



**BANK  
CENTER-INVEST**

***CENTER-INVEST  
BANK GROUP***

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

**30 September 2016**

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**Center-invest Bank Group**  
**Consolidated Condensed Interim Statement of Financial Position (Unaudited)**

<i>In thousands of Russian Roubles</i>	Note	30 September 2016	30 September 2015	31 December 2015
<b>ASSETS</b>				
Cash and cash equivalents		9 831 633	11 747 531	12 186 777
Mandatory cash balances with the Central Bank of the Russian Federation		583 306	409 006	411 386
Trading securities		-	211 093	-
Due from other banks		5 013 771	15 216	416 240
Loans and advances to customers	6	74 109 406	71 798 055	72 310 896
Finance lease receivables		280 906	389 852	361 190
Investment in associate		307 001	311 129	323 144
Intangible assets		278 164	254 137	252 756
Premises and equipment		2 193 082	2 264 965	2 270 541
Other financial assets		734 804	665 777	678 051
Other assets		1 188 432	391 026	361 711
Deferred income tax asset		-	-	68 307
<b>TOTAL ASSETS</b>		<b>94 520 505</b>	<b>88 457 787</b>	<b>89 640 999</b>
<b>LIABILITIES</b>				
Due to other banks		529 915	1 244 157	630 001
Customer accounts	7	76 426 803	59 969 722	65 039 828
Debt securities in issue	8	1 006 532	6 185 086	3 171 560
Borrowings from international financial institutions		1 768 815	6 881 720	6 079 705
Subordinated debt		3 259 461	3 409 678	3 692 976
Other financial liabilities		131 937	135 967	93 503
Other liabilities		346 965	266 761	330 031
Deferred income tax liability		88 564	54 372	-
<b>TOTAL LIABILITIES</b>		<b>83 558 992</b>	<b>78 147 463</b>	<b>79 037 604</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		1 222 293	1 228 697	1 192 811
Retained earnings		6 334 083	5 676 490	6 005 447
<b>TOTAL EQUITY</b>		<b>10 961 513</b>	<b>10 310 324</b>	<b>10 603 395</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>94 520 505</b>	<b>88 457 787</b>	<b>89 640 999</b>

28 October 2016

S.Y. Smirnov  
Deputy Chairman of the Executive Board



T.I. Ivanova  
Chief Accountant

**Center-invest Bank Group**  
**Consolidated Condensed Interim Statement Of Profit And Loss And Other Comprehensive Income**  
**(Unaudited)**

	Note	Nine months ended 30 September 2016	Nine months ended 30 September 2015	2015
<i>In thousands of Russian Roubles</i>				
Interest income	9	8 748 923	8 284 056	11 089 497
Interest expense	9	(4 921 421)	(5 905 360)	(7 661 920)
Contributions to the state deposit insurance scheme		(460 063)	(129 213)	(179 563)
<b>Net interest income</b>		<b>3 367 439</b>	<b>2 249 483</b>	<b>3 248 014</b>
Provision for loan portfolio impairment and impairment of finance lease receivables	6	(1 474 770)	(1 094 605)	(1 374 838)
<b>Net interest income after impairment provisions</b>		<b>1 892 669</b>	<b>1 154 878</b>	<b>1 873 176</b>
Fee and commission income		906 333	874 584	1 192 570
Fee and commission expense		(300 847)	(271 380)	(364 039)
Net result from trading securities		-	42 886	43 168
Gains less losses from trading in foreign currencies		70 802	83 997	117 629
Net result from foreign exchange translation		(1 205)	461 062	459 976
Net result from conversion operations on the interbank market		(26 751)	(515 382)	(510 026)
Gains less losses from assignment of the rights of		6 163	15 101	15 101
Other provisions and expenses		(26 579)	(17 686)	(39 795)
Repayment of debt written off		29 976	38 836	61 768
Other operating income		34 974	28 515	39 179
Administrative and other operating expenses		(1 734 459)	(1 552 499)	(2 174 975)
Share of result of associate		(16 668)	(21 073)	(10 743)
<b>Profit before tax</b>		<b>834 408</b>	<b>321 839</b>	<b>702 989</b>
Income tax expense		(179 976)	(78 893)	(168 157)
<b>Profit for the year</b>		<b>654 432</b>	<b>242 946</b>	<b>534 832</b>
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation of premises and equipment of associate		-	-	1 685
Income tax recorded directly in other comprehensive income		-	-	(528)
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>1 157</b>
<b>Total comprehensive income for the period</b>		<b>654 432</b>	<b>242 946</b>	<b>535 989</b>

The notes set out on pages 5 to 28 form an integral part of these consolidated condensed interim financial information.

**Center-invest Bank Group**  
**Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)**

*In thousands of Russian Roubles*

	Nine months ended 30 September 2016	Nine months ended 30 September 2015
<b>Cash flows from operating activities</b>		
Interest received	8 321 812	7 887 764
Interest paid	(5 273 339)	(5 366 999)
Contributions to the state deposit insurance scheme	(281 117)	(123 174)
Fees and commissions received	926 891	858 630
Fees and commissions paid	(298 193)	(262 511)
Losses less gains paid from trading securities	-	(15 447)
Net income received from trading in foreign currencies	70 802	83 997
Losses less gains from conversion operations on the interbank market	(26 816)	(547 298)
Income received from assignment of the rights of claim	116 952	168 663
Repayment of debt written off	29 976	38 836
Other operating income received	35 362	28 592
Staff costs paid	(1 015 809)	(1 007 850)
Operating expenses paid	(538 223)	(423 907)
Income tax paid	(457 907)	(74 378)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>1 610 391</b>	<b>1 244 918</b>
<b>Changes in operating assets and liabilities</b>		
Net change in mandatory cash balances with the CBRF	(171 920)	134 594
Net change in trading securities	-	3 574 186
Net change in due from other banks	(4 597 167)	(15 080)
Net change in loans and advances to customers	(4 339 716)	(363 357)
Net change in finance lease receivables	74 822	131 282
Net change in other assets	(27 815)	(364 803)
Net change in due to CB RF and other banks	(84 072)	(10 395 829)
Net change in customer accounts	12 289 806	9 926 124
Net change in promissory notes issued	(141 320)	25 384
Net change in other liabilities	(45 177)	15 335
<b>Net cash (used in)/from operating activities</b>	<b>4 567 832</b>	<b>3 912 754</b>
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment	(2 044)	(36 366)
Proceeds from disposal of premises and equipment	(1 376)	63
Acquisition of intangible assets	(38 989)	(3 792)
<b>Net cash used in investment activities</b>	<b>(42 409)</b>	<b>(40 095)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	500 000
Issue of bonds	369 851	2 927 122
Repurchase and repayment of bonds	(2 408 148)	(5 937 627)
Repayment of borrowings from international financial institutions	(3 967 225)	(2 018 410)
Dividends paid	(296 284)	(18 085)
<b>Net cash (used in)/from financing activities</b>	<b>(6 301 806)</b>	<b>(4 547 000)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(578 761)</b>	<b>966 970</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2 355 144)</b>	<b>292 629</b>
Cash and cash equivalents at the beginning of the year	12 186 777	11 454 902
<b>Cash and cash equivalents at the end of the period</b>	<b>9 831 633</b>	<b>11 747 531</b>

The notes set out on pages 5 to 28 form an integral part of these consolidated condensed interim financial information.

**Center-invest Bank Group**  
**Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)**

	Note	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total equity
<i>In thousands of Russian Roubles</i>						
<b>Balance at 1 January 2015</b>		<b>1 258 709</b>	<b>1 646 428</b>	<b>1 229 040</b>	<b>5 451 300</b>	<b>9 585 477</b>
Profit for Nine months ended 30 September 2015		-	-	-	242 946	242 946
<b>Total comprehensive income for Nine months ended 30 September 2015</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>242 946</b>	<b>242 946</b>
Issue of ordinary shares		67 568	432 432	-	-	500 000
Dividends declared and paid:						
- ordinary shares		-	-	-	-	-
- preference shares		-	-	-	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings		-	-	(343)	343	-
<b>Balance at 30 September 2015</b>		<b>1 326 277</b>	<b>2 078 860</b>	<b>1 228 697</b>	<b>5 676 490</b>	<b>10 310 324</b>
<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 Nine months ended 30 September 2016		-	-	-	654 432	654 432
<b>Total comprehensive income for Nine months ended 30 September 2016</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>654 432</b>	<b>654 432</b>
Dividends declared:						
- ordinary shares		-	-		(278 215)	(278 215)
- preference shares		-	-		(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings		-	-	29 482	(29 482)	-
<b>Balance at 30 September 2016</b>		<b>1 326 277</b>	<b>2 078 860</b>	<b>1 222 293</b>	<b>6 334 083</b>	<b>10 961 513</b>

## **1. Introduction**

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the Nine months ended 30 September 2016 PJSC CB «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 30 September 2016 the Bank has five (31 December 2015: nine, 30 September 2015: nine) branches within the Russian Federation. In the nine months of 2016, four of the Bank's branch transferred to the status of additional offices. Additionally, the Bank has representative office in Moscow and 118 (31 December 2015: 111, 30 September 2015: 108) sub-branches in the Rostov, Volgograd, Stavropol, Krasnodar regions and Nizhny Novgorod.

**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 Nine months ended 30 September 2016 was 1 447 (2015: 1 512, Nine months ended 30 September 2015: 1 524).

**Presentation currency.** These consolidated financial statements are presented in thousands of Russian Roubles ("RR thousands"), 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 and 2016, the Russian economy was negatively impacted and is still 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.

At 30 September 2016 the Bank has the sovereign credit rating of Russia from «the big three» international rating agencies as follows:

Standard & Poor's (from March 2016):

- long-term credit rating of Russia on liabilities in foreign currency – "BB+" (Outlook stable);
- long-term rating on liabilities in national currency – "BBB-" (Outlook stable );
- short-term sovereign rating of the Russian Federation with the obligations in foreign currency "B";
- short-term obligations in national currency "A-3".

Moody's Investors Service (from April 2016):

- the credit rating of Russia on liabilities in foreign currency "Ba1" (Outlook negative);

– sovereign rating with the obligations in national currency – Baa3 (Outlook negative").

In October 2016, the Moody's rating agency maintaining a negative Outlook on the sovereign rating of the Russian Federation have reviewed separately the Outlook for the Russian banking system to "stable".

Long-term credit rating of Russia in foreign currency from agencies S&P and Moody's is at speculative level.

Fitch Ratings (from April 2016):

– long-term credit rating of the Russian Federation denominated in foreign currency – "BBB-" (Outlook stable");

– long-term obligations in national currency – "BBB-" (Outlook stable ");

– short-term sovereign rating of Russia in foreign currency – "F3".

Long-term credit rating of Russia in foreign currency by Fitch is currently on the last stage of investment level.

During the Nine months period ended 30 September 2016:

- the CBRF exchange rate fluctuated between RR 62.9891 and RR 83.5913 per USD;
- the RTS stock exchange index ranged between 607 and 1017;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior periods.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

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 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.

### **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 2015, 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 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 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 30 September 2016 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 63.1581 and EURO 1 = RR 70.8823 (31 December 2015: USD 1 = RR 72.8827, EURO 1 = RR 79.6972; 30 September 2015: USD 1 = RR 66.2367, EURO 1 = RR 74.5825).

#### **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 580 855 thousand (2015: 460 248 thousand, Nine months ended 30 September 2015: 444 031 thousand).

**Revaluation of premises and equipment.** 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 Bank 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 land had increased by 10%, the carrying value of land would have increased by RR 41 697 thousand (31 December 2015: 45 485 thousand, 30 September 2015: 45 485 thousand). If the price per square meter of buildings had increased by 10%, the carrying value of building would have increased by RR 168 345 thousand (31 December 2015: 171 167 thousand, 30 September 2015: 171 724 thousand).

**Impairment of investment in associate.** The Group management considered impairment of investment in the associate, taking into consideration valuation made by an independent appraiser and discussions of the value with potential investors in this industry. The valuation identified absence of any impairment. 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 bad debts 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 at the amount, which the management believes adequate.

**Other matters.** In January 2016, the Bank received an order as a result of the audit by the CBRF, including the requirement for creating additional loan loss provisions in the Bank's statutory financial statements in the amount not leading to incompliance with mandatory ratios set by the CBRF. This issue was contested by the Bank in the courts. Currently, the Bank completed the trial with the Bank of Russia on the order. Loan loss provisions were created in accordance with the requirements of the order taking into account the current situation. All mandatory ratios and requirements of the CBRF are complied by the Bank.

**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>	30 September 2016	30 September 2015	31 December 2015
Loans to small and medium size enterprises (SME loans)	30 121 803	31 183 650	30 581 994
Corporate loans	9 209 219	9 509 012	9 659 585
Loans to individuals - consumer loans and car loans	22 123 115	22 049 370	22 177 141
Mortgage loans	18 463 823	13 495 465	14 494 656
<b>Total loans and advances to customers (before impairment)</b>	<b>79 917 960</b>	<b>76 237 497</b>	<b>76 913 376</b>
Less: Provision for loan impairment	(5 808 554)	(4 439 442)	(4 602 480)
<b>Total loans and advances to customers</b>	<b>74 109 406</b>	<b>71 798 055</b>	<b>72 310 896</b>

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	Nine months ended 30 September 2016	Nine months ended 30 September 2015	2015
Provision for loan impairment as at 1 January	4 602 480	4 094 584	4 094 584
Provision for impairment during the year	1 473 818	1 092 152	1 369 397
Recovery of provision on reassigned rights of claim	(20 305)	(179 814)	(182 802)
Amounts written off during the year as uncollectible	(247 439)	(567 480)	(678 699)
<b>Provision for loan impairment as at End of period</b>	<b>5 808 554</b>	<b>4 439 442</b>	<b>4 602 480</b>

During Nine months ended 30 September 2016, the Group assigned its rights to overdue and impaired loans totalling (before impairment provision) to RR 131 093 thousand (2015: RR 343 251 thousand; Nine months ended 30 September 2015: RR 333 376 thousand).

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

<i>In thousands of Russian Roubles</i>	30 September 2016		30 September 2015		31 December 2015	
	Amount	%	Amount	%	Amount	%
Individuals (total), incl.	40 586 938	50.8	35 544 835	46.6	36 671 797	47.7
- consumer loans	19 643 852	24.5	19 674 102	25.8	19 722 335	25.6
- mortgage loans	18 463 823	23.2	13 495 465	17.7	14 494 656	18.9
- car loans	2 479 263	3.1	2 375 268	3.1	2 454 806	3.2
Agriculture	10 543 799	13.2	9 194 189	12.1	8 602 232	11.2
Trade	10 698 561	13.4	11 054 369	14.5	11 167 512	14.5
Manufacturing	8 323 595	10.4	9 436 949	12.4	9 632 467	12.5
Transport	4 566 990	5.7	5 224 658	6.8	5 575 396	7.3
Construction	1 937 035	2.4	2 208 284	2.9	1 849 959	2.4
Real estate	39 768	0.1	98 545	0.1	94 989	0.1
Energy	54 941	0.1	57 054	0.1	38 092	0.0
Financial companies	-	0.0	48 151	0.1	-	-
Other	3 166 333	3.9	3 370 463	4.4	3 280 932	4.3
<b>Total loans and advances to customers (before impairment)</b>	<b>79 917 960</b>	<b>100.0</b>	<b>76 237 497</b>	<b>100.0</b>	<b>76 913 376</b>	<b>100.0</b>

As at 30 September 2016, the Group's 10 largest borrowers had aggregate loan balances (including finance lease investments) of RR 10 441 038 thousand, or 12.8% of the loan portfolio and finance lease receivables before impairment (31 December 2015: RR 11 720 309 thousand, or 15.2%; 30 September 2015: RR 11 265 465 thousand, or 14.7%).

Carrying value of each class of loans and advances to customers approximates their fair value at 30 September 2016, 31 December 2015 and 30 September 2015. 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>	30 September 2016	30 September 2015	31 December 2015
<i>State and public organisations</i>			
- Current/settlement accounts	166 554	145 626	88 544
- Term deposits	18 981	19 233	21 336
<i>Other legal entities</i>			
- Current/settlement accounts	11 426 648	10 482 094	9 919 972
- Term deposits	2 764 401	3 096 536	3 407 105
<i>Individuals</i>			
- Current/demand accounts	4 614 438	3 891 729	4 954 530
- Term deposits	57 435 781	42 334 504	46 648 341
<b>Total customer accounts</b>	<b>76 426 803</b>	<b>59 969 722</b>	<b>65 039 828</b>

At 30 September 2016 the total aggregate balance of 10 largest clients of the Group was RR 2 057 490 thousand or 2.7% of customer accounts (31 December 2015: RR 2 172 421 thousand, or 3.3%; 30 September 2015: RR 2 179 507 thousand or 3.6%).

Carrying value of each class of customer accounts approximates fair value at 30 September 2016, 31 December 2015 and 30 September 2015. 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>30 September 2016</b>	<b>30 September 2015</b>	<b>31 December 2015</b>
Bonds	757 081	5 928 677	2 781 219
Promissory notes	249 451	256 409	390 341
<b>Total debt securities in issue</b>	<b>1 006 532</b>	<b>6 185 086</b>	<b>3 171 560</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.

<b>Issue</b>	<b>CINBO-BO2</b>	<b>CINBO-BO6</b>	<b>CINBO-BO3</b>	<b>CINBO-BO7</b>	<b>CINBO-BO10</b>
Par value, RR	1 000	1 000	1 000	1 000	1 000
Quantity	1 500 000	1 000 000	1 500 000	3 265 000	3 000 000
Initial placement date	April 2012	March 2013	March 2013	November 2013	May 2014
Maturity	April 2015	March 2016	March 2016	November 2018	May 2019
Next offer date	-	-	-	November 2016	May 2017
As at 30 September 2016					
Number of bonds in issue	-	-	-	647 274	88 479
- including repurchased by subsidiary	-	-	-	-	-
Coupon rate, %	-	-	-	11,25	10,00
Weighted average price, RR	-	-	-	1000,4	999,7
As at 30 September 2015					
Number of bonds in issue	-	13	62	3 265 000	2 497 338
- including repurchased by subsidiary	-	0	0	336	337
Coupon rate, %	-	0,50	0,50	9,20	15,25
Weighted average price, RR	-	999,8	999,4	994,4	1016,0
As at 31 December 2015					
Number of bonds in issue	-	13	62	276 973	2 497 338
- including repurchased by subsidiary	-	-	-	-	337
Coupon rate, %	-	0,50	0,50	11,25	15,25
Weighted average price, RR	-	1000,0	999,7	992,0	1010,0

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

## 9. Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Nine months ended 30 September 2016	Nine months ended 30 September 2015	2015
<b>Interest income</b>			
Loans and advances to enterprises	4 270 771	4 223 314	5 622 836
Loans and advances to individuals	4 293 181	3 825 562	5 192 213
Due from other banks, accounts with other banks	134 426	14 310	33 891
Finance income arising from leasing	50 545	61 974	80 727
Debt trading securities	-	158 896	159 830
<b>Total interest income</b>	<b>8 748 923</b>	<b>8 284 056</b>	<b>11 089 497</b>
<b>Interest expense</b>			
Term deposits of individuals	3 996 740	3 356 645	4 632 640
Borrowings from international financial institutions, subordinated debt and other banks	442 541	840 457	1 044 702
Due to the Central Bank of the Russian Federation	21	592 069	592 069
Term deposits of legal entities	189 782	217 862	282 257
Current accounts of legal entities	56 139	65 871	88 104
Promissory notes issued	19 939	66 776	74 498
Bonds issued	216 259	765 680	947 650
<b>Total interest expense</b>	<b>4 921 421</b>	<b>5 905 360</b>	<b>7 661 920</b>
Contributions to the state deposit insurance scheme	(460 063)	(129 213)	(179 563)
<b>Net interest income</b>	<b>3 367 439</b>	<b>2 249 483</b>	<b>3 248 014</b>

## 10. Dividends

<i>In thousands of Russian Roubles</i>	30 September 2016		30 September 2015	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January	-	-	-	-
Dividends declared during the period	278 215	18 099	-	18 099
Dividends paid during the period	(278 215)	(18 069)	-	(18 099)
<b>Dividends payable</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>

In September 2016 the Bank declared dividends on preference shares with nominal value of RR 1 000 – RR 200 per share (2015: RR 200 per share) and on preference shares with nominal value of RR 4 – RR 0.8 per share (2015: RR 0.8 per share). In September 2016, the Bank declared dividends on ordinary shares – 3.3 rubles per share (for the year 2014: the Bank did not declare dividends on the ordinary shares). Repayment of the principal portion of the dividend for 2015 was made in July 2016 (for 2014: made in September 2015). All dividends are declared and paid in Russian Roubles. A part of declared dividends was not claimed.

## **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 chief operating decision maker (CODM) are performed by the Management 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 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 customer, deposits, investment savings products, custody, credit and debit cards, municipal payments.

### ***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. 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 Management 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 Management 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 for statutory subsequent events;
- 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.

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

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

Segment information for the reportable segments for the Nine months ended 30 September 2016 year is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending and leasing</b>	<b>Treasury</b>	<b>Retail</b>	<b>Total</b>
<b>Nine months ended 30 September 2016</b>				
<i>External revenues:</i>				
- Interest income	7 902 582	134 427	98 184	8 135 193
- Fee and commission income and other operating income	342 456	457 526	494 525	1 294 507
<b>Total revenues</b>	<b>8 245 038</b>	<b>591 953</b>	<b>592 709</b>	<b>9 429 700</b>
Interest expense	-	(902 650)	(4 060 098)	(4 962 748)
Provision for impairment	(2 530 997)	2 551	(973)	(2 529 419)
Fee and commission expenses and other expenses	(57 677)	(90 993)	(143 175)	(291 845)
Losses less gains from foreign currencies	-	(858)	-	(858)
<b>Segment result</b>	<b>5 656 364</b>	<b>(399 997)</b>	<b>(3 611 537)</b>	<b>1 644 830</b>
<b>Total reportable segment assets</b>	<b>73 309 206</b>	<b>5 205 552</b>	<b>-</b>	<b>78 514 758</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(16 939 945)</b>	<b>(65 366 978)</b>	<b>(82 306 923)</b>

Segment information for the reportable segments for the Nine months ended 30 September 2015 year is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending and leasing</b>	<b>Treasury</b>	<b>Retail</b>	<b>Total</b>
<b>Nine months ended 30 September 2015</b>				
<i>External revenues:</i>				
- Interest income	7 530 151	176 968	96 221	7 803 340
- Fee and commission income and other operating income	363 722	425 348	437 404	1 226 474
- Gains less losses from trading securities	-	41 692	-	41 692
<b>Total revenues</b>	<b>7 893 873</b>	<b>644 008</b>	<b>533 625</b>	<b>9 071 506</b>
Interest expense	-	(2 543 129)	(3 362 559)	(5 905 688)
Provision for impairment	(493 852)	4 171	(1 278)	(490 959)
Fee and commission expenses and other expenses	(211 962)	(76 719)	(124 902)	(413 583)
Losses less gains from trading securities and foreign currencies	-	(61 449)	-	(61 449)
<b>Segment result</b>	<b>7 188 059</b>	<b>(2 033 118)</b>	<b>(2 955 114)</b>	<b>2 199 827</b>
<b>Total reportable segment assets</b>	<b>72 118 159</b>	<b>862 796</b>	<b>-</b>	<b>72 980 955</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(28 087 818)</b>	<b>(48 436 417)</b>	<b>(76 524 235)</b>

Segment information for the reportable segments for the year ended 31 December 2015 year is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending and leasing</b>	<b>Treasury</b>	<b>Retail</b>	<b>Total</b>
<b>2015</b>				
<i>External revenues:</i>				
- Interest income	10 082 464	197 484	131 760	10 411 708
- Fee and commission income and other operating income	545 977	593 471	593 060	1 732 508
- Gains less losses from trading securities	-	42 014	-	42 014
<b>Total revenues</b>	<b>10 628 441</b>	<b>832 969</b>	<b>724 820</b>	<b>12 186 230</b>
Interest expense	-	(3 018 333)	(4 638 558)	(7 656 891)
Provision for impairment	(208 733)	2 272	(1 853)	(208 314)
Fee and commission expenses and other expenses	(223 438)	(96 068)	(172 422)	(491 928)
Losses less gains from trading securities and foreign currencies	-	(37 060)	-	(37 060)
<b>Segment result</b>	<b>10 196 270</b>	<b>(2 316 220)</b>	<b>(4 088 013)</b>	<b>3 792 037</b>
<b>Total reportable segment assets</b>	<b>73 112 082</b>	<b>767 818</b>	<b>-</b>	<b>73 879 900</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(23 995 002)</b>	<b>(53 583 222)</b>	<b>(77 578 224)</b>

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

<i>In thousands of Russian Roubles</i>	<b>Nine months ended 30 September 2016</b>	<b>Nine months ended 30 September 2015</b>	<b>2015</b>
<b>Total revenues for reportable segments</b>	<b>9 429 700</b>	<b>9 071 506</b>	<b>12 186 230</b>
Accrual method application to fee and commission income	28 420	32 103	25 620
Fair value of trading securities portfolio recalculation	6 457	26 328	(6 053)
Recognition of interest income on impaired loans	351 352	240 710	341 136
Foreign exchange translation gains less losses	1 205	(461 062)	(459 976)
Losses less gains from conversion operations on the interbank market	26 816	547 298	535 872
Consolidation effect	2 217	(12 136)	(15 818)
Other	(48 996)	(76 772)	(48 099)
<b>Total consolidated revenues</b>	<b>9 797 171</b>	<b>9 367 975</b>	<b>12 558 912</b>



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

<i>In thousands of Russian Roubles</i>	<b>Nine months ended 30 September 2016</b>	<b>Nine months ended 30 September 2015</b>	<b>2015</b>
<b>Total reportable segment result</b>	<b>1 644 830</b>	<b>2 199 827</b>	<b>3 792 037</b>
Administrative expenses	(2 000 316)	(1 751 068)	(2 447 768)
Application of effective interest rate method	4 371	16 932	5 761
Fair value of trading securities portfolio and other financial assets and liabilities recalculation	27 534	53 856	15 405
Recognition of interest income on impaired loans	351 352	240 710	341 136
Recognition of loan loss provision	1 084 319	(363 750)	(920 323)
Consolidation effect	(15 869)	(25 161)	(19 664)
Events after the end of the reporting period	(266 112)	(79 555)	(64 222)
Depreciation/amortisation recalculation	18 869	12 612	11 842
Other	(14 570)	17 436	(11 215)
<b>Profit before tax</b>	<b>834 408</b>	<b>321 839</b>	<b>702 989</b>

<i>In thousands of Russian Roubles</i>	<b>30 September 2016</b>	<b>30 September 2015</b>	<b>31 December 2015</b>
<b>Total reportable segment assets</b>	<b>78 514 758</b>	<b>72 980 955</b>	<b>73 879 900</b>
Unallocated assets	14 897 473	15 573 798	16 042 083
Recognition of loan loss provision	125 335	(375 324)	(909 740)
Recognition of interest income on impaired loans	1 060 398	643 168	723 892
Application of effective interest rate method to fee and commission income	(237 496)	(254 221)	(266 654)
Finance lease adjustments	(65 080)	(96 877)	(93 385)
Consolidation effect	255 246	242 626	268 507
Other	(30 129)	(256 338)	(3 604)
<b>Total consolidated assets</b>	<b>94 520 505</b>	<b>88 457 787</b>	<b>89 640 999</b>

<i>In thousands of Russian Roubles</i>	<b>30 September 2016</b>	<b>30 September 2015</b>	<b>31 December 2015</b>
<b>Total reportable segment liabilities</b>	<b>82 306 923</b>	<b>76 524 235</b>	<b>77 578 224</b>
Unallocated liabilities	1 315 771	1 730 644	1 541 499
Application of effective interest rate method to fee and commission expenses	(12 424)	(41 161)	(36 473)
Consolidation effect	(51 699)	(70 168)	(48 108)
Other	421	3 913	2 462
<b>Total consolidated liabilities</b>	<b>83 558 992</b>	<b>78 147 463</b>	<b>79 037 604</b>

**Major customers**

The Group does not have customers, revenues from which represent 10% or more of the total revenues.

## 12. Financial Risk Management

The currency position of the Group as at 30 September 2016 is set out below:

<i>In thousands of Russian Roubles</i>	RR	USD	Euro	Others	Total
<b>Assets</b>					
Cash and cash equivalents	6 354 345	1 199 108	2 203 047	75 133	9 831 633
Mandatory cash balances with the CBRF	583 306	-	-	-	583 306
Due from other banks	5 002 430	-	11 341	-	5 013 771
Loans and advances to customers	69 714 959	4 359 015	35 432	-	74 109 406
Finance lease receivables	280 906	-	-	-	280 906
Other assets	727 152	7 458	103	-	734 713
<b>Total financial assets</b>	<b>82 663 098</b>	<b>5 565 581</b>	<b>2 249 923</b>	<b>75 133</b>	<b>90 553 735</b>
Other assets	3 966 679				3 966 679
<b>Total assets</b>	<b>86 629 777</b>	<b>5 565 581</b>	<b>2 249 923</b>	<b>75 133</b>	<b>94 520 414</b>
<b>Liabilities</b>					
Due to other banks	529 915	-	-	-	529 915
Customer accounts	72 916 586	2 279 166	1 188 018	43 033	76 426 803
Debt securities in issue	1 006 532	-	-	-	1 006 532
Borrowings from international financial institutions	688 833	-	1 079 982	-	1 768 815
Subordinated loan	-	3 259 461	-	-	3 259 461
Other financial liabilities	127 645	3 946	346	-	131 937
<b>Total financial liabilities</b>	<b>75 269 511</b>	<b>5 542 573</b>	<b>2 268 346</b>	<b>43 033</b>	<b>83 123 463</b>
Other liabilities	435 529				435 529
<b>Total liabilities</b>	<b>75 705 040</b>	<b>5 542 573</b>	<b>2 268 346</b>	<b>43 033</b>	<b>83 558 992</b>
<b>Spot contracts</b>	<b>(13 795)</b>	<b>(1 707)</b>	<b>10 570</b>	<b>5 023</b>	<b>91</b>
<b>Net open currency position</b>	<b>10 910 942</b>	<b>21 301</b>	<b>(7 853)</b>	<b>37 123</b>	<b>10 961 513</b>
Credit related commitments	2 592 650	158 191	11 482	-	2 762 323

The currency position of the Group as at 30 September 2015 is set out below:

<i>In thousands of Russian Roubles</i>	<b>RR</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	5 691 131	704 962	5 283 271	68 167	11 747 531
Mandatory cash balances with the CBRF	409 006	-	-	-	409 006
Trading securities	211 093	-	-	-	211 093
Due from other banks	300	-	14 916	-	15 216
Loans and advances to customers	66 222 806	5 437 715	137 534	-	71 798 055
Finance lease receivables	389 852	-	-	-	389 852
Other assets	654 266	4 489	926	-	659 681
<b>Total financial assets</b>	<b>73 578 454</b>	<b>6 147 166</b>	<b>5 436 647</b>	<b>68 167</b>	<b>85 230 434</b>
Other assets	3 221 257				3 221 257
<b>Total assets</b>	<b>76 799 711</b>	<b>6 147 166</b>	<b>5 436 647</b>	<b>68 167</b>	<b>88 451 691</b>
<b>Liabilities</b>					
Due to other banks	500 023	-	744 134	-	1 244 157
Customer accounts	56 278 094	2 523 986	1 137 535	30 107	59 969 722
Debt securities in issue	6 185 086	-	-	-	6 185 086
Borrowings from international financial institutions	2 740 587	-	4 141 133	-	6 881 720
Subordinated loan	-	3 409 678	-	-	3 409 678
Other financial liabilities	133 952	1 312	703	-	135 967
<b>Total financial liabilities</b>	<b>65 837 742</b>	<b>5 934 976</b>	<b>6 023 505</b>	<b>30 107</b>	<b>77 826 330</b>
Other liabilities	321 133				321 133
<b>Total liabilities</b>	<b>66 158 875</b>	<b>5 934 976</b>	<b>6 023 505</b>	<b>30 107</b>	<b>78 147 463</b>
<b>Spot contracts</b>	<b>(469 395)</b>	<b>(144 108)</b>	<b>619 599</b>	<b>-</b>	<b>6 096</b>
<b>Net open currency position</b>	<b>10 171 441</b>	<b>68 082</b>	<b>32 741</b>	<b>38 060</b>	<b>10 310 324</b>
Credit related commitments	2 565 573	60 132	33 393	-	2 659 098

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The liquidity position of the Group as at 30 September 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	9 831 633	-	-	-	-	-	-	9 831 633
Mandatory cash balances with the CBRF	583 306	-	-	-	-	-	-	583 306
Due from other banks	5 002 430	-	-	11 341	-	-	-	5 013 771
Loans and advances to customers	2 459 430	5 374 130	6 781 020	12 576 316	33 066 486	13 852 024	-	74 109 406
Finance lease receivables	21 120	34 300	43 150	72 500	109 836	-	-	280 906
Investment in associate	-	-	-	-	-	-	307 001	307 001
Intangible assets	-	-	-	-	-	-	278 164	278 164
Premises and equipment	-	-	-	-	-	-	2 193 082	2 193 082
Other financial assets	398 645	114 868	2 656	87 396	125 242	-	5 997	734 804
Other assets	41 518	44 507	7 700	318 084	137 514	-	639 109	1 188 432
<b>Total assets</b>	<b>18 338 082</b>	<b>5 567 805</b>	<b>6 834 526</b>	<b>13 065 637</b>	<b>33 439 078</b>	<b>13 852 024</b>	<b>3 423 353</b>	<b>94 520 505</b>
<b>Liabilities</b>								
Due to other banks	11	7 247	124 998	249 996	147 663	-	-	529 915
Customer accounts	17 202 228	2 191 865	1 678 298	3 179 806	52 174 606	-	-	76 426 803
Debt securities in issue	4 435	929 442	26 615	46 040	-	-	-	1 006 532
Borrowings from international financial institutions	379 645	167 970	179 860	335 264	706 076	-	-	1 768 815
Subordinated debt	103 883	-	-	-	3 155 578	-	-	3 259 461
Other financial liabilities	76 769	11 132	12 352	6 899	24 785	-	-	131 937
Other liabilities	269 510	38 403	6	13 551	25 495	-	-	346 965
Deferred income tax liability	-	-	-	-	-	-	88 564	88 564
<b>Total liabilities</b>	<b>18 036 481</b>	<b>3 346 059</b>	<b>2 022 129</b>	<b>3 831 556</b>	<b>56 234 203</b>	<b>-</b>	<b>88 564</b>	<b>83 558 992</b>
<b>Net liquidity gap</b>	<b>301 601</b>	<b>2 221 746</b>	<b>4 812 397</b>	<b>9 234 081</b>	<b>(22 795 125)</b>	<b>13 852 024</b>	<b>3 334 789</b>	<b>10 961 513</b>
<b>Cumulative liquidity gap as at 30 September 2016</b>	<b>301 601</b>	<b>2 523 347</b>	<b>7 335 744</b>	<b>16 569 825</b>	<b>(6 225 300)</b>	<b>7 626 724</b>	<b>10 961 513</b>	
<b>Cumulative liquidity gap as at 30 September 2016 (30% of customer accounts are permanent)</b>	<b>5 462 269</b>	<b>8 341 575</b>	<b>13 657 461</b>	<b>23 845 484</b>	<b>16 702 741</b>	<b>30 554 765</b>	<b>10 961 513</b>	

**Center-invest Bank Group**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 September 2016 (Unaudited)**

The liquidity position of the Group as at 30 September 2015 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	11 747 531	-	-	-	-	-	-	11 747 531
Mandatory cash balances with the CBRF	409 006	-	-	-	-	-	-	409 006
Trading securities	211 093	-	-	-	-	-	-	211 093
Due from other banks	-	-	-	15 216	-	-	-	15 216
Loans and advances to customers	2 728 825	6 870 965	6 823 515	12 959 237	31 637 059	10 778 454	-	71 798 055
Finance lease receivables	24 168	46 071	74 855	73 054	171 704	-	-	389 852
Investment in associate	-	-	-	-	-	-	311 129	311 129
Intangible assets	-	-	-	-	-	-	254 137	254 137
Premises and equipment	-	-	-	-	-	-	2 264 965	2 264 965
Other financial assets	262 326	50 808	3 634	225 211	117 801	-	5 997	665 777
Other assets	94 957	37 289	65 528	-13 743	80 173	-	126 822	391 026
<b>Total assets</b>	<b>15 478 206</b>	<b>7 005 133</b>	<b>6 967 532</b>	<b>13 258 675</b>	<b>32 006 737</b>	<b>10 778 454</b>	<b>2 963 050</b>	<b>88 457 787</b>
<b>Liabilities</b>								
Due to other banks	24	744 133	-	-	500 000	-	-	1 244 157
Customer accounts	15 444 185	2 656 006	3 665 334	5 194 677	33 009 520	-	-	59 969 722
Debt securities in issue	10 910	3 653 900	49 825	2 470 451	-	-	-	6 185 086
Borrowings from international financial institutions	790 716	285 489	310 531	1 877 450	3 617 534	-	-	6 881 720
Subordinated debt	101 312	-	-	-	3 308 366	-	-	3 409 678
Other financial liabilities	82 301	13 785	10 180	8 316	21 385	-	-	135 967
Other liabilities	225 618	3 624	41	15 145	22 333	-	-	266 761
Deferred income tax liability	-	-	-	-	-	-	54 372	54 372
<b>Total liabilities</b>	<b>16 655 066</b>	<b>7 356 937</b>	<b>4 035 911</b>	<b>9 566 039</b>	<b>40 479 138</b>	<b>-</b>	<b>54 372</b>	<b>78 147 463</b>
<b>Net liquidity gap</b>	<b>(1 176 860)</b>	<b>(351 804)</b>	<b>2 931 621</b>	<b>3 692 636</b>	<b>(8 472 401)</b>	<b>10 778 454</b>	<b>2 908 678</b>	<b>10 310 324</b>
<b>Cumulative liquidity gap as at 30 September 2015</b>	<b>(1 176 860)</b>	<b>(1 528 664)</b>	<b>1 402 957</b>	<b>5 095 593</b>	<b>(3 376 808)</b>	<b>7 401 646</b>	<b>10 310 324</b>	
<b>Cumulative liquidity gap as at 30 September 2015 (30% of customer accounts are permanent)</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>30 September 2016</b>	<b>30 September 2015</b>	<b>31 December 2015</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	6 334 083	5 676 490	6 005 447
<b>Total tier 1 capital</b>	<b>9 739 220</b>	<b>9 081 627</b>	<b>9 410 584</b>
<i>Tier 2 capital</i>			
Revaluation reserve for premises and equipment	1 222 293	1 228 697	1 192 811
Subordinated debt	1 289 478	2 014 700	2 034 642
<b>Total tier 2 capital</b>	<b>2 511 771</b>	<b>3 243 397</b>	<b>3 227 453</b>
<b>Total capital</b>	<b>12 250 991</b>	<b>12 325 024</b>	<b>12 638 037</b>
<b>Risk-Weighted Assets</b>	<b>73 657 809</b>	<b>73 794 214</b>	<b>73 976 559</b>
Capital Adequacy Ratio	16.6%	16.7%	17.1%

### 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 30 September 2016, the Group was engaged in litigation proceedings in relation to claims from borrowers and leases. A provision of RR 7 232 thousand (30 September 2015: 8 728 thousand; 31 December 2015 r.: 13 668 thousand) has been made as internal professional advice has indicated that it is likely that a liability will eventuate.

In 2014 the Bank's client challenged at court cash transfers to its counterparties from its account with the Bank. Further to the court decision the Bank reimbursed losses to the plaintiff in the amount of RR 127 842 thousand. At present the court decision on the reimbursement by the Bank to the plaintiff was cancelled. The court decision on the refusal of compensation of losses in full was taken. This decision was appealed, but the superior court confirmed the legality of the Bank's actions on the basis of which the court issued a judicial act of turning performance of the original decision and as a result issued a writ of execution to reimburse the cash in full. Considering the fact that cash was arrested on the account of the plaintiff in the full, the bank applied to the specified account with the writ of execution, in consequence of which, in August 2016, the money was returned.

**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>	30 September 2016	30 September 2015	31 December 2015
Guarantees issued	2 762 321	2 659 099	2 965 113
<b>Total credit related commitments</b>	<b>2 762 321</b>	<b>2 659 099</b>	<b>2 965 113</b>

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 46 092 thousand at 30 September 2016 (30 September 2015: 41 173 thousand; 31 December 2015: 73 561 thousand).

Credit related commitments are denominated in currencies as follows:

<i>In thousands of Russian Roubles</i>	30 September 2016	30 September 2015	31 December 2015
Russian roubles	2 592 648	2 565 574	2 908 903
US dollars	158 191	60 132	37 511
Euro	11 482	33 393	18 699
<b>Total</b>	<b>2 762 321</b>	<b>2 659 099</b>	<b>2 965 113</b>

The Group has loan commitments of RR 6 273 415 thousand (30 September 2015: 6 820 369 thousand; 31 December 2015: 7 123 193 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>	30 September 2016		30 September 2015		31 December 2015	
	Asset pledged	Related liability	Asset pledged	Related liability	Asset pledged	Related liability
Loans and advances to customers	429 395	529 903	485 873	500 000	693 079	500 000
<b>Total</b>	<b>429 395</b>	<b>529 903</b>	<b>485 873</b>	<b>500 000</b>	<b>693 079</b>	<b>500 000</b>

At 30 September 2016 due from other banks balances in the amount of RR 106 623 thousand (30 September 2015: RR 112 174 thousand, 31 December 2015: RR 119 846 thousand) are placed as a cover for international payment cards transactions. Also, mandatory cash balances with the CB RF in the amount of RR 583 306 thousand (30 September 2015: 409 006 thousand; 31 December 2015: 411 386 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 related primarily 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 of early repayment of the loan.

At 30 September 2016, the Group did not comply with covenants with regard to the open credit risk ratio and regarding the capital adequacy ratio (30 September 2015: with regard to the risk per borrower or a group of related borrowers and open credit risk ratios; 31 December 2015: with regard to the risk per borrower or a group of related borrowers and open credit risk ratios). The reasons for non-compliance with covenant with regard to the open credit risk ratio are attributable to crisis developments in the banking system. The reasons for non-compliance with covenant regarding the capital adequacy ratio are attributable to the significant reduction in regulatory requirements of the CBRF for capital adequacy ratio while maintaining the claims of creditors. The Group started negotiations with relevant creditors regarding this situation once the non-compliance was identified. Based on the results of the current negotiations with creditors, the management of the Bank is confident that the admitted case of non-compliance with covenants will not lead to demand early repayment of obligations of the Group.

## 15. Fair Value of Financial Instruments

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

### (a) Recurring fair value measurements

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

<i>In thousands of Russian Roubles</i>	30 September 2016			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE FINANCIAL ASSETS</b>				
<b>FINANCIAL ASSETS</b>				
<b><i>Other financial assets</i></b>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
- Foreign exchange spot contracts	-	91	-	91
<b>NONFINANCIAL ASSETS</b>				
- Investment property	-	639 109	-	639 109
- Land and premises	-	-	2 100 420	2 100 420
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>				
	-	639 200	2 106 417	2 745 617
<b>TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS</b>				
	-	-	-	-



In thousands of Russian Roubles	31 December 2015			
	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	-	26	-	26
<b>NONFINANCIAL ASSETS</b>				
- Investment property	-	126 822	-	126 822
- Land and premises	-	-	2 166 518	2 166 518
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>				
	-	126 848	2 172 515	2 299 363
<b>TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS</b>				
	-	-	-	-

n thousands of Russian Roubles	30 September 2015			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE FINANCIAL ASSETS</b>				
<b>FINANCIAL ASSETS</b>				
<i>Trading securities</i>				
- Corporate bonds	211 093	-	-	211 093
<i>Other financial assets</i>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
- Foreign exchange spot contracts	-	6 096	-	6 096
<b>NONFINANCIAL ASSETS</b>				
- Investment property	-	126 822	-	126 822
- Land and premises	-	-	2 169 073	2 169 079
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>				
	211 093	132 918	2 175 070	2 519 081
<b>TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS</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:

	30 September 2016			
<i>In thousands of Russian Roubles</i>	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents	4 343 917	5 487 716	-	9 831 633
Mandatory cash balances with the CB RF		583 306	-	583 306
Due from other banks	-	5 013 771	-	5 013 771
Loans and advances to customers	-	-	70 518 483	74 109 406
- <i>Loans to small and medium entities</i>	-	-	28 109 893	27 961 636
- <i>Corporate loans</i>	-	-	8 821 468	8 403 051
- <i>Loans to individuals – consumer and car loans</i>	-	-	19 888 570	20 011 713
- <i>Mortgage loans</i>	-	-	13 698 552	17 733 006
Finance lease receivables	-	-	284 935	280 906
Other financial assets	-	-	728 716	728 716
<b>TOTAL</b>	<b>4 343 917</b>	<b>11 084 793</b>	<b>71 532 134</b>	<b>90 547 738</b>

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	31 December 2015			
	Level 1	Level 2	Level 3	Carrying value
<i>In thousands of Russian Roubles</i>				
FINANCIAL ASSETS				
Cash and cash equivalents	4 224 184	7 962 593	-	12 186 777
Mandatory cash balances with the CB RF	-	411 386	-	411 386
Due from other banks	-	416 240	-	416 240
Loans and advances to customers	-	-	71 724 557	72 310 896
- <i>Loans to small and medium entities</i>	-	-	28 530 162	28 842 096
- <i>Corporate loans</i>	-	-	9 124 014	9 155 963
- <i>Loans to individuals – consumer and car loans</i>	-	-	20 232 397	20 409 566
- <i>Mortgage loans</i>	-	-	13 837 984	13 903 271
Finance lease receivables	-	-	360 984	361 190
Other financial assets	-	-	672 028	672 028
TOTAL	4 224 184	8 790 219	72 757 569	86 358 517

	30 September 2015			
	Level 1	Level 2	Level 3	Carrying value
<i>In thousands of Russian Roubles</i>				
FINANCIAL ASSETS				
Cash and cash equivalents	4 357 575	7 389 956	-	11 747 531
Mandatory cash balances with the CB RF		409 006	-	409 006
Due from other banks		15 216	-	15 216
Loans and advances to customers	-	-	71 814 372	71 806 096
- <i>Loans to small and medium entities</i>	-	-	29 776 565	29 483 905
- <i>Corporate loans</i>	-	-	10 453 330	9 039 932
- <i>Loans to individuals – consumer and car loans</i>	-	-	19 107 207	20 351 301
- <i>Mortgage loans</i>	-	-	12 477 270	12 930 958
Finance lease receivables	-	-	427 978	389 852
Other financial assets	-	-	653 684	653 684
TOTAL	4 357 575	7 814 178	72 896 034	85 021 385

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

	30 September 2016			
	Level 1	Level 2	Level 3	Carrying value
<i>In thousands of Russian Roubles</i>				
FINANCIAL LIABILITIES				
Due to other banks	-	-	529 915	529 915
Customer accounts	-	-	76 426 803	76 426 803
Debt securities in issue	766 222	-	249 451	1 006 532
- <i>Promissory notes</i>	-	-	249 451	249 451
- <i>Bonds issued on domestic market</i>	766 222	-	-	757 081
Borrowings from international financial institutions	-	-	1 768 815	1 768 815
Subordinated debt	-	-	3 259 461	3 259 461
Other financial liabilities	-	-	131 937	131 937
TOTAL	766 222	-	82 366 382	83 123 463

	31 December 2015			
	Level 1	Level 2	Level 3	Carrying value
<i>In thousands of Russian Roubles</i>				
FINANCIAL LIABILITIES				
Due to other banks	-	-	630 001	630 001
Customer accounts	-	-	65 039 828	65 039 828
Debt securities in issue	2 838 114	-	390 341	3 171 560
- <i>Promissory notes</i>	-	-	390 341	390 341
- <i>Bonds issued on domestic market</i>	2 838 114	-	-	2 781 219
Borrowings from international financial institutions	-	-	6 079 705	6 079 705
Subordinated debt	-	-	3 692 976	3 692 976
Other financial liabilities	-	-	93 503	93 503
TOTAL	2 838 114	-	75 926 354	78 707 573

	30 September 2015			
	Level 1	Level 2	Level 3	Carrying value
<i>In thousands of Russian Roubles</i>				
FINANCIAL LIABILITIES				
Due to other banks	-	-	1 244 157	1 244 157
Customer accounts	-	-	59 969 722	59 969 722
Debt securities in issue	6 025 132	-	256 409	6 185 086
- <i>Promissory notes</i>	-	-	256 409	256 409
- <i>Bonds issued on domestic market</i>	6 025 132	-	-	5 928 677
Borrowings from international financial institutions	-	-	6 881 720	6 881 720
Subordinated debt	-	-	3 409 678	3 409 678
Other financial liabilities	-	-	135 967	135 967
TOTAL	6 025 132	-	71 897 653	77 826 330

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>	<b>30 September 2016</b>	<b>30 September 2015</b>	<b>31 December 2015</b>
<b>RR</b>			
<i>Loans and advances to customers</i>			
Loans to SME	13.5 - 15.7%	14.5 - 17.5%	14.1 - 16.6%
Corporate loans	13.5 - 15.9%	15.5 - 17.2%	14.0 - 16.5%
Loans to individuals – consumer loans	15.4 - 18.0%	16.9 - 20.4%	16.5 - 18.6%
Loans to individuals – car loans	9.8 - 15.8%	13.0 - 16.9%	12.6 - 16.2%
Mortgage loans	11.9 - 12.3%	13.6 - 14.4%	12.9 - 13.1%
<i>Finance lease receivables</i>	18.7 - 22.3%	21.4 - 22.6%	19.0 - 23.0%
<i>Customer accounts</i>			
Term deposits of individuals	2.0 - 11.75%	2.0 - 15.0%	2.0 - 15.0%
Term deposits of enterprises	4.0 - 12.5%	5.0 - 20.9%	5.0 - 20.9%
<i>Due to the Central Bank of the Russian Federation</i>	-	-	-
<i>Borrowings from international financial institutions</i>	10.5 - 14.5%	10.5 - 16.0%	10.5 - 16.0%
<b>Currency</b>			
<i>Loans and advances to customers</i>			
Corporate loans and loans to SME	7.1%	8.0%	7.9%
Loans to individuals – consumer loans	10.0%	10.0%	10.0%
Mortgage loans	9.0%	9.0%	9.0%
<i>Finance lease receivables</i>	-	-	-
<i>Customer accounts</i>			
Term deposits of individuals	1.0 - 4.0%	1.0 - 4.0%	1.0 - 4.0%
<i>Borrowings from international financial institutions</i>	3.8%	3.8 - 4.7%	3.8 - 4.5%
<i>Subordinated debt</i>	7.0%	6.6%	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:

<i>In thousands of Russian Roubles</i>	<b>30 September 2016</b>		
	<b>Significant shareholders</b>	<b>Associate</b>	<b>Management and Board of Directors</b>
Correspondent accounts with banks	1 261 675	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.9% - 16.0%)	-	149 481	4 519
Customer accounts (contractual interest rate: 0.1% – 12.5%)	-	376	71 487
Borrowings from international financial institutions (contractual interest rate: 14.5%)	318 947	-	-
Subordinated loans (contractual interest rate: 7.0%)	3 259 461	-	-

<i>In thousands of Russian Roubles</i>	<b>30 September 2015</b>		
	<b>Significant shareholders</b>	<b>Associate</b>	<b>Management and Board of Directors</b>
Correspondent accounts with banks	3 058 486	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.4% - 16.0%)	-	191 627	4 837
Due to other banks (contractual interest rate: 1.8%)	744 134	-	-
Customer accounts (contractual interest rate: 0.1% – 17%)	-	1 107	43 882
Borrowings from international financial institutions (contractual interest rate: 15.1% - 16%)	1 432 216	-	-
Subordinated loans (contractual interest rate: 6.6%)	3 409 678	-	-

<i>In thousands of Russian Roubles</i>	<b>31 December 2015</b>		
	<b>Significant shareholders</b>	<b>Associate</b>	<b>Management and Board of Directors</b>
Correspondent accounts with banks	4 101 643	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.4% - 12.0%)	-	165 676	10 458
Customer accounts (contractual interest rate: 0.1% – 12.5%)	-	1 354	60 344
Borrowings from international financial institutions (contractual interest rate: 15.0% - 16.0%)	921 084	-	-
Subordinated loans (contractual interest rate: 6.7%)	3 692 976	-	-

<i>In thousands of Russian Roubles</i>	<b>Nine months ended 30 September 2016</b>		
	<b>Significant shareholders</b>	<b>Associate</b>	<b>Management and Board of Directors</b>
Interest income	-	15 850	620
Interest expense	(245 069)	-	(4 015)
Fee and commission income	-	774	19
Administrative expenses excluding management remuneration	-	-	(91)

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	Nine months ended 30 September 2015		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	16 389	341
Interest expense	(431 889)	0	(18 663)
Fee and commission income	-	813	28
Administrative expenses excluding management remuneration			(1 464)

	2015		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	22 885	633
Interest expense	(539 929)	-	(15 474)
Fee and commission income	-	582	16
Administrative expenses excluding management remuneration	-	-	(2 634)

The major shareholders of the Bank are as follows:

Shareholder	30 September 2016		30 September 2015		31 December 2015	
	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %
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

During Nine months ended 30 September 2016 the Group prolonged 10 000 thousand euros of interbank loans from Erste Bank for Nine months.

Key management compensation is presented below:

	Nine months ended 30 September 2016		Nine months ended 30 September 2015		2015	
	Expense	Accrued liability	Expense	Accrued liability	Expense	Accrued liability
<i>In thousands of Russian Roubles</i>						
<i>Short-term benefits:</i>						
- Salaries	86 811	-	21 149	-	28 971	-
- Short-term bonuses	23 110	-	79 400	-	82 082	-
<i>Long-term bonus scheme</i>	5 279	22 731	(15 872)	10 618	(9 038)	17 452
<i>Post-employment benefits</i>	-	-	465	-	465	-
<b>Total</b>	<b>115 200</b>	<b>22 731</b>	<b>85 142</b>	<b>10 618</b>	<b>102 480</b>	<b>17 452</b>

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

In 2016, the Board of Directors consisted of 7 persons (2015: 7 persons). As at 30 September 2016, the Group's Executive Board consisted of 4 persons (31 December 2015: 4 persons; 30 September 2015: 4 persons).