Department.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign currency exchange risk on open positions within established open FX position limits.

Foreign exchange risk management is done centrally by the Capital Markets Division for the Bank's Head Office and all regional and Moscow branches. Controlling over open positions is done by Financial Markets Risk Management Department.

The Bank's Capital Markets Division undertakes daily aggregation of the currency position of the Bank and takes measures for maintaining of the Bank's currency position within established limits. The Bank uses spot transactions, forwards and futures contracts tradable on MICEX and RTS and OTC market as the main instruments for hedging currency risk.

23 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 March 2017:

<i>In thousands of Russian Roubles</i>	RUR	USD	EUR	Other	Total
Cash and cash equivalents	81 054 027	48 639 351	19 219 663	914 663	149 827 704
Mandatory cash balances with the Central bank of the Russian Federation	5 525 019	-	-	-	5 525 019
Trading securities and repurchase receivables related to trading securities	17 179 634	13 567 792	195 566	-	30 942 992
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	10 669 416	11 640 061	603 350	-	22 912 827
Due from other banks	596 850	11 282 333	-	5 949 214	17 828 397
Loans and advances to customers	329 731 370	132 545 633	29 496 117	43 061	491 816 181
Investment securities held-to-maturity	3 195 613	-	918 102	-	4 113 715
Derivatives and other financial assets	27 676 546	2 099 659	270 383	27 815	30 074 403
Total monetary financial assets	475 628 475	219 774 829	50 703 181	6 934 753	753 041 238
Due to other banks	23 576 039	2 604 418	7 347 985	26 599	33 555 041
Customer accounts	324 926 127	152 432 924	68 490 585	4 922 702	550 772 338
Term borrowings from the Parent Bank	-	30 104 568	-	-	30 104 568
Debt securities in issue	6 149 428	212 690	33 972	-	6 396 090
Derivatives and other financial liabilities	18 705 010	6 449 644	545 274	203 161	25 903 089
Total monetary financial liabilities	373 356 604	191 804 244	76 417 816	5 152 462	646 731 126
Less fair value of currency derivatives	15 125 716	(4 045 017)	79 165	(173 574)	10 986 290
Currency derivatives	14 573 353	(26 119 614)	23 316 700	(784 149)	10 986 290
Net position including currency derivatives	101 719 508	5 895 988	(2 477 100)	1 171 716	106 310 112

23 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2016 is presented below:

<i>In thousands of Russian Roubles</i>	RUR	USD	EUR	Other	Total
Cash and cash equivalents	69 449 592	43 849 364	7 730 903	1 072 102	122 101 961
Mandatory cash balances with the Central bank of the Russian Federation	5 622 919	-	-	-	5 622 919
Trading securities and repurchase receivables related to trading securities	10 863 386	12 326 357	203 532	-	23 393 275
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	8 046 835	26 435 163	618 059	-	35 100 057
Due from other banks	1 225 451	24 384 475	-	6 247 982	31 857 908
Loans and advances to customers	289 549 213	156 731 508	28 057 897	61 044	474 399 662
Securities held-to-maturity	3 207 020	-	966 727	-	4 173 747
Derivatives and other financial assets	32 906 052	1 377 704	251 098	4 757	34 539 611
Total monetary financial assets	420 870 468	265 104 571	37 828 216	7 385 885	731 189 140
Due to other banks	8 479 475	2 738 392	2 237 127	38 057	13 493 051
Customer accounts	305 556 673	160 633 836	76 266 807	5 139 414	547 596 730
Term borrowings from the Parent Bank	-	32 326 452	-	-	32 326 452
Debt securities in issue	6 107 448	279 186	35 681	-	6 422 315
Derivatives and other financial liabilities	20 255 758	11 214 425	414 420	172 525	32 057 128
Total monetary financial liabilities	340 399 354	207 192 291	78 954 035	5 349 996	631 895 676
Less fair value of currency derivatives	19 989 345	(9 353 437)	108 524	(167 200)	10 577 232
Currency derivatives	38 910 115	(67 629 818)	41 150 937	(1 854 002)	10 577 232
Net position including currency derivatives	99 391 884	(364 101)	(83 406)	349 087	99 293 464

The above analysis includes only monetary financial assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

23 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 March 2017 is set out below:

	Russia	Austria	Other European Union	Other countries	Total
<i>In thousands of Russian Roubles</i>					
Assets					
Cash and cash equivalents	124 319 137	20 167 515	710 753	4 630 299	149 827 704
Mandatory cash balances with the Central bank of the Russian Federation	5 525 019	-	-	-	5 525 019
Trading securities and repurchase receivables related to trading securities	21 129 794	-	9 813 198	-	30 942 992
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	11 151 897	-	2 139 860	9 621 070	22 912 827
Due from other banks	596 850	8 461 684	8 769 863	-	17 828 397
Loans and advances to customers	457 987 041	1 725	21 711 852	12 115 563	491 816 181
Investment securities held-to-maturity	308 070	918 102	2 887 543	-	4 113 715
Derivatives and other financial assets	10 759 465	19 039 912	260 631	14 395	30 074 403
Total financial assets	631 777 273	48 588 938	46 293 700	26 381 327	753 041 238
Liabilities					
Due to other banks	24 287 656	7 430 355	1 155 980	681 050	33 555 041
Customer accounts	537 678 883	762 746	9 259 389	3 071 320	550 772 338
Term borrowings from the Parent Bank	-	30 104 568	-	-	30 104 568
Debt securities in issue	6 193 125	-	202 965	-	6 396 090
Derivatives and other financial liabilities	12 851 162	12 966 447	81 426	4 054	25 903 089
Total financial liabilities	581 010 826	51 264 116	10 699 760	3 756 424	646 731 126
Net balance sheet position	50 766 447	(2 675 178)	35 593 940	22 624 903	106 310 112
Credit related commitments (Note 25)	269 310 833	11 310 688	14 048 083	1 118 619	295 788 223

Assets liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

23 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2016 is set out below:

	Russia	Austria	Other European Union	Other countries	Total
<i>In thousands of Russian Roubles</i>					
Assets					
Cash and cash equivalents	113 759 920	3 486 094	1 225 332	3 630 615	122 101 961
Mandatory cash balances with the Central bank of the Russian Federation	5 622 919	-	-	-	5 622 919
Trading securities and repurchase receivables related to trading securities	12 426 155	-	10 967 120	-	23 393 275
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	8 091 277	-	2 655 657	24 353 123	35 100 057
Due from other banks	1 225 451	12 203 402	18 429 055	-	31 857 908
Loans and advances to customers	439 413 026	1 798	23 111 631	11 873 207	474 399 662
Securities held to maturity	317 820	966 727	2 889 200	-	4 173 747
Derivatives and other financial assets	12 592 901	21 777 984	166 674	2 052	34 539 611
Total financial assets	593 449 469	38 436 005	59 444 669	39 858 997	731 189 140
Liabilities					
Due to other banks	6 226 903	2 704 737	3 830 643	730 768	13 493 051
Customer accounts	534 505 774	1 077 691	9 609 799	2 403 466	547 596 730
Term borrowings from the Parent Bank	-	32 326 452	-	-	32 326 452
Debt securities in issue	6 166 739	-	255 576	-	6 422 315
Derivatives and other financial liabilities	12 169 252	19 821 561	39 850	26 465	32 057 128
Total financial liabilities	559 068 668	55 930 441	13 735 868	3 160 699	631 895 676
Net balance sheet position	34 380 801	(17 494 436)	45 708 801	36 698 298	99 293 464
Credit related commitments (Note 25)	254 156 817	4 138 600	15 774 248	875 495	274 945 160

Credit risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group had 1 borrower with significant risk concentration at 31 March 2017 (31 December 2016: 2 borrowers).

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

23 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the CB RF.

The Bank monitors expected maturities which may be summarised as follows at 31 March 2017 and 31 December 2016:

<i>In thousands of Russian Roubles, 31 March 2017</i>	Demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and cash equivalents	149 827 704	-	-	-	149 827 704
Mandatory cash balances with the Central bank of the Russian Federation	5 525 019	-	-	-	5 525 019
Trading securities and repurchase receivables related to trading securities	30 942 992	-	-	-	30 942 992
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	22 912 827	-	-	-	22 912 827
Due from other banks	5 649 342	6 537 124	5 641 931	-	17 828 397
Loans and advances to customers	102 425 043	95 565 745	222 529 403	71 295 990	491 816 181
Investment securities held-to-maturity	-	918 102	3 195 613	-	4 113 715
Derivatives and other financial assets	8 911 851	4 985 375	16 049 895	127 282	30 074 403
Total financial assets	326 194 778	108 006 346	247 416 842	71 423 272	753 041 238
Due to other banks	32 535 253	87 663	932 125	-	33 555 041
Customer accounts	40 831 696	176 038 839	318 455 539	15 446 264	550 772 338
Term borrowings from the Parent bank	-	-	22 764 538	7 340 030	30 104 568
Debt securities in issue	59 880	264 514	6 071 696	-	6 396 090
Derivatives and other financial liabilities	15 732 790	6 107 172	3 916 143	146 984	25 903 089
Total financial liabilities	89 159 619	182 498 188	352 140 041	22 933 278	646 731 126
Net liquidity gap at 31 March 2017	237 035 159	(74 491 842)	(104 723 199)	48 489 994	106 310 112
Cumulative gap at 31 March 2017	237 035 159	162 543 317	57 820 118	106 310 112	-

23 Financial Risk Management (Continued)

The above given analyses are based on expected maturities except for the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability.

<i>in thousands of Russian Roubles, 31 December 2016</i>	Demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and cash equivalents	122 101 961	-	-	-	122 101 961
Mandatory cash balances with the Central bank of the Russian Federation	5 622 919	-	-	-	5 622 919
Trading securities and repurchase receivables related to trading securities	23 393 275	-	-	-	23 393 275
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	35 100 057	-	-	-	35 100 057
Due from other banks	19 544 197	-	12 313 711	-	31 857 908
Loans and advances to customers	83 034 148	94 178 318	226 179 507	71 007 689	474 399 662
Securities held-to-maturity portfolio	-	327 086	3 846 661	-	4 173 747
Derivatives and other financial assets	11 199 195	4 006 960	19 198 595	134 861	34 539 611
Total financial assets	299 995 752	98 512 364	261 538 474	71 142 550	731 189 140
Due to other banks	12 589 999	205 934	697 118	-	13 493 051
Customer accounts	45 952 456	155 180 360	331 570 508	14 893 406	547 596 730
Term borrowings from the Parent bank	-	-	24 429 324	7 897 128	32 326 452
Debt securities in issue	90 468	108 394	6 223 453	-	6 422 315
Derivatives and other financial liabilities	16 621 139	8 754 580	6 455 273	226 136	32 057 128
Total financial liabilities	75 254 062	164 249 268	369 375 676	23 016 670	631 895 676
Net liquidity gap at 31 December 2016	224 741 690	(65 736 904)	(107 837 202)	48 125 880	99 293 464
Cumulative gap at 31 December 2016	224 741 690	159 004 786	51 167 584	99 293 464	-

24 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBRF (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on principles of the Basel Accord.

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. According to requirements set by the CBRF statutory capital ratio has to be maintained above minimum level of 10%. 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. Management believes the Bank meets all the requirements in relation to the minimum amount of regulatory capital set by the CBRF.

24 Management of Capital (Continued)

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Tier 1 capital		
Net assets under Russian GAAP	107 821 997	86 034 643
Less: intangible assets and shares of subsidiaries	(1 562 499)	(1 789 327)
Subordinated debt	7 340 030	7 897 128
Total Tier 1 Capital	113 599 528	92 142 444
Tier 2 capital		
Subordinated debt	16 737 783	19 200 825
Current year profit and Increase in the value of the property of a credit institution due to revaluation	10 910 972	26 546 541
Total Tier 2 capital	27 648 755	45 747 366
Total regulatory capital	141 248 283	137 889 810

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements including capital adequacy levels calculated in accordance with the requirements of the Basel Accord as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998), Amendment to the Capital Accord to incorporate market risks (updated November 2005) and Group of Governors and Heads of Supervision higher global minimum capital standards (updated September 2010) commonly known as Basel III.

24 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with the Austrian Banking Act which assumes major principles and requirements of Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Tier 1 capital		
Share capital	43 268 888	43 268 888
Share premium	591 083	591 083
Additional paid-in capital	1 520 016	1 520 016
Retained earnings and other reserves	77 813 766	70 525 113
Total Tier 1 capital before deductions	123 193 753	115 905 100
Less: deferred tax	(1 515 539)	(2 470 451)
Less: Shortfall of LLP over EL	(113 015)	-
Less: intangible assets	(2 731 652)	(2 944 369)
Total Tier 1 capital	118 833 547	110 490 280
Tier 2 capital		
Subordinated debt	22 503 909	24 211 922
Less: insurance holding companies	(173 709)	(173 709)
Items from additional own funds plus LLP surplus	1 633	1 496 946
Revaluation reserve for debt instruments through Capital	-	21 979
Total Tier 2 capital	22 331 833	25 557 138
Total capital	141 165 380	136 047 418

24 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Common Equity Tier 1 capital		
Share capital	43 268 888	43 268 888
Share premium	591 083	591 083
Additional paid-in capital	1 520 016	1 520 016
Retained earnings	77 813 766	70 525 113
Total Tier 1 capital before deductions	123 193 753	115 905 100
Less: deferred tax	(1 515 539)	(2 470 451)
Less: Shortfall of LLP over EL	(113 015)	-
Total Tier 1 capital	121 565 199	113 434 649
Tier 2 capital		
Subordinated debt	22 503 909	24 211 922
Items from additional own funds plus LLP surplus	1 633	1 496 946
Total Tier 2 capital	22 505 542	25 708 868
Total capital	144 070 741	139 143 517

The Group and the Bank have complied with all externally imposed capital requirements throughout 2017 and 2016.

Risk weighted assets

<i>In thousands of Russian Roubles</i>	31 March 2017 (Unaudited)	31 December 2016
Total Risk weighted assets	560 506 210	529 513 344
Capital Adequacy Ratio by Austrian Banking Act	25,19%	25,69%
Capital Adequacy Ratio by Basel III	25,70%	26,28%

The Bank manages capital ratios using different capital amounts calculated in accordance with the above mentioned Capital Adequacy regulations.

25 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business claims against the Group may be received on the basis of its own estimates and internal professional advice management is of the opinion that certain losses could be incurred in respect of claims and accordingly has made provisions for the legal cases in this consolidated condensed interim financial information.

25 Contingencies and Commitments (Continued)

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 by tax authorities, even those that have not been challenged in the past. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities. 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 generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development but has specific characteristics. 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 arm's length. It is possible, with the evolution of the interpretation of the transfer pricing rules, that application of the transaction prices as transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated

Adoption of new norms as well as other Russian tax legislation interpretations in combination with the latest trends in law enforcement could lead to potential possibility of increase in tax paid and tax penalties driven by rigid position of tax authorities and courts concerning tax legislation interpretations. At the same time the potential impact cannot be reliable estimated, as well as the probability of an unfavorable outcome in the case of claims of the Russian tax authorities.

Management believes that as at 31 March 2017 and 31 December 2016 the provisions of the tax laws applicable to the Group, are interpreted appropriately.

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 (Unaudited)	31 December 2016
Not later than 1 year	541 479	537 618
Later than 1 year and not later than 5 years	1 938	2 907
Total operating lease commitments	543 417	540 525

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit 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. Documentary and commercial letters of credit which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans guarantees or letters of credit. With respect to credit risk on commitments to extend credit the Group is potentially exposed to loss in an amount equal to the total unused commitments. However the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

In March 2017 the Group received a credit line from Central Bank of Russia in the amount of 23 billion roubles for a period of one year. At 31 March 2017, the Group did not use these funds.

25 Contingencies and Commitments (Continued)

Outstanding credit related commitments by products are as follows:

	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>		
Undrawn credit lines and Overdraft facilities (revocable)	166 608 604	150 149 341
Guarantees issued (irrevocable)	275 083	285 462
Undrawn commitments to issue documentary instruments (revocable)	9 110 235	9 283 148
Undrawn commitments to issue documentary instruments (irrevocable)	32 717 293	30 418 312
Undrawn credit lines and Overdraft facilities (irrevocable)	1 954 694	1 770 935
Import letters of credit (irrevocable)	13 724 397	11 322 937
Export letters of credit (irrevocable)	527 982	756 926
Credit related commitments before provision	224 918 288	203 987 061
Performance guarantees issued (irrevocable)	70 869 935	70 958 099
Credit related commitments and performance guarantees before provision	295 788 223	274 945 160
Less: Provision for credit related commitments and performance guarantees	(437 286)	(445 423)
Total credit related commitments and performance guarantees	295 350 937	274 499 737

In addition to credit related commitments the Group issues performance guarantees. Performance guarantees are guarantees that provide compensation if another party fails to perform a contractual obligation. Such guarantees do not transfer credit risk. The risk under performance guarantee 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 guarantees relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the guarantee matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

The total outstanding contractual amount of undrawn credit lines letters of credit and guarantees does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Fair value of guarantee contracts was RR 67 326 thousand at 31 March 2017 (31 December 2016: RR 74 200 thousand).

25 Contingencies and Commitments (Continued)

Outstanding credit related commitments by segments as of 31 March 2017 are as follows:

	Credit lines, Overdraft facilities and Commitments to issue documentary instruments	Financial guarantees and Letters of credit	Performance guarantees	Total contingencies and commitments
<i>In thousands of Russian Roubles</i>				
Credit related commitments to corporate customers (Corporate business)	160 796 224	11 778 547	63 115 944	235 690 715
Credit related commitments to individuals (Retail business)	32 159 476	1 401 764	45 242	33 606 482
Credit related commitments to medium entities (Middle business)	13 731 924	1 325 407	7 376 290	22 433 621
Credit related commitments to small and micro entities (SME business)	3 702 630	21 744	332 459	4 056 833
Credit related commitments to state and municipal organisations (Public sector)	572	-	-	572
Credit related commitments and performance guarantees before provision	210 390 826	14 527 462	70 869 935	295 788 223
Less: Provision for credit related commitments and performance guarantees	(379 177)	(15 949)	(42 160)	(437 286)
Total contingencies and commitments	210 011 649	14 511 513	70 827 775	295 350 937

25 Contingencies and Commitments (Continued)

Outstanding credit related commitments by segments as of 31 December 2016 are as follows:

	Credit lines, Overdraft facilities and Commitments to issue documentary instruments	Financial guarantees and Letters of credit	Performance guarantees	Total contingencies and commitments
<i>In thousands of Russian Roubles</i>				
Credit related commitments to corporate customers (Corporate business)	141 754 897	10 535 332	62 165 130	214 455 359
Credit related commitments to individuals (Retail business)	31 258 005	726 574	-	31 984 579
Credit related commitments to medium entities (Middle business)	14 729 239	1 051 676	8 428 789	24 209 704
Credit related commitments to small and micro entities (SME business)	3 878 944	51 743	364 180	4 294 867
Credit related commitments to state and municipal organisations (Public sector)	651	-	-	651
Credit related commitments and performance guarantees before provision	191 621 736	12 365 325	70 958 099	274 945 160
Less: Provision for credit related commitments and performance guarantees	(389 375)	(15 390)	(40 658)	(445 423)
Total contingencies and commitments	191 232 361	12 349 935	70 917 441	274 499 737

Outstanding credit related commitments by currency are as follows:

	31 March 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>		
Russian Roubles	245 328 579	223 995 874
US Dollars	31 895 417	33 047 815
Euro	14 351 757	17 242 718
Other	4 212 470	658 753
Total credit related commitments before provision	295 788 223	274 945 160

Assets pledged and restricted.

The Group had no assets pledged as collateral as of 31 March 2017 and as of 31 December 2016.

At 31 March 2017 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Note 6) which the Group has the right to sell or repledge in the absence of default of the counterparty was RR 65 360 349 thousand (31 December 2016: RR 73 067 801 thousand).

Mandatory cash balances with the Bank of Russia in the amount of RR 5 525 019 thousand (31 December 2016: RR 5 622 919 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

25 Contingencies and Commitments (Continued)

As at 31 March 2017 restricted cash represents monetary funds in the amount of RR 1 377 990 thousand which collateralise settlements on irrevocable letters of credit (31 December 2016: RR 707 431 thousand).

As at 31 March 2017 restricted cash represents monetary funds in the amount of RR 3 350 057 thousand which collateralise settlements on irrevocable commitments under guarantees (31 December 2016: RR 3 003 287 thousand).

26 Fair Value of Financial Instruments

Fair value measurements are analyzed 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 judgment in categorizing 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 consolidated condensed interim 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 categorized are as follows:

	31 March 2017			31 December 2016		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total
<i>In thousands of Russian Roubles</i>						
Assets at fair value						
Financial assets						
Trading securities						
- Corporate eurobonds	9 813 198	-	9 813 198	10 967 120	-	10 967 120
- Federal loan bonds (OFZ)	9 813 061	-	9 813 061	3 894 430	-	3 894 430
- Corporate bonds	6 824 729	227 635	7 052 364	5 543 556	1 104 344	6 647 900
- Russian Federation Eurobonds	4 262 791	-	4 262 791	1 882 231	-	1 882 231
- Municipal bonds	1 578	-	1 578	1 594	-	1 594
Other securities at fair value through profit and loss						
- US Treasury Bonds	9 621 070	-	9 621 070	24 353 123	-	24 353 123
- Federal loan bonds (OFZ)	8 754 289	-	8 754 289	6 152 667	-	6 152 667
- Corporate Eurobonds	2 139 860	-	2 139 860	2 655 657	-	2 655 657
- Corporate bonds	1 452 919	3 990	1 456 909	1 115 978	315 223	1 431 201
- Municipal bonds	373 958	-	373 958	377 700	-	377 700
- Russian Federation Eurobonds	566 741	-	566 741	129 709	-	129 709
Derivatives and other financial assets carried at fair value						
- Fair value of currency rate based financial derivatives	-	22 960 089	22 960 089	-	27 877 389	27 877 389
- Fair value of interest rate based financial derivatives	-	5 082 144	5 082 144	-	3 764 559	3 764 559
Total assets recurring fair value measurements	53 624 194	28 273 858	81 898 052	57 073 765	33 061 515	90 135 280

26 Fair Value of Financial Instruments (Continued)

	31 March 2017			31 December 2016		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total
<i>In thousands of Russian Roubles</i>						
Liabilities carried at fair value						
Financial liabilities						
Derivatives and other financial liabilities						
- Fair value of currency rate based financial derivatives	-	11 973 799	11 973 799	-	17 300 157	17 300 157
- Fair value of interest rate based financial derivatives	-	2 584 595	2 584 595	-	4 427 233	4 427 233
- Shortselling of trading assets	9 176 595	-	9 176 595	7 994 531	-	7 994 531
Total liabilities recurring fair value measurements						
	9 176 595	14 558 394	23 734 989	7 994 531	21 727 390	29 721 921

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 31 March 2017. The following main inputs are relevant:

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

CVA is calculated with a Monte-Carlo methodology simulating both expected exposure coming from derivative positions with counterparty (estimated with Group market risk calculation approach) and the default event coming from counterparty Default Probability and Recovery Rate. CVA itself is calculated for each counterparty by calculating Bank's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate. The adjustment is calculated based on observable market inputs.
- **Shortselling of trading assets** are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently does not keep in its own securities' portfolio.

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

26 Fair Value of Financial Instruments (Continued)

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

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

	31 March 2017			31 December 2016				
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
<i>In thousands of Russian Roubles</i>								
FINANCIAL ASSETS CARRIED AT AMORTIZED COST								
<i>Due from other banks</i>								
- Short-term placements with other banks with original maturities of more than three months	-	6 237 252	-	6 237 252	-	19 534 539	-	19 534 539
- Long-term placements with other banks with original maturities of more than one year	-	11 591 145	-	11 591 145	-	12 323 369	-	12 323 369
<i>Loans and advances to customers</i>								
- Corporate loans	-	-	271 542 306	270 976 625	-	-	263 366 804	263 934 905
- Retail loans	-	-	185 459 008	184 528 657	-	-	176 833 930	175 003 912
- Loans to middle business	-	-	23 123 147	23 139 778	-	-	22 598 888	22 611 712
- Small and micro entities loans	-	-	13 059 731	13 171 121	-	-	12 677 204	12 849 133
<i>Investment securities held to maturity</i>								
- Corporate bonds	321 763	-	-	308 070	326 154	-	-	317 820
- Eurobonds of EBRD	-	2 773 044	-	2 887 543	-	2 943 018	-	2 889 200
- Corporate Eurobonds	311 274	610 057	-	918 102	327 613	643 428	-	966 727
<i>Assets Held for Sale</i>	-	276 351	-	69 228	-	287 326	-	96 025
Total	633 037	21 487 849	493 184 192	513 827 521	653 767	35 731 680	475 476 826	510 527 342

26 Fair Value of Financial Instruments (Continued)

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

	31 March 2017			31 December 2016			Carrying value	
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)		
<i>In thousands of Russian Roubles</i>								
FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST								
<i>Due to other banks</i>								
- Correspondent accounts and overnight placements of other banks	-	30 526 623	-	30 526 623	-	8 373 019	-	8 373 019
- Short-term placements of other banks	-	1 827 726	-	1 827 726	-	4 216 980	-	4 216 980
- Long-term placements of other banks	-	666 376	-	549 850	-	659 146	-	636 431
- Loans from Central Bank secured by surety	-	650 842	-	650 842	-	266 621	-	266 621
<i>Customer accounts</i>								
- Current/settlement accounts of legal entities	-	146 435 071	-	146 435 071	-	141 823 198	-	141 823 198
- Term deposits of legal entities	-	63 898 232	-	63 877 965	-	52 153 715	-	50 753 136
- Current/demand accounts of individuals	-	206 902 562	-	206 902 562	-	198 911 522	-	198 911 522
- Term deposits of individuals	-	133 337 163	-	132 920 241	-	155 701 153	-	155 227 319
- Current/settlement accounts of state and public organisations	-	619 987	-	619 987	-	871 737	-	871 737
- Term deposits of state and public organisations	-	16 512	-	16 512	-	9 818	-	9 818
<i>Debt securities in issue</i>								
- Bonds issued on domestic market	-	6 189 697	-	6 092 651	-	6 092 317	-	6 092 722
- Promissory notes	-	100 474	-	100 474	-	74 017	-	74 017
- Bonds issued on external market	-	202 965	-	202 965	-	255 576	-	255 576
<i>Term borrowings from the Parent Bank</i>	-	30 104 568	-	30 104 568	-	32 326 452	-	32 326 452
<i>Other financial liabilities</i>								
- Provision for other credit related commitments	-	-	437 286	437 286	-	-	445 423	445 423
Total	-	621 478 798	437 286	621 265 323	-	601 735 271	445 423	600 283 971

26 Fair Value of Financial Instruments (Continued)

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. 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.

For assessment of fair value of loans and advances to customer categorized at Level 3, the Bank uses Discounted cash flows model.

The Bank calculates FV for loans with fixed interest rate with remaining maturity of more than one year. The Bank uses the following assumptions:

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement;
- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

For corporate loans with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for loans issued by the Bank during the last quarter before the reporting date.

For loans to private individuals with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on the loans issued at the end of the last quarter before the reporting date.

27 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:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0,00% – 10,50% p.a.)	6 052 581	34 533	-	-	-
Due from other banks (contractual interest rate: 1,10% – 1,40% p.a.)	5 641 931	8 769 863	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0,90% – 16,69% p.a.)	-	4 971 356	4 490 153	230 143	-
Investment securities held to maturity	918 102	-	-	-	-
Purchased intangible assets less accumulated depreciation	297 423	-	-	-	-
Derivatives and other financial assets	19 452 329	6 080	-	-	-
Investments in associate	-	-	2 400 322	-	-
Due to other banks (contractual interest rate: 0,00% – 3,52% p.a.)	7 230 644	407 867	-	-	13 716
Customer accounts (contractual interest rate: 0,00% – 8,68%p.a.)	-	-	1 800 041	-	-
Term borrowings from the Parent Bank (contractual interest rate: 7.30% – 10,15% p.a.)	30 104 568	-	-	-	-
Debt securities in issue (contractual interest rate: 4-69-5,50% p.a.)	-	231 803	-	-	-
Derivatives and other financial liabilities	12 286 893	1 057	412	-	-
Other liabilities	-	-	-	683 287	263 832

27 Related Party Transactions (Continued)

The income and expense items with related parties for the three-month period ended 31 March 2017 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	3 025 751	150 702	81 405	5 834	-
Interest expense	(3 693 044)	(3 777)	(20 159)	-	-
Fee and commission income	2 063	283	1 699	-	53
Fee and commission expense	(23 686)	(15)	-	-	-
Gains less losses from trading in foreign currencies	8 505	-	-	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	2 701 091	17 033	-	-	-
Administrative and other operating expenses	(90 910)	-	-	(155 327)	(31 830)
Other operating income	-	-	3 213	-	-
Share of profit of associate	-	-	110 608	-	-

At 31 March 2017 other rights and obligations with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Other related parties
<i>In thousands of Russian Roubles</i>				
Guarantees issued by the Group at the period end	2 240 911	32 012	-	-
Guarantees received by the Group at the period end	3 025 704	-	-	292 240
Letters of credit issued by the Group	-	-	-	-
Undrawn credit lines and overdraft facilities	7 711 518	399 622	2 161 056	-
Interest rate swap agreements – notional amount as at the period end	151 964 107	-	-	-
Interest rate swap agreements – fair values as at the period end	1 522 405	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	66 885 192	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	62 922 350	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	4 780 993	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	130 890 824	4 413 674	-	-
Foreign currency derivative financial instruments – principal amount sold	131 201 593	4 409 271	-	-
Foreign currency derivative financial instruments – fair value	963 364	5 023	-	-
Currency Options purchased - notional amount	295 984	-	-	-
Currency Options purchased - fair value	5	-	-	-

27 Related Party Transactions (Continued)

At 31 December 2016, the outstanding balances with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0,00% p.a.)	3 486 094	27 418	-	-	-
Due from other banks (contractual interest rate: 1,12% – 2,40% p.a.)	12 203 402	18 429 055	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 1,40% – 16,69% p.a.)	-	5 109 187	4 781 737	232 267	-
Investment securities held to maturity	966 727	-	-	-	-
Purchased intangible assets less accumulated depreciation	302 740	-	-	-	-
Derivatives and other financial assets	21 781 386	458	-	-	-
Investments in associate	-	-	2 289 714	-	-
Due to other banks (contractual interest rate: 0,00% – 9,00% p.a.)	2 390 734	484 623	-	-	108 227
Customer accounts (contractual interest rate: 0,00% – 10,30%p.a.)	-	-	1 434 060	-	-
Term borrowings from the Parent Bank (contractual interest rate: 7,15% – 10,00% p.a.)	32 326 452	-	-	-	-
Debt securities in issue (contractual interest rate: 4,69% – 5,50% p.a.)	-	284 391	-	-	-
Derivatives and other financial liabilities	19 828 760	12 468	-	-	-
Other liabilities	-	-	-	612 562	232 002

The income and expense items with related parties for the three-month period ended 31 March 2016 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	5 555 552	246 979	70 414	5 535	-
Interest expense	(4 012 397)	(5 609)	(46 579)	-	-
Fee and commission income	2 694	1 015	2 197	-	123
Fee and commission expense	(27 830)	(15)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	720 540	40 502	2 188	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	12 698 921	53 516	-	-	-
Administrative and other operating expenses	(248 446)	-	-	(102 272)	(28 936)
Other operating income	2	-	2 131	-	-
Share of profit of associate	-	-	108 051	-	-

27 Related Party Transactions (Continued)

At 31 December 2016 other rights and obligations with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Parent bank	Subsidiaries of the Parent Bank	Associates	Other related parties
Guarantees issued by the Group at the year end	2 508 266	38 573	-	-
Guarantees received by the Group at the year end	1 759 729	-	-	295 115
Letters of credit issued by the Group at the year end	-	-	-	-
Undrawn credit lines	-	400 000	2 500 935	-
Interest rate swap agreements – notional amount as at the year end	181 942 801	-	-	-
Interest rate swap agreements – fair values as at the year end	(1 006 332)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the year end	84 966 731	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	85 402 227	-	-	-
Cross currency interest rate swap agreements – fair values as at the year end	249 261	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	105 986 609	5 159 209	-	-
Foreign currency derivative financial instruments – principal amount sold	103 920 220	5 173 033	-	-
Foreign currency derivative financial instruments – fair value	2 782 764	(12 010)	-	-
Currency Options purchased – notional amount	375 235	-	-	-
Currency Options purchased – fair value	34	-	-	-

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	31 March 2017 Expense	31 March 2017 Accrued liability	31 March 2016 Expense	31 December 2016 Accrued liability
Short-term benefits:				
- Salaries	84 603	-	73 511	-
- Short-term bonuses	71 332	667 646	26 178	596 313
- SB payment	31 830	263 832	28 936	232 002
Share-based compensation:				
- Cash-settled share-based compensation	(608)	15 641	2 583	16 249
Total	187 157	947 119	131 208	844 564

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

28 Subsequent events

28 April 2017 changes in shareholders structure of the Bank were registered. The new registered major shareholder of the Bank is Raiffeisen Bank International AG with 99,96718% of the authorized capital of the Bank (36 553 ordinary uncertificated shares).