

AO Raiffeisenbank

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

30 June 2016

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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 30 June 2016 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

19 August 2016
Moscow, Russian Federation

N.V. Kossova, Director (licence no. 01-000396), AO PricewaterhouseCoopers Audit



Audited entity: AO Raiffeisenbank

State registration certificate № 3292 issued by the Central Bank of Russian Federation on 10 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

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

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

	Note	30 June 2016 (unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>			
ASSETS			
Cash and cash equivalents	6	144 383 734	159 565 835
Mandatory cash balances with the Central Bank of the Russian Federation		4 476 642	4 368 109
Trading securities	7	18 391 251	18 906 171
Repurchase receivables related to trading securities	7	-	615 718
Other securities at fair value through consolidated profit or loss	8	29 573 209	26 749 433
Due from other banks	9	31 712 638	34 972 177
Loans and advances to customers	10	485 300 826	522 321 580
Investment securities available for sale	11	1 530 605	1 507 038
Fixed assets and intangible assets		15 546 729	16 558 801
Deferred income tax asset		-	1 449 386
Investment securities held to maturity	12	5 699 972	9 426 637
Derivatives and other financial assets	13	44 759 851	57 637 717
Investment in associates		2 164 592	2 000 561
Assets from held for sale		131 560	-
Other assets		2 062 921	2 466 445
TOTAL ASSETS		785 734 530	858 545 608
LIABILITIES			
Due to other banks	14	9 500 876	45 681 336
Customer accounts	15	576 139 489	581 270 437
Term borrowings from the Parent Bank	16	37 444 173	55 241 445
Debt securities in issue		13 170 986	13 594 144
Derivatives and other financial liabilities	17	39 059 727	60 739 577
Current income tax liability		279 257	1 809 027
Deferred income tax liability		505 061	-
Other liabilities		4 572 853	5 497 096
TOTAL LIABILITIES		680 672 422	763 833 062
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		59 682 121	49 332 559
TOTAL EQUITY		105 062 108	94 712 546
TOTAL LIABILITIES AND EQUITY		785 734 530	858 545 608

Approved for issue and signed on 19 August 2016.


 Andrey Stepanenko
 Temporary Acting Chairman of the Board




 Gert Hebenstreit
 Chief Financial Officer

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

	Note	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>					
Interest income	18	46 132 822	23 158 257	53 162 119	26 038 271
Interest expense	18	(25 143 374)	(12 701 564)	(31 300 033)	(16 066 641)
Net interest income		20 989 448	10 456 693	21 862 086	9 971 630
Charge of provision for loan impairment	10	(4 888 526)	(836 811)	(7 516 607)	(3 784 260)
Net interest income after provision for loan impairment		16 100 922	9 619 882	14 345 479	6 187 370
Fee and commission income	19	10 569 696	5 452 596	8 731 576	4 519 577
Fee and commission expense	19	(4 031 836)	(2 134 393)	(3 193 988)	(1 664 927)
Gains less losses from trading securities		522 356	208 244	308 151	117 169
Gains less losses from other securities at fair value through profit or loss		206 421	85 678	861 992	694 723
Gains less losses from trading in foreign currencies		2 094 004	1 052 319	2 396 421	850 107
Unrealized gains less losses/(losses, net of gains) from derivative financial instruments	20	9 933 847	2 948 529	22 416 582	(7 748 878)
Realized gains less losses from derivative financial instruments	21	2 660 335	833 371	531 212	551 103
Foreign exchange translation (losses, net of gains)/gains less losses		(10 946 933)	(3 073 467)	(20 415 690)	8 142 688
Ineffectiveness from the hedge accounting and other derivative instruments		(158 011)	(69 146)	(331 382)	163 239
Release/(charge) of provision for credit related commitments		4 150	(4 824)	25 453	9 608
Gains from the sale of loans	10	16 530	10 740	17 556	7 525
Other operating income/(loss)		90 592	57 214	138 725	(29 659)
Income/(expense) from realization of assets held for sale		27 923	(21 812)	-	-
Share of profit of associate		209 706	100 640	279 781	147 565
Provision for investment securities held to maturity		740	761	-	27
Operating income		27 300 442	15 066 332	26 111 868	11 947 237
Administrative and other operating expenses	22	(11 524 652)	(5 445 575)	(11 653 545)	(6 007 483)
Profit before tax		15 775 790	9 620 757	14 458 323	5 939 754
Income tax expense		(3 340 332)	(2 052 382)	(2 692 837)	(1 061 399)
Profit for the period		12 435 458	7 568 375	11 765 486	4 878 355
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Revaluation of investment securities available for sale		24 300	(4 800)	-	-
Income tax recorded directly in other comprehensive income		(4 860)	960	-	-
Other comprehensive income for the period, net of tax		19 440	(3 840)	-	-
Total comprehensive income for the period, net of tax		12 454 898	7 564 535	11 765 486	4 878 355

The notes set out on pages 5 to 59 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	Other reserves	Total
Balance at 1 January 2015	43 268 888	591 083	1 520 016	55 039 208	239 196	100 658 391
Profit for the period	-	-	-	11 765 486	-	11 765 486
Total comprehensive income for the period	-	-	-	11 765 486	-	11 765 486
Dividends paid	-	-	-	(15 000 000)	-	(15 000 000)
Balance at 30 June 2015	43 268 888	591 083	1 520 016	51 804 694	239 196	97 423 877
Balance at 1 January 2016	43 268 888	591 083	1 520 016	49 102 363	230 196	94 712 546
Profit for the period	-	-	-	12 435 458	-	12 435 458
Other comprehensive income for the period	-	-	-	-	19 440	19 440
Total comprehensive income for the period	-	-	-	12 435 458	19 440	12 454 898
Dividends declared	-	-	-	(2 105 336)	-	(2 105 336)
Balance at 30 June 2016	43 268 888	591 083	1 520 016	59 432 485	249 636	105 062 108

The notes set out on pages 5 to 59 form an integral part of this consolidated condensed interim financial information.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Cash Flows

	Note	Six-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Cash flows from operating activities			
Interest received		45 701 670	51 470 449
Interest paid		(24 965 246)	(26 646 419)
Fees and commissions received		10 713 469	8 780 269
Fees and commissions paid		(3 956 485)	(3 141 399)
Realized losses, net of gains from trading in trading securities		240 516	(314 641)
Realized gains less losses/(losses net of gains) arising from other securities at fair value through profit or loss		(53 123)	1 255 333
Realized gains less losses from financial derivative instruments		2 660 335	531 212
Realized gains less losses arising from trading in foreign currencies		2 094 004	2 396 421
Cash proceeds from sale of loans	10	558 171	3 639 097
Other operating income received		123 459	380 227
Staff costs paid		(5 889 657)	(6 158 809)
Administrative and other operating expenses paid		(3 054 552)	(4 207 801)
Income tax paid		(2 920 115)	(3 463 671)
Cash flows from operating activities before changes in operating assets and liabilities		21 252 446	24 520 268
Net (increase) in mandatory cash balances with the Central Bank of the Russian Federation		(108 533)	(232 139)
Net decrease/(increase) in trading securities		685 421	(6 169 125)
Net (increase)/decrease in other securities at fair value through consolidated profit and loss		(5 353 489)	9 188 693
Net decrease/(increase) in due from other banks		1 581 556	(4 622 888)
Net decrease in loans and advances to customers		3 480 651	52 433 556
Net decrease/(increase) in derivatives and other financial assets		252 245	(257 642)
Net decrease in other assets		1 046 180	1 321 876
Net (decrease) in due to other banks		(34 838 355)	(14 689 223)
Net increase/(decrease) in customer accounts		28 786 754	(1 766 830)
Insurance premiums received		-	13 841 682
Insurance claims paid		-	(1 080 745)
Net (decrease) in derivatives and other financial liabilities		(909 913)	(916 982)
Net (decrease) in other liabilities		(1 642 241)	(598 480)
Net cash from operating activities		14 232 722	70 972 021
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(1 076 948)	(1 559 592)
Proceeds from sale of premises and equipment		1 326	19 898
Acquisition of securities portfolio held-to-maturity		(736 058)	(6 781 878)
Proceeds from redemption investment securities held to maturity		4 082 060	(12 417 299)
Dividends received		45 675	-
Proceeds from sale of assets held for sale		66 632	-
Net cash from/(used in) investing activities		2 382 687	(20 738 871)
Cash flows from financing activities			
Proceeds from term borrowings from the Parent Bank and other financial institutions		222 215	475 271
Proceeds from subordinated debt		-	12 326 800
Repayment of term borrowings from the Parent Bank and other financial institutions		(13 071 862)	(18 321 350)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(1 959 987)	(1 655 272)
Interest paid on debt securities		(713 059)	(902 200)
Proceeds from issuance of debt securities		14 771	6 129 600
Repayment of debt securities in issue		(403 016)	(890 976)
Dividends paid		-	(15 000 000)
Net cash used in financing activities		(15 910 938)	(17 838 127)
Change in accrued interest on cash and cash equivalents		19 415	179 794
Effect of exchange rate changes on cash and cash equivalents		(15 905 987)	(25 354 353)
Net (decrease)/increase in cash and cash equivalents		(15 182 101)	7 220 464
Cash and cash equivalents at the beginning of the period	6	159 565 835	185 376 922
Cash and cash equivalents at the end of the period	6	144 383 734	192 597 386

The notes set out on pages 5 to 59 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 six months period ended 30 June 2016 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 Zentralbank Osterreich 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, pension 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.

As at 30 June 2016 the Group had 5 branches within the Russian Federation and 174 outlets (31 December 2015: 5 branches and 179 outlets).

The number of the Group’s employees as at 30 June 2016 was 7 475 (31 December 2015: 7 554).

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 2015, 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.

The key rate of the Central Bank of the Russian Federation decreased from 11% per annum (approved August 3, 2015) to 10.5% (from June 14, 2016).

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 2015.

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 30 June 2016 principal rate of exchange used for translating foreign currency balances was USD 1 = RR 64,2575 (31 December 2015: USD 1 = RR 72,8827) and EUR 1 = 71,2102 (31 December 2015: EUR 1 = 79,6972).

The accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2015. 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 2015, became effective for the Group from 1 January 2016. 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 1 569 707 thousand (2015: RR 1 465 921 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 1 248 110 thousand (2015: RR 1 060 093 thousand), respectively.

4 Critical Accounting Estimates, and Judgments 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. 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 2016 apart from those disclosed in annual consolidated financial statements of the Group.

6 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Cash on hand	26 306 788	33 564 017
Cash balances with the CBRF (other than mandatory reserve deposits)	44 475 994	34 350 735
Correspondent accounts and overnight placements with other banks		
- Russian Federation	13 947 240	9 949 251
- Other countries	12 004 008	59 782 420
Placements with other banks with original maturities of less than three months	9 780 747	1 762 041
Reverse securities sale and repurchase agreements with other banks and other financial institutions with original maturities of less than three months	37 868 957	20 157 371
Total cash and cash equivalents	144 383 734	159 565 835

At 30 June 2016 cash equivalents in the amount of RR 37 868 957 thousand (31 December 2015: RR 20 157 371 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 42 909 368 thousand (31 December 2015: RR 24 337 615 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 24. The information on related party balances is disclosed in Note 28.

7 Trading Securities and Repurchase Receivables Related to Trading Securities

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Corporate bonds	9 444 470	11 590 934
Federal loan bonds (OFZ)	4 505 502	3 611 148
Corporate Eurobonds	4 019 892	1 229 765
Russian Federation Eurobonds	280 223	2 900 053
Municipal bonds	141 164	189 989
Total trading securities and repurchase receivables related to trading securities	18 391 251	19 521 889

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

The Bank is licensed by the Federal Commission on Securities Markets for securities trading .

At 30 June 2016 and 31 December 2015 there were no renegotiated balances of trading securities that would otherwise be past due. Trading securities are not collateralised.

At 30 June 2016 and 31 December 2015 no trading securities were past due or impaired.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 24.

8 Other Securities at Fair Value Through Consolidated Profit or Loss

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
US Treasury Bonds	19 452 842	21 906 734
Federal loan bonds (OFZ)	5 718 108	2 147 502
Corporate Eurobonds	2 518 402	1 154 656
Corporate bonds	1 492 970	1 031 275
Municipal bonds	390 887	509 266
Total other debt securities at fair value through consolidated profit and loss	29 573 209	26 749 433

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through consolidated 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.

Securities designated at fair value through consolidated profit or loss are carried at fair value which also reflects any credit risk related write-downs. As the securities are carried at their fair value based on observable market data, the Group does not analyse or monitor 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 24.

AO Raiffeisenbank
Notes to the Consolidated Condensed Interim Financial Information

9 Due from Other Banks

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Long-term placements with other banks with original maturities of more than one year	18 397 900	7 498 618
Short-term placements with other banks with original maturities of more than three months and less than one year	13 314 738	27 473 559
Total due from other banks	31 712 638	34 972 177

At 30 June 2016 and 31 December 2015 due from other banks are neither past due nor impaired.

Disclosure of the fair value of due from other banks is presented in Note 27.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

10 Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Loans to corporate customers (Corporate loans)	304 463 864	341 165 219
Loans to individuals (Retail loans)	177 702 087	181 915 470
Loans to medium entities (Middle business)	20 079 919	20 182 967
Loans to small and micro entities (SME loans)	14 602 458	14 806 975
Loans to state and municipal organisations (Public sector)	166	801
Total gross loans and advances to customers	516 848 494	558 071 432
Less: Provision for loan impairment	(31 547 668)	(35 749 852)
Total loans and advances to customers	485 300 826	522 321 580

Movements in the provision for loan impairment during six-month period ended 30 June 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/(Release) of provision for impairment during the period	2 408 404	(91 296)	2 450 917	187 367	4 955 392
Disposal of provisions as a result of disposal of loans	(30 494)	(7 799)	(213 201)	(12 333)	(263 827)
Amounts written off during the period as uncollectible	(6 782 865)	(97 536)	(131 671)	(48 868)	(7 060 940)
Exchange differences on provision for loan impairment	(1 531 529)	(17 801)	(283 471)	(8)	(1 832 809)
Provision for loan impairment at 30 June 2016 (Unaudited)	13 071 525	657 055	15 597 976	2 221 112	31 547 668

10 Loans and Advances to Customers (Continued)

The provision for loan impairment during 6 months 2016 differs from the amount presented in the Consolidated Condensed Interim Statement of Profit or Loss for the period due to RR 66 866 thousand recovery of amounts previously written-off as uncollectible (six-month period ended 30 June 2015: RR nil thousand). This amount relates to Loans to corporate customers and was credited directly to the consolidated condensed interim statement of profit or loss for the period.

Movements in the provision for loan impairment during three-month period ended 30 June 2016 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 April 2016	17 656 849	975 645	15 048 384	2 181 515	35 862 393
Charge/(Release) of provision for impairment during the period	169 479	(213 503)	866 182	64 803	886 961
Disposal of provisions as a result of disposal of loans	(27 196)	(7 799)	(134 650)	(1 815)	(171 460)
Amounts written off during the period as uncollectible	(4 146 434)	(97 536)	(71 678)	(23 387)	(4 339 035)
Exchange differences on provision for loan impairment	(581 173)	248	(110 262)	(4)	(691 191)
Provision for loan impairment at 30 June 2016 (Unaudited)	13 071 525	657 055	15 597 976	2 221 112	31 547 668

Movements in the provision by product for the Retail loan impairment during six-month period ended 30 June 2016 are as follows:

	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
<i>In thousands of Russian Roubles</i>					
Provision for loan impairment at 1 January 2016	7 430 901	1 819 434	2 012 247	2 512 820	13 775 402
Charge of provision for impairment during the period	1 403 937	518 228	142 649	386 103	2 450 917
Disposal of provisions as a result of disposal of loans	(1 630)	(209 188)	(2 191)	(192)	(213 201)
Amounts written off during the period as uncollectible	(29 960)	(84 444)	(9 335)	(7 932)	(131 671)
Exchange differences on provision for loan impairment	(9 694)	(224 396)	(22 012)	(27 369)	(283 471)
Provision for loan impairment at 30 June 2016 (Unaudited)	8 793 554	1 819 634	2 121 358	2 863 430	15 597 976

10 Loans and Advances to Customers (Continued)

Movements in the provision by product for the Retail loan impairment during three-month period ended 30 June 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 April 2016	8 267 247	1 930 444	2 109 001	2 741 692	15 048 384
Charge of provision for impairment during the period	547 044	151 064	29 379	138 695	866 182
Disposal of provisions as a result of disposal of loans	(1 538)	(131 401)	(1 538)	(173)	(134 650)
Amounts written off during the period as uncollectible	(14 749)	(45 725)	(6 674)	(4 530)	(71 678)
Exchange differences on provision for loan impairment	(4 450)	(84 748)	(8 810)	(12 254)	(110 262)
Provision for loan impairment at 30 June 2016 (Unaudited)	8 793 554	1 819 634	2 121 358	2 863 430	15 597 976

Movements in the provision for loan impairment during six-month period ended 30 June 2015 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 2015	11 852 959	901 549	11 240 462	1 259 172	25 254 142
Charge of provision for impairment during the period	1 386 776	271 213	4 822 368	1 036 250	7 516 607
Disposal of provisions as a result of disposal of loans	(85 278)	(498)	(373 058)	(439 123)	(897 957)
Amounts written off during the period as uncollectible	(1 228 576)	(37 933)	(21 481)	(10 975)	(1 298 965)
Exchange differences on provision for loan impairment	(8 760)	(60 865)	(39 876)	(49)	(109 550)
Provision for loan impairment at 30 June 2015 (Unaudited)	11 917 121	1 073 466	15 628 415	1 845 275	30 464 277

Movements in the provision for loan impairment during three-month period ended 30 June 2015 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 April 2015	12 200 519	860 564	13 803 118	1 933 717	28 797 918
Charge of provision for impairment during the period	985 923	201 820	2 260 338	336 179	3 784 260
Disposal of provisions as a result of disposal of loans	(85 278)	-	(368 745)	(421 640)	(875 663)
Amounts written off during the period as uncollectible	(977 136)	-	(14 399)	(2 954)	(994 489)
Exchange differences on provision for loan impairment	(206 907)	11 082	(51 897)	(27)	(247 749)
Provision for loan impairment at 30 June 2015 (Unaudited)	11 917 121	1 073 466	15 628 415	1 845 275	30 464 277

10 Loans and Advances to Customers (Continued)

Movements in the provision by product for the Retail loan impairment during six-month period ended 30 June 2015 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 2015	6 633 389	838 226	1 579 864	2 188 983	11 240 462
Charge of provision for impairment during the period	2 874 864	550 319	583 591	813 594	4 822 368
Disposal of provisions as a result of disposal of loans	(260 348)	(108 362)	(4 059)	(289)	(373 058)
Amounts written off during the period as uncollectible	(7 806)	(7 385)	(4 487)	(1 803)	(21 481)
Exchange differences on provision for loan impairment	(3 234)	(25 507)	(3 382)	(7 753)	(39 876)
Provision for loan impairment at 30 June 2015 (Unaudited)	9 236 865	1 247 291	2 151 527	2 992 732	15 628 415

Movements in the provision by product for the Retail loan impairment during three-month period ended 30 June 2015 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 April 2015	8 161 652	1 209 599	1 847 776	2 584 091	13 803 118
Charge of provision for impairment during the period	1 341 915	182 519	317 753	418 151	2 260 338
Disposal of provisions as a result of disposal of loans	(258 553)	(108 362)	(1 787)	(43)	(368 745)
Amounts written off during the period as uncollectible	(4 009)	(7 385)	(2 031)	(974)	(14 399)
Exchange differences on provision for loan impairment	(4 140)	(29 080)	(10 184)	(8 493)	(51 897)
Provision for loan impairment at 30 June 2015 (Unaudited)	9 236 865	1 247 291	2 151 527	2 992 732	15 628 415

During the six-month period ended 30 June 2016 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 1 053 572 thousand (six-month period ended 30 June 2015: RR 4 632 543 thousand) for cash proceeds of RR 558 171 thousand (six-month period ended 30 June 2015: RR 3 639 097) and other assets with carrying value of RR 248 104 thousand (six-month period ended 30 June 2015: RR 113 045 thousand). As of the date of disposal during the six-month period ended 30 June 2016 these loans were provided for impairment in the total amount of RR 263 827 thousand (six-month period ended 30 June 2015: RR 897 957 thousand). The net financial result of the loan disposal during the six-month period ended 30 June 2016 recognized in the consolidated condensed interim statement of profit or loss and other comprehensive income was a gain of RR 16 530 thousand (six-month period ended 30 June 2015: RR 17 556 thousand).

10 Loans and Advances to Customers (Continued)

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

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)		31 December 2015	
	Amount	%	Amount	%
Individuals	177 702 087	34,38%	181 915 470	32,60%
Manufacturing	112 046 748	21,68%	124 111 385	22,23%
Real estate	89 864 325	17,39%	110 142 839	19,74%
Trade	40 001 503	7,74%	44 636 173	8,00%
Financial Services	31 910 561	6,17%	19 854 673	3,56%
Mining	26 387 540	5,11%	33 970 092	6,09%
Transport, storage and communication	21 777 308	4,21%	29 123 848	5,22%
Health and social work	5 899 273	1,14%	3 605 638	0,65%
Electricity, gas and water supply	5 590 150	1,08%	3 755 499	0,67%
Hotels and restaurants	1 790 203	0,35%	1 954 213	0,35%
Other	3 878 796	0,75%	5 001 602	0,90%
Total loans and advances to customers (before provision for loan impairment)	516 848 494	100,00%	558 071 432	100,00%

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 30 June 2016 is as follows:

	Loans to corporate customers	Loans to medium entities	Loans to small and micro entities	Public sector	Total
<i>In thousands of Russian Roubles</i>					
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	8 825 536	-	-	90	8 825 626
Excellent credit standing	50 524 441	-	-	-	50 524 441
Very good credit standing	36 625 508	-	-	76	36 625 584
Good credit standing	87 897 261	339 766	256 362	-	88 493 389
Sound credit standing	35 522 428	4 983 480	966 619	-	41 472 527
Acceptable credit standing	50 909 514	10 149 133	2 749 579	-	63 808 226
Marginal credit standing	4 173 680	3 196 130	6 171 685	-	13 541 495
Weak credit standing	1 893 605	166 758	1 218 365	-	3 278 728
Very weak credit standing	1 184 802	129 687	326 397	-	1 640 886
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	277 556 775	18 964 954	11 689 007	166	308 210 902
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	2 830 469	16 813	280 989	-	3 128 271
- 31 – 60 days overdue	-	20 520	98 034	-	118 554
- 61 – 90 days overdue	-	-	74 809	-	74 809
- 91 – 180 days overdue	-	-	97	-	97
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	2 830 469	37 333	453 929	-	3 321 731
<i>Loans individually determined to be impaired</i>					
- not overdue	10 134 724	124 444	57 774	-	10 316 942
- less than 30 days overdue	-	32 616	21 398	-	54 014
- 31 – 60 days overdue	-	-	6 027	-	6 027
- 61 – 90 days overdue	-	-	22 814	-	22 814
- 91 – 180 days overdue	-	177 460	115 399	-	292 859
- 181 – 364 days overdue	1 529 151	75 287	507 062	-	2 111 500
- over 365 days overdue	12 412 745	667 825	1 729 048	-	14 809 618
Total loans individually determined to be impaired (gross)	24 076 620	1 077 632	2 459 522	-	27 613 774
Total gross loans and advances to customers	304 463 864	20 079 919	14 602 458	166	339 146 407
Less: Provision for loan impairment	(13 071 525)	(657 055)	(2 221 112)	-	(15 949 692)
Total loans and advances to customers	291 392 339	19 422 864	12 381 346	166	323 196 715

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 December 2015 is as follows:

	Loans to corporate customers	Loans to medium entities	Loans to small and micro entities	Public sector	Total
<i>In thousands of Russian Roubles</i>					
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	9 154 697	-	-	15	9 154 712
Excellent credit standing	46 392 307	-	-	-	46 392 307
Very good credit standing	44 869 201	-	-	105	44 869 306
Good credit standing	120 924 371	561 334	885 583	-	122 371 288
Sound credit standing	37 174 660	4 923 281	1 953 468	-	44 051 409
Acceptable credit standing	39 605 960	8 554 402	2 645 173	-	50 805 535
Marginal credit standing	2 815 183	4 217 039	5 341 163	681	12 374 066
Weak credit standing	9 185 071	164 306	1 021 200	-	10 370 577
Very weak credit standing	3 463 544	296 660	241 907	-	4 002 111
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	313 584 994	18 717 022	12 088 494	801	344 391 311
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	-	129 413	221 003	-	350 416
- 31 – 60 days overdue	-	-	61 335	-	61 335
- 61 – 90 days overdue	-	8 324	73 109	-	81 433
- 91 – 180 days overdue	-	-	1 539	-	1 539
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	-	137 737	356 986	-	494 723
<i>Loans individually determined to be impaired</i>					
- not overdue	4 916 581	134 684	39 553	-	5 090 818
- less than 30 days overdue	127 443	693	15 054	-	143 190
- 31 – 60 days overdue	-	-	98 849	-	98 849
- 61 – 90 days overdue	-	-	10 726	-	10 726
- 91 – 180 days overdue	1 568 572	59 209	307 416	-	1 935 197
- 181 – 364 days overdue	5 780 022	428 997	712 583	-	6 921 602
- over 365 days overdue	15 187 607	704 625	1 177 314	-	17 069 546
Total loans individually determined to be impaired (gross)	27 580 225	1 328 208	2 361 495	-	31 269 928
Total gross loans and advances to customers	341 165 219	20 182 967	14 806 975	801	376 155 962
Less: Provision for loan impairment	(19 008 009)	(871 487)	(2 094 954)	-	(21 974 450)
Total loans and advances to customers	322 157 210	19 311 480	12 712 021	801	354 181 512

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 30 June 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>Current and not impaired loans, assessed for impairment on a collective basis</i>					
Very good credit standing	-	49 979 114	13 811 183	-	63 790 297
Good credit standing	77 337 771	-	-	14 150 109	91 487 880
Total current and not impaired loans, assessed for impairment on a collective basis	77 337 771	49 979 114	13 811 183	14 150 109	155 278 177
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 877 350	835 063	520 923	1 259 448	4 492 784
- 31 – 60 days overdue	454 290	345 428	127 223	144 788	1 071 729
- 61 – 90 days overdue	321 103	214 728	82 089	87 141	705 061
Total past due but not impaired loans, assessed for impairment on a collective basis	2 652 743	1 395 219	730 235	1 491 377	6 269 574
<i>Loans individually determined to be impaired</i>					
- not overdue	184 452	234 871	21 031	61 689	502 043
- less than 30 days overdue	48 788	20 540	10 799	13 021	93 148
- 31 – 60 days overdue	26 870	56 009	4 241	6 335	93 455
- 61 – 90 days overdue	25 757	20 596	5 990	4 933	57 276
- 91 – 180 days overdue	933 056	603 274	215 176	250 701	2 002 207
- 181 – 364 days overdue	1 864 871	774 608	351 941	837 163	3 828 583
- over 365 days overdue	5 141 051	1 393 993	1 496 981	1 545 599	9 577 624
Total individually impaired loans (gross)	8 224 845	3 103 891	2 106 159	2 719 441	16 154 336
Total gross loans and advances to customers	88 215 359	54 478 224	16 647 577	18 360 927	177 702 087
Less: Provision for loan impaired	(8 793 554)	(1 819 634)	(2 121 358)	(2 863 430)	(15 597 976)
Total loans and advances to customers	79 421 805	52 658 590	14 526 219	15 497 497	162 104 111

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 December 2015 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>					
Very good credit standing	-	47 001 505	20 559 753	-	67 561 258
Good credit standing	79 754 604	-	-	14 362 870	94 117 474
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	79 754 604	47 001 505	20 559 753	14 362 870	161 678 732
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 474 019	803 586	514 855	840 409	3 632 869
- 31 – 60 days overdue	637 599	333 976	209 254	186 837	1 367 666
- 61 – 90 days overdue	434 261	267 737	126 550	132 519	961 067
Total past due but not impaired loans, assessed for impairment on a collective basis	2 545 879	1 405 299	850 659	1 159 765	5 961 602
<i>Loans individually determined to be impaired</i>					
- not overdue	147 549	164 093	28 942	55 684	396 268
- less than 30 days overdue	28 573	201 344	8 984	9 980	248 881
- 31 – 60 days overdue	21 476	143 154	7 380	8 647	180 657
- 61 – 90 days overdue	22 127	60 820	8 105	4 967	96 019
- 91 – 180 days overdue	1 080 964	664 656	265 598	307 558	2 318 776
- 181 – 364 days overdue	2 373 785	668 916	507 753	1 126 780	4 677 234
- over 365 days overdue	3 149 285	1 188 011	1 147 641	872 364	6 357 301
Total individually impaired loans (gross)	6 823 759	3 090 994	1 974 403	2 385 980	14 275 136
Total gross loans and advances to customers	89 124 242	51 497 798	23 384 815	17 908 615	181 915 470
Less: Provision for loan impairment	(7 430 901)	(1 819 434)	(2 012 247)	(2 512 820)	(13 775 402)
Total loans and advances to customers	81 693 341	49 678 364	21 372 568	15 395 795	168 140 068

Disclosure of the fair value of the Group's loans and advances to customers at 30 June 2016 and 31 December 2015 is presented in Note 27. Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

11 Investment Securities Available for Sale

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Eurobonds of the European Bank for Reconstruction and Development	1 530 605	1 507 038
Total investment securities available for sale	1 530 605	1 507 038

As of 30 June 2016 and 31 December 2015 eurobonds were neither past due nor impaired and had minimal risk rating.

Eurobonds of the European Bank for Reconstruction and Development is denominated in the Russian Roubles and matures in 2016 and has a coupon rate of 11.03%.

Currency, geographical and liquidity analysis of investment securities available for sale are disclosed in Note 24.

12 Investment Securities Held to Maturity

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Eurobonds of the European Bank for Reconstruction and Development	2 900 319	5 702 822
Corporate eurobonds	2 799 653	3 213 641
Corporate bonds	-	510 914
Total gross investment securities held to maturity	5 699 972	9 427 377
Less: Provision for impairment	-	(740)
Total investment securities held to maturity	5 699 972	9 426 637

Refer to Note 27 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 24.

13 Derivatives and Other Financial Assets

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Fair value of currency rate based financial derivatives	39 707 212	52 923 698
Fair value of interest rate based financial derivatives	3 070 401	2 479 537
Plastic card receivables	1 938 581	2 197 591
Trade receivables	43 657	36 891
Total derivatives and other financial assets	44 759 851	57 637 717

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

14 Due to Other Banks

	30 June 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
Correspondent accounts and overnight placements of other banks	7 672 063	29 026 143
Short-term placements of other banks	1 105 663	11 819 992
Long-term placements of other banks	723 150	4 265 554
Direct sale and repurchase agreements with securities with the CBRF and other banks and other financial institutions	-	569 647
Total due to other banks	9 500 876	45 681 336

At 30 June 2016 included in due to banks are deposits of RR 344 833 thousand (31 December 2015: nil thousand) held as collateral for irrevocable commitments under guarantees.

At 30 June 2016 included in amounts due to other banks are liabilities of RR nil thousand (31 December 2015: RR 569 647) under sale and repurchase agreements. Refer to Note 26. As at 30 June 2016 the fair value of securities purchased under reverse securities sale and repurchase agreements and sold under direct sale and repurchase agreements with other banks amounted to RR nil thousand (31 December 2015: nil thousand).

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

15 Customer Accounts

	30 June 2016 (Unaudited)	31 December 2015
<i>In thousands of Russian Roubles</i>		
State and public organisations		
- Current/settlement accounts	864 910	1 090 778
- Term deposits	23 113	15 666
Legal entities		
- Current/settlement accounts	168 387 377	141 382 802
- Term deposits	54 870 583	71 491 436
Individuals		
- Current/demand accounts	169 713 093	158 000 772
- Term deposits	182 280 413	209 288 983
Total customer accounts	576 139 489	581 270 437

At 30 June 2016 the Group had no customer (31 December 2015: no customers) with a balance above 10% of consolidated equity of the Group as at this date.

15 Customer Accounts (Continued)

At 30 June 2016 included in customer accounts are deposits of RR 633 527 thousand (31 December 2015: RR 170 151 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 26.

At 30 June 2016 included in customer accounts are deposits of RR 2 960 369 thousand (31 December 2015: RR 1 916 237 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 26.

Disclosure of the fair value of the Group's customer accounts at 30 June 2016 is presented in Note 27. Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

Analysis of customer accounts by segments is set out below:

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Customer accounts of individuals (Retail)	351 993 506	367 289 755
Customer accounts of corporates (Corporate)	165 599 246	161 244 399
Customer accounts of small and micro entities (SME)	33 244 291	28 742 021
Customer accounts of medium entities (Middle business)	24 414 423	22 887 818
Customer accounts of state and municipal organisations (Public sector)	888 023	1 106 444
Total customer accounts	576 139 489	581 270 437

16 Term Borrowings from the Parent Bank

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Subordinated Loans from the Parent Bank	34 098 499	38 662 422
Loans from the Parent Bank maturing in 2017	3 345 674	16 579 023
Total term borrowings from the Parent Bank	37 444 173	55 241 445

In August 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 CBR, 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 maturity date on August 16, 2021. For both loans the Group shall pay interest on the outstanding principal amounts at the Libor dependent floating interest rates.

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

Carrying value of each class of term borrowings from the Parent Bank approximates fair value at 30 June 2016 and 31 December 2015 as all these liabilities bear floating interest rate. Refer to Note 27.

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 24. The information on related party balances is disclosed in Note 28.

17 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Fair value of currency rate based financial derivatives	26 336 460	49 136 336
Fair value of interest rate based financial derivatives	5 915 461	6 399 970
Shortselling of trading assets	2 453 947	3 328 953
Dividends declared	2 105 336	-
Other accrued expenses	1 350 742	1 220 517
Settlements on conversion operations	409 402	242 467
Plastic cards payables	272 571	181 100
Deferred income on disposal	168 442	168 442
Provision for credit related commitments	39 439	46 146
Trade payables	2 011	13 316
Other	5 916	2 330
Total derivatives and other financial liabilities	39 059 727	60 739 577

Movement in the provisions for credit related commitments during six-months period ended 30 June 2016 includes provision release of RR 4 149 thousand (during six-months period ended 30 June 2015: release of RR 25 453 thousand). Effect of translation to presentation currency in amount RR 2 558 thousand (during six-months period ended 30 June 2015: RR (1 086) 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 doesn't keep in its own securities' portfolio.

Payment of dividends for shares of the Bank for the first quarter results in amount RR 2 105 336 thousand was declared. Decision was made by General Meeting of Shareholders during the reporting period.

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 24. Information on related party transactions is presented in Note 28.

18 Interest Income and Expense

	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
<i>In thousands of Russian Roubles</i>				
Interest income				
Loans and advances to legal entities	13 757 027	6 701 168	15 255 986	7 225 076
Loans and advances to retail customers	13 520 281	6 694 187	15 225 888	7 586 349
Interest rate swap contracts	6 911 919	3 762 442	7 480 421	3 683 780
Foreign exchange swap contracts	4 420 973	2 345 193	9 681 823	4 346 614
Cross-currency interest rate swap contracts	4 109 056	1 965 241	2 449 041	1 455 746
Interest income from repo transactions	1 012 437	436 903	405 008	293 790
Trading securities	933 226	470 681	524 626	317 501
Due from other banks	623 400	321 872	1 041 377	545 908
Other securities at fair value through profit and loss	481 183	303 767	644 557	270 559
Debt securities held to maturity	200 803	71 298	245 581	239 911
Investment securities available for sale	140 230	68 163	102 905	53 547
Interest income on impaired financial assets	22 287	17 342	104 906	19 490
Total interest income	46 132 822	23 158 257	53 162 119	26 038 271
Interest expense				
Interest rate swap contracts	6 942 950	3 791 061	5 902 974	3 065 296
Term deposits of individuals	4 897 211	2 244 413	4 655 036	2 529 855
Foreign exchange swap contracts	2 809 586	1 693 393	2 566 215	1 325 033
Term deposits of legal entities	2 243 194	1 118 131	4 828 725	2 292 803
Cross-currency interest rate swap contracts	2 175 753	1 056 199	2 337 403	1 233 942
Current/settlement accounts	1 973 488	1 047 535	3 985 986	1 643 213
Term borrowings from the Parent Bank	1 911 073	843 892	1 445 175	865 480
Term placements of other banks	1 296 618	523 129	1 046 604	454 161
Debt securities in issue	721 525	356 427	971 742	583 226
Placements of the Central Bank	127 309	11 975	1 742 922	636 978
Correspondent accounts of other banks	28 075	13 824	44 834	21 478
Interest expense from repo transactions	16 592	1 585	203 723	157 690
Interest expense on Insurance liabilities	-	-	1 197 738	988 280
Term borrowings from other financial institutions	-	-	370 956	269 206
Total interest expense	25 143 374	12 701 564	31 300 033	16 066 641
Net interest income	20 989 448	10 456 693	21 862 086	9 971 630

19 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
Fee and commission income				
Commissions on operations with plastic cards	5 282 530	2 758 513	4 346 563	2 308 223
Commissions on settlement transactions	1 493 287	834 605	794 438	437 342
Commissions on documentary business and guarantees	757 803	405 344	748 793	391 940
Insurance commission income	734 816	401 829	656 138	323 730
Fiduciary activities	499 803	205 923	402 352	181 902
Commissions on cash operations	393 200	204 421	415 547	205 243
Early and late repayment fees	329 351	157 930	299 130	134 756
Commissions on export operations	307 013	161 785	243 827	119 439
Consulting service income	256 362	29 705	219 642	104 345
Commissions on transactions with securities	212 400	140 586	141 729	64 554
Credit facility fee	119 052	58 191	210 309	87 295
Other	184 079	93 764	253 108	160 808
Total fee and commission income	10 569 696	5 452 596	8 731 576	4 519 577
Fee and commission expense				
Commissions on operations with plastic cards	3 475 303	1 889 566	2 545 663	1 331 712
Commissions on cash operations	170 634	85 254	187 122	87 683
Commissions on settlement transactions	148 755	74 534	122 336	59 077
Commissions on transactions with securities	88 675	46 781	102 450	67 719
Credit facility fee	27 275	-	4 597	1 881
Commissions for agency services	26 388	13 358	95 435	24 298
Commissions on documentary business	10 856	686	-	-
Other	83 950	24 214	136 385	92 557
Total fee and commission expense	4 031 836	2 134 393	3 193 988	1 664 927
Net fee and commission income	6 537 860	3 318 203	5 537 588	2 854 650

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

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
Foreign exchange swaps	9 069 607	680 900	19 911 381	(10 208 029)
Cross currency interest rate swaps	2 620 170	2 434 806	3 462 072	3 440 332
Interest rate swaps	241 786	214 156	308 563	231 218
Foreign exchange options	2 316	(673)	132 177	39 541
Forwards with securities	(1 349)	(1 662)	(4 321)	24
Foreign exchange forwards	(1 998 683)	(378 998)	(1 393 290)	(1 251 964)
Total unrealized gains less losses/(losses less gains) from derivative financial instruments	9 933 847	2 948 529	22 416 582	(7 748 878)

21 Realized Gains less Losses from Derivative Financial Instruments

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
Foreign exchange forwards	2 608 272	824 196	532 125	550 211
Foreign exchange options	47 879	11 112	18 122	7 455
Foreign exchange futures	4 184	(1 937)	(19 035)	(6 563)
Total realized gains less losses from derivative financial instruments	2 660 335	833 371	531 212	551 103

22 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
Staff costs	6 445 354	3 141 089	5 714 190	3 180 127
Amortisation of intangible assets	951 263	482 258	757 155	351 431
Rent expenses	792 560	412 976	920 741	399 360
Deposit insurance fee	715 654	351 676	600 093	287 457
IT services	472 892	141 589	719 611	395 681
Depreciation of premises and equipment	571 692	274 128	682 328	334 922
Premises and equipment maintenance expenses	374 178	145 526	484 726	252 894
Professional services	294 030	58 829	392 463	176 537
Advertising and marketing	185 149	99 786	231 395	146 493
Communication expenses	184 616	110 204	203 752	123 017
Taxes other than on income	106 539	56 177	109 923	56 971
Security expenses	58 369	35 640	66 928	36 446
Other	372 356	135 697	770 240	266 147
Total administrative and other operating expenses	11 524 652	5 445 575	11 653 545	6 007 483

23 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.

23 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>	30 June 2016 (Unaudited)	31 December 2015
Corporate business	293 200 535	321 502 286
Retail business	176 701 949	184 520 666
Proprietary business	314 408 771	349 141 453
Total business division assets	784 311 255	855 164 405
Corporate business	170 493 107	161 276 447
Retail business	388 636 619	397 440 050
Proprietary business	122 137 069	203 514 327
Total business division liabilities	681 266 795	762 230 824

23 Segment Analysis (Continued)

Business divisions of the Group for the six-month period ended 30 June 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	5 756 340	11 828 080	2 962 741	20 547 161
Net fee and commission result	2 339 268	6 631 329	45 561	9 016 158
Provision for loan impairment	(2 175 224)	(2 586 444)	12 112	(4 749 556)
Trading result	49 721	3 744	1 446 323	1 499 788
Valuation result from hedge accounting and other derivative instruments	-	-	233 227	233 227
Net income from investments	-	-	202 406	202 406
General administrative expenses	(2 358 921)	(8 843 111)	182 046	(11 019 986)
Other operating loss	-	-	(217 024)	(217 024)
Total business division result before tax	3 611 184	7 033 598	4 867 392	15 512 174
Income taxes	-	-	-	(3 319 568)
Total business division result after tax	3 611 184	7 033 598	4 867 392	12 192 606

Business divisions of the Group for the three-month period ended 30 June 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	2 768 960	5 917 041	1 567 273	10 253 274
Net fee and commission result	1 078 974	3 414 676	36 448	4 530 098
Provision for loan impairment	113 260	(912 401)	3 328	(795 813)
Trading result	52 710	1 155	528 386	582 251
Valuation result from hedge accounting and other derivative instruments	-	-	176 961	176 961
Net income from investments	-	-	79 202	79 202
General administrative expenses	(1 181 147)	(4 470 713)	457 945	(5 193 915)
Other operating loss	-	-	(130 537)	(130 537)
Total business division result before tax	2 832 757	3 949 758	2 719 006	9 501 521
Income taxes	-	-	-	(2 039 882)
Total business division result after tax	2 832 757	3 949 758	2 719 006	7 461 639

23 Segment Analysis (Continued)

Business divisions of the Group for the six-month period ended 30 June 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	7 194 986	12 528 569	2 907 597	22 631 152
Net fee and commission result	2 181 402	5 698 405	154 235	8 034 042
Provision for loan impairment	(1 645 987)	(5 790 713)	(715)	(7 437 415)
Trading result	135 606	-	1 631 007	1 766 613
Valuation result from hedge accounting and other derivative instruments	-	-	(353 398)	(353 398)
Net income from investments	(94 765)	-	653 681	558 916
General administrative expenses	(1 818 584)	(8 410 510)	(595 858)	(10 824 952)
Other operating loss	-	-	(469 099)	(469 099)
Total business division result before tax	5 952 658	4 025 751	3 927 450	13 905 859
Income taxes	-	-	-	(2 644 266)
Total business division result after tax	5 952 658	4 025 751	3 927 450	11 261 593

Business divisions of the Group for the three-month period ended 30 June 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	3 231 080	6 416 662	1 124 708	10 772 450
Net fee and commission result	1 120 878	2 883 077	78 348	4 082 303
Provision for loan impairment	(1 385 711)	(2 544 946)	446	(3 930 211)
Trading result	95 125	-	(213 918)	(118 793)
Valuation result from hedge accounting and other derivative instruments	-	-	286 647	286 647
Net income from investments	(70 388)	-	270 692	200 304
General administrative expenses	(868 451)	(4 182 954)	(267 993)	(5 319 398)
Other operating loss	-	-	(210 549)	(210 549)
Total business division result before tax	2 122 533	2 571 839	1 068 381	5 762 753
Income taxes	-	-	-	(1 029 910)
Total business division result after tax	2 122 533	2 571 839	1 068 381	4 732 843

23 Segment Analysis (Continued)

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.

Major ratio calculations for the reportable segment of the Group annualized for the six-months period ended 30 June 2016 and actual the year ended 31 December 2015 are set out below:

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Capital expenditure	1 076 948	3 107 677
Cost/income ratio	35,81%	35,96%
Average equity	99 884 824	97 685 469
Return on equity before tax	31,58%	31,89%
Return on equity after tax	24,89%	25,44%

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 as at 30 June 2016 and 31 December 2015 are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Head Office	308 266 284	344 504 646
Moscow	291 826 875	300 697 284
Centre	18 864 039	18 979 870
North-West	60 961 769	67 867 911
Siberia	28 110 775	28 313 946
South	22 206 506	30 897 695
Ural	25 895 595	33 981 392
Volga	28 179 412	29 921 661
Total hub assets	784 311 255	855 164 405
Head Office	103 276 709	181 458 441
Moscow	431 034 936	430 399 231
Centre	8 286 261	8 004 573
North-West	79 579 833	84 522 302
Siberia	9 826 541	11 753 025
South	15 969 825	14 164 216
Ural	10 812 826	10 637 945
Volga	22 479 864	21 291 091
Total hub liabilities	681 266 795	762 230 824

¹ All Hubs of the Group are within Russian Federation

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23 Segment Analysis (Continued)

Hubs of the Group for the six-month period ended 30 June 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	2 716 735	10 665 755	736 013	2 590 152	916 824	872 575	988 215	1 060 892	20 547 161
Net fee and commission result	(159 436)	5 340 961	376 043	1 687 626	456 329	399 682	399 510	515 443	9 016 158
Provision for loan impairment	18 280	(3 119 176)	(223 036)	(385 773)	(296 310)	(457 240)	32 889	(319 190)	(4 749 556)
Trading result	1 446 370	5 547	33	13 930	-	-	33 269	639	1 499 788
Valuation result from hedge accounting and other derivative instruments	233 227	-	-	-	-	-	-	-	233 227
Net income from investments	202 406	-	-	-	-	-	-	-	202 406
General administrative expenses	349 797	(5 664 475)	(687 199)	(1 756 325)	(861 897)	(743 296)	(709 059)	(947 532)	(11 019 986)
Other operating loss	(217 024)	-	-	-	-	-	-	-	(217 024)
Total hub result before tax	4 590 355	7 228 612	201 854	2 149 610	214 946	71 721	744 824	310 252	15 512 174
Income taxes	(3 319 568)	-	-	-	-	-	-	-	(3 319 568)
Total hub result after tax	1 270 787	7 228 612	201 854	2 149 610	214 946	71 721	744 824	310 252	12 192 606

23 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 30 June 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	1 447 310	5 268 280	361 708	1 269 974	451 038	423 570	503 219	528 175	10 253 274
Net fee and commission result	(79 283)	2 549 057	206 287	902 098	237 594	216 893	215 689	281 763	4 530 098
Provision for loan impairment	2 657	(308 664)	(65 053)	(165 857)	(119 713)	(205 239)	189 467	(123 411)	(795 813)
Trading result	528 386	37 967	353	5 335	-	-	10 210	-	582 251
Valuation result from hedge accounting and other derivative instruments	176 961	-	-	-	-	-	-	-	176 961
Net income from investments	79 202	-	-	-	-	-	-	-	79 202
General administrative expenses	530 544	(2 879 865)	(346 695)	(874 661)	(428 702)	(362 194)	(358 543)	(473 799)	(5 193 915)
Other operating loss	(130 537)	-	-	-	-	-	-	-	(130 537)
Total hub result before tax	2 555 240	4 666 775	156 600	1 136 889	140 217	73 030	560 042	212 728	9 501 521
Income taxes	(2 039 882)	-	-	-	-	-	-	-	(2 039 882)
Total hub result after tax	515 358	4 666 775	156 600	1 136 889	140 217	73 030	560 042	212 728	7 461 639

23 Segment Analysis (Continued)

Hubs of the Group for the six-month period ended 30 June 2015 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	2 454 156	11 352 306	810 726	2 976 780	1 467 371	1 152 768	1 078 991	1 338 054	22 631 152
Net fee and commission result	(8 354)	4 790 414	298 999	1 274 345	523 738	358 244	333 813	462 843	8 034 042
Provision for loan impairment	4 016	(2 710 430)	(497 333)	(511 814)	(1 585 938)	(780 944)	(628 979)	(725 993)	(7 437 415)
Trading result	1 633 801	109 630	597	8 726	-	657	13 202	-	1 766 613
Valuation result from hedge accounting and other derivative instruments	(353 398)	-	-	-	-	-	-	-	(353 398)
Net income from investments	558 916	-	-	-	-	-	-	-	558 916
General administrative expenses	(484 188)	(5 144 501)	(539 504)	(1 486 067)	(969 831)	(700 092)	(642 869)	(857 900)	(10 824 952)
Other operating loss	(469 099)	-	-	-	-	-	-	-	(469 099)
Total hub result before tax	3 335 850	8 397 419	73 485	2 261 970	(564 660)	30 633	154 158	217 004	13 905 859
Income taxes	(2 644 266)	-	-	-	-	-	-	-	(2 644 266)
Total hub result after tax	691 584	8 397 419	73 485	2 261 970	(564 660)	30 633	154 158	217 004	11 261 593

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23 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 30 June 2015 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	883 663	5 436 740	411 976	1 453 981	838 838	551 131	528 643	667 478	10 772 450
Net fee and commission result	(2 557)	2 402 256	163 579	643 179	270 828	183 611	173 984	247 423	4 082 303
Provision for loan impairment	22	(1 761 815)	(288 783)	(303 895)	(488 587)	(423 797)	(327 004)	(336 352)	(3 930 211)
Trading result	(211 093)	78 677	(25)	3 220	-	139	10 289	-	(118 793)
Valuation result from hedge accounting and other derivative instruments	286 647	-	-	-	-	-	-	-	286 647
Net income from investments	200 304	-	-	-	-	-	-	-	200 304
General administrative expenses	(218 726)	(2 551 269)	(264 357)	(751 409)	(457 360)	(342 616)	(317 556)	(416 105)	(5 319 398)
Other operating loss	(210 549)	-	-	-	-	-	-	-	(210 549)
Total hub result before tax	727 711	3 604 589	22 390	1 045 076	163 719	(31 532)	68 356	162 444	5 762 753
Income taxes	(1 029 910)	-	-	-	-	-	-	-	(1 029 910)
Total hub result after tax	(302 199)	3 604 589	22 390	1 045 076	163 719	(31 532)	68 356	162 444	4 732 843

23 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>	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
Total interest and fee and commission result for segment	29 563 319	14 783 372	30 665 194	14 854 753
Reclassification of interest result to trading result and net income from investments	459 960	238 090	(726 775)	(456 292)
Reclassification of commission result to trading result	(2 722 526)	(1 346 652)	(2 611 949)	(1 273 541)
Effect of the consolidation of the subsidiaries and other adjustments	226 555	100 086	73 204	(298 640)
Total net interest and fee and commission result	27 527 308	13 774 896	27 399 674	12 826 280

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>	Six-Month Period Ended 30 June 2016 (Unaudited)	Three-Month Period Ended 30 June 2016 (Unaudited)	Six-Month Period Ended 30 June 2015 (Unaudited)	Three-Month Period Ended 30 June 2015 (Unaudited)
Total segment result	12 192 606	7 461 639	11 261 593	4 732 843
Consolidation of subsidiaries and associate	237 344	101 376	509 381	324 859
Intercompany adjustments and other	502	354	(5 488)	(179 347)
Profit after tax	12 430 452	7 563 369	11 765 486	4 878 355

23 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the six-month period ended 30 June 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 Six- month period ended 30 June 2016				
Net interest result	20 547 161	459 960	(17 673)	20 989 448
Net fee and commission result	9 016 158	(2 722 526)	244 228	6 537 860
Provision for loan impairment	(4 749 556)	(115 732)	(2 558)	(4 867 846)
Trading result	1 499 788	2 378 298	(5 715)	3 872 371
Valuation result from hedge accounting and other derivative instruments	233 227	-	-	233 227
Net income from investments	202 406	-	32 678	235 084
Depreciation and amortization	(1 520 108)	-	(2 847)	(1 522 955)
Other administrative expenses	(9 499 878)	-	(129 463)	(9 629 341)
Share of profit of associates	-	-	209 706	209 706
Other operating loss	(217 024)	-	(64 740)	(281 764)
Income taxes	(3 319 568)	-	(20 764)	(3 340 332)

Reconciliation of other material items of income or expenses for the three-month period ended 30 June 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 30 June 2016				
Net interest result	10 253 274	238 090	(34 671)	1 0456 693
Net fee and commission result	4 530 098	(1 346 652)	134 757	3 318 203
Provision for loan impairment	(795 813)	(34 131)	(951)	(830 895)
Trading result	582 251	1 142 693	(2 055)	1 722 889
Valuation result from hedge accounting and other derivative instruments	176 961	-	-	176 961
Net income from investments	79 202	-	(14 575)	64 627
Depreciation and amortization	(754 764)	-	(1 622)	(756 386)
Other administrative expenses	(4 439 151)	-	(114 341)	(4 553 492)
Share of profit of associates	-	-	100 640	100 640
Other operating loss	(130 537)	-	52 054	(78 483)
Income taxes	(2 039 882)	-	(12 500)	(2 052 382)

23 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the six-month period ended 30 June 2015 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 Six-month period ended 30 June 2015				
Net interest result	22 631 152	(726 775)	(42 291)	21 862 086
Net fee and commission result	8 034 042	(2 611 949)	115 495	5 537 588
Provision for loan impairment	(7 437 415)	(37 268)	1 085	(7 473 598)
Trading result	1 766 613	3 375 992	116 087	5 258 692
Valuation result from hedge accounting and other derivative instruments	(353 398)	-	-	(353 398)
Net income from investments	558 916	-	303 076	861 992
Depreciation and amortization	(1 435 295)	-	(4 188)	(1 439 483)
Other administrative expenses	(9 389 657)	-	(54 165)	(9 443 822)
Share of profit of associates	-	-	279 781	279 781
Other operating loss	(469 099)	-	(162 416)	(631 515)
Income taxes	(2 644 266)	-	(48 571)	(2 692 837)

Reconciliation of other material items of income or expenses for the three-month period ended 30 June 2015 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 30 June 2015				
Net interest result	10 772 450	(456 292)	(344 528)	9 971 630
Net fee and commission result	4 082 303	(1 273 541)	45 888	2 854 650
Provision for loan impairment	(3 930 211)	73 124	89 960	(3 767 127)
Trading result	(118 793)	1 802 957	104 617	1 788 781
Valuation result from hedge accounting and other derivative instruments	286 647	-	-	286 647
Net income from investments	200 304	-	494 446	694 750
Depreciation and amortization	(684 075)	-	(2 278)	(686 353)
Other administrative expenses	(4 635 323)	-	(419 660)	(5 054 983)
Share of profit of associates	-	-	147 565	147 565
Other operating (loss)/profit	(210 549)	-	(85 257)	(295 806)
Income taxes	(1 029 910)	-	(31 489)	(1 061 399)

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.

24 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate) operational risks and credit risk concentrations. The primary objectives of the financial risk management function 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 under a risk/return perspective. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise 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 2015.

Market risk. Market risk is the risk of loss due to adverse changes in interest rates exchange rates equity prices commodity prices and 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 Group'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 Group's market risk management unit is in charge of daily limit monitoring and weekly reporting to the Parent Bank and is responsible for reporting any limited breach to the Parent Bank. In the case of a limit breach the Parent Bank board member responsible for global treasury has the right to intervene in the Group's risk management activities and practices.

The Group uses an interest rate sensitivity analysis to assess interest rate risk for its banking portfolio which consists of loans, deposits, interbank, money market transactions, fixed-income, held-to-maturity securities and interest rate derivatives and for its trading portfolio which consists of fixed income trading securities. The Group creates an interest rate repricing gap for each portfolio by comparing the present market value of all future cash flows calculated taking the current market interest rate that the Group uses for internal pricing against the value of all future cash flows in the current market increased by one basis point.

The Group uses set of position limits to prevent the concentration of certain financial instruments including trading securities and open foreign exchange positions as well as in the Group's overall portfolio in order to maintain the market value of the overall portfolio. The position limits are set for individual positions and for the overall portfolio and account for certain market conditions including liquidity.

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 (mainly USD/RR and EUR/RR exchange rate fluctuations).

Foreign exchange risk management is done centrally by the Treasury Directorate for the Group's Head Office and all regional and Moscow branches.

24 Financial Risk Management (Continued)

The Group's Treasury Directorate undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Bank's currency position on a minimum level. The Group uses swaps forwards and USD futures contracts tradable on MICEX and RTS as the main instruments for hedging risk.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 June 2016:

<i>In thousands of Russian Roubles</i>	RUR	USD	EUR	Other	Total
Cash and cash equivalents	90 711 657	41 627 343	11 193 154	851 580	144 383 734
Mandatory cash balances with the Central bank of the Russian Federation	4 476 642	-	-	-	4 476 642
Trading securities and repurchase receivables related to trading securities	14 371 359	3 707 297	312 595	-	18 391 251
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	7 686 200	21 691 500	195 509	-	29 573 209
Due from other banks	2 272 820	22 548 961	-	6 890 857	31 712 638
Loans and advances to customers	279 371 608	175 953 229	24 647 911	5 328 078	485 300 826
Investment securities available for sale	1 530 605	-	-	-	1 530 605
Investment securities held-to-maturity	2 900 319	-	2 799 653	-	5 699 972
Derivatives and other financial assets	40 177 114	4 110 105	145 324	327 308	44 759 851
Total monetary financial assets	443 498 324	269 638 435	39 294 146	13 397 823	765 828 728
Due to other banks	7 486 909	651 440	1 260 405	102 122	9 500 876
Customer accounts	305 014 423	177 933 723	88 365 223	4 826 120	576 139 489
Term borrowings from the Parent Bank	-	37 444 173	-	-	37 444 173
Debt securities in issue	12 815 188	282 940	72 858	-	13 170 986
Derivatives and other financial liabilities	16 901 390	21 572 855	432 531	152 951	39 059 727
Total monetary financial liabilities	342 217 910	237 885 131	90 131 017	5 081 193	675 315 251
Less fair value of currency derivatives	29 866 313	(16 673 780)	(312)	178 531	13 370 752
Currency derivatives	18 593 673	(48 016 516)	50 758 136	(7 964 541)	13 370 752
Net position including currency derivatives	90 007 774	410 568	(78 423)	173 558	90 513 477

24 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2015 is presented below:

<i>In thousands of Russian Roubles</i>	RUR	USD	EUR	Other	Total
Cash and cash equivalents	66 458 288	57 566 293	34 245 440	1 295 814	159 565 835
Mandatory cash balances with the Central bank of the Russian Federation	4 368 109	-	-	-	4 368 109
Trading securities and repurchase receivables related to trading securities	18 292 124	822 314	407 451	-	19 521 889
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	3 768 970	22 777 062	203 401	-	26 749 433
Due from other banks	1 059 138	21 900 846	12 012 193	-	34 972 177
Loans and advances to customers	264 654 660	224 178 362	27 188 312	6 300 246	522 321 580
Investment securities available for sale	1 507 038	-	-	-	1 507 038
Investment securities held to maturity	6 212 996	-	3 213 641	-	9 426 637
Derivatives and other financial assets	49 106 772	7 648 890	723 067	158 988	57 637 717
Total monetary financial assets	415 428 095	334 893 767	77 993 505	7 755 048	836 070 415
Due to other banks	39 445 239	4 483 308	1 707 409	45 380	45 681 336
Customer accounts	297 647 228	185 059 115	93 612 592	4 951 502	581 270 437
Term borrowings from the Parent Bank	-	53 674 067	1 567 378	-	55 241 445
Debt securities in issue	12 800 506	398 268	395 370	-	13 594 144
Derivatives and other financial liabilities	14 408 138	45 701 659	627 893	1 887	60 739 577
Total monetary financial liabilities	364 301 111	289 316 417	97 910 642	4 998 769	756 526 939
Less fair value of currency derivatives	40 953 726	(37 349 768)	26 062	157 343	3 787 363
Currency derivatives	73 942 895	(88 779 981)	20 180 382	(1 555 933)	3 787 363
Net position including currency derivatives	84 116 153	(5 852 863)	237 183	1 043 003	79 543 476

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.

24 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 30 June 2016 is set out below:

<i>In thousands of Russian Roubles</i>	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	132 290 578	5 850 443	297 634	5 945 079	144 383 734
Mandatory cash balances with the Central bank of the Russian Federation	4 476 642	-	-	-	4 476 642
Trading securities and repurchase receivables related to trading securities	14 371 359	-	4 019 892	-	18 391 251
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	7 601 965	-	2 518 402	19 452 842	29 573 209
Due from other banks	2 272 821	19 333 542	10 106 275	-	31 712 638
Loans and advances to customers	436 929 917	1 646	35 858 312	12 510 951	485 300 826
Investment securities available for sale	-	-	1 530 605	-	1 530 605
Investment securities held-to-maturity	-	2 799 653	2 900 319	-	5 699 972
Derivatives and other financial assets	18 643 415	23 250 349	1 209 935	1 656 152	44 759 851
Total financial assets	616 586 697	51 235 633	58 441 374	39 565 024	765 828 728
Liabilities					
Due to other banks	2 219 646	1 226 172	5 623 083	431 975	9 500 876
Customer accounts	556 922 151	1 997 932	11 158 704	6 060 702	576 139 489
Term borrowings from the Parent Bank	-	37 444 173	-	-	37 444 173
Debt securities in issue	12 888 046	-	282 940	-	13 170 986
Derivatives and other financial liabilities	11 050 184	27 774 301	228 027	7 215	39 059 727
Total financial liabilities	583 080 027	68 442 578	17 292 754	6 499 892	675 315 251
Net balance sheet position	33 506 670	(17 206 945)	41 148 620	33 065 132	90 513 477
Credit related commitments (Note 26)	199 489 136	31 840 314	11 303 899	1 011 953	243 645 302

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.

24 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2015 is set out below:

	Russia	Austria	Other European Union	Other countries	Total
<i>In thousands of Russian Roubles</i>					
Assets					
Cash and cash equivalents	99 783 001	39 831 091	6 507 647	13 444 096	159 565 835
Mandatory cash balances with the Central bank of the Russian Federation	4 368 109	-	-	-	4 368 109
Trading securities and repurchase receivables related to trading securities	18 292 124	-	1 229 765	-	19 521 889
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	3 688 043	-	1 154 656	21 906 734	26 749 433
Due from other banks	1 059 138	10 954 927	22 958 112	-	34 972 177
Loans and advances to customers	470 429 318	3 710	41 748 069	10 140 483	522 321 580
Investment securities available for sale	-	-	1 507 038	-	1 507 038
Investment securities held-to-maturity	510 174	3 213 641	5 702 822	-	9 426 637
Derivatives and other financial assets	26 267 585	25 244 592	1 530 019	4 595 521	57 637 717
Total financial assets	624 397 492	79 247 961	82 338 128	50 086 834	836 070 415
Liabilities					
Due to other banks	33 242 984	5 246 593	6 014 834	1 176 925	45 681 336
Customer accounts	566 868 267	1 794 150	9 778 601	2 829 419	581 270 437
Term borrowings from the Parent Bank	-	55 241 445	-	-	55 241 445
Debt securities in issue	13 263 701	-	330 443	-	13 594 144
Derivatives and other financial liabilities	9 297 847	47 892 955	3 479 651	69 124	60 739 577
Total financial liabilities	622 672 799	110 175 143	19 603 529	4 075 468	756 526 939
Net balance sheet position	1 724 693	(30 927 182)	62 734 599	46 011 366	79 543 476
Credit related commitments (Note 28)	187 900 497	1 894 912	12 859 450	2 388 961	205 043 820

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 30 June 2016 (31 December 2015: 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.

24 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 30 June 2016 and 31 December 2015:

<i>In thousands of Russian Roubles, 30 June 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	144 383 734	-	-	-	144 383 734
Mandatory cash balances with the Central bank of the Russian Federation	4 476 642	-	-	-	4 476 642
Trading securities and repurchase receivables related to trading securities	18 391 251	-	-	-	18 391 251
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	29 573 209	-	-	-	29 573 209
Due from other banks	4 499 022	13 898 878	13 314 738	-	31 712 638
Loans and advances to customers	105 150 149	111 428 081	205 731 851	62 990 745	485 300 826
Investment securities available for sale	1 530 605	-	-	-	1 530 605
Investment securities held-to-maturity	1 711 460	-	3 988 512	-	5 699 972
Derivatives and other financial assets	9 394 583	13 887 296	21 174 087	303 885	44 759 851
Total financial assets	319 110 655	139 214 255	244 209 188	63 294 630	765 828 728
Due to other banks	5 432 052	-	4 068 824	-	9 500 876
Customer accounts	42 994 754	187 863 132	328 040 362	17 241 241	576 139 489
Term borrowings from the Parent bank	-	2 871 475	23 863 246	10 709 452	37 444 173
Debt securities in issue	44 096	48 151	13 078 739	-	13 170 986
Derivatives and other financial liabilities	9 817 003	18 219 276	10 280 489	742 959	39 059 727
Total financial liabilities	58 287 905	209 002 034	379 331 660	28 693 652	675 315 251
Net liquidity gap at 30 June 2016	260 822 750	(69 787 779)	(135 122 472)	34 600 978	90 513 477
Cumulative gap at 30 June 2016	260 822 750	191 034 971	55 912 499	90 513 477	-

24 Financial Risk Management (Continued)

<i>In thousands of Russian Roubles, 31 December 2015</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	159 565 835	-	-	-	159 565 835
Mandatory cash balances with the Central bank of the Russian Federation	4 368 109	-	-	-	4 368 109
Trading securities and repurchase receivables related to trading securities	19 521 889	-	-	-	19 521 889
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	26 749 433	-	-	-	26 749 433
Due from other banks	24 024 952	3 649 713	7 297 512	-	34 972 177
Loans and advances to customers	100 421 437	114 789 842	234 478 807	72 631 494	522 321 580
Investment securities available for sale	1 507 038	-	-	-	1 507 038
Investment securities held- to-maturity portfolio	3 202 085	2 896 862	3 327 690	-	9 426 637
Derivatives and other financial assets	7 606 150	19 971 060	29 757 638	302 869	57 637 717
Total financial assets	346 966 928	141 307 477	274 861 647	72 934 363	836 070 415
Due to other banks	45 059 918	-	621 418	-	45 681 336
Customer accounts	44 936 067	167 415 417	347 823 793	21 095 160	581 270 437
Term borrowings from the Parent bank	1 168 892	10 026 667	22 425 375	21 620 511	55 241 445
Debt securities in issue	428 317	37 358	13 128 469	-	13 594 144
Derivatives and other financial liabilities	11 205 883	18 808 779	30 351 221	373 694	60 739 577
Total financial liabilities	102 799 077	196 288 221	414 350 276	43 089 365	756 526 939
Net liquidity gap at 31 December 2015	244 167 851	(54 980 744)	(139 488 629)	29 844 998	79 543 476
Cumulative gap at 31 December 2015	244 167 851	189 187 107	49 698 478	79 543 476	-

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.

25 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.

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

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Tier 1 capital		
Net assets under Russian GAAP	86 058 032	79 619 894
Less: intangible assets, shares of subsidiaries	(1 938 867)	(747 543)
Subordinated debt	8 365 902	9 488 847
Total Tier 1 Capital	92 485 067	88 361 198
Tier 2 capital		
Subordinated debt	22 337 102	26 998 274
Current year unaudited profit and Increase in the value of the property of a credit institution due to revaluation	12 094 911	9 466 287
Total Tier 2 capital	34 432 013	36 464 561
Total regulatory capital	126 917 080	124 825 759

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 announces higher global minimum capital standards (updated September 2010) commonly known as Basel III.

25 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>	30 June 2016 (Unaudited)	31 December 2015
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	59 682 121	49 332 559
Less: revaluation of debt instruments through Capital	(9 300)	-
Less: deferred tax asset	-	(1 449 386)
Total Tier 1 capital before deductions	105 052 808	93 263 160
Less: intangible assets	(3 543 820)	(3 562 954)
Total Tier 1 capital	101 508 988	89 700 206
Tier 2 capital		
Revaluation reserve for debt instruments through Capital	4 185	(6 750)
Subordinated debt	27 770 806	34 824 229
Less: insurance holding companies	(173 709)	(173 709)
Items from additional own funds plus LLP surplus	1 432 127	2 170 593
Total Tier 2 capital	29 033 409	36 814 363
Total capital	130 542 397	126 514 569

25 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>	30 June 2016 (Unaudited)	31 December 2015
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	59 682 121	49 332 559
Total Tier 1 capital before deductions	105 062 108	94 712 546
Less: deferred tax asset	-	(1 449 386)
Total Tier 1 capital	105 062 108	93 263 160
Tier 2 capital		
Subordinated debt	27 770 806	34 824 229
Items from additional own funds plus LLP surplus	1 432 127	2 170 593
Total Tier 2 capital	29 202 933	36 994 822
Total capital	134 265 041	130 257 982

The Group and the Bank have complied with all externally imposed capital requirements throughout 2016 and 2015.

Risk weighted assets

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Total Risk weighted assets	547 898 570	631 485 090
Capital Adequacy Ratio by Austrian Banking Act	23,83%	20,03%
Capital Adequacy Ratio by Basel III	24,51%	20,63%

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

26 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.

26 Contingencies and Commitments (Continued)

Tax legislation. Russian tax and customs 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 successfully challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

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

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2012 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties as determined under the Russian Tax Code all cross-border transactions (irrespective of whether performed between related or unrelated parties) transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time and barter transactions. Significant difficulties exist in interpreting and applying the transfer pricing legislation in practice. Any prior existing court decisions may provide guidance but are not legally binding for decisions by other or higher level courts in the future.

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

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income will be subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation will apply to.

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

26 Contingencies and Commitments (Continued)

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

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Not later than 1 year	564 291	622 647
Later than 1 year and not later than 5 years	2 907	2 907
Total operating lease commitments	567 198	625 554

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 2016 the Group received a credit line from Central Bank of Russia in the amount of 18 billion roubles for a period of one year. At 30 June 2016, the Group did not use these funds.

Outstanding credit related commitments by products are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Undrawn credit lines and Overdraft facilities (revocable)	88 104 118	88 467 316
Guarantees issued (irrevocable)	65 869	948 313
Undrawn commitments to issue documentary instruments (revocable)	12 022 837	20 348 963
Undrawn commitments to issue documentary instruments (irrevocable)	56 955 365	20 912 186
Undrawn credit lines and Overdraft facilities (irrevocable)	1 647 536	1 833 422
Import letters of credit (irrevocable)	14 036 132	13 549 808
Export letters of credit (irrevocable)	404 282	2 333 327
Credit related commitments before provision	173 236 139	148 393 335
Performance guarantees issued (irrevocable)	70 409 163	56 650 485
Credit related commitments and performance guarantees before provision	243 645 302	205 043 820
Less: Provision for credit related commitments and performance guarantees	(39 439)	(46 146)
Total credit related commitments and performance guarantees	243 605 863	204 997 674

26 Contingencies and Commitments (Continued)

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 102 847 thousand at 30 June 2016 (31 December 2015: RR 89 147 thousand).

Outstanding credit related commitments by segments as of 30 June 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)	117 411 446	13 068 187	62 203 462	192 683 095
Credit related commitments to individuals (Retail business)	29 532 175	657 727	11 055	30 200 957
Credit related commitments to medium entities (Middle business)	9 420 715	765 269	7 833 592	18 019 576
Credit related commitments to small and micro entities (SME business)	2 364 936	15 101	361 053	2 741 090
Credit related commitments to state and municipal organisations (Public sector)	584	-	-	584
Credit related commitments and performance guarantees before provision	158 729 856	14 506 284	70 409 162	243 645 302
Less: Provision for credit related commitments and performance guarantees	(1 271)	(14 344)	(23 824)	(39 439)
Total contingencies and commitments	158 728 585	14 491 940	70 385 338	243 605 863

26 Contingencies and Commitments (Continued)

Outstanding credit related commitments by segments as of 31 December 2015 are as follows:

<i>In thousands of Russian Roubles</i>	Credit lines, Overdraft facilities and Commitments to issue documentary instruments	Financial guarantees and Letters of credit	Performance guarantees	Total contingencies and commitments
Credit related commitments to corporate customers (Corporate business)	88 774 176	15 875 517	50 434 686	155 084 379
Credit related commitments to individuals (Retail business)	29 594 461	194 060	-	29 788 521
Credit related commitments to medium entities (Middle business)	10 175 328	756 273	5 842 318	16 773 919
Credit related commitments to small and micro entities (SME business)	3 017 292	5 598	373 481	3 396 371
Credit related commitments to state and municipal organisations (Public sector)	630	-	-	630
Credit related commitments and performance guarantees before provision	131 561 887	16 831 448	56 650 485	205 043 820
Less: Provision for credit related commitments and performance guarantees	(1 094)	(19 336)	(25 716)	(46 146)
Total contingencies and commitments	131 560 793	16 812 112	56 624 769	204 997 674

Outstanding credit related commitments by currency are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2016 (Unaudited)	31 December 2015
Russian Roubles	158 351 081	148 056 132
US Dollars	41 043 320	40 323 664
Euro	43 775 985	16 260 976
Other	474 916	403 048
Total credit related commitments before provision	243 645 302	205 043 820

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

<i>In thousands of Russian Roubles</i>	Note	30 June 2016 (Unaudited)		31 December 2015	
		Asset pledged	Related liability	Asset pledged	Related liability
Repurchase receivables related to trading securities	14	-	-	615 718	569 647
Total		-	-	615 718	569 647

26 Contingencies and Commitments (Continued)

As at 30 June 2016 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 37 868 957 thousand (31 December 2015: RR 20 157 371 thousand). As at 30 June 2016 the fair value of such securities repledged under direct sale and repurchase agreements with other banks amounted to RR nil thousand (31 December 2015: RR nil thousand). Refer to Note 14.

Mandatory cash balances with the Bank of Russia in the amount of RR 4 476 642 thousand (31 December 2015: RR 4 368 109 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

As at 30 June 2016 restricted cash represents monetary funds in the amount of RR 633 527 thousand which collateralise settlements on irrevocable letters of credit (31 December 2015: RR 170 151 thousand).

As at 30 June 2016 restricted cash represents monetary funds in the amount of RR 2 960 369 thousand which collateralise settlements on irrevocable commitments under guarantees (31 December 2015: RR 1 916 237 thousand).

27 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.

27 Fair value of Financial Instruments (Continued)

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:

	30 June 2016			31 December 2015		
	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 bonds	9 398 485	45 985	9 444 470	11 489 247	101 687	11 590 934
- Federal loan bonds (OFZ)	4 505 502	-	4 505 502	3 611 148	-	3 611 148
- Corporate eurobonds	4 019 892	-	4 019 892	1 229 765	-	1 229 765
- Russian Federation Eurobonds	280 223	-	280 223	2 900 053	-	2 900 053
- Municipal bonds	141 164	-	141 164	189 989	-	189 989
Other securities at fair value through profit and loss						
- US Treasury Bonds	19 452 842	-	19 452 842	21 906 734	-	21 906 734
- Federal loan bonds (OFZ)	5 718 108	-	5 718 108	2 147 502	-	2 147 502
- Corporate Eurobonds	2 518 402	-	2 518 402	1 154 656	-	1 154 656
- Corporate bonds	1 492 970	-	1 492 970	1 028 485	2 790	1 031 275
- Municipal bonds	390 887	-	390 887	509 266	-	509 266
Investment securities available for sale	-	1 530 605	1 530 605	1 507 038	-	1 507 038
Derivatives and other financial assets carried at fair value						
- Fair value of currency rate based financial derivatives	-	39 707 212	39 707 212	-	52 923 698	52 923 698
- Fair value of interest rate based financial derivatives	-	3 070 401	3 070 401	-	2 479 537	2 479 537
Total assets recurring fair value measurements	47 918 475	44 354 203	92 272 678	47 673 883	55 507 712	103 181 595

27 Fair Value of Financial Instruments (Continued)

	30 June 2016			31 December 2015		
	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	-	26 336 460	26 336 460	-	49 136 336	49 136 336
- Fair value of interest rate based financial derivatives	-	5 915 461	5 915 461	-	6 399 970	6 399 970
- Shortselling of trading assets	2 453 947	-	2 453 947	3 328 953	-	3 328 953
Total liabilities recurring fair value measurements	2 453 947	32 251 921	34 705 868	3 328 953	55 536 306	58 865 259

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 30 June 2016. 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 doesn't 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.

27 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:

	30 June 2016			Carrying value	31 December 2015			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 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	-	13 314 738	-	13 314 738	-	27 473 559	-	27 473 559
- Long-term placements with other banks with original maturities of more than one year	-	18 397 900	-	18 397 900	-	7 498 618	-	7 498 618
<i>Loans and advances to customers</i>								
- Corporate loans	-	-	291 818 798	291 392 339	-	-	322 014 493	322 157 210
- Retail loans	-	-	156 616 918	162 104 111	-	-	157 962 479	168 140 068
- Loans to middle business	-	-	19 411 289	19 422 864	-	-	19 250 109	19 311 480
- Small and micro entities loans	-	-	12 102 177	12 381 346	-	-	12 231 598	12 712 021
- Public sector loans	-	-	166	166	-	-	801	801
<i>Investment securities held to maturity</i>								
- Corporate bonds	-	-	-	-	506 746	-	-	510 174
- Eurobonds of EBRD	2 872 444	-	-	2 900 319	2 736 250	2 911 680	-	5 702 822
- Corporate eurobonds	2 799 365	-	-	2 799 653	3 182 835	-	-	3 213 641
<i>Assets Held for Sale</i>	-	131 560	-	-	-	-	-	-
Total	5 671 809	31 844 198	479 949 348	522 713 436	6 425 831	37 883 857	511 459 480	566 720 394

27 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:

	30 June 2016			31 December 2015			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								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	7 672 063	-	7 672 063	-	29 026 143	-	29 026 143
- Short-term placements of other banks	-	1 105 663	-	1 105 663	-	11 819 992	-	11 819 992
- Long-term placements of other banks	-	908 862	-	723 150	-	4 298 802	-	4 265 554
- Sale and repurchase agreements with securities with CBRF	-	-	-	-	-	569 647	-	569 647
Customer accounts								
- Current/settlement accounts of legal entities	-	168 387 377	-	168 387 377	-	141 382 802	-	141 382 802
- Term deposits of legal entities	-	54 871 426	-	54 870 583	-	72 859 666	-	71 491 436
- Current/demand accounts of individuals	-	169 713 093	-	169 713 093	-	158 000 772	-	158 000 772
- Term deposits of individuals	-	182 998 904	-	182 280 413	-	210 547 565	-	209 288 983
- Current/settlement accounts of state and public organisations	-	864 910	-	864 910	-	1 090 778	-	1 090 778
- Term deposits of state and public organisations	-	23 113	-	23 113	-	15 666	-	15 666
Debt securities in issue								
- Bonds issued on domestic market	12 941 403	-	-	12 800 976	12 731 390	-	-	12 798 329
- Promissory notes	-	87 070	-	87 070	-	465 372	-	465 372
- Bonds issued on external market	-	282 940	-	282 940	-	324 865	-	330 443
Term borrowings from the Parent Bank	-	37 444 173	-	37 444 173	-	55 241 445	-	55 241 445
Other financial liabilities								
- Provision for other credit related commitments	-	-	39 439	39 439	-	-	46 146	46 146
Total	12 941 403	624 359 594	39 439	636 294 963	12 731 390	685 643 515	46 146	695 833 508

27 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.

28 Related Party Transactions

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

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

	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% – 10,25% p.a.)	5 609 940	302 231	-	-	-
Due from other banks (contractual interest rate: 0,95% – 2,13% p.a.)	12 881 940	10 106 279	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 1,40% – 16,69% p.a.)	-	11 232 264	5 651 292	176 668	-
Investment securities held to maturity	2 799 653	-	-	-	-
Purchased intangible assets less accumulated depreciation	216 602	-	-	-	-
Derivatives and other financial assets	23 246 820	4 781	285	-	-
Investments in associate	-	-	2 159 586	-	-
Due to other banks (contractual interest rate: 0,00% – 9,50% p.a.)	780 337	715 037	-	-	48 970
Customer accounts (contractual interest rate: 0,00% – 8,68%p.a.)	-	-	3 140 370	-	-
Term borrowings from the Parent Bank (contractual interest rate: 2,23% – 9,63% p.a.)	37 444 173	-	-	-	-
Debt securities in issue (contractual interest rate: 4,01% - 5,46% p.a.)	-	312 063	-	-	-
Derivatives and other financial liabilities	27 945 866	89	-	-	-
Other liabilities	-	-	-	512 089	64 871

28 Related Party Transactions (Continued)

The income and expense items with related parties for the six-month period ended 30 June 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	11 185 003	473 467	170 021	9 878	-
Interest expense	(7 016 818)	(10 294)	(92 681)	-	-
Fee and commission income	5 818	2 284	3 336	-	132
Fee and commission expense	(56 151)	(27)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	1 486 955	(15 744)	1 712	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	17 974 718	53 837	-	-	-
Release of accruals for future payments	625 834	-	-	-	-
Administrative and other operating expenses	(369 850)	-	-	(174 077)	(57 904)
Other operating income	172	-	-	4 262	-
Share of profit of associate	-	-	204 700	-	-

The income and expense items with related parties for the three-month period ended 30 June 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	5 629 451	226 489	99 607	4 343	-
Interest expense	(3 004 421)	(4 685)	(46 101)	-	-
Fee and commission income	3 124	1 269	1 138	-	9
Fee and commission expense	(28 321)	(11)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	766 415	(56 246)	(476)	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	5 275 797	322	-	-	-
Release of accruals for future payments	625 834	-	-	-	-
Administrative and other operating expenses	(121 404)	-	-	(71 805)	(28 968)
Other operating income	170	-	-	-	-
Share of profit of associate	-	-	96 649	-	-

28 Related Party Transactions (Continued)

At 30 June 2016 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	1 683 488	100 531	-	-
Guarantees received by the Group at the period end	1 133 777	-	-	84 800
Letters of credit issued by the Group	-	73 515	-	-
Undrawn credit lines and overdraft facilities	30 154 268	-	971	-
Interest rate swap agreements – notional amount as at the period end	256 693 420	-	-	-
Interest rate swap agreements – fair values as at the period end	(2 401 252)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	112 311 289	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	119 027 547	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	(6 049 211)	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	101 502 803	3 033 480	-	-
Foreign currency derivative financial instruments – principal amount sold	96 947 499	3 028 570	-	-
Foreign currency derivative financial instruments – fair value	3 967 781	4 781	-	-
Currency Options purchased - notional amount	368 952	-	-	-
Currency Options purchased - fair value	3 950	-	-	-

At 31 December 2015 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% – 0,30% p.a.)	39 831 075	56 748	-	-	-
Due from other banks (contractual interest rate: 0,70% – 1,90% p.a.)	10 954 927	22 958 112	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 1,89% – 16,69% p.a.)	-	12 821 757	3 640 588	181 900	-
Investment securities held to maturity	3 213 641	-	-	-	-
Purchased intangible assets less accumulated depreciation	285 166	-	-	-	-
Derivatives and other financial assets	25 301 875	12 031	-	-	-
Investments in associates	-	-	2 000 561	-	-
Due to other banks (contractual interest rate: 0,00% – 9,75% p.a.)	4 788 223	498 874	-	-	164 879
Customer accounts (contractual interest rate: 0,66% – 12,40% p.a.)	-	-	3 075 641	-	-
Term borrowings from the Parent Bank (contractual interest rate: 1,39% – 9,53% p.a.)	55 241 445	-	-	-	-
Debt securities in issue (contractual interest rate: 5,46% – 5,46% p.a.)	-	359 614	-	-	-
Other liabilities	-	-	-	485 604	110 939
Derivatives and other financial liabilities	47 935 136	61 177	-	-	-

28 Related Party Transactions (Continued)

The income and expense items with related parties for the six-month period ended 30 June 2015 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	13 181 188	239 842	104 202	9 110	21
Interest expense	(6 035 269)	(72 142)	(146 064)	-	-
Fee and commission income	7 332	4 684	378	-	17
Fee and commission expense	(58 028)	(9)	-	-	(3)
Gains less losses/(losses less gains) from trading in foreign currencies	(70 114)	(11 173)	5 196	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	31 262 934	-	-	-	-
Administrative and other operating expenses	(376 875)	-	-	(47 429)	(34 204)
Other operating income	8	-	1 716	-	-
Share of profit of associate	-	-	279 781	-	-

The income and expense items with related parties for the three-month period ended 30 June 2015 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	6 150 014	122 953	46 424	5 582	21
Interest expense	(3 077 214)	(31 598)	(70 343)	-	-
Fee and commission income	3 345	2 379	42	-	17
Fee and commission expense	(23 830)	(7)	-	-	(3)
Gains less losses/(losses less gains) from trading in foreign currencies	(74 020)	64 093	1 146	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	(1 220 222)	26 646	-	-	-
Administrative and other operating expenses	(163 706)	-	-	4 221	(12 806)
Other operating income	2	-	-	-	-
Share of profit of associate	-	-	147 565	-	-

28 Related Party Transactions (Continued)

At 31 December 2015 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	1 789 740	91 416	-	-
Guarantees received by the Group at the year end	1 587 908	147 565	-	84 800
Letters of credit issued by the Group at the year end	-	1 097 279	11 795	-
Undrawn credit lines	-	-	1 051	-
Interest rate swap agreements – notional amount as at the year end	377 461 961	-	-	-
Interest rate swap agreements – fair values as at the year end	(2 343 978)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the year end	148 101 896	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	162 091 756	-	-	-
Cross currency interest rate swap agreements – fair values as at the year end	(13 321 521)	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	130 969 778	4 999 821	-	-
Foreign currency derivative financial instruments – principal amount sold	135 920 002	5 033 102	-	-
Foreign currency derivative financial instruments – fair value	(6 928 840)	(49 181)	-	-

The Bank's immediate parent is Raiffeisen CIS Region Holding GmbH (2015: Raiffeisen CIS Region Holding GmbH). The Bank is ultimately controlled by Raiffeisen Zentralbank Osterreich AG (2015: Raiffeisen Zentralbank Osterreich AG).

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	30 June 2016 Expense	30 June 2016 Accrued liability	30 June 2015 Expense	31 December 2015 Accrued liability
Short-term benefits:				
- Salaries	147 593	-	96 784	-
- Short-term bonuses	27 608	497 258	(49 917)	469 650
- SB payment	57 904	64 871	34 204	110 939
Share-based compensation:				
- Cash-settled share-based compensation	(1 124)	14 831	561	15 954
Total	231 981	576 960	81 632	596 543

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

29 Subsequent events

The Group paid dividends in the amount RR 2 105 336 thousand in July 2016.

N. V. Kosova, Director
AO PricewaterhouseCoopers Audit
19 August 2016

63 (sixty three) pages are numbered, bound and sealed.



A handwritten signature in blue ink, written over the orange seal and partially overlapping the blue seal. The signature is cursive and appears to be the name of the director, N. V. Kosova.

