



# *CENTER-INVEST BANK GROUP*

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

31 March 2017

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**25** BANK CENTER-INVEST **CENTER-INVEST BANK GROUP**  
**Consolidated Statement on Financial Position – 31 March 2017 (Unaudited)**

<i>In thousands of Russian Roubles</i>	Note	31 March 2017	31 December 2016	31 March 2016
<b>ASSETS</b>				
Cash and cash equivalents		9 511 226	9 629 681	11 700 689
Mandatory cash balances with the Central Bank of the Russian Federation		615 355	611 606	437 136
Due from other banks		2 110 780	6 014 533	415 608
Loans and advances to customers	6	74 958 067	73 380 554	73 817 065
Finance lease receivables		275 813	266 272	338 384
Investment in associate		329 260	315 409	339 394
Investment properties		2 609 073	2 609 073	126 822
Intangible assets		299 401	310 878	279 281
Premises and equipment		2 455 841	2 459 566	2 220 007
Other financial assets		716 030	560 293	676 088
Other assets		397 409	417 824	280 007
Deferred income tax asset		-	-	55 770
<b>TOTAL ASSETS</b>		<b>94 278 255</b>	<b>96 575 689</b>	<b>90 686 251</b>
<b>LIABILITIES</b>				
Due to other banks		128 571	295 407	569 239
Customer accounts	7	78 518 325	80 433 365	67 339 877
Debt securities in issue	8	230 215	427 032	3 093 498
Borrowings from international financial institutions		-	182 116	5 011 919
Other financial liabilities		108 469	90 303	118 649
Other liabilities		207 448	492 674	247 516
Subordinated debt		2 912 903	3 077 640	3 482 773
Deferred income tax liability		186 890	65 919	-
<b>TOTAL LIABILITIES</b>		<b>82 292 821</b>	<b>85 064 456</b>	<b>79 863 471</b>
<b>EQUITY</b>				
Share capital		1 326 277	1 326 277	1 326 277
Share premium		2 078 860	2 078 860	2 078 860
Revaluation reserve for premises and equipment		1 353 140	1 353 140	1 191 551
Retained earnings		7 227 157	6 752 956	6 226 092
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS</b>		<b>11 985 434</b>	<b>11 511 233</b>	<b>10 822 780</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>94 278 255</b>	<b>96 575 689</b>	<b>90 686 251</b>

22 May 2017

  
 S. Yu. Smirnov  
 Chairman of the Executive Board



  
 T.I. Ivanova  
 Chief Accountant

The notes set out on pages 5 to 26 form an integral part of these consolidated condensed interim financial information.

**Consolidated Statement of Profit and Loss and Other Comprehensive Income – 31 March 2017**  
**(Unaudited)**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016</b>	<b>2016</b>
Interest income	9	2 771 429	2 830 907	11 665 819
Interest expense	9	(1 474 877)	(1 696 338)	(6 544 416)
Contributions to the state deposit insurance scheme		(82 530)	(54 944)	(782 734)
<b>Net interest income</b>		<b>1 214 022</b>	<b>1 079 625</b>	<b>4 338 669</b>
Provision for loan portfolio impairment and impairment of finance lease receivables	6	(215 422)	(499 964)	(1 480 661)
<b>Net interest income after impairment provisions</b>		<b>998 600</b>	<b>579 661</b>	<b>2 858 008</b>
Fee and commission income		303 776	281 412	1 248 400
Fee and commission expense		(91 654)	(77 727)	(401 228)
Gains less losses from trading in foreign currencies		11 616	31 800	81 221
Net result from foreign exchange translation		(7 747)	(18 899)	(13 059)
Net result from spot currency transactions and other conversion operations on the interbank market		9 953	(1 560)	(15 383)
Other provisions and expenses		(69 691)	(12 209)	(107 045)
Other operating income		23 766	15 438	62 628
Administrative and other operating expenses		(575 036)	(534 033)	(2 417 681)
Share of result of associate		13 850	16 251	(7 735)
<b>Profit before tax</b>		<b>617 433</b>	<b>280 134</b>	<b>1 288 126</b>
Income tax expense		(143 232)	(60 758)	(284 155)
<b>Profit for the period</b>		<b>474 201</b>	<b>219 376</b>	<b>1 003 971</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation of land and premises of the Group		-	-	250 190
Income tax recorded directly in other comprehensive income		-	-	(50 038)
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>200 152</b>
<b>Total comprehensive income for the period</b>		<b>474 201</b>	<b>219 376</b>	<b>1 204 123</b>

**Consolidated Statement of Cash Flow – 31 March 2017 (Unaudited)**

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016</b>
<b>Cash flows from operating activities</b>		
Interest received	2 653 286	2 689 718
Interest paid	(1 417 925)	(1 702 909)
Contributions to the state deposit insurance scheme	(322 671)	(50 350)
Fees and commissions received	302 027	287 862
Fees and commissions paid	(81 479)	(60 035)
Net income received from trading in foreign currencies	11 616	31 800
Net income from spot currency transactions and other conversion operations on the interbank market	9 862	(1 536)
Income received from assignment of the rights of claim	62 111	74 526
Repayment of debt written off	7 926	91
Other operating income received	23 742	12 834
Staff costs paid	(441 949)	(309 483)
Operating expenses paid	(174 286)	(148 135)
Income tax paid	(951)	(236 280)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>631 309</b>	<b>588 103</b>
<b>Changes in operating assets and liabilities</b>		
Net change in mandatory cash balances with the CBRF	(3 749)	(25 750)
Net change in due from other banks	3 900 000	-
Net change in loans and advances to customers	(2 053 782)	(2 353 263)
Net change in finance lease receivables	(5 754)	19 007
Net change in other financial and other assets	(97 167)	(31 762)
Net change in due to other banks	(161 868)	(51 308)
Net change in customer accounts	(1 716 613)	2 717 925
Net change in promissory notes issued	(181 969)	(176 500)
Net change in other financial and other liabilities	43 877	77 513
<b>Net cash from operating activities</b>	<b>354 284</b>	<b>763 965</b>
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment	(22 696)	(13 782)
Proceeds from sale of premises and equipment	25	-
Acquisition of intangible assets	(2 339)	(32 549)
<b>Net cash used in investing activities</b>	<b>(25 010)</b>	<b>(46 331)</b>
<b>Cash flows from financing activities</b>		
Repurchase and repayment of bonds	-	(75)
Repayment of borrowings from international financial institutions	(179 860)	(949 570)
<b>Net cash used in financing activities</b>	<b>(179 860)</b>	<b>(949 645)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(267 869)</b>	<b>(254 077)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(118 455)</b>	<b>(486 088)</b>
Cash and cash equivalents as at the beginning of the year	9 629 681	12 186 777
<b>Cash and cash equivalents as at the end of the Period</b>	<b>9 511 226</b>	<b>11 700 689</b>

Consolidated Statement of Changes in Equity – 31 March 2017 (Unaudited)

	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total equity attributable to the equity holders
<i>In thousands of Russian Roubles</i>					
<b>Balance at 1 January 2016</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 192 811</b>	<b>6 005 447</b>	<b>10 603 395</b>
Profit for three months ended 31 March 2016	-	-	-	219 376	219 376
<b>Total comprehensive income for three months ended 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219 376</b>	<b>219 376</b>
Dividends declared and paid:					
- ordinary shares	-	-	-	-	-
- preference shares	-	-	-	-	-
Transfer of revaluation surplus on premises to retained earnings	-	-	(1 260)	1 269	9
<b>Balance at 31 March 2016</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 191 551</b>	<b>6 226 092</b>	<b>10 822 780</b>
<b>Balance at 1 January 2017</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 353 140</b>	<b>6 752 956</b>	<b>11 511 233</b>
Profit for three months ended 31 March 2017	-	-	-	474 201	474 201
<b>Total comprehensive income for three months ended 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474 201</b>	<b>474 201</b>
Dividends declared and paid:					
- ordinary shares	-	-	-	-	-
- preference shares	-	-	-	-	-
Transfer of revaluation surplus on premises to retained earnings	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 353 140</b>	<b>7 227 157</b>	<b>11 985 434</b>

## 1. Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the three months ended 31 March 2017 Public Joint-Stock Company Commercial Bank «Center-invest» (the “Bank”) and its 100% subsidiary LLC Center-Leasing (the “Group”).

This consolidated condensed interim financial information has been reviewed, not audited.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares.

**Principal activity.** The Group's principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 31 March 2017 the Bank has three (31 December 2016: three, 31 March 2016: nine) branches within the Russian Federation. Additionally, the Bank has representative office in Moscow and 117 (31 December 2016: 119, 30 June 2016: 113) sub-branches in the in the Rostov and Volgograd Regions, Moscow, Nizhny Novgorod, Stavropol and Krasnodar Regions.

**Registered address and place of business.** The Bank's registered address is: 62 Sokolova street, Rostov-on-the-Don, Russian Federation, 344000.

The average number of the Group's employees during six months ended 31 March 2017 was 1 454 (2016: 1 446, six months ended 31 March 2016: 1 544).

**Presentation currency.** These consolidated financial statements are presented in thousands of Russian Roubles (“RR thousands”), unless otherwise stated.

## 2. Operating Environment of the Group

**The Russian Federation.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 31). Low oil prices, continuing political tensions in the region, as well as international sanctions against certain Russian companies and individuals continued to have a negative impact on the Russian economy in 2016. The above resulted in the economic downturn in Russia, which is characterised by declining 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.

The Bank operates primarily in the South of Russia. Due to a diversified by industry economic structure the South of Russia demonstrates more dynamic and stable development trends than most other Russian regions. The growth rate demonstrated by the main industry of the region, agriculture, significantly exceeds Russia's average level. Stable growth is attributable to natural and climatic factors, well developed infrastructure, the structure of economy diversified by activity and characterised by high share of small and medium enterprises. The management believes that these developments improve competitive advantages of the South of Russia.

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

### 3. Summary of Significant Accounting Policies

**Basis of preparation.** This condensed consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2016. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group’s consolidated financial statements for the year ended 31 December 2015, became effective for the Group from 1 January 2017. They have not significantly affected this consolidated condensed interim financial information of the Group.

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

**Foreign currency translation.** Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each company’s functional currency at year-end official exchange rates of the CBRF are recognised in the consolidated statement of profit and loss and other comprehensive income.

At 31 March 2017 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 56.3779 and EURO 1 = RR 60.595 (31 December 2016: USD 1 = RR 60.6569, EURO 1 = RR 63.8111; 31 March 2016: USD 1 = RR 67.6076, EURO 1 = RR 76.5386).

### 4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

**Impairment losses on loans and advances.** The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated statement of profit and loss and other comprehensive income, 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. 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 loss experience compared to the estimated future discounted cash flows, 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 563 692 thousand (2016: 542 935 thousand, three months ended 31 March 2016: 509 532 thousand).

**Revaluation of premises and investment properties.** Given the absence of a highly liquid market for non-residential premises and land in Rostov, the Rostov Region and other regions of the South of Russia, the Group and the independent appraiser have used professional judgements on comparability of existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of premises had increased by 10%, the carrying value of land and premises within premises and equipment recorded in the balance sheet would have increased by RR 234 602 thousand (31 December 2016: 235 019 thousand, 31 March 2016: 212 226 thousand). If the price per square meter of premises had decreased by 10%, the carrying value of land and premises within premises and equipment recorded in the balance sheet would have decreased by RR 234 602 thousand (31 December 2016: 235 019 thousand, 31 March 2016: 212 226 thousand). If the price per hectare of land had increased by 5%, the total value of investment properties in the balance sheet would have increased by RR 89 028 thousand (31 December 2016: 89 028 thousand, 31 March 2016: 1 600 thousand). If the price per hectare of land had decreased by 5%, the total value of investment properties in the balance sheet would have decreased by RR 89 028 thousand (31 December 2016: 89 028 thousand, 31 March 2016: 1 600 thousand).

**Impairment of investment in associate.** The Group management considered impairment of its investment in the associate (Note 10), a heat and power enterprise of heat systems Teploenergo (TEPTS), taking into consideration the valuation by an independent appraiser and discussions of the value with potential investors in this industry. As a result of the analysis, the Group management concluded that no impairment of carrying value of this investment was required. This conclusion largely depends on the correct assessment of 1) further growth of tariffs for services of TEPTS, 2) further solvency of clients of TEPTS, 3) discount rate applied to future cash flows, 4) well proven practice of TEPTS of including payment shortages into the future year tariffs. These parameters largely depend on the macroeconomic situation and the level of governmental regulation in the Russian Federation. Refer to Note 2. The Group set up a provision for non-performing receivables of TEPTS, which the management believes adequate.

**Tax legislation.** Russian tax, currency and customs legislation is subject to varying interpretations.

## 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. Loans and Advances to Customers

<i>In thousands of Russian roubles</i>	31 March 2017	31 December 2016	31 March 2016
Loans to small and medium size enterprises (SME loans)	28 231 344	28 758 730	31 589 733
Loans to individuals - consumer loans and car loans	22 130 766	22 009 147	21 973 732
Loans to individuals - mortgage loans	21 081 047	20 371 174	15 215 786
Corporate loans	9 151 828	7 670 857	10 133 135
<b>Total loans and advances to customers (before provision for impairment of loans and advances to customers)</b>	<b>80 594 985</b>	<b>78 809 908</b>	<b>78 912 386</b>
Less provision for impairment of loans and advances to customers	(5 636 918)	(5 429 354)	(5 095 321)
<b>Total loans and advances to customers</b>	<b>74 958 067</b>	<b>73 380 554</b>	<b>73 817 065</b>

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2017	Three months ended 31 March 2016	2016
Provision for loan impairment as at 1 January	5 429 354	4 602 480	4 602 480
Provision for impairment during the year	225 929	503 088	1 680 725
Recovery of provision on reassigned rights of claim	(18 365)	(10 247)	(340 210)
Amounts written off during the year as uncollectible	-	-	(513 641)
<b>Provision for loan impairment as at End of period</b>	<b>5 636 918</b>	<b>5 095 321</b>	<b>5 429 354</b>
Recovery of amounts previously written off as uncollectible	7 926	91	199 586

The provision for impairment differs from the amount presented in consolidated statement of other comprehensive income, due to recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

During three months ended 31 March 2017, the Group assigned its rights to overdue and impaired loans totalling (before impairment provision) to RR 77 876 thousand (2016: RR 645 868 thousand; three months ended 31 March 2016: RR 82 650 thousand).

As at 31 March 2017, the Group's 10 largest borrowers had aggregate loan balances of RR 8 419 573 thousand, or 10.4% of the loan portfolio before impairment (31 December 2016: RR 8 771 017 thousand, or 11.1%; 31 March 2016: RR 10 632 543 thousand, or 13.8%).

Ниже представлена структура кредитного портфеля по отраслям экономики:

<i>In thousands of Russian Roubles</i>	31 March 2017		31 December 2016		31 March 2016	
	Сумма	%	Сумма	%	Сумма	%
Individuals (total), incl.	43 211 813	53,7	42 380 321	53,7	37 189 518	47,1
- mortgage loans	21 081 047	26,2	20 371 174	25,8	15 215 786	19,3
- consumer loans	19 801 664	24,6	19 563 284	24,8	19 523 951	24,7
- car loans	2 329 102	2,9	2 445 863	3,1	2 449 781	3,1
Trade	11 387 144	14,1	10 682 973	13,6	11 063 975	14,0
Agriculture	10 438 545	13,0	9 738 931	12,4	10 065 953	12,8
Manufacturing	7 495 400	9,3	8 113 915	10,3	10 072 117	12,8
Transport	2 931 899	3,6	3 036 650	3,8	4 579 924	5,8
Construction	1 641 165	2,0	1 471 688	1,9	1 809 486	2,3
Other	3 489 019	4,3	3 385 430	4,3	4 131 413	5,2
<b>Total loans and advances to customers (before impairment)</b>	<b>80 594 985</b>	<b>100,0</b>	<b>78 809 908</b>	<b>100,0</b>	<b>78 912 386</b>	<b>100,0</b>

Carrying value of each class of loans and advances to customers approximates their fair value at 31 March 2017, 31 December 2016 and 31 March 2016. Refer to Note 15. Information on related party balances and transactions is disclosed in Note 16.

## 7. Customer Accounts

<i>In thousands of Russian roubles</i>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2016</b>
<i>State and public organisations</i>			
- Current/settlement accounts	132 391	51 379	185 533
- Term deposits	15	17 086	20 491
<i>Other legal entities</i>			
- Current/settlement accounts	10 733 681	12 006 755	9 689 389
- Term deposits	2 162 337	2 397 579	2 871 579
<i>Individuals</i>			
- Current/demand accounts	5 008 810	5 708 786	4 491 256
- Term deposits	60 481 091	60 251 780	50 081 629
<b>Total customer accounts</b>	<b>78 518 325</b>	<b>80 433 365</b>	<b>67 339 877</b>

At 31 March 2017 the total aggregate balance of 10 largest clients of the Group was RR 2 040 624 thousand or 2.6% of customer accounts (31 December 2016: RR 2 192 236 thousand, or 2.7%; 31 March 2016: RR 2 257 689 thousand or 3.4%).

Carrying value of each class of customer accounts approximates fair value at 31 March 2017, 31 December 2016 and 31 March 2016. Refer to Note 15. Information on related party balances is disclosed in Note 16.

## 8. Debt Securities in Issue

<i>In thousands of Russian roubles</i>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2016</b>
Bonds	110 920	105 449	2 889 819
Promissory notes	119 295	321 583	203 679
<b>Total debt securities in issue</b>	<b>230 215</b>	<b>427 032</b>	<b>3 093 498</b>

Each bond has par value of RR 1 000 and an embedded put option at par value and exercisable at the moment of coupon income change.

Carrying value of each class of debt securities in issue approximates fair value at 30 June 2016, 31 December 2015 and 30 June 2015. Refer to Note 15.

## 9. Interest Income and Expense

<i>In thousands of Russian roubles</i>	Three months ended 31 March 2017	Three months ended 31 March 2016	2016
<b>Interest income</b>			
Loans and advances to individuals	1 493 597	1 376 187	5 820 529
Loans and advances to enterprises	1 149 474	1 389 415	5 505 317
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	114 861	44 583	275 685
Finance income arising from leasing	13 497	20 722	64 288
<b>Итого процентных доходов</b>	<b>2 771 429</b>	<b>2 830 907</b>	<b>11 665 819</b>
<b>Interest expense</b>			
Term deposits of individuals	1 349 257	1 304 565	5 405 306
Borrowings from international financial institutions, subordinated debt and other banks	61 045	189 409	582 508
Term deposits of legal entities	38 637	67 132	237 639
Current accounts of legal entities	17 475	18 520	71 450
Bonds issued	5 471	108 675	221 129
Promissory notes issued	2 992	8 037	26 363
<b>Total interest expense</b>	<b>1 474 877</b>	<b>1 696 338</b>	<b>6 544 416</b>
Contributions to the state deposit insurance scheme	(82 530)	(54 944)	(782 734)
<b>Net interest income</b>	<b>1 214 022</b>	<b>1 079 625</b>	<b>4 338 669</b>

## 10. Dividends

By 31 March 2017, the Bank was not yet declared dividends for 2016 in connection with the holding of the General meeting of shareholders in June 2017. By 31 March 2016, the Bank was not yet declared dividends for 2015 in connection with the holding of the In June 2016, the Bank declared dividends on preference shares with a par value of RR 1 000 – RR 200 per share and on preference shares with a par value of RR 4 – RR 0.8 per share. In June 2016 the Bank declared dividends on ordinary shares – RR 3.3 per share. All dividends were declared and paid in Russian Roubles.

## 11. 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 chief operating decision maker (CODM) are performed by the Executive Board of the Bank.

### **Description of products and services from which each reportable segment derives its revenue**

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

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, private customers, deposits, investment savings products, custody, credit and debit cards, municipal payments. This segment does not include loans to individuals other than lending through plastic cards.

**Factors that management used to identify the reportable segments**

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

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending and leasing. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment - retail banking.

In addition, the Bank's Executive Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

**Measurement of operating segment profit or loss, assets and liabilities**

The Executive Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- for operating decisions standalone information not adjusted to statutory subsequent events is used;
- income taxes are not allocated to segments;
- loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;
- income on impaired loans is not recognised;
- commission income related to lending and commission expenses on borrowings is recognised immediately rather than deferred using the effective interest method;
- finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;
- funds are generally reallocated between segments ignoring internal interest rates.

**Information about reportable segment profit or loss, assets and liabilities**

Segment information for the reportable segments for the year ended 31 March 2017 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending</b>	<b>Treasury</b>	<b>Retail banking</b>	<b>Total</b>
<b>Three months ended 31 March 2017</b>				
<i>External revenues:</i>				
Interest income	2 468 414	114 862	27 881	2 611 157
Fee and commission income and other operating income	103 697	156 071	159 778	419 546
<b>Total revenues</b>	<b>2 572 111</b>	<b>270 933</b>	<b>187 659</b>	<b>3 030 703</b>
Interest expense	-	(125 524)	(1 368 233)	(1 493 757)
Provision for impairment	(688 518)	4 362	(565)	(684 721)
Fee and commission expenses and other expenses	(21 242)	(19 267)	(47 681)	(88 190)
<b>Segment result</b>	<b>1 862 351</b>	<b>130 504</b>	<b>(1 228 820)</b>	<b>764 035</b>
<b>Total reportable segment assets</b>	<b>74 032 286</b>	<b>2 259 436</b>	<b>-</b>	<b>76 291 722</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(12 706 136)</b>	<b>(68 580 274)</b>	<b>(81 286 410)</b>

Segment information for the reportable segments for the year ended 31 March 2016 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending</b>	<b>Treasury</b>	<b>Retail banking</b>	<b>Total</b>
<b>Three months ended 31 March 2016</b>				
<i>External revenues:</i>				
Interest income	2 575 061	44 582	33 499	2 653 142
Fee and commission income and other operating income	107 572	136 096	164 907	408 575
<b>Total revenues</b>	<b>2 682 633</b>	<b>180 678</b>	<b>198 406</b>	<b>3 061 717</b>
Interest expense	-	(383 429)	(1 324 329)	(1 707 758)
Provision for impairment	(572 240)	3 142	(505)	(569 603)
Fee and commission expenses and other expenses	(12 353)	(14 746)	(38 134)	(65 233)
Losses less gains from foreign currencies	-	(9 004)	-	(9 004)
<b>Segment result</b>	<b>2 098 040</b>	<b>(223 359)</b>	<b>(1 164 562)</b>	<b>710 119</b>
<b>Total reportable segment assets</b>	<b>74 367 090</b>	<b>962 253</b>	<b>-</b>	<b>75 329 343</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(21 806 000)</b>	<b>(56 676 046)</b>	<b>(78 482 046)</b>

Segment information for the reportable segments for the year ended 31 December 2016 is set out below:

<i>(в тысячах российских рублей)</i>	<b>Lending</b>	<b>Treasury</b>	<b>Retail banking</b>	<b>Total</b>
<b>2016</b>				
<i>External revenues:</i>				
Interest income	10 525 535	275 684	129 057	10 930 276
Fee and commission income and other operating income	654 651	640 702	672 639	1 967 992
<b>Total revenues</b>	<b>11 180 186</b>	<b>916 386</b>	<b>801 696</b>	<b>12 898 268</b>
Interest expense	-	(1 075 920)	(5 491 384)	(6 567 304)
Provision for impairment	(1 994 306)	5 197	(1 260)	(1 990 369)
Fee and commission expenses and other expenses	(416 974)	(130 939)	(204 338)	(752 251)
<b>Segment result</b>	<b>8 768 906</b>	<b>(285 276)</b>	<b>(4 895 286)</b>	<b>3 588 344</b>
<b>Total reportable segment assets</b>	<b>73 038 744</b>	<b>6 167 523</b>	<b>-</b>	<b>79 206 267</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(14 839 929)</b>	<b>(69 114 065)</b>	<b>(83 953 994)</b>

**Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2017	Three months ended 31 March 2016	2016
<b>Total revenues for reportable segments</b>	<b>3 030 703</b>	<b>3 061 717</b>	<b>12 898 268</b>
Accrual method application to fee and commission income	(6 854)	4 714	25 569
Fair value of trading securities portfolio recalculation	1 749	(4 660)	7 262
Recognition of interest income on impaired loans	95 746	95 727	361 346
Foreign exchange translation gains less losses	7 747	18 899	13 059
Losses less gains from conversion operations on the interbank market	(9 862)	1 536	15 550
Repayment of debt written off	(7 926)	(91)	(199 586)
Consolidation effect	15 901	17 334	(154)
Other	(16 617)	(35 619)	(63 246)
<b>Total consolidated revenues</b>	<b>3 110 587</b>	<b>3 159 557</b>	<b>13 058 068</b>

Total consolidated revenues comprise interest income, fee and commission income and other income.

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2017	Three months ended 31 March 2016	2016
<b>Total reportable segment result</b>	<b>764 035</b>	<b>710 119</b>	<b>3 588 344</b>
Administrative expenses	(641 630)	(540 207)	(2 915 150)
Effective interest method application	(7 685)	(4 252)	(4 019)
Fair value of trading securities portfolio and other financial assets and liabilities recalculation	1 840	(9 072)	37 979
Recognition of interest income on impaired loans	95 746	95 727	361 346
Recalculation of provision for impairment	419 626	106 229	626 957
Consolidation effect	14 477	14 276	(12 156)
Events after the end of the reporting period	(122 112)	(97 186)	(333 777)
Amortisation recalculation	6 775	5 210	21 980
Other	86 361	(710)	(83 378)
<b>Profit before tax</b>	<b>617 433</b>	<b>280 134</b>	<b>1 288 126</b>

<i>In thousands of Russian Roubles</i>	31 March 2017	31 March 2016	31 December 2016
<b>Total reportable segment assets</b>	<b>76 291 722</b>	<b>75 329 343</b>	<b>79 206 267</b>
Unallocated assets	16 691 616	15 439 675	16 653 625
Recalculation of provision for impairment	255 594	(834 368)	(233 850)
Recognition of interest income on impaired loans	1 124 407	819 619	1 028 661
Application of effective interest rate method to fee and commission income	(244 903)	(262 911)	(239 456)
Finance lease adjustments	(48 055)	(89 592)	(60 046)
Consolidation effect	287 598	275 840	266 056
Other	(79 724)	8 645	(45 568)
<b>Total consolidated assets</b>	<b>94 278 255</b>	<b>90 686 251</b>	<b>96 575 689</b>

<i>In thousands of Russian Roubles</i>	31 March 2017	31 March 2016	31 December 2016
<b>Total reportable segment liabilities</b>	<b>81 286 410</b>	<b>78 482 046</b>	<b>83 953 994</b>
Unallocated liabilities	1 153 926	1 459 299	1 252 537
Application of effective interest rate method to fee and commission expenses	(6 054)	(27 507)	(6 885)
Consolidation effect	(141 461)	(52 305)	(135 224)
Other	-	1 938	34
<b>Total consolidated liabilities</b>	<b>82 292 821</b>	<b>79 863 471</b>	<b>85 064 456</b>

### Major customers

The Group does not have customers, revenues from which exceed 10% the total revenues.

## 12. Financial Risk Management

The risk management function within the Group is carried out in respect of the entire range of financial risks faced by the Group in the course of business. The focus is placed on the following risks: credit, market (including currency, equity and interest rate risk), liquidity, operational, business event (including legal, strategic and reputational risks) and system risk. Policies and processes for managing financial risks remain unchanged from those disclosed in annual consolidated financial statements for the year ended 31 December 2016.

The currency position of the Group as at 31 March 2017 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russian Roubles</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	5 691 777	2 736 391	1 027 926	55 132	9 511 226
Mandatory cash balances with the CBRF	615 355	-	-	-	615 355
Due from other banks	2 101 085	-	9 695	-	2 110 780
Loans and advances to customers	72 588 711	2 369 118	238	-	74 958 067
Finance lease receivables	275 813	-	-	-	275 813
Other assets	709 208	6 649	82	-	715 939
<b>Total financial assets</b>	<b>81 981 949</b>	<b>5 112 158</b>	<b>1 037 941</b>	<b>55 132</b>	<b>88 187 180</b>
Other assets	6 090 984				6 090 984
<b>Total assets</b>	<b>88 072 933</b>	<b>5 112 158</b>	<b>1 037 941</b>	<b>55 132</b>	<b>94 278 164</b>
<b>Liabilities</b>					
Due to other banks	128 571	-	-	-	128 571
Customer accounts	75 310 307	2 125 347	1 048 215	34 456	78 518 325
Debt securities in issue	181 335	48 880	-	-	230 215
Other financial liabilities	105 856	2 487	126	-	108 469
Subordinated debt	-	2 912 903	-	-	2 912 903
<b>Total financial liabilities</b>	<b>75 726 069</b>	<b>5 089 617</b>	<b>1 048 341</b>	<b>34 456</b>	<b>81 898 483</b>
Other liabilities	394 338				394 338
<b>Total liabilities</b>	<b>76 120 407</b>	<b>5 089 617</b>	<b>1 048 341</b>	<b>34 456</b>	<b>82 292 821</b>
Spot contracts	(8 487)	(8 515)	17 093	-	91
<b>Net open currency position</b>	<b>11 944 039</b>	<b>14 026</b>	<b>6 693</b>	<b>20 676</b>	<b>11 985 434</b>
Credit related commitments	2 278 201	212 921	9 695	-	2 500 817



The currency position of the Group as at 31 December 2016 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russian Roubles</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	5 625 741	2 899 815	1 049 034	55 091	9 629 681
Mandatory cash balances with the CBRF	611 606	-	-	-	611 606
Due from other banks	6 004 323	-	10 210	-	6 014 533
Loans and advances to customers	70 788 541	2 560 326	31 687	-	73 380 554
Finance lease receivables	266 272	-	-	-	266 272
Other assets	552 878	7 280	135	-	560 293
<b>Total financial assets</b>	<b>83 849 361</b>	<b>5 467 421</b>	<b>1 091 066</b>	<b>55 091</b>	<b>90 462 939</b>
Other assets	6 112 750				6 112 750
<b>Total assets</b>	<b>89 962 111</b>	<b>5 467 421</b>	<b>1 091 066</b>	<b>55 091</b>	<b>96 575 689</b>
<b>Liabilities</b>					
Due to other banks	295 407	-	-	-	295 407
Customer accounts	77 025 562	2 299 491	1 074 012	34 300	80 433 365
Debt securities in issue	374 442	52 590	-	-	427 032
Borrowings from international financial institutions	182 116	-	-	-	182 116
Other financial liabilities	85 315	2 681	2 307	-	90 303
Subordinated debt	-	3 077 640	-	-	3 077 640
<b>Total financial liabilities</b>	<b>77 962 842</b>	<b>5 432 402</b>	<b>1 076 319</b>	<b>34 300</b>	<b>84 505 863</b>
Other liabilities	558 593				558 593
<b>Total liabilities</b>	<b>78 521 435</b>	<b>5 432 402</b>	<b>1 076 319</b>	<b>34 300</b>	<b>85 064 456</b>
Spot contracts	-	-	-	-	-
<b>Net open currency position</b>	<b>11 440 676</b>	<b>35 019</b>	<b>14 747</b>	<b>20 791</b>	<b>11 511 233</b>
Credit related commitments	2 845 086	144 162	13 400	-	3 002 648

The currency position of the Group as at 31 March 2016 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russian Roubles</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	6 166 616	815 980	4 645 712	72 381	11 700 689
Mandatory cash balances with the CBRF	437 136	-	-	-	437 136
Due from other banks	400 299	-	15 309	-	415 608
Loans and advances to customers	68 541 427	5 189 740	85 898	-	73 817 065
Finance lease receivables	338 384	-	-	-	338 384
Other assets	666 296	7 681	2 109	-	676 086
<b>Total financial assets</b>	<b>76 550 158</b>	<b>6 013 401</b>	<b>4 749 028</b>	<b>72 381</b>	<b>87 384 968</b>
Other assets	3 301 281				3 301 281
<b>Total assets</b>	<b>79 851 439</b>	<b>6 013 401</b>	<b>4 749 028</b>	<b>72 381</b>	<b>90 686 249</b>
<b>Liabilities</b>					
Due to other banks	569 239	-	-	-	569 239
Customer accounts	63 838 288	2 456 816	1 012 090	32 683	67 339 877
Debt securities in issue	3 093 498	-	-	-	3 093 498
Borrowings from international financial institutions	1 298 438	-	3 713 481	-	5 011 919
Other financial liabilities	115 496	2 871	282	-	118 649
Subordinated debt	-	3 482 773	-	-	3 482 773
<b>Total financial liabilities</b>	<b>68 914 959</b>	<b>5 942 460</b>	<b>4 725 853</b>	<b>32 683</b>	<b>79 615 955</b>
Other liabilities	247 516				247 516
<b>Total liabilities</b>	<b>69 162 475</b>	<b>5 942 460</b>	<b>4 725 853</b>	<b>32 683</b>	<b>79 863 471</b>
Spot contracts	47 265	(39 224)	(8 039)	-	2
<b>Net open currency position</b>	<b>10 736 229</b>	<b>31 717</b>	<b>15 136</b>	<b>39 698</b>	<b>10 822 780</b>
Credit related commitments	2 319 844	126 066	16 305	-	2 462 215

The liquidity position of the Group as at 31 March 2017 is set out below:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<i>In thousands of Russian Roubles</i>								
<b>Assets</b>								
Cash and cash equivalents	9 511 226	-	-	-	-	-	-	9 511 226
Mandatory cash balances with the Central Bank of the Russian Federation	615 355	-	-	-	-	-	-	615 355
Due from other banks	2 101 085	-	-	-	-	-	-	2 110 780
Loans and advances to customers	2 746 950	3 373 692	6 431 197	14 055 032	32 982 016	15 369 180	-	74 958 067
Finance lease receivables	18 129	31 797	46 437	64 687	114 763	-	-	275 813
Investments in associate	-	-	-	-	-	-	329 260	329 260
Investment properties	-	-	-	-	2 482 251	-	126 822	2 609 073
Intangible assets	-	-	-	-	-	-	299 401	299 401
Premises and equipment	-	-	-	-	-	-	2 455 841	2 455 841
Other financial assets	415 767	130 160	1 187	99 097	63 822	-	5 997	716 030
Other assets	130 475	23 798	8 225	48 756	186 155	-	-	397 409
<b>Total assets</b>	<b>15 538 987</b>	<b>3 559 447</b>	<b>6 496 741</b>	<b>14 267 572</b>	<b>35 829 007</b>	<b>15 369 180</b>	<b>3 217 321</b>	<b>94 278 255</b>
<b>Liabilities</b>								
Due to other banks	41 674	46 675	-	-	-	40 222	-	128 571
Customer accounts	16 841 592	2 027 741	1 730 757	5 366 191	52 552 044	-	-	78 518 325
Debt securities in issue	3 918	6 945	193 728	25 624	-	-	-	230 215
Subordinated debt	1 786 040	-	-	-	1 126 863	-	-	2 912 903
Other financial liabilities	61 408	7 322	5 716	15 555	18 468	-	-	108 469
Other liabilities	-	-	-	-	-	-	186 890	186 890
Deferred income tax liability	161 765	4 331	113	14 726	26 513	-	-	207 448
<b>Total liabilities</b>	<b>18 896 397</b>	<b>2 093 014</b>	<b>1 930 314</b>	<b>5 422 096</b>	<b>53 723 888</b>	<b>40 222</b>	<b>186 890</b>	<b>82 292 821</b>
<b>Net liquidity gap at 31 March 2017</b>	<b>(3 357 410)</b>	<b>1 466 433</b>	<b>4 566 427</b>	<b>8 845 476</b>	<b>(17 894 881)</b>	<b>15 328 958</b>	<b>3 030 431</b>	<b>11 985 434</b>
<b>Cumulative liquidity gap as at 31 March 2017</b>	<b>(3 357 410)</b>	<b>(1 890 977)</b>	<b>2 675 450</b>	<b>11 520 926</b>	<b>(6 373 955)</b>	<b>8 955 003</b>	<b>11 985 434</b>	
<b>Cumulative liquidity gap as at 31 March 2017 (30% of customer accounts are permanent)</b>	<b>1 695 068</b>	<b>3 769 823</b>	<b>8 855 477</b>	<b>19 310 810</b>	<b>17 181 543</b>	<b>32 510 501</b>	<b>11 985 434</b>	

The liquidity position of the Group as at 31 December 2016 is set out below:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<i>In thousands of Russian Roubles</i>								
<b>Assets</b>								
Cash and cash equivalents	9 629 681	-	-	-	-	-	-	9 629 681
Mandatory cash balances with the Central Bank of the Russian Federation	611 606	-	-	-	-	-	-	611 606
Due from other banks	6 004 323	-	-	10 210	-	-	-	6 014 533
Loans and advances to customers	2 046 644	4 567 504	5 362 746	14 061 745	32 418 342	14 923 573	-	73 380 554
Finance lease receivables	16 871	30 735	42 863	73 738	102 065	-	-	266 272
Investments in associate	-	-	-	-	-	-	315 409	315 409
Investment properties	-	-	-	-	2 482 251	-	126 822	2 609 073
Intangible assets	-	-	-	-	-	-	310 878	310 878
Premises and equipment	-	-	-	-	-	-	2 459 566	2 459 566
Other financial assets	296 371	111 825	1 244	87 739	57 117	-	5 997	560 293
Other assets	75 733	108 103	17 766	70 570	145 652	-	-	417 824
<b>Total assets</b>	<b>18 681 229</b>	<b>4 818 167</b>	<b>5 424 619</b>	<b>14 304 002</b>	<b>35 205 427</b>	<b>14 923 573</b>	<b>3 218 672</b>	<b>96 575 689</b>
<b>Liabilities</b>								
Due to other banks	9	83 332	124 998	28 847	-	58 221	-	295 407
Customer accounts	18 897 982	1 628 831	2 130 109	3 423 552	54 352 891	-	-	80 433 365
Debt securities in issue	207 447	-	98 497	121 088	-	-	-	427 032
Borrowings from international financial institutions	-	182 116	-	-	-	-	-	182 116
Subordinated debt	-	-	1 865 308	-	1 212 332	-	-	3 077 640
Other financial liabilities	37 719	13 013	1 356	12 527	25 688	-	-	90 303
Other liabilities	59 164	392 165	6	17 051	24 288	-	-	492 674
Deferred income tax liability	-	-	-	-	-	-	65 919	65 919
<b>Total liabilities</b>	<b>19 202 321</b>	<b>2 299 457</b>	<b>4 220 274</b>	<b>3 603 065</b>	<b>55 615 199</b>	<b>58 221</b>	<b>65 919</b>	<b>85 064 456</b>
<b>Net liquidity gap at 31 December 2016</b>	<b>(521 092)</b>	<b>2 518 710</b>	<b>1 204 345</b>	<b>10 700 937</b>	<b>(20 409 772)</b>	<b>14 865 352</b>	<b>3 152 753</b>	<b>11 511 233</b>
<b>Cumulative liquidity gap as at 31 December 2016</b>	<b>(521 092)</b>	<b>1 997 618</b>	<b>3 201 963</b>	<b>13 902 900</b>	<b>(6 506 872)</b>	<b>8 358 480</b>	<b>11 511 233</b>	
<b>Cumulative liquidity gap as at 31 December 2016 (30% of customer accounts are permanent)</b>	<b>5 148 303</b>	<b>8 155 662</b>	<b>9 999 040</b>	<b>21 727 042</b>	<b>17 623 138</b>	<b>32 488 490</b>	<b>11 511 233</b>	

The liquidity position of the Group as at 31 March 2016 is set out below:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<i>In thousands of Russian Roubles</i>								
<b>Assets</b>								
Cash and cash equivalents	11 700 689	-	-	-	-	-	-	11 700 689
Mandatory cash balances with the Central Bank of the Russian Federation	437 136	-	-	-	-	-	-	437 136
Due from other banks	400 300	-	15 308	-	-	-	-	415 608
Loans and advances to customers	2 536 409	3 313 522	8 405 263	14 966 442	32 791 475	11 803 954	-	73 817 065
Finance lease receivables	17 370	34 826	53 480	86 405	146 303	-	-	338 384
Investments in associate	-	-	-	-	-	-	339 394	339 394
Investment properties	-	-	-	-	-	-	126 822	126 822
Intangible assets	-	-	-	-	-	-	279 281	279 281
Premises and equipment	-	-	-	-	-	-	2 220 007	2 220 007
Other financial assets	329 825	8 010	1 730	201 727	128 799	-	5 997	676 088
Other assets	42 601	27 268	21 220	74 628	114 290	-	-	280 007
Deferred income tax asset	-	-	-	-	-	-	55 770	55 770
<b>Total assets</b>	<b>15 464 330</b>	<b>3 383 626</b>	<b>8 497 001</b>	<b>15 329 202</b>	<b>33 180 867</b>	<b>11 803 954</b>	<b>3 027 271</b>	<b>90 686 251</b>
<b>Liabilities</b>								
Due to other banks	8	-	-	166 664	402 567	-	-	569 239
Customer accounts	5 603 440	3 273 025	1 710 203	2 717 773	54 035 436	-	-	67 339 877
Debt securities in issue	1 655	2 618 505	20 797	444 244	8 297	-	-	3 093 498
Borrowings from international financial institutions	780 663	290 951	240 895	1 155 092	2 544 318	-	-	5 011 919
Subordinated debt	105 291	-	-	-	3 377 482	-	-	3 482 773
Other financial liabilities	89 012	-	1 868	24 335	3 434	-	-	118 649
Other liabilities	186 341	23 694	6	19 655	17 820	-	-	247 516
<b>Total liabilities</b>	<b>17 436 021</b>	<b>6 206 175</b>	<b>1 973 769</b>	<b>4 527 763</b>	<b>49 719 743</b>	<b>-</b>	<b>-</b>	<b>79 863 471</b>
<b>Net liquidity gap at 31 March 2016</b>	<b>(1 971 691)</b>	<b>(2 822 549)</b>	<b>6 523 232</b>	<b>10 801 439</b>	<b>(16 538 876)</b>	<b>11 803 954</b>	<b>3 027 271</b>	<b>10 822 780</b>
<b>Cumulative liquidity gap as at 31 March 2016</b>	<b>(1 971 691)</b>	<b>(4 794 240)</b>	<b>1 728 992</b>	<b>12 530 431</b>	<b>(4 008 445)</b>	<b>7 795 509</b>	<b>10 822 780</b>	
<b>Cumulative liquidity gap as at 31 March 2016 (30% of customer accounts are permanent)</b>	<b>2 910 224</b>	<b>1 069 583</b>	<b>8 105 876</b>	<b>19 722 647</b>	<b>16 193 518</b>	<b>27 997 472</b>	<b>10 822 780</b>	

### 13. Analysis of Risk-based Capital

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

<i>In thousands of Russian Roubles</i>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2016</b>
<i>Tier 1 capital</i>			
Share capital	1 326 277	1 326 277	1 326 277
Share premium	2 078 860	2 078 860	2 078 860
Retained Earnings	7 227 157	6 752 956	6 226 092
<b>Total tier 1 capital</b>	<b>10 632 294</b>	<b>10 158 093</b>	<b>9 631 229</b>
<i>Tier 2 capital</i>			
Revaluation reserve for premises and equipment	1 353 140	1 353 140	1 191 551
Subordinated debt	869 159	1 086 769	1 718 360
<b>Total tier 2 capital</b>	<b>2 222 299</b>	<b>2 439 909</b>	<b>2 909 911</b>
<b>Total capital</b>	<b>12 854 593</b>	<b>12 598 002</b>	<b>12 541 140</b>
<b>Risk-Weighted Assets</b>	<b>75 136 830</b>	<b>74 323 413</b>	<b>74 445 132</b>
Capital Adequacy Ratio	17,1%	17,0%	16,9%

### 14. Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group may be received. At 31 March 2017, the Group was engaged in litigation proceedings in relation to claims from borrowers and leases. A provision of RR 10 806 thousand (31 December 2016: 10 766 thousand; 31 March 2016: 7 837 thousand) has been made as internal professional advice has indicated that it is likely that a liability will eventuate.

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

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2016</b>
<b>Guarantees issued total, including:</b>	<b>2 500 817</b>	<b>3 002 648</b>	<b>2 462 215</b>
- Russian rubles	2 278 201	2 845 086	2 319 844
- US dollars	212 921	144 162	126 066
- Euro	9 695	13 400	16 305

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 43 538 thousand at 31 March 2017 (31 December 2016: 45 287 thousand; 31 March 2016: 72 059 thousand).

The Group has loan commitments of RR 6 559 923 thousand (31 December 2016: 6 988 536 thousand; 31 March 2016: 6 528 036 thousand). All undrawn credit facilities can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

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

<i>In thousands of Russian Roubles</i>	31 March 2017		31 December 2016		31 March 2016	
	Asset pledged	Related liability	Asset pledged	Related liability	Asset pledged	Related liability
Loans and advances to customers	382 688	128 563	430 413	295 398	651 758	569 231

At 31 March 2017 due from other banks balances in the amount of RR 91 193 thousand (31 December 2016: RR 96 017 thousand, 31 March 2016: RR 115 108 thousand) are placed as a cover for international payment cards transactions. Also, mandatory cash balances with the CB RF in the amount of RR 615 355 thousand (31 December 2016: RR 611 606 thousand, 31 March 2016: RR 437 136 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

**Compliance with covenants.** The Group is subject to certain covenants relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a claim on early repayment of the loan.

At 31 March 2017 and 31 December 2016 the Group did not comply with covenants with regard to the open credit risk ratio (impaired loans and advances to customers less provision to the Group's capital). Documentation on a temporary softening of these covenants to the level acceptable for the Group was signed in 2017. However, under the subordinated loan agreement, the breach of this covenant cannot result in an early debt revocation.

## 15. Fair Value

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

### (a) Recurring fair value measurements

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

<i>In thousands of Russian Roubles</i>	31 March 2017			Total
	Level 1	Level 2	Level 3	
<b>ASSETS AT FAIR VALUE</b>				
<b>FINANCIAL ASSETS</b>				
<i>Other financial assets</i>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
- Foreign exchange spot contracts	-	91	-	91
<b>NON-FINANCIAL ASSETS</b>				
- Investment in associate	-	-	329 260	329 260
- Investment properties	-	-	2 609 073	2 609 073
- Premises and land	-	-	2 346 023	2 346 023
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>-</b>	<b>91</b>	<b>5 290 353</b>	<b>5 290 444</b>

<i>In thousands of Russian Roubles</i>	31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE</b>				
<b>FINANCIAL ASSETS</b>				
<i>Other financial assets</i>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
- Foreign exchange spot contracts	-	-	-	-
<b>NON-FINANCIAL ASSETS</b>				
- Investment in associate	-	-	315 409	315 409
- Investment properties	-	-	2 609 073	2 609 073
- Premises and land	-	-	2 350 186	2 350 186
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>-</b>	<b>-</b>	<b>5 280 665</b>	<b>5 280 665</b>

<i>In thousands of Russian Roubles</i>	31 March 2016			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE</b>				
<b>FINANCIAL ASSETS</b>				
<i>Other financial assets</i>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
- Foreign exchange spot contracts	-	2	-	2
<b>NON-FINANCIAL ASSETS</b>				
- Investment in associate	-	-	339 394	339 394
- Investment properties	-	126 822	-	126 822
- Premises and land	-	-	2 122 256	2 122 256
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>-</b>	<b>126 824</b>	<b>2 467 647</b>	<b>2 594 471</b>

**(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:

<i>In thousands of Russian Roubles</i>	31 March 2017			
	Level 1	Level 2	Level 3	Carrying amount
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	3 911 395	5 599 831	-	9 511 226
Mandatory cash balances with the Central Bank of the Russian Federation	-	615 355	-	615 355
Due from other banks	-	2 110 780	-	2 110 780
Loans and advances to customers	-	-	75 284 442	74 958 067
- Loans to small and medium entities	-	-	26 211 796	26 361 967
- Corporate loans	-	-	8 315 066	8 325 267
- Loans to individuals – consumer and car loans	-	-	20 539 998	19 969 285
- Mortgage loans	-	-	20 217 582	20 301 548
Finance lease receivables	-	-	277 568	275 813
Other financial assets	-	-	709 942	709 942
<b>TOTAL</b>	<b>3 911 395</b>	<b>8 325 966</b>	<b>76 271 952</b>	<b>88 181 183</b>



<i>In thousands of Russian Roubles</i>	31 December 2016			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	3 755 481	5 874 200	-	9 629 681
Mandatory cash balances with the Central Bank of the Russian Federation	-	611 606	-	611 606
Due from other banks	-	6 014 533	-	6 014 533
Loans and advances to customers	-	-	73 696 304	73 380 554
- <i>Loans to small and medium entities</i>	-	-	26 700 764	26 858 965
- <i>Corporate loans</i>	-	-	6 925 608	6 918 588
- <i>Loans to individuals – consumer and car loans</i>	-	-	20 600 045	19 997 289
- <i>Mortgage loans</i>	-	-	19 469 887	19 605 712
Finance lease receivables	-	-	266 255	266 272
Other financial assets	-	-	554 296	554 296
<b>TOTAL</b>	<b>3 755 481</b>	<b>12 500 339</b>	<b>74 516 855</b>	<b>90 456 942</b>

<i>In thousands of Russian Roubles</i>	31 March 2016			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	4 372 572	7 328 117	-	11 700 689
Mandatory cash balances with the Central Bank of the Russian Federation	-	437 136	-	437 136
Due from other banks	-	415 608	-	415 608
Loans and advances to customers	-	-	71 231 717	73 817 065
- <i>Loans to small and medium entities</i>	-	-	28 352 611	29 672 283
- <i>Corporate loans</i>	-	-	9 052 361	9 557 860
- <i>Loans to individuals – consumer and car loans</i>	-	-	20 053 734	20 027 494
- <i>Mortgage loans</i>	-	-	13 773 011	14 559 428
Finance lease receivables	-	-	363 801	338 384
Other financial assets	-	-	670 089	670 089
<b>TOTAL</b>	<b>4 372 572</b>	<b>8 180 861</b>	<b>72 265 607</b>	<b>87 378 971</b>

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

<i>In thousands of Russian Roubles</i>	31 March 2017			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL LIABILITIES</b>				
Due to other banks	-	-	128 571	128 571
Customer accounts	-	-	78 518 325	78 518 325
Debt securities in issue	108 830	-	119 295	230 215
- <i>Promissory notes</i>	-	-	119 295	119 295
- <i>Bonds issued on domestic market</i>	108 830	-	-	110 920
Subordinated debt	-	-	2 912 903	2 912 903
Other financial liabilities	-	-	108 469	108 469
<b>TOTAL</b>	<b>108 830</b>	<b>-</b>	<b>81 787 563</b>	<b>81 898 483</b>

<i>In thousands of Russian Roubles</i>	31 December 2016			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL LIABILITIES</b>				
Due to other banks	-	-	295 407	295 407
Customer accounts	-	-	80 433 365	80 433 365
Debt securities in issue	110 704	-	321 583	427 032
- <i>Promissory notes</i>	-	-	321 583	321 583
- <i>Bonds issued on domestic market</i>	110 704	-	-	105 449
Borrowings from international financial institutions	-	-	182 116	182 116
Subordinated debt	-	-	3 077 640	3 077 640
Other financial liabilities	-	-	90 303	90 303
<b>TOTAL</b>	<b>110 704</b>	<b>-</b>	<b>84 400 414</b>	<b>84 505 863</b>

<i>In thousands of Russian Roubles</i>	31 March 2016			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL LIABILITIES</b>				
Due to other banks	-	-	569 239	569 239
Customer accounts	-	-	67 339 877	67 339 877
Debt securities in issue	2 926 650	-	203 679	3 093 498
- <i>Promissory notes</i>	-	-	203 679	203 679
- <i>Bonds issued on domestic market</i>	2 926 650	-	-	2 889 819
Borrowings from international financial institutions	-	-	5 011 919	5 011 919
Subordinated debt	-	-	3 482 773	3 482 773
Other financial liabilities	-	-	118 649	118 649
<b>TOTAL</b>	<b>2 926 650</b>	<b>-</b>	<b>76 726 136</b>	<b>79 615 955</b>

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

<i>In thousands of Russian Roubles</i>	31 March 2017	31 December 2016	31 March 2016
<b>RR</b>			
<i>Loans and advances to customers</i>			
Loans to small and medium entities	12,7 – 14,8%	12,9 – 15,1%	13,8 - 16,3%
Corporate loans	12,1 – 14,7%	12,6 – 13,7%	14,1 - 17,5%
Loans to individuals – consumer loans	14,1 – 15,0%	14,3 – 15,5%	16,0 - 18,0%
Loans to individuals – car loans	12,2 – 15,0%	12,0 – 15,3%	12,4 - 15,8%
Loans to individuals - mortgage loans	11,0 – 12,3%	12,2 – 12,3%	12,5 - 12,6%
<i>Finance lease receivables</i>	15,9 - 23,1%	18,4 - 22,4%	16,1 - 23,1%
<i>Customer accounts</i>			
Term deposits of individuals	2,0 – 11,0%	2,0 – 11,3%	2,0 – 15,0%
Term deposits of enterprises	4,0 – 11,2%	4,0 – 11,3%	5,0 – 13,9%
<i>Borrowings from international financial institutions</i>	-	10,5%	10,5 - 16,0%
<b>Currency</b>			
<i>Loans and advances to customers</i>			
Corporate loans and loans to SME	4,0 – 7,3%	4,0 – 7,2%	8,0%
Loans to individuals – consumer loans	10,0%	10,0%	10,0%
Mortgage loans	9,0%	9,0%	9,0%
<i>Customer accounts</i>			
Term deposits of individuals	0,1 – 2,5%	0,1 – 2,5%	1,0 – 4,0%
<i>Borrowings from international financial institutions</i>	-	-	3,8 – 4,5%
<i>Subordinated debt</i>	7,4%	7,4%	6,7%

Current rates on the Group's liabilities approximate market rates as they relate to short-term instruments or instruments with floating rates. The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

## 16. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, 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.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The consolidated financial statements of the Group include the following significant transactions and balances with related parties:

	31 March 2017		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Correspondent accounts with banks	356 621	-	-
Gross amount of loans and advances to customers (contractual interest rate: 10.0% - 13.5%)	-	111 945	9 996
Customer accounts (contractual interest rate: 0.1% - 11.0%)	-	4 561	63 939
Subordinated loans (contractual interest rate: 7.4%)	2 912 903	-	-
<hr/>			
	31 March 2016		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Correspondent accounts with banks	3 824 267	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.4% - 16.0%)	-	147 018	11 687
Customer accounts (contractual interest rate: 0.1% - 12.5%)	-	4 618	68 733
Borrowings from international financial institutions (contractual interest rate: 17.1% - 16.0%)	796 158	-	-
Subordinated loans (contractual interest rate: 6.7%)	3 482 773	-	-
<hr/>			
	31 December 2016		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Correspondent accounts with banks	224 311	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.9% - 14.5%)	-	131 149	8 050
Customer accounts (contractual interest rate: 0.1% - 11.0%)	-	578	52 050
Subordinated loans (contractual interest rate: 7.4%)	3 077 640	-	-
<hr/>			
	Three months ended 31 March 2017		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	4 172	187
Interest expense	(54 174)	-	(923)
Fee and commission income	-	333	4
Administrative expenses excluding management remuneration	-	-	(876)

	Three months ended 31 March 2016		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	6 657	268
Interest expense	(94 596)	-	(1 044)
Fee and commission income	-	286	9
Administrative expenses excluding management remuneration	-	-	(2 634)

	2016		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	20 622	760
Interest expense	(321 369)	-	(4 315)
Fee and commission income	-	1 096	26
Administrative expenses excluding management remuneration	-	-	(2 991)

Major shareholders mean shareholders holding over five percent of the Bank's voting shares The major shareholders of the Bank are as follows:

Shareholder	31 марта 2017		31 декабря 2016		31 марта 2016	
	Equity share, %	Voting rights, %	Equity share, %	Voting rights, %	Equity share, %	Voting rights, %
European Bank for Reconstruction and Development	22,80	25,25	22,80	25,25	22,80	25,25
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	18,65	20,65	18,65	20,65	18,65	20,65
Vasiliy Vasilievich Vysokov	11,10	12,30	11,10	12,30	11,10	12,30
Tatiana Nikolaevna Vysokova	10,96	12,13	10,96	12,13	10,96	12,13
Erste Bank	9,09	9,01	9,09	9,01	9,09	9,01
Firebird funds	8,22	9,11	8,22	9,11	8,22	9,11
Rekha Holdings Limited	6,77	7,49	6,77	7,49	6,77	7,49

Key management compensation is presented below:

	Three months ended 31 March 2017		Three months ended 31 March 2017		2016	
	Expense	Accrued liability	Expense	Accrued liability	Expense	Accrued liability
<i>In thousands of Russian Roubles</i>						
<i>Short-term benefits:</i>						
- Salaries	7 194	-	6 072	-	70 994	-
- Short-term and other bonuses	104	-	90	-	48 048	-
<i>Long-term bonus scheme</i>						
	481	20 691	2 161	19 613	2 758	20 210
<b>Total</b>	<b>7 779</b>	<b>20 691</b>	<b>8 323</b>	<b>19 613</b>	<b>121 800</b>	<b>20 210</b>

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

In 2017, the Board of Directors consisted of 7 persons (2016: 7 persons). As at 31 March 2017, the Group's Executive Board consisted of 5 persons (31 December 2016: 5 persons; 31 March 2016: 4 persons).

## 17. Events after the End of the Reporting Period

In April 2017 the Bank repaid ahead of schedule the Subordinated loan from Deutsche Investitions - und Entwicklungsgesellschaft mbH amounting to USD 30 million.