

PROMSVYAZBANK

Interim Consolidated Condensed
Financial Information
for the three-month period ended
31 March 2016
(unaudited)

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Report on Review of Interim Consolidated Condensed Financial Information

To the Board of Directors and Shareholders of PAO "Promsvyazbank":

Introduction

We have reviewed the accompanying interim consolidated condensed statement of financial position of PAO "Promsvyazbank" and its subsidiaries (the "Group") as of 31 March 2016 and the related interim consolidated condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion in respect of this interim consolidated condensed financial information based on our review.

Scope of review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

3 June 2016
Moscow, Russian Federation



N.A. Mileshkina, Director (licence no. 01-000197), AO PricewaterhouseCoopers Audit

Audited entity: PAO "Promsvyazbank"

State registration certificate № 3251, issued by the Central Bank of the Russian Federation on 12 May 1995

10/22 Smirnovskaya Str., 109052 Moscow, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

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

Promsvyazbank
Interim Consolidated Condensed Statement of Financial Position as at 31 March 2016
(expressed in million of Russian Roubles)

	Notes	31 March 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents	4	187 603	148 603
Obligatory reserves with central banks		5 897	5 877
Placements with banks and other financial institutions		23 553	37 834
Financial assets at fair value through profit or loss	5	89 013	78 067
- <i>Unpledged</i>		65 193	55 697
- <i>Pledged under sale and repurchase agreements</i>		23 820	22 370
Amounts receivable under reverse repurchase agreements		21 603	19 619
Loans to customers	6	764 613	799 717
Investments available for sale		1 250	1 131
Investments in associates	7	4 223	4 223
Other assets		6 301	4 315
Current income tax prepayments		306	303
Deferred tax asset		7 427	7 057
Investment property	8	40 871	39 700
Property and equipment and intangible assets		14 050	14 295
Non-current assets held for sale	9	54 530	52 002
TOTAL ASSETS		1 221 240	1 212 743
LIABILITIES			
Financial liabilities at fair value through profit or loss		7 787	11 674
Deposits and balances due to banks and other financial institutions	10	141 178	164 003
Amounts payable under repurchase agreements		62 424	46 505
Current accounts and deposits from customers	11	809 656	791 711
Debt securities in issue	12	30 373	25 482
Other borrowed funds	13	10 859	11 831
Other liabilities		5 040	4 954
Current income tax payable		10	28
Deferred tax liability		764	494
Subordinated borrowings	14	62 479	68 610
Liabilities directly associated with assets held for sale		7 003	4 009
TOTAL LIABILITIES		1 137 573	1 129 301
EQUITY			
Share capital		12 202	12 202
Share premium		20 612	20 612
Additional paid-in-capital		29 632	29 632
Revaluation reserve for property		2 488	2 488
Revaluation reserve for investments available for sale		516	571
Retained earnings		17 206	16 876
Total equity attributable to owners of the parent		82 656	82 381
Non-controlling interest		1 011	1 061
TOTAL EQUITY		83 667	83 442
TOTAL LIABILITIES AND EQUITY		1 221 240	1 212 743

Approved for issue and signed on behalf of the Management Board on 3 June 2016.

Ananiev D.N.
Chairman
of the Management Board

Mamakin V.Y.
Chief Financial Officer

The notes set out on pages 5 to 52 form an integral part of this interim consolidated condensed financial information.

Promsvyazbank**Interim Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 March 2016***(expressed in million of Russian Roubles)*

	Note	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Interest income		25 139	24 919
Interest expense		(18 314)	(19 498)
Net interest income	15	6 825	5 421
Fee and commission income	16	5 221	4 333
Fee and commission expense	17	(1 395)	(1 235)
Net fee and commission income		3 826	3 098
Net gain on financial instruments at fair value through profit or loss	18	1 368	3 587
Net foreign exchange loss		(538)	(88)
Loss on revaluation of investments available for sale		-	(68)
Net gain/(loss) on revaluation of investment property		71	(321)
Other income		380	5
Other expenses		(615)	(273)
Operating income		11 317	11 361
Loan impairment charge	6	(6 557)	(8 628)
Other impairment reversal		564	38
General and administrative expenses	19	(4 981)	(5 089)
		(10 974)	(13 679)
Profit/(loss) before tax		343	(2 318)
Income tax credit		(63)	338
Profit/(loss) after tax		280	(1 980)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation differences		-	74
Revaluation of investments available for sale		(69)	(854)
Income tax related to revaluation of investments available for sale		14	171
Other comprehensive loss, net of tax		(55)	(609)
Total comprehensive income/(loss)		225	(2 589)
Profit/(loss) attributable to:			
Owners of the parent		318	(1 970)
Non-controlling interest		(38)	(10)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		263	(2 579)
Non-controlling interest		(38)	(10)
Basic and diluted loss per ordinary share (expressed in RUB per share)	20	-	(0,002)

The notes set out on pages 5 to 52 form an integral part of this interim consolidated condensed financial information.

Notes	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	23 975	20 488
Fee and commission received	5 329	5 420
Interest paid	(19 845)	(20 886)
Fee and commission paid	(1 395)	(1 235)
Net receipts/(payments) for financial instruments at fair value through profit or loss	2 198	(4 285)
Net payments from foreign exchange transactions	(11 877)	(224)
Other income received	10	5
Other expense	(230)	(271)
General and administrative expenses paid	(4 641)	(4 297)
	(6 476)	(5 285)
Decrease/(increase) in operating assets		
Obligatory reserves with central banks	(20)	(707)
Placements with banks and other financial institutions with original maturity of over one month	14 053	(6 554)
Financial assets at fair value through profit or loss	(6 551)	(25 981)
Amounts receivable under reverse repurchase agreements	(1 982)	(10 043)
Loans to customers	6 229	11 200
Other assets	(2 481)	990
(Decrease)/increase in operating liabilities		
Financial liabilities at fair value through profit or loss	(1 845)	631
Deposits and balances from banks and other financial institutions	(19 985)	22 104
Amounts payable under repurchase agreements	16 088	17 919
Current accounts and deposits from customers	40 105	(38 326)
Promissory notes and certificates of deposit	1 421	(734)
Other liabilities	1 566	(314)
Net cash flows from/(used in) operating activities before taxes paid	40 122	(35 100)
Income tax paid	(170)	(83)
Cash flows from/(used in) operations	39 952	(35 183)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments available for sale	(188)	(2 814)
Disposal of investments available for sale	-	1 489
Purchases of investment property	9 (870)	(124)
Disposal of investment property	25	5
Purchases of property and equipment	(259)	(321)
Disposals of property and equipment	12	53
Cash flows used in investing activities	(1 280)	(1 712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of non-subordinated senior loan participation notes and domestic bonds	5 756	118
Repayment and repurchase of non-subordinated senior loan participation notes and domestic bonds	(1 213)	(11 137)
Proceeds from other borrowed funds	219	269
Repayment of other borrowed funds	(1 185)	(810)
Proceeds from subordinated borrowings	159	263
Repayment of subordinated borrowings	(10)	(4 487)
Distribution to directors	-	(12)
Cash flows from/(used in) financing activities	3 726	(15 796)
Net increase/(decrease) in cash and cash equivalents	42 398	(52 691)
Effect of changes in exchange rates on cash and cash equivalents	(3 398)	2 580
Cash and cash equivalents at the beginning of the period	4 148 603	137 960
Cash and cash equivalents at the end of the period	4 187 603	87 849

The notes set out on pages 5 to 52 form an integral part of this interim consolidated condensed financial information.

Promsvyazbank

Interim Consolidated Condensed Statement of Changes in Equity for the period ended 31 March 2016

(expressed in million of Russian Roubles)

	Share capital	Share premium	Additional paid-in-capital	Revaluation reserve for property	Revaluation reserve for investments available for sale	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	12 202	20 612	82	2 418	386	33 351	69 051	(59)	68 992
Profit/(loss) after tax	-	-	-	-	-	(1 970)	(1 970)	(10)	(1 980)
Other comprehensive loss, net of tax	-	-	-	-	(683)	74	(609)	-	(609)
Total comprehensive income/(loss)	-	-	-	-	(683)	(1 896)	(2 579)	(10)	(2 589)
Remuneration to the members of the Board	-	-	-	-	-	(12)	(12)	-	(12)
Purchase of subsidiary	-	-	-	-	-	-	-	1 000	1 000
Balance at 31 March 2015	12 202	20 612	82	2 418	(297)	31 443	66 460	931	67 391
Profit/(loss) after tax	-	-	-	-	-	(14 567)	(14 567)	77	(14 490)
Other comprehensive income, net of tax	-	-	-	70	868	-	938	-	938
Total comprehensive income/(loss)	-	-	-	70	868	(14 567)	(13 629)	77	(13 552)
Contributions from shareholders	-	-	29 550	-	-	-	29 550	-	29 550
Purchase of subsidiary	-	-	-	-	-	-	-	53	53
Balance at 1 January 2016	12 202	20 612	29 632	2 488	571	16 876	82 381	1 061	83 442
Profit/(loss) after tax	-	-	-	-	-	318	318	(38)	280
Other comprehensive income, net of tax	-	-	-	-	(55)	-	(55)	-	(55)
Total comprehensive income/(loss)	-	-	-	-	(55)	318	263	(38)	225
Purchase of subsidiary	-	-	-	-	-	12	12	(12)	-
Balance at 31 March 2016	12 202	20 612	29 632	2 488	516	17 206	82 656	1 011	83 667

The notes set out on pages 5 to 52 form an integral part of this interim consolidated condensed financial information.

1 Background

Principal activities

Promsvyazbank Group (the “Group” or “Promsvyazbank”) consists of various legal entities formed under the laws of the Russian Federation (the “RF”) and other countries (refer to Note 2 for the list of subsidiaries). PAO Promsvyazbank (the “Bank”), which is the parent company of the Group, was initially established in the Russian Federation as a limited liability company converting subsequently to a closed joint-stock company in July 2001 then converting to an open joint-stock company in September 2007 and finally to public joint-stock company in December 2014. The Bank was granted a banking license for operations in roubles on 12 May 1995. The Bank’s operations were expanded to include transactions with all types of foreign currencies and transactions in foreign currencies with legal entities and individuals on 30 December 1996 and 31 December 1997, respectively.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (the “CBR”). The Bank holds a full (general) banking license from the CBR and is also authorised by the CBR to trade in precious metals. In October 2004, the CBR accepted the Bank into the State deposit insurance system. In addition, the Group holds licenses from the Federal Service for Financial Markets (the “FSFM”) to act as a broker, dealer, custodian and a securities manager in the Russian securities market. The Group also holds a license from the FSFM as a commodities exchange broker to trade futures and options.

The Group’s principal activities are in commercial banking. These activities consist of corporate, small and medium size entities (“SME”) and retail banking. Corporate banking includes deposit taking and lending to corporate borrowers, factoring, settlements, cash operations, documentary transactions. Corporate banking services also include trade and project finance. SME banking includes deposit taking and lending to small and medium entities, settlements and cash operations. Retail banking includes deposit taking and retail lending, money transfer and banking card services, foreign exchange and cash operations with individuals and asset management.

The Group also offers investment banking services, including corporate finance, debt and equity capital markets, brokerage, repo transactions and securities trading, foreign exchange, precious metals and banknote operations.

The table below summarises the information about the branch network.

	31 March 2016	31 December 2015
Branches	9	9
Full-service sub-branches	14	14
Retail and SME sub-branches	260	250
Representative offices	2	4
Avtovazbank offices	29	29
Total number of offices	314	306

As at 31 March 2016 and 31 December 2015 the Bank operated 8 branches located within the Russian Federation and a branch located in Limassol (Cyprus). As at 31 March 2016 representative offices are located in China, India, Ukraine and Kazakhstan. The Group is currently in the process of a reorganization of the branch network.

The Bank’s head office is registered at the following address: 109052, Smirnovskaya 10, Moscow, Russian Federation.

1 Background (continued)**Shareholders as at 31 March 2016 and 31 December 2015**

	31 March 2016	31 December 2015
Promsvyaz Capital B. V.*	50.03%	50.03%
European Bank for Reconstruction and Development	11.75%	11.75%
Pichugov V.A.	10.00%	10.00%
JSC “NPF “FUTURE”	10.00%	10.00%
NPF “European Pension Fund” (JSC)	4.91%	4.91%
NPF “Doverie” (JSC)	3.81%	3.81%
OOO “Levit”	3.28%	3.28%
NPF “Regionfond” (CJSC)	1.28%	1.28%
Individual shareholders	4.94%	2.20%
AO UK “RegionFinanceResource”	-	2.74%
	100%	100%

* - Antracite Investment Limited (United Kingdom) and Urgula Platinum Limited (United Kingdom) are the owners of Promsvyaz Capital BV (Netherlands), each share of the company is 50%. Owner of the Antracite Investment Limited (United Kingdom) is Mr. Ananiev A.N. Owner of the Urgula Platinum Limited (United Kingdom) is Mr. Ananiev D.N.

The management of the Group has the power to amend the interim consolidated condensed financial statements after issue.

Russian business environment

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 the first quarter 2016, the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. According to some rating agencies Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Management determined loan impairment provisions using the “incurred loss” model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 6.

2 Basis of preparation**Statement of compliance**

This interim consolidated condensed financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2 Basis of preparation (continued)**Basis of measurement**

This interim consolidated condensed financial information are prepared on the historical cost basis except that the financial instruments at fair value through profit or loss and available for sale investments for which fair value can be reliably measured are stated at fair value, land and buildings are revalued periodically.

Consolidated companies

The interim consolidated condensed financial information includes the following principal subsidiaries of the Bank:

Name	Country of Incorporation	Main Activity	Consolidated as at 31 March 2016, %	Consolidated as at 31 December 2015, %
PSB Finance S.A.	Luxembourg	Financial Activity	100%	100%
OOO "UK Promsvyaz"	Russian Federation	Asset management	100%	100%
OOO "Open Leasing Company"	Russian Federation	Leasing	100%	100%
OOO "Promsvyazfactoring"	Russian Federation	Factoring	100%	100%
OOO "Saint-Petersburg International Banking Conference"	Russian Federation	Services	100%	100%
CJSC "Mortgage Agent PSB 2013"	Russian Federation	Financial Activity	100%	100%
PSB ECP Limited	Ireland	Financial Activity	100%	100%
TOO "PromSvyazFactor"	Republic of Kazakhstan	Factoring	100%	100%
OOO "Venture Fund SME"	Russian Federation	Financial Activity	100%	100%
OOO "Business alliance"	Russian Federation	Financial Services	100%	100%
OOO "Elitnye doma"	Russian Federation	Property owner	100%	100%
OOO "Ug Sibiri"	Russian Federation	Food production	74.99%	74.99%
OOO "AgroSib-Razdolye"	Russian Federation	Food production	74.99%	74.99%
ZAO "Byisk Oil Extracting Plant"	Russian Federation	Food production	74.99%	74.99%
OOO "Prodex-Omsk"	Russian Federation	Food production	74.99%	74.99%
OOO "Ug Sibiri-Trade"	Russian Federation	Food production	74.99%	74.99%
OOO "Invea"	Russian Federation	Property owner	100%	100%
OOO "Kourf"	Russian Federation	Property owner	100%	100%
OOO "Lirink"	Russian Federation	Property owner	100%	100%
OOO "Untir"	Russian Federation	Property owner	100%	100%
OOO "Holzvud"	Russian Federation	Property owner	100%	100%
OOO "Limkar"	Russian Federation	Property owner	100%	100%
ZAO "LDK Igirma"	Russian Federation	Timber processing	51%	51%
OOO "SEL-Tairiku"	Russian Federation	Timber processing	51%	51%
OOO "SEL-Trade"	Russian Federation	Timber processing	51%	51%
OOO "TSLK"	Russian Federation	Timber processing	51%	51%
OOO "SibLes"	Russian Federation	Timber processing	51%	51%
OOO "RusLesGroup"	Russian Federation	Timber processing	51%	51%
PAO "Avtovazbank"	Russian Federation	Banking	100%	97.3%
OOO "Selkovo-1"	Russian Federation	Property owner	100%	100%
OOO "Selkovo-2"	Russian Federation	Property owner	100%	100%
OOO "Selkovo-3"	Russian Federation	Property owner	100%	100%
OOO "Akimovo-1"	Russian Federation	Property owner	100%	100%
OOO "Akimovo-2"	Russian Federation	Property owner	100%	100%
OOO "Sergievo-Posad Land"	Russian Federation	Property owner	100%	100%
OOO "Shemetovo"	Russian Federation	Property owner	100%	100%
OOO "Paskal"	Russian Federation	Property owner	100%	100%
OOO "Berezhkovsky Complex"	Russian Federation	Property owner	100%	100%
OOO "SFO PSB MSB 2015"	Russian Federation	Financial Activity	100%	100%

2 Basis of preparation (continued)

PSB Finance S.A. is structured entity established to facilitate the issues of debt securities. The entity is not owned by the Group and control arises through the ability of the Group to direct the entity activities and thereby significantly affect its returns.

OOO “*UK Promsvyaz*”. The principal activity of OOO “*UK Promsvyaz*” is asset management. The Group directly controls 100% of this entity.

OOO “*Open Leasing Company*” was established by the Group in July 2007. The Group controls 100% of OOO “*Open Leasing Company*”.

OOO “*Promsvyazfactoring*”. In December 2009 the Group acquired control of OOO “*Promsvyazfactoring*” (OOO “*PSF*”) through an option agreement dated 31 December 2009, with its owner who is a related party to the Group’s shareholders. Under the terms of this agreement the Group has the unconditional right to buy 100% of the share capital in OOO “*PSF*” for cash of RUB 5.5 million till the end of 2017 year.

OOO “*Saint-Petersburg International Banking Conference*” was established by the Group in December 2010. The Group controls 100% of OOO “*Saint-Petersburg International Banking Conference*”.

CJSC “Mortgage Agent PSB 2013” is structured entity established to facilitate the issues of mortgage-backed securities. The entity is not owned by the Group and control arises through the ability of the Group to direct the entity activities and thereby significantly affect its returns.

PSB ECP Limited is structured entity established to facilitate the issues of debt securities. The company was established by the Group in June 2013. The Group controls 100% of *PSB ECP Limited*.

TOO “*PromSvyazFactor*” was established by the Group in September 2013. The Group controls 100% of TOO “*PromSvyazFactor*”.

OOO “*Venture Fund SME*” was established by the Group in September 2013. The Group controls 100% of OOO “*Venture Fund SME*”.

OOO “*Business alliance*” was established by the Group in February 2014. The Group controls 100% of OOO “*Business alliance*”.

OOO “*Elitnye doma*”. During 2014, the Group acquired 100% of the share capital of OOO “*Elitnye doma*”, a company incorporated in Moscow, which owns a land plot in Moscow Region. Refer to Note 8.

Ug Sibiri Group includes OOO “*Ug Sibiri*”, OOO “*AgroSib-Razdolye*”, ZAO “*Byisk Oil Extracting Plant*”, OOO “*Prodex-Omsk*” and OOO “*Ug Sibiri-Trade*”. The main activity of this Group is oil manufacture. During the year of 2015 the Group entered into option agreements which give the Group the right to purchase 74.99% of the share capital of the above companies (Note 9).

During the year of 2015 the Group acquired in settlement of overdue loans 100% share of OOO “*Invea*”, OOO “*Kourf*”, OOO “*Lirink*”, OOO “*Untir*”, OOO “*Holzvud*”, OOO “*Limkar*”. All the companies are property owners with no other activities.

Russian Timber Group includes ZAO “*LDK Igirma*”, OOO “*SEL-Tairiku*”, OOO “*SEL-Trade*”, OOO “*TSLK*”, OOO “*SibLes*”, OOO “*RusLesGroup*”. The main activity of this Group is timber processing. During the year of 2015 the Group entered into option agreements which give the Group the right to purchase 51% of the share capital of the above companies (Note 9).

PAO “*Avtovazbank*”. In July 2015 Promsvyazbank was appointed as investor for PAO “*Avtovazbank*” (AVB) sanation on the contest results held by the Deposit Insurance Agency (DIA). Promsvyazbank assumes responsibility for the financial rehabilitation of AVB and will also maintain all banks’s obligations to its customers and ensure the continuity of its operations. The Group controls 100% of PAO “*Avtovazbank*” (AVB).

2 Basis of preparation (continued)

In November 2015 the Group obtained from the Group's shareholder Promsvyaz Capital B.V. an asset contribution, composed of 100% share of OOO "Selkovo-1", OOO "Selkovo-2", OOO "Selkovo-3", OOO "Akimovo-1", OOO "Akimovo-2", OOO "Sergievo-Posad Land", OOO "Shemetovo", OOO "Paskal". All the companies are property owners with no other activities.

OOO "SFO PSB MSB 2015" is structured entity established to facilitate the issues of securities pledged by SME-loan portfolios. The entity is not owned by the Group and control arises through the ability of the Group to direct the entity activities and thereby significantly affect its returns.

Use of estimates and judgments

The preparation of interim consolidated condensed financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgments applied by the Group in this interim consolidated condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments that have the most significant effect on the amounts recognised in this interim consolidated condensed financial information include:

- Loan impairment estimates – Note 6;
- Investments in associates – Note 7;
- Buildings and investment property revaluation estimates – Note 8;
- Deferred tax assets.

3 Significant accounting policies

The accounting policies adopted and methods of computation are consistent with those of the previous financial year.

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.

There were no new standards and interpretations relevant for the Group that became effective from 1 January 2016.

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 April 2016 apart from those disclosed in the annual consolidated financial statements of the Group.

4 Cash and cash equivalents

	31 March 2016 (unaudited)	31 December 2015
Cash	24 676	24 564
Deposits with the Central Bank of the RF	88 000	18 500
Placements with banks and other financial institutions with an original maturity less than one month	53 677	63 604
Due from the Central Bank of the RF – nostro accounts	21 250	41 935
Total cash and cash equivalents	187 603	148 603

Maturity, currency and interest rate analysis of cash and cash equivalents are disclosed in Note 22.

5 Financial assets at fair value through profit or loss

	31 March 2016 (unaudited)	31 December 2015
Unpledged		
Financial assets held for trading		
Debt and other fixed-income instruments		
Corporate bonds	21 517	21 976
Corporate Eurobonds	11 344	8 311
Russian Government Federal bonds (OFZ)	2 937	4 161
Russian municipal and regional bonds	2 176	2 477
Russian Federation Eurobonds	404	-
Foreign Governments bonds and Eurobonds	-	423
Equity investments		
Spot and derivative financial instruments		
Spot and derivatives contracts	26 815	18 349
Total unpledged financial assets at fair value through profit or loss	65 193	55 697
Pledged under sale and repurchase agreements		
Financial assets held for trading		
Corporate bonds	8 733	372
Corporate eurobonds	7 019	7 624
Russian Government Federal bonds (OFZ)	6 873	12 944
Russian Federation Eurobonds	1 195	1 411
Russian municipal and regional bonds	-	19
Total financial assets at fair value through profit or loss pledged under sale and repurchase agreements	23 820	22 370
Total financial assets at fair value through profit or loss	89 013	78 067

Corporate bonds are securities issued by medium and large Russian companies and banks denominated in Russian Roubles.

Corporate Eurobonds are interest-bearing securities denominated in U.S. Dollars and Euros and issued primarily by large Russian companies.

5 Financial assets at fair value through profit or loss (continued)

Russian Government Federal bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Russian municipal and regional bonds are interest-bearing securities issued by Russian municipal and regional authorities denominated in Russian Roubles.

Russian Federation Eurobonds are interest-bearing securities denominated in U.S. Dollars issued by the Ministry of Finance of the Russian Federation.

Foreign Governments bonds and Eurobonds are interest-bearing securities denominated in U.S. Dollars issued by Foreign Governments.

6 Loans to customers

	31 March 2016 (unaudited)	31 December 2015
Loans to corporate clients		
Loans to corporate clients not involved in international business	632 527	637 032
Loans to corporate clients involved in international business	57 878	62 699
Factoring loans to corporate customers	31 126	43 740
Total loans to corporate customers	721 531	743 471
Loans to small and medium enterprises (excluding factoring)	41 329	45 934
Factoring loans to small and medium enterprises	5 889	7 996
Loans to small and medium enterprises	47 218	53 930
Loans to individuals		
Consumer loans	45 396	48 715
Mortgage loans	17 898	17 238
Credit cards	4 438	4 510
Other loans	3 160	2 159
Total loans to individuals	70 892	72 622
Gross loans to customers	839 641	870 023
Impairment allowance	(75 028)	(70 306)
Net loans to customers	764 613	799 717

Mortgage loans include mortgage loans of RUB 1 683 million (RUB 1 751 million as at 31 December 2015) securitized in June 2013. The Group's management determined that the Group had not transferred majority of risks and rewards with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition.

6 Loans to customers (continued)

Movements in the loan impairment allowance for the three-month period ended 31 March 2016 and 31 March 2015 were as follows:

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Balance at the beginning of the period	70 306	37 849
Net charge for the period	6 557	8 628
Additional charge on loans denominated in foreign currencies	1 287	1 293
Aquisition of subsidiaries	-	2 997
Sale of loans	(55)	(15)
Write-offs	(3 067)	(3 458)
Balance at the end of the period	75 028	47 294

Additional charge on loans denominated in foreign currencies represents changes in Impairment allowance occurring due to revaluation of loans nominated in foreign currencies.

As at 31 March 2016 and 31 December 2015 non-performing loans comprise loans with principal or/and interest overdue by more than 90 days.

The analysis of non-performing loans as at 31 March 2016 and 31 December 2015 by loan groups is presented below:

	31 March 2016 (unaudited)	31 December 2015
Loans to corporate clients	34 876	22 431
Loans to small and medium enterprises	5 435	7 854
Loans to individuals	4 481	4 791
Total non-performing loans	44 792	35 076

6 Loans to customers (continued)**Credit quality of loans to corporate customers and loans to small and medium enterprises**

The following table provides information on the credit quality of loans to corporate customers and loans to small and medium enterprises as at 31 March 2016:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers not involved in international business				
Total loans for which no impairment has been identified individually	472 588	(8 290)	464 298	1.75%
Impaired loans:				
- Impaired, but not overdue	110 299	(32 267)	78 032	29.25%
- Overdue less than 30 days	7 438	(3 266)	4 172	43.91%
- Overdue 30 – 89 days	13 064	(3 759)	9 305	28.77%
- Overdue 90 – 179 days	11 171	(6 106)	5 065	54.66%
- Overdue 180 – 360 days	7 336	(2 203)	5 133	30.03%
- Overdue more than 360 days	10 631	(4 339)	6 292	40.81%
Total impaired loans	159 939	(51 940)	107 999	32.47%
Total loans to corporate customers not involved in international business	632 527	(60 230)	572 297	9.52%
Loans to corporate customers involved in international business				
Total loans for which no impairment has been identified individually	47 550	(474)	47 076	1.00%
Impaired loans:				
- Impaired, but not overdue	5 326	(524)	4 802	9.84%
- Overdue 30 – 89 days	900	(335)	565	37.22%
- Overdue 90 – 179 days	555	(382)	173	68.83%
- Overdue 180 – 360 days	1 693	(622)	1 071	36.74%
- Overdue more than 360 days	1 854	(734)	1 120	39.59%
Total impaired loans	10 328	(2 597)	7 731	25.15%
Total loans to corporate customers involved in international business	57 878	(3 071)	54 807	5.31%
Factoring loans to corporate customers				
Total loans for which no impairment has been identified individually	27 240	(433)	26 807	1.59%
Impaired loans:				
- Impaired, but not overdue	5	(1)	4	20.00%
- Overdue less than 30 days	2	(1)	1	50.00%
- Overdue 30 – 89 days	2 243	(1 552)	691	69.19%
- Overdue 90 – 179 days	63	(18)	45	28.57%
- Overdue 180 – 360 days	1 095	(265)	830	24.20%
- Overdue more than 360 days	478	(213)	265	44.56%
Total impaired loans	3 886	(2 050)	1 836	52.75%
Total factoring loans to corporate customers	31 126	(2 483)	28 643	7.98%
Total loans to corporate customers	721 531	(65 784)	655 747	9.12%

6 Loans to customers (continued)

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	33 432	(759)	32 673	2.27%
Impaired loans:				
- Impaired, but not overdue	672	(320)	352	47.62%
- Overdue less than 30 days	682	(253)	429	37.10%
- Overdue 30 – 89 days	1 243	(597)	646	48.03%
- Overdue 90 – 179 days	578	(368)	210	63.67%
- Overdue 180 – 360 days	2 911	(896)	2 015	30.78%
- Overdue more than 360 days	1 811	(1 428)	383	78.85%
Total impaired loans	7 897	(3 862)	4 035	48.90%
Total loans to small and medium enterprises (excluding factoring)	41 329	(4 621)	36 708	11.18%
Factoring loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	5 701	(78)	5 623	1.37%
Impaired loans:				
- Impaired, but not overdue	35	(12)	23	34.29%
- Overdue less than 30 days	18	(3)	15	16.67%
- Overdue 90 – 179 days	13	(5)	8	38.46%
- Overdue 180 – 360 days	29	(13)	16	44.83%
- Overdue more than 360 days	93	(57)	36	61.29%
Total impaired loans	188	(90)	98	47.87%
Total factoring loans to small and medium enterprises	5 889	(168)	5 721	2.85%
Total loans (including factoring) to small and medium enterprises	47 218	(4 789)	42 429	10.14%
Total commercial loans	768 749	(70 573)	698 176	9.18%

6 Loans to customers (continued)

The following table provides information on the credit quality of loans to corporate customers and loans to small and medium enterprises as at 31 December 2015:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers not involved in international business				
Total loans for which no impairment has been identified individually	500 329	(7 803)	492 526	1.56%
Impaired loans:				
- Impaired, but not overdue	104 615	(29 886)	74 729	28.57%
- Overdue less than 30 days	1 349	(1)	1 348	0.07%
- Overdue 30 – 89 days	13 457	(6 670)	6 787	49.57%
- Overdue 90 – 179 days	5 801	(1 485)	4 316	25.60%
- Overdue 180 – 360 days	6 540	(2 296)	4 244	35.11%
- Overdue more than 360 days	4 941	(2 130)	2 811	43.11%
Total impaired loans	136 703	(42 468)	94 235	31.07%
Total loans to corporate customers not involved in international business	637 032	(50 271)	586 761	7.89%
Loans to corporate customers involved in international business				
Total loans for which no impairment has been identified individually	51 367	(647)	50 720	1.26%
Impaired loans:				
- Impaired, but not overdue	6 552	(2 026)	4 526	30.92%
- Overdue 30 – 89 days	1 369	(560)	809	40.91%
- Overdue 90 – 179 days	1 444	(397)	1 047	27.49%
- Overdue 180 – 360 days	1 667	(509)	1 158	30.53%
- Overdue more than 360 days	300	(219)	81	73.00%
Total impaired loans	11 332	(3 711)	7 621	32.75%
Total loans to corporate customers involved in international business	62 699	(4 358)	58 341	6.95%
Factoring loans to corporate customers				
Total loans for which no impairment has been identified individually	33 290	(501)	32 789	1.50%
Impaired loans:				
- Impaired, but not overdue	6 959	(2 331)	4 628	33.50%
- Overdue 30 – 89 days	1 753	(1 393)	360	79.46%
- Overdue 90 – 179 days	1 240	(231)	1 009	18.63%
- Overdue 180 – 360 days	368	(125)	243	33.97%
- Overdue more than 360 days	130	(56)	74	43.08%
Total impaired loans	10 450	(4 136)	6 314	39.58%
Total factoring loans to corporate customers	43 740	(4 637)	39 103	10.60%
Total loans to corporate customers	743 471	(59 266)	684 205	7.97%

6 Loans to customers (continued)

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	36 098	(395)	35 703	1.09%
Impaired loans:				
- Impaired, but not overdue	1 134	(390)	744	34.39%
- Overdue less than 30 days	238	(66)	172	27.73%
- Overdue 30 – 89 days	757	(202)	555	26.68%
- Overdue 90 – 179 days	488	(367)	121	75.20%
- Overdue 180 – 360 days	3 882	(1 695)	2 187	43.66%
- Overdue more than 360 days	3 337	(2 870)	467	86.01%
Total impaired loans	9 836	(5 590)	4 246	56.83%
Total loans to small and medium enterprises (excluding factoring)	45 934	(5 985)	39 949	13.03%
Factoring loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	7 726	(137)	7 589	1.77%
Impaired loans:				
- Impaired, but not overdue	123	(33)	90	26.83%
- Overdue 180 – 360 days	13	(12)	1	92.31%
- Overdue more than 360 days	134	(114)	20	85.07%
Total impaired loans	270	(159)	111	58.89%
Total factoring loans to small and medium enterprises	7 996	(296)	7 700	3.70%
Total loans (including factoring) to small and medium enterprises	53 930	(6 281)	47 649	11.65%
Total commercial loans	797 401	(65 547)	731 854	8.22%

The credit quality of loans for which no impairment has been identified is not homogeneous due to the variety of industry risks and financial conditions associated with the borrowers.

6 Loans to customers (continued)

The Group estimates loan impairment for the corporate loan portfolio for which no individual impairment triggers have been identified based on the past loss experience the current economic conditions.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on loans to corporate customers as of 31 March 2016 would be RUB 6 557 million lower/higher (31 December 2015: RUB 6 842 million lower/higher).

The Group estimates loan impairment for loans to small and medium enterprises (excluding loans to medium size enterprises) based on its historic loss migration pattern for the past 12 months and historic actual recovery rate of loans overdue more than 90 days.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the loss migration pattern parameter differs by plus/minus 6 months, the loan impairment on loans to small and medium enterprises as of 31 March 2016 would be RUB 28 million lower, RUB 5 million higher, respectively (31 December 2015 would be RUB 33 million lower, RUB 6 million higher, respectively).

The Group estimates loan impairment for loans to medium size enterprises for which no individual impairment triggers have been identified based on the past loss experience and the current economic conditions.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on loans to medium size enterprises as of 31 March 2016 would be RUB 266 million lower/higher (31 December 2015: RUB 295 million).

Impairment allowance for loans for which no impairment has been identified individually, has been collectively assessed based on statistics data.

6 Loans to customers (continued)**Credit quality of loans to individuals**

The following table provides information on the credit quality of loans to individuals portfolios as at 31 March 2016:

	Gross loans	Provision for impairment	Net loans	Impairment to gross loans
Consumer loans				
- Not past due	38 997	(59)	38 938	0.20%
- Overdue less than 30 days	1 778	(110)	1 668	6.20%
- Overdue 30 – 89 days	1 063	(304)	759	28.60%
- Overdue 90 – 179 days	1 188	(937)	251	78.90%
- Overdue 180 – 360 days	2 324	(2 320)	4	99.80%
- Overdue more than 360 days	46	(46)	-	100.00%
Total consumer loans	45 396	(3 776)	41 620	8.30%
Mortgage loans				
- Not past due	17 159	(3)	17 156	0.00%
- Overdue less than 30 days	318	-	318	0.00%
- Overdue 30 – 89 days	98	(4)	94	4.10%
- Overdue 90 – 179 days	76	(7)	69	9.20%
- Overdue 180 – 360 days	53	(11)	42	20.80%
- Overdue more than 360 days	194	(34)	160	17.50%
Total mortgage loans	17 898	(59)	17 839	0.30%
Credit cards				
- Not past due	3 800	(19)	3 781	0.50%
- Overdue less than 30 days	232	(20)	212	8.60%
- Overdue 30 – 89 days	94	(50)	44	53.20%
- Overdue 90 – 179 days	99	(81)	18	81.80%
- Overdue 180 – 360 days	212	(202)	10	95.30%
- Overdue more than 360 days	1	(1)	-	100.00%
Total credit cards	4 438	(373)	4 065	8.40%
Other loans				
- Not past due	2 812	-	2 812	0.00%
- Overdue less than 30 days	39	-	39	0.00%
- Overdue 30 – 89 days	21	(5)	16	23.80%
- Overdue 90 – 179 days	106	(70)	36	66.00%
- Overdue 180 – 360 days	17	(11)	6	64.70%
- Overdue more than 360 days	165	(161)	4	97.60%
Total other loans	3 160	(247)	2 913	7.80%
Total loans to individuals	70 892	(4 455)	66 437	6.30%

6 Loans to customers (continued)

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2015:

	Gross loans	Provision for impairment	Net loans	Impairment to gross loans
Consumer loans				
- Not past due	42 243	(96)	42 147	0.23%
- Overdue less than 30 days	1 396	(128)	1 268	9.17%
- Overdue 30 – 89 days	1 110	(456)	654	41.08%
- Overdue 90 – 179 days	1 267	(1 000)	267	78.93%
- Overdue 180 – 360 days	2 664	(2 339)	325	87.80%
- Overdue more than 360 days	35	(31)	4	88.57%
Total consumer loans	48 715	(4 050)	44 665	8.31%
Mortgage loans				
- Not past due	16 548	-	16 548	0.00%
- Overdue less than 30 days	325	(1)	324	0.31%
- Overdue 30 – 89 days	85	(3)	82	3.53%
- Overdue 90 – 179 days	36	(4)	32	11.11%
- Overdue 180 – 360 days	71	(16)	55	22.54%
- Overdue more than 360 days	173	(68)	105	39.31%
Total mortgage loans	17 238	(92)	17 146	0.53%
Credit cards				
- Not past due	3 866	(20)	3 846	0.52%
- Overdue less than 30 days	203	(17)	186	8.37%
- Overdue 30 – 89 days	93	(53)	40	56.99%
- Overdue 90 – 179 days	111	(91)	20	81.98%
- Overdue 180 – 360 days	237	(226)	11	95.36%
Total credit cards	4 510	(407)	4 103	9.02%
Other loans				
- Not past due	1 847	(7)	1 840	0.38%
- Overdue less than 30 days	8	-	8	0.00%
- Overdue 30 – 89 days	107	(29)	78	27.10%
- Overdue 90 – 179 days	7	(3)	4	42.86%
- Overdue 180 – 360 days	30	(15)	15	50.00%
- Overdue more than 360 days	160	(156)	4	97.50%
Total other loans	2 159	(210)	1 949	9.73%
Total loans to individuals	72 622	(4 759)	67 863	6.55%

Other loans category includes the following products: loans to VIP clients, auto loans and express-loans.

6 Loans to customers (continued)

The Group estimates loan impairment based on its historic loss experience on these types of loans. Management estimates losses based on the historic loss migration pattern for the past 12 months and using historic actual recovery rate of loans.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the loss migration pattern parameter differs by plus/minus 6 months, the loan impairment on loans to individuals as of 31 March 2016 would be RUB 14 million lower, RUB 200 million higher, respectively (31 December 2015: RUB 14 million lower, RUB 205 million higher, respectively).

Industry analysis of the loan portfolio

Loans to customers as at 31 March 2016 and 31 December 2015 are issued to customers operating in the following industries:

	31 March 2016		31 December 2015	
Loans to individuals	70 892	8.4%	72 622	8.3%
Commercial loans				
Real estate	188 753	22,5%	175 323	20.2%
Trade	131 852	15.7%	115 471	13.3%
Oil and gas	72 185	8.6%	90 881	10.4%
Machinery	50 756	6.0%	46 002	5.3%
Finance	46 801	5.6%	71 223	8.2%
Metallurgy	38 840	4.6%	47 203	5.4%
Food production	38 097	4.5%	33 370	3.8%
Chemistry	31 116	3.7%	31 469	3.6%
Agriculture	25 591	3.0%	31 044	3.6%
Infrastructure construction	22 739	2.7%	17 780	2.0%
Telecommunication and media	19 244	2.3%	17 179	2.0%
Transport	14 941	1.8%	16 113	1.9%
Mining	13 435	1.6%	15 538	1.8%
Construction materials	11 099	1.3%	6 786	1.3%
Timber processing	10 172	1.2%	11 269	1.3%
Pharmaceutics	9 815	1.2%	10 615	1.2%
Energy	8 946	1.1%	9 723	1.1%
Tourism and hotel business	5 658	0.7%	8 105	0.9%
Jewelry	2 574	0.3%	2 740	0.3%
Light industry	1 112	0.1%	1 409	0.2%
Other	25 023	3.1%	38 158	4.4%
	839 641	100.0%	870 023	100.0%
Provision for impairment	(75 028)		(70 306)	
Total loans to customers	764 613		799 717	

Significant credit exposures

As at 31 March 2016 aggregate loans to the 20 largest borrowers (or groups of related borrowers) amounted to RUB 270 949 million (31 December 2015: RUB 292 832 million) or 32% (31 December 2015: 34%) of the gross loans to customers.

Maturity, currency and average effective interest rates analysis of loans to customers are disclosed in Note 22. The information on related party balances is disclosed in Note 26.

7 Investments in associates

In July 2014 the Group entered into an option agreement which gives the Bank the right to purchase 30% in a real-estate developer company operating in Moscow City. The Group received the option as a result of the delays in construction of Investment property of the Group (see Note 8) and recognized gain on initial recognition for the full amount of the option. Having entered into this option the Group recognised investment in associate development company and classified gain on this recognition as net gain from investment in associate.

Option period is ten years. The fair value of 30% share in a real-estate developer company was calculated by an independent professionally qualified valuer who has recent experience of valuing similar properties in the Russian Federation. The fair value was calculated based on future cash flows from rent/sale of property of the entity.

The asset was recognized as investments in associates in this interim consolidated condensed financial information. Under the term of this agreement the Group has the unconditional right to exercise option agreement for nominal amount at any time.

As at 31 March 2016 the fair value of investment in associate came to RUB 4 223 million. As at 31 December 2015 the fair value of investments was RUB 4 223 million.

The adjustments to the future cash flows from rent/sale of property of the Group could affect the value of the investments in associate. For example, to the extent that the adjustments differ by plus ten percent, the investments in associate valuation as of 31 March 2016 and 31 December 2015 would be RUB 537 million higher and to the extent that the adjustments differ by minus ten percent, the investments in associate valuation as of would be RUB 530 million lower.

As at 31 March 2016 there are no indications that the asset may be impaired.

8 Investment property

The following table provides information on movements in investment property.

	31 March 2016 (unaudited)	31 December 2015
Investment properties at fair value at 1 January	39 700	23 056
Additions	870	-
Acquisition of subsidiary	-	551
Asset contribution from the parent company		15 744
Transfer from other assets (repossessed collateral)	153	2 646
Transfer from property and equipment	117	-
Disposals	(40)	(66)
Mark to market adjustment	71	(2 231)
Total investment property	40 871	39 700

Investment property represents land and buildings held for capital appreciation.

During 2014, the Group acquired 100% of the share capital of OOO "Elitnye doma" owned by a non-performing borrower of the Group. The company is incorporated in Moscow and owns a land plot in Moscow Region. Total purchase cash consideration amounted to RUB 3 750 million. The Group intends to hold land plot for capital appreciation. As at 31 March 2016 the fair value of investments is RUB 4 947 million (2015: RUB 4 947 million).

8 Investment property (continued)

During 2015, the Group entered into an option agreement which gives the Group the right to purchase 100% of the share capital of OOO “Berezhkovsky Complex”, which owns office building and auto dealer complex located in Moscow. The Group intends to hold property for capital appreciation. Auto dealer complex is rented out on operating lease agreement, the office building is not rented out. As at 31 March 2016 the fair value of investments, is RUB 6 644 million (2015: RUB 6 978 million). The loss on revaluation amounting to RUB 356 million is accounted for in profit or loss.

During 2008 and 2010, the Group acquired the investment rights for 29 530 square meters of an office building under construction by a Russian developer. These investment rights were originally classified as construction in progress as upon completion, the Group intended to use the office building as its new head office. In December 2014 these investment rights were transferred to investment property as the Group intends to keep it for capital appreciation. As at 31 December 2015 and 31 March 2016 the fair value of the asset is RUB 7 680 million. The Group recognizes investment in associate amounting to RUB 4 223 million as a fair value of the option agreement which gives the Group the right to purchase 30% in a real-estate developer company which develops investment property noted above (Note 7).

In November 2015 the Group obtained an asset contribution from the Group’s shareholder Promsvyaz Capital B.V. composed of 100% share of property owner companies. Basically this property consists of land located in Moscow region. The Group intends to hold these properties for capital appreciation.

Transfer from other categories of assets repossessed collateral as at 31 March 2016 amounting RUB 153 million (31 December 2015: RUB 2 646 million) acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and are classified as investment property. The Group intends to hold these assets for capital appreciation.

During 2016, the Group sold to third parties an investment property with carrying amount RUB 40 million (2015: RUB 66 million). In 2016, loss from sale of investment property was RUB 10 million (2015: RUB 13 million).

The investment properties are subject for annual revaluation on 31 December at fair value by an independent, professionally qualified valuer who has recent experience of valuing similar properties in the Russian Federation. The revaluation was performed using the comparable sales approach and discounted cash flows models. The appraisers apply various adjustment factors in valuation models used. The main adjustment factors are the title quality, market conditions, locations, physical and economic characteristics, and additional facilities. These adjustments could affect the value of the investment property.

Change in the assumptions when valuing the auto dealer complex and the office building by 10% would result in a higher/lower fair value measurement by RUB 107 million/RUB 189 million.

Change in the assumptions when valuing the office building under construction by 10% would result in a higher/lower fair value measurement by RUB 688 million/RUB 691 million.

Change in the assumptions when valuing the remaining part of investment property by 10% would result in a higher/lower fair value measurement by RUB 2 655 million

As at 31 March 2016 there are no indications that the assets may be impaired.

9 Non-current assets held for sale

As at 31 March 2016, the Group classified the investments in Ug Sibiri Group and Russian Timber Group as subsidiaries acquired exclusively for sales and applied a short-cut method of consolidation under IFRS 5 “Non-current assets held for sale and discontinued operations”. As at 31 March 2016, the acquired groups are available for sale in their present condition.

9 Non-current assets held for sale (continued)

In March 2015, the Group entered into certain option agreements. In terms of these agreements, the Group has the presently exercisable right to purchase 74.99% of the share capital of group of companies Ug Sibiri Group for a period of 10 years starting from the date of the option agreements. This Group includes OOO "Ug Sibiri", OOO "AgroSib-Razdolye", ZAO "Byisk Oil Extracting Plant", OOO "Prodex-Omsk" and OOO "Ug Sibiri-Trade".

The Group has acquired the options in exchange for settling the obligations of the shareholders of above companies who act as guarantors under the impaired loans granted by the Group.

Total assets and total liabilities of the group of companies Ug Sibiri Group as at 31 March 2016 were as follows:

	Attributed fair value
Total assets	17 619
Total liabilities	13 622*

*total liabilities in the disclosures above differs from amount in statement of financial position due to elimination of loans issued to consolidated companies.

Management of the Group is committed to a plan to sell the options regarding the group of companies Ug Sibiri in the second quarter 2016.

In September 2015 the Group obtained control over Russian Timber Group through entering into certain option agreements. These agreements give the Group the presently exercisable right to purchase 51% of the share capital of the group of companies. This Group includes ZAO "LDK Igirma", OOO "SEL-Tairiku", OOO "SEL-Trade", OOO "TSLK", OOO "SibLes", OOO "RusLesGroup".

Total assets and total liabilities of the group of companies Russian Timber Group as at 31 March 2016 were as follows:

	Attributed fair value
Total assets	36 911
Total liabilities	36 911*

*total liabilities in the disclosures above differs from amount in statement of financial position due to elimination of loans issued to consolidated companies.

Management of the Group is committed to a plan to sell the options regarding the group of companies Russian Timber Group in the third quarter 2016.

10 Deposits and balances due to banks and other financial institutions

	31 March 2016 (unaudited)	31 December 2015
Term deposits from local banks	44 006	24 715
Term deposits from the Central Bank of the RF	37 384	89 423
Vostro accounts	24 279	12 891
Trade finance of foreign banks	20 309	29 373
Term deposits from foreign banks	9 366	943
Long-term finance from foreign banks	5 834	6 658
Total deposits and balances from banks and other financial institutions	141 178	164 003

10 Deposits and balances due to banks and other financial institutions (continued)

Trade finance and long-term finance represents funds to be used in documentary credit transactions. Trade finance is used for financing working capital of customers through documentary letters of credit. Long-term finance is used to finance targeted assets of customers through documentary letters of credit.

Maturity, currency and average effective interest rates analyses of deposits and balances from banks and other financial institutions are disclosed in Note 22.

11 Current accounts and deposits from customers

	31 March 2016 (unaudited)	31 December 2015
Current accounts and demand deposits		
- Corporate	217 351	182 821
- Retail and private banking	45 263	41 559
Total current accounts and demand deposits	262 614	224 380
Term deposits		
- Corporate	290 102	319 676
- Retail and private banking	256 940	247 655
Total term deposits	547 042	567 331
Total current accounts and deposits from customers	809 656	791 711

Blocked accounts

As at 31 March 2016 the Group maintained corporate customer deposit balances of RUB 15 247 million (31 December 2015: RUB 17 364 million) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

Concentrations of current accounts and deposits from customers

As at 31 March 2016 the 20 largest aggregate balances of current account and deposits from customers amounted to RUB 252 645 million or 31% of total current accounts and deposits from customers (31 December 2015: RUB 250 851 million or 32% of total current accounts and deposits from customers).

Maturity and currency analysis of current accounts and deposits from customers and average effective interest rates are disclosed in Note 22.

12 Debt securities in issue

	31 March 2016 (unaudited)	31 December 2015
Non-subordinated senior loan participation notes	19 650	21 232
Domestic bonds	7 704	2 572
Promissory notes	1 933	495
Mortgage backed bonds in issue	1 086	1 183
Total debt securities in issue	30 373	25 482

Non-subordinated senior loan participation notes comprise notes issued through PSB Finance S.A. (refer to Note 2).

During the three-month period ended 31 March 2016, the Group purchased from the market non-subordinated senior loan participation notes amounting to USD 17 million (RUB 1 156 million).

During the three-month period ended 31 March 2016 the Group sold non-subordinated senior loan participation notes amounting to USD 10 million (RUB 706 million).

In March 2016 the Group issued domestic bonds with a nominal value of RUB 5 000 million for a period of 5 years with a coupon rate 11.8% per annum. As at 31 March 2016 the amortised value of these bonds is RUB 5 005 million.

In June 2013, the Group issued bonds with an aggregate nominal value of RUB 3 092 million as part of a securitisation transaction. The bonds were issued by Closed Joint Stock Company Mortgage Agent PSB 2013, a consolidated special purpose entity. Class A notes in the amount of RUB 2 505 million were placed through open subscription on the MOEX and class B notes in the amount of RUB 587 million were bought out by the Group and, therefore, were eliminated in these interim consolidated condensed financial statement. The international rating agency Moody's assigned the Baa3 credit rating to class A notes. Class A notes have a fixed coupon rate of 8.5% p.a. and should be fully repaid on 9 February 2040. As of 31 March 2016 the carrying value of Class A notes was RUB 1 086 million (31 December 2015: RUB 1 183 million).

Maturity, average effective interest rates and currency analysis of own securities issued are disclosed in Note 22.

13 Other borrowed funds

	31 March 2016 (unaudited)	31 December 2015
DIA funding	6 142	5 977
Other borrowed funds	4 717	5 854
Total other borrowed funds	10 859	11 831

As at 31 March 2016 the outstanding amount of the funds borrowed from June 2011 to March 2016 from OAO SME Bank is RUB 2 410 million. The loans bear interest rates from 3.9% to 10.5% per annum and mature from April 2016 to August 2025.

Maturity, currency and interest rate analyses of other borrowed funds are disclosed in Note 22.

14 Subordinated borrowings

	31 March 2016 (unaudited)	31 December 2015
Subordinated loan participation notes	48 155	52 829
Perpetual subordinated loan participation notes	14 324	15 781
Total subordinated borrowings	62 479	68 610

During the three-month period ended 31 March 2016, the Group purchased from the market subordinated loan participation notes amounting to USD 10.7 million (RUB 723 million).

During the three-month period ended 31 March 2016 the Group sold subordinated loan participation notes amounting to USD 2.3 million (RUB 155 million).

Maturity, currency and interest rate analyses of subordinated borrowings are disclosed in Note 22.

15 Net interest income

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Interest income		
Loans to customers	22 272	22 972
Financial assets at fair value through profit or loss	1 749	943
Placements with banks and other financial institutions and cash and cash equivalents	750	724
Reverse repurchase agreements	368	280
Total interest income	25 139	24 919
Interest expense		
Current accounts and deposits from customers	11 546	11 767
Deposits and balances from banks and other financial institutions	3 294	3 933
Subordinated borrowings	1 803	2 496
Repurchase agreements	821	105
Own securities issued	611	1 020
Other borrowed funds	239	177
Total interest expense	18 314	19 498
Net interest income	6 825	5 421

16 Fee and commission income

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Commission for servicing plastic cards	1 847	1 378
Money transfer fees	1 405	961
Commission on foreign currency operations	702	732
Commission on documentary operations	581	734
Commission for operations with cash	259	195
Insurance agency fees	188	96
Securities trading fees	135	90
Commission on banknote operations	72	64
Cash collection fees	9	8
Other	23	75
Total fee and commission income	5 221	4 333

17 Fee and commission expense

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Commission for servicing plastic cards	930	811
Money transfer fees	110	107
Cash collection fees	69	70
Commission on banknote operations	56	20
Agent fees	49	40
Commission on documentary operations	45	85
Commission on foreign currency operations	40	39
Insurance agency fees	24	23
Other	72	40
Total fee and commission expense	1 395	1 235

18 Net gain/(loss) on financial instruments at fair value through profit or loss

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Net gain on derivative financial instruments	221	2 017
Net gain on debt securities – trading securities	1 153	1 576
Net loss on equity instruments – securities designated upon initial recognition as at fair value through profit or loss	-	(6)
Net loss on equity securities – trading securities	(6)	-
Net gain on financial instruments at fair value through profit or loss	1 368	3 587

19 General and administrative expenses

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Employee compensation	2 375	2 824
Social security contribution	747	713
Depreciation	375	313
Communications and information services	295	161
Occupancy	269	311
Office repairs, maintenance and supply	243	238
Security	110	84
Taxes other than income tax	85	63
Charity and sponsorship	62	35
Advertising and marketing	61	95
Transportation	56	60
Insurance	50	19
Other	253	173
Total general and administrative expenses	4 981	5 089

Charity and sponsorship expenses include grants to the Russian Society of Invalids, hospices, hospitals, culture institutions and to the Russian Orthodox Church.

20 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period, except for own actions, redeemed from shareholders.

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

	Three-month period ended 31 March 2016 (unaudited)	Three-month period ended 31 March 2015 (unaudited)
Profit/(loss) attributable to the owners of the Parent	318	(1 970)
Weighted average number of ordinary shares in issue (in million)	1 113 385	1 113 385
Basic and diluted loss per ordinary share (expressed in RUB per share)	-	(0,002)

21 Analysis by segments

The Group is organized into five main reportable operating segments. The segments are identified on the basis of organizational structure and types of clients. Each operating segment involves areas of business that are under control and responsibility of one of the Management Board members. Internal management reports are reviewed by the Management Board on a periodical basis and by the Board of Directors on a quarterly basis.

21 Analysis by segments (continued)

The following summary describes the operations in each of the reportable segments:

- Corporate banking – this operating segment includes the following services provided to legal entities (excluding small and medium size enterprises): settlements and money transfer; deposit taking; issuance of promissory notes and certificates of deposit; trade and long-term finance; commercial lending; overdraft lending; factoring; leasing; letters of credit; guarantees; foreign exchange services; cash collection; currency conversion; all transactions with precious metals;
- Small and medium size enterprises – this operating segment includes the following services provided to small and medium size enterprises (entities with annual revenues of less than RUR 1 500 million): commercial lending; deposit taking; issuance of promissory notes; money transfer; guarantees; brokerage in securities; foreign exchange services;
- Retail and private banking – this operating segment includes the following services provided to retail customers: settlements and money transfer; deposit taking and lending to individuals (including VIP clients); foreign exchange services; banking card products; settlement and cash services;
- Capital markets – this operating segment includes the following services provided to banks and other financial institutions: deposit taking; borrowings from banks and other financial institutions; issuance of domestic bonds, loan participation notes and promissory notes on the market; repo transactions; interbank lending; syndicated and subordinated borrowings; trading and brokerage in securities; foreign exchange (except currency conversion for clients); trading in derivatives; banknote operations; depositary services; settlements and money transfer;
- Assets and liabilities management – this segment manages the liquidity position through transactions with marketable financial instruments. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments and interest risk management. This segment is supervised by the Asset and Liability Committee (ALCO);
- Assets, liabilities, income and expense of PAO “Avtovazbank” are presented as a separate segment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Information on segment income tax expense in the tables below is presented for information purposes. The intersegment revenue from other segments related to exchange of the resources between segments are calculated on the basis of a transfer pricing system, in accordance with which the prices of the internal placement/funding depend on the currency and term of placement/funding.

The Group does not allocate equity between segments, the result of the equity transfers and transactions is in “Reconciling items”.

The Group does not allocate net book value of property and equipment and taxes between segments to determine segment assets/liabilities. These captions are included in “Reconciling items” category in the reconciliation of the total segment assets/liabilities to total assets/liabilities of the Group. Other assets and liabilities (including perpetual subordinated loan participation notes) and gains or losses attributable to these assets and liabilities (including loss on compensation of transfer pricing for low margin products) are included in “Reconciling items” category when they cannot reasonably be distributed among the segments .

General and administrative expenses are allocated between the segments on the basis of an activity-based costing model that identifies activities and assigns the cost of each activity’s resources to all products and services according to their actual consumption. Interest expense on perpetual subordinated loan participation notes is included in “Reconciling items” category. “Reconciling items” category also include expense compensation for property plant and equipment and loss on transfer rate compensation for business segments. The loss occurs when market rates are differ than internal transfer rates at which business attract or provide funding from/to Assets and liabilities management segment.

21 Analysis by segments (continued)

The Group allocates income tax benefit/expense using the financial result of each segment and the overall effective tax rate of each subsidiary.

Segment breakdown of assets and liabilities as at 31 March 2016 is set out below:

	Corporate banking	Small and medium size enterpri- ses	Retail and private banking	Capital markets	Assets and liabilities manage- ment	Avtovaz- bank	Recon- ciling items	Total
Assets								
Cash and cash equivalents	1 946	3 079	21 329	9 598	150 598	1 051	2	187 603
Obligatory reserves with central banks	-	-	-	-	5 793	104	-	5 897
Placements with banks and other financial institutions	-	-	-	18 577	-	4 976	-	23 553
Financial assets at fair value through profit or loss	-	-	-	59 101	17 117	12 795	-	89 013
Amounts receivable under reverse repurchase agreements	-	-	-	21 589	14	-	-	21 603
Loans to customers	592 191	41 181	64 119	-	-	67 122	-	764 613
Investments available for sale	-	-	645	308	-	297	-	1 250
Investments in associates	-	-	-	-	4 223	-	-	4 223
Other assets	1 659	76	462	80	-	244	3 780	6 301
Current income tax prepayments	-	-	-	-	-	-	306	306
Deferred tax asset	-	-	-	-	-	1 612	5 815	7 427
Investment property	-	89	-	-	-	525	40 257	40 871
Property and equipment, intangible assets	-	-	-	-	-	883	13 167	14 050
Non-current assets held for sale	54 530	-	-	-	-	-	-	54 530
Total assets	650 326	44 425	86 555	109 253	177 745	89 609	63 327	1 221 240
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	7 787	-	-	-	7 787
Deposits and balances from banks and other financial institutions	26 654	-	-	60 510	53 795	218	1	141 178
Amounts payable under repurchase agreements	-	-	-	20 717	37 092	4 615	-	62 424
Current accounts and deposits from customers	417 657	86 879	290 704	1 443	-	12 973	-	809 656
Debt securities in issue	-	-	-	30 373	-	-	-	30 373
Other borrowed funds	-	-	-	4 415	-	6 444	-	10 859
Other liabilities	1 079	265	347	43	-	49	3 257	5 040
Current income tax payable	-	-	-	-	-	-	10	10
Deferred tax liability	-	-	-	-	-	-	764	764
Subordinated borrowings	-	-	-	48 155	-	-	14 324	62 479
Liabilities directly associated with disposal groups held for sale	7 003	-	-	-	-	-	-	7 003
Total liabilities	452 393	87 144	291 051	173 443	90 887	24 299	18 356	1 137 573

21 Analysis by segments (continued)

Segment breakdown of assets and liabilities as at 31 December 2015 is set out below:

	Corporate banking	Small and medium size enterpri- ses	Retail and private banking	Capital markets	Assets and liabilities manage- ment	Avtovaz- bank	Recon- ciling items	Total
Assets								
Cash and cash equivalents	2 179	4 196	14 968	30 226	95 529	1 502	3	148 603
Obligatory reserves with central banks	-	-	-	-	5 732	145	-	5 877
Placements with banks and other financial institutions	-	-	3	24 608	-	13 223	-	37 834
Financial assets at fair value through profit or loss	-	-	-	53 869	18 127	6 071	-	78 067
Amounts receivable under reverse repurchase agreements	-	-	-	19 619	-	-	-	19 619
Loans to customers	636 552	46 282	65 740	-	-	51 143	-	799 717
Investments available for sale	-	-	714	120	-	297	-	1 131
Investments in associates	-	-	-	-	4 223	-	-	4 223
Other assets	366	7	404	247	-	121	3 170	4 315
Current income tax prepayments	-	-	-	-	-	-	303	303
Deferred tax asset	-	-	-	-	-	1 644	5 413	7 057
Investment property	-	89	-	-	-	517	39 094	39 700
Property and equipment, intangible assets	-	-	-	-	-	920	13 375	14 295
Non-current assets held for sale	52 002	-	-	-	-	-	-	52 002
Total assets	691 099	50 574	81 829	128 689	123 611	75 583	61 358	1 212 743
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	11 674	-	-	-	11 674
Deposits and balances from banks and other financial institutions	36 850	-	20	37 282	89 552	298	1	164 003
Amounts payable under repurchase agreements	-	-	-	11 440	35 065	-	-	46 505
Current accounts and deposits from customers	407 490	91 160	272 311	1 371	-	19 379	-	791 711
Debt securities in issue	-	-	-	25 477	-	5	-	25 482
Other borrowed funds	-	-	-	5 441	-	6 390	-	11 831
Other liabilities	1 560	221	392	188	-	60	2 533	4 954
Current income tax payable	-	-	-	-	-	-	28	28
Deferred tax liability	-	-	-	-	-	-	494	494
Subordinated borrowings	-	-	-	52 829	-	-	15 781	68 610
Liabilities directly associated with disposal groups held for sale	4 009	-	-	-	-	-	-	4 009
Total liabilities	449 909	91 381	272 723	145 702	124 617	26 132	18 837	1 129 301

21 Analysis by segments (continued)

Segment information for the reportable business segments of the Group for the three-month period ended 31 March 2016 is set out below:

	Corporate banking	Small and medium size enter- prises	Retail and private banking	Capital markets	Assets and liabilities manage- ment	Avtovaz- bank	Recon- ciling items	Total
Unaudited								
Interest income	15 261	1 823	3 252	1 966	353	2 484	-	25 139
Interest expense	(6 299)	(715)	(4 616)	(3 401)	(2 602)	(271)	(410)	(18 314)
Net interest income/(expense)	8 962	1 108	(1 364)	(1 435)	(2 249)	2 213	(410)	6 825
Net revenue from other segments	(9 365)	925	4 049	4 062	3 303	-	(2 974)	-
Income	10 716	2 528	6 696	6 319	25 076	-	-	51 335
Expense	(20 081)	(1 603)	(2 647)	(2 257)	(21 773)	-	(2 974)	(51 335)
Fee and commission income	934	1 867	2 227	141	3	49	-	5 221
Fee and commission expense	(104)	(245)	(865)	(119)	(41)	(21)	-	(1 395)
Net fee and commission income/(expense)	830	1 622	1 362	22	(38)	28	-	3 826
Net gain/(loss) on financial instruments at fair value through profit or loss and on early redemption of Eurobonds	-	-	-	1 343	(299)	324	-	1 368
Net foreign exchange gain/(loss)	40	-	-	(1 995)	149	1 268	-	(538)
Net gain on revaluation of investment property	-	-	-	-	-	-	71	71
Other income	3	-	-	2	-	13	362	380
Other expense	-	(1)	(243)	-	-	-	(371)	(615)
Operating income/(loss) of the segment	470	3 654	3 804	1 999	866	3 846	(3 322)	11 317
Loan impairment (charge)/reversal	(4 570)	327	(990)	-	-	(1 324)	-	(6 557)
Other impairment reversal/(charge)	550	3	(11)	22	-	-	-	564
General and administrative expenses	(1 087)	(1 397)	(1 623)	(273)	(2)	(174)	(425)	(4 981)
Operating expenses	(5 107)	(1 067)	(2 624)	(251)	(2)	(1 498)	(425)	(10 974)
Loss/(profit) before tax	(4 637)	2 587	1 180	1 748	864	2 348	(3 747)	343
Income tax (expense)/benefit	(69)	39	17	26	13	(33)	(56)	(63)
Loss/(profit) for the period after tax	(4 706)	2 626	1 197	1 774	877	2 315	(3 803)	280
Revenue of the segment	26 954	6 218	12 175	7 776	25 282	4 138	433	82 976

21 Analysis by segments (continued)

Segment information for the reportable business segments of the Group for the three-month period ended 31 March 2015 is set out below:

	Corporate banking	Small and medium size enter- prises	Retail and private banking	Capital markets	Assets and liabilities manage- ment	Recon- ciling items	Total
Unaudited							
Interest income	16 654	2 615	3 703	1 627	320	-	24 919
Interest expense	(6 079)	(846)	(5 001)	(4 618)	(2 798)	(156)	(19 498)
Net interest income/(expense)	10 575	1 769	(1 298)	(2 991)	(2 478)	(156)	5 421
Net revenue from other segments	(3 668)	514	4 405	2 712	(1 968)	(1 995)	-
Income	10 234	2 786	7 379	4 362	22 414	-	47 175
Expense	(13 902)	(2 272)	(2 974)	(1 650)	(24 382)	(1 995)	(47 175)
Fee and commission income	1 276	1 229	1 658	159	11	-	4 333
Fee and commission expense	(158)	(256)	(722)	(67)	(32)	-	(1 235)
Net fee and commission income/(expense)	1 118	973	936	92	(21)	-	3 098
Net gain on financial instruments at fair value through profit or loss	-	-	-	1 961	1 626	-	3 587
Net foreign exchange gain/(loss)	-	-	-	1 218	(1 306)	-	(88)
Other income	1	-	-	48	-	(44)	5
Other expense	(12)	-	(217)	-	-	(365)	(594)
Operating income/(loss) of the segment	7 946	3 256	3 826	3 040	(4 147)	(2 560)	11 361
Loan impairment charge	(5 917)	(1 390)	(1 321)	-	-	-	(8 628)
Other impairment charge	38	-	-	-	-	-	38
General and administrative expenses	(1 032)	(1 496)	(2 041)	(283)	(4)	(233)	(5 089)
Operating expenses	(6 911)	(2 886)	(3 362)	(283)	(4)	(233)	(13 679)
Profit/(loss) before tax	1 035	370	464	2 757	(4 151)	(2 793)	(2 318)
Income tax (expense)/benefit	(151)	(54)	(67)	(402)	605	407	338
Profit/(loss) for the period after tax	884	316	397	2 355	(3 546)	(2 386)	(1 980)
Revenue of the segment	28 165	6 630	12 740	9 375	23 065	-	79 975

22 Currency and maturity analysis and average effective interest rates**Currency analysis**

The following table shows the currency structure of assets and liabilities as monitored by management as at 31 March 2016:

	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	120 922	49 572	11 003	6 106	187 603
Obligatory reserves with central banks	5 353	-	530	14	5 897
Placements with banks and other financial institutions	5 796	4 770	12 987	-	23 553
Financial assets at fair value through profit or loss	72 726	13 557	2 501	229	89 013
Amounts receivable under reverse repurchase agreements	8 388	12 879	-	336	21 603
Loans to customers	492 245	244 759	26 899	710	764 613
Investments available for sale	605	645	-	-	1 250
Other financial assets	1 116	33	70	54	1 273
Non-current assets held for sale	33 110	21 420	-	-	54 530
Non-financial assets	59 716	11 998	180	11	71 905
Total assets	799 977	359 633	54 170	7 460	1 221 240
Liabilities					
Financial liabilities at fair value through profit or loss	6 195	1 545	20	27	7 787
Deposits and balances due to banks and other financial institutions	97 216	27 471	15 262	1 229	141 178
Amounts payable under repurchase agreements	48 480	13 944	-	-	62 424
Current accounts and deposits from customers	506 544	235 323	62 323	5 466	809 656
Debt securities in issue	10 689	19 684	-	-	30 373
Other borrowed funds	8 552	2 307	-	-	10 859
Other financial liabilities	1 568	49	70	-	1 687
Subordinated borrowings	1 909	54 722	3 874	1 974	62 479
Liabilities directly associated with disposal groups held for sale	7 003	-	-	-	7 003
Non-financial liabilities	3 384	718	25	-	4 127
Total liabilities	691 540	355 763	81 574	8 696	1 137 573
Net on balance sheet position	108 437	3 870	(27 404)	(1 236)	83 667
Net off balance sheet position	(34 215)	(1 042)	32 725	2 532	-
Net on and off balance sheet positions	74 222	2 828	5 321	1 296	83 667
Financial guarantees issued as at 31 March 2016	(33 578)	(12 108)	(2 626)	(453)	(48 765)
Other off-balance financial credit related commitments as at 31 March 2016	(3 408)	(2 681)	(747)	(72)	(6 908)

22 Currency and maturity analysis and average effective interest rates (continued)

The following table shows the currency structure of assets and liabilities as monitored by management as at 31 December 2015:

	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	73 914	58 660	10 975	5 054	148 603
Obligatory reserves with central banks	5 182	-	695	-	5 877
Placements with banks and other financial institutions	1 629	7 403	28 802	-	37 834
Financial assets at fair value through profit or loss	60 323	17 458	132	154	78 067
Amounts receivable under reverse repurchase agreements	8 475	10 777	63	304	19 619
Loans to customers	498 059	279 469	21 667	522	799 717
Investments available for sale	417	714	-	-	1 131
Other financial assets	1 054	35	77	-	1 166
Non-financial assets	56 606	11 941	165	15	68 727
Non-current assets held for sale	28 920	23 082	-	-	52 002
Total assets	734 579	409 539	62 576	6 049	1 212 743
Liabilities					
Financial liabilities at fair value through profit or loss	1 416	9 893	110	255	11 674
Deposits and balances due to banks and other financial institutions	54 270	92 376	16 593	764	164 003
Amounts payable under repurchase agreements	29 738	16 767	-	-	46 505
Current accounts and deposits from customers	506 895	233 950	45 776	5 090	791 711
Debt securities in issue	4 250	21 232	-	-	25 482
Other borrowed funds	9 104	2 727	-	-	11 831
Other financial liabilities	1 789	55	141	-	1 985
Subordinated borrowings	2 091	60 147	4 132	2 240	68 610
Non-financial liabilities	2 499	990	2	-	3 491
Liabilities directly associated with disposal groups held for sale	4 009	-	-	-	4 009
Total liabilities	616 061	438 137	66 754	8 349	1 129 301
Net on balance sheet position	118 518	(28 598)	(4 178)	(2 300)	83 442
Net off balance sheet position	(37 495)	31 201	2 982	3 312	-
Net on and off balance sheet positions	81 023	2 603	(1 196)	1 012	83 442
Financial guarantees issued as at 31 December 2015	(37 643)	(17 245)	(3 105)	(486)	(58 479)
Other off-balance financial credit related commitments as at 31 December 2015	(2 534)	(2 328)	(497)	(625)	(5 984)

Maturity analysis

The maturity table below is presented as monitored by management of Group. It shows assets and liabilities by their remaining contractual maturity as at 31 March 2016 and 31 December 2015, with the exception of the groups of assets or liabilities mentioned below.

Securities approved by the CBR as collateral for its loans are shown in the category “Demand and less than 1 month” in the amount of RUB 55 630 million as at 31 March 2016 (31 December 2015: RUB 53 901 million). Other securities are shown in accordance with their remaining contractual maturity as at 31 March 2016 and 31 December 2015.

22 Currency and maturity analysis and average effective interest rates (continued)

Domestic bonds issued are presented in the table below in accordance with their earliest put dates.

In accordance with Russian legislation, term deposits of individuals may be withdrawn before maturity. However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding.

As at 31 March 2016 the Group included part of current accounts from customers amounting to RUB 156 417 million (31 December 2015: RUB 120 697 million) in the categories other than “Demand and less than 1 month ” based on historical experience of stable customer current accounts. In 2015 the Group adopted advanced statistical model to allocate stable customer current accounts between maturity categories.

Term deposits from the CBR according to the Bank of Russia Regulation No. 312-P “On the Procedure for Extending Bank of Russia Loans to Credit Institutions Secured by Assets or Guarantees” amounting to RUB 37 384 million are allocated in the category corresponding to the maturity of the assets pledged (31 December 2015: RUB 89 423 million).

As at 31 December 2015 the Group included deposits from Russian Federal Treasury amounting to RUB 14 659 million in the category “from 1 to 6 months” based on the Group’s intention and ability to use this source of funding. As at 31 March 2016 Bank has no deposits from Russian Federal Treasury.

As at 31 March 2016 the Group included part of Deposits and balances due to banks and other financial institutions amounting to RUB 7 924 million in the category “from 1 to 6 months” based on historical experience of stable vostro accounts (31 December 2015: RUB 5 708 million).

As at 31 March 2016 the Group disclosed part of deposits and balances due to banks and other financial institutions attracted by the Group as a collateral amounting to RUB 12 213 million in the category corresponding to the maturity of the asset for which collateral held (31 December 2015: RUB 11 489 million).

As at 31 March 2016 the Group disclosed part of amounts payable under repurchase agreements amounting to RUB 29 064 million in the category from 1 year to 5 years. These REPO deals use federal government bonds applied as government funding as underlying assets (31 December 2015: RUB 21 496 million).

The Group has undrawn lines of credit with the CBR and other financial institutions. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR and other financial institutions.

The following table shows breakdown of undrawn lines of credit with the CBR (based on Bank of Russia Regulation No. 312-P “On the Procedure for Extending Bank of Russia Loans to Credit Institutions Secured by Assets or Guarantees”) and other financial institutions:

	31 March 2016	31 December 2015
Undrawn lines of credit with the CBR	76 098	120 256
Undrawn lines of credit with the Department of Finance of Tyumen Region	11 148	11 659
Undrawn lines of credit with the the Ministry of Finance of Bashkortostan Republic	12 648	11 659
Undrawn lines of credit with the Ministry of Finance of Moscow Region	1 048	14 659
Total	100 942	158 233

22 Currency and maturity analysis and average effective interest rates (continued)

The following table shows the maturity analysis of assets and financial liabilities as monitored by management as at 31 March 2016:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	187 603	-	-	-	-	-	187 603
Obligatory reserves with central banks	2 007	1 593	1 119	1 092	86	-	5 897
Placements with banks and other financial institutions	1 532	9 659	10 108	954	1 300	-	23 553
Financial assets at fair value through profit or loss	58 174	10 324	3 128	13 701	3 686	-	89 013
Amounts receivable under reverse repurchase agreements	21 603	-	-	-	-	-	21 603
Loans to customers	45 634	150 511	141 257	288 335	138 876	-	764 613
Investments available for sale	-	-	-	-	-	1 250	1 250
Other financial assets	1 273	-	-	-	-	-	1 273
Non-current assets held for sale	-	17 619	36 911	-	-	-	54 530
Non-financial assets	-	-	-	45 094	-	26 811	71 905
Total assets	317 826	189 706	192 523	349 176	143 948	28 061	1 221 240
Liabilities							
Financial liabilities at fair value through profit or loss	4 242	2 632	400	513	-	-	7 787
Deposits and balances due to banks and other financial institutions	53 003	29 840	9 389	37 411	11 535	-	141 178
Amounts payable under repurchase agreements	33 360	-	-	29 064	-	-	62 424
Current accounts and deposits from customers	283 351	224 342	152 239	143 385	6 339	-	809 656
Debt securities in issue	825	1 826	7 575	18 971	1 176	-	30 373
Other borrowed funds	161	590	246	3 238	6 624	-	10 859
Other financial liabilities	1 015	228	268	156	20	-	1 687
Subordinated borrowings	-	9 073	-	34 427	18 979	-	62 479
Liabilities directly associated with disposal groups held for sale	-	-	7 003	-	-	-	7 003
Non-financial liabilities	-	-	-	-	-	4 127	4 127
Total liabilities	375 957	268 531	177 120	267 165	44 673	4 127	1 137 573
Net liquidity position	(58 131)	(78 825)	15 403	82 011	99 275	23 934	83 667
Cumulative liquidity position	(58 131)	(136 956)	(121 553)	(39 542)	59 733	83 667	

22 Currency and maturity analysis and average effective interest rates (continued)

The following table shows the maturity analysis of assets and financial liabilities as monitored by management as at 31 December 2015:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	148 603	-	-	-	-	-	148 603
Obligatory reserves with central banks	1 895	1 916	829	1 159	77	1	5 877
Placements with banks and other financial institutions	6 742	20 317	6 657	2 869	1 249	-	37 834
Financial assets at fair value through profit or loss	56 967	2 184	359	16 267	2 290	-	78 067
Amounts receivable under reverse repurchase agreements	16 237	432	2 950	-	-	-	19 619
Loans to customers	72 619	173 856	99 317	376 839	77 086	-	799 717
Investments available for sale	-	-	-	-	-	1 131	1 131
Other financial assets	1 166	-	-	-	-	-	1 166
Non-current assets held for sale	-	13 732	38 270	-	-	-	52 002
Non-financial assets	-	-	-	43 923	-	24 804	68 727
Total assets	304 229	212 437	148 382	441 057	80 702	25 936	1 212 743
Liabilities							
Financial liabilities at fair value through profit or loss	6 840	4 382	159	293	-	-	11 674
Deposits and balances due to banks and other financial institutions	15 753	32 430	15 984	70 370	29 466	-	164 003
Amounts payable under repurchase agreements	9 706	15 303	-	21 496	-	-	46 505
Current accounts and deposits from customers	262 568	264 350	115 017	143 720	5 941	115	791 711
Debt securities in issue	366	385	2 525	20 936	1 270	-	25 482
Other borrowed funds	269	1 080	263	3 667	6 552	-	11 831
Other financial liabilities	1 372	127	240	200	46	-	1 985
Subordinated borrowings	1 330	1 143	8 632	29 894	27 611	-	68 610
Liabilities directly associated with disposal groups held for sale	-	-	4 009	-	-	-	4 009
Non-financial liabilities	-	-	-	-	-	3 491	3 491
Total liabilities	298 204	319 200	146 829	290 576	70 886	3 606	1 129 301
Net liquidity position	6 025	(106 763)	1 553	150 481	9 816	22 330	83 442
Cumulative liquidity position	6 025	(100 738)	(99 185)	51 296	61 112	83 442	

22 Currency and maturity analysis and average effective interest rates (continued)

Interest rate risk

The Group is exposed to interest rate risk, which is the risk of changes to Group's financial condition or results of operations based on adverse movements in interest rates, when it lends to customers at interest rates, in amounts and at maturities that differ from the interest rates, amounts, and maturities at which the Group raises its own funding. Although most of Group's assets and liabilities have fixed interest rates, the terms of Group's main credit products with terms of over one month generally provide for Group's right to revise interest rates in accordance with market benchmark trends. The Group manages its interest rate risk by matching the funding and exposures with floating and fixed interest rates.

The Group applies economic value approach to assess potential negative impact of interest rates changes on the present value of all future cash flows. Historical modeling of interest rates movements in multi-curve framework is adopted to calculate this metric. By adopting historical and stochastic factor modeling the Group takes into account the prepayment risk embedded in retail loans and mortgages as well as option risks inherent in retail deposits and other non-maturity liabilities, considering specific sensitivity of each client account to changes in interest rate environment.

The banking book are being regularly stress-tested for large interest rate movements, based on the several multiple macroeconomic scenarios, including scenario with very extreme interest rate shock.

As part of Group's interest rate risk management procedures, the Treasury Department calculates interest rate GAPs and Financial Risk Department calculated Price value of a basis point ("PVBP"), possible negative revaluation of Economic Value ("PV") metrics on a monthly basis. The ALCO reviews those calculations, sets limits for interest rate risk and adopts various strategies aimed at mitigating or hedging interest rate risk, on the basis of common recommendations made by the Treasury Department and Financial Risk Department. The Treasury Department is responsible for implementing and monitoring ALCO's decision.

The table below displays the interest bearing assets and interest bearing liabilities as at 31 March 2016 and 31 December 2015 and their corresponding average effective interest rates as at those dates.

22 Currency and maturity analysis and average effective interest rates (continued)

	31 March 2016 (unaudited)		31 December 2015	
	Carrying amount	Average effective interest rate	Carrying amount	Average effective interest rate
Interest earning assets				
Cash and cash equivalents				
- RUB	88 389	10.0%	71 301	10.8%
- other currencies	40 311	0.0%	34 740	0.1%
Obligatory reserves with central banks				
- other currencies	530	0.1%	695	0.1%
Placements with banks and other financial institutions				
- RUB	6 190	13.0%	2 016	11.2%
- other currencies	17 748	7.5%	36 222	7.4%
Financial assets at fair value through profit or loss				
- RUB	46 651	11.8%	44 995	12.2%
- other currencies	15 547	4.4%	14 723	5.0%
Amount receivable under reverse repurchase agreements				
- RUB	8 388	13.3%	8 475	12.3%
- other currencies	13 215	2.0%	11 144	2.0%
Loans to customers				
- RUB	492 245	12.8%	498 059	14.4%
- other currencies	272 368	4.8%	301 658	6.9%
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- RUB	97 216	11.0%	54 270	10.7%
- other currencies	43 962	1.7%	109 733	1.8%
Amounts payable under repurchase agreements				
- RUB	48 480	12.2%	29 738	12.0%
- other currencies	13 944	1.2%	16 767	1.2%
Current accounts from customers				
- RUB	121 663	0.0%	121 814	0.0%
- other currencies	140 951	0.0%	102 566	0.0%
Deposits from customers				
- RUB	384 882	10.3%	385 082	10.9%
- other currencies	162 160	1.9%	182 249	3.5%
Debt securities in issue				
- RUB	10 689	11.6%	4 250	11.3%
- other currencies	19 684	9.0%	21 232	9.0%
Other borrowed funds				
- RUB	8 552	2.9%	9 104	3.2%
- other currencies	2 307	4.3%	2 727	4.1%
Subordinated borrowings				
- RUB	1 909	12.7%	2 091	12.7%
- other currencies	60 570	11.1%	66 519	11.1%

23 Capital management

The Group monitors its capital adequacy levels calculated in accordance with the requirements of the CBR and the Basel Accord, commonly known as Basel III.

23 Capital management (continued)**Capital adequacy ratio under the Basel III requirements**

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord:

	31 March 2016 (unaudited)	31 December 2015
Common equity Tier 1	73 653	75 329
Additional Tier 1	14 229	15 255
Tier 1 capital	87 882	90 584
Tier 2 capital	63 746	68 069
Total capital	151 628	158 653
Risk-weighted assets	1 053 805	1 100 440
Tier 1 common capital ratio (min 4.5%)	6.99%	6.85%
Tier 1 capital ratio (min 6.0%)	8.34%	8.23%
Total capital ratio (min 8.0%)	14.39%	14.42%

In June 2015 the Deposit Insurance Agency Board of Directors has approved a Promsvyazbank application for government funding through the OFZ (federal government bonds) mechanism. In August 2015 Promsvyazbank received OFZ (federal government bonds) in the amount of RUB 29 929 million. Federal government bonds received from the Deposit Insurance Agency is accounted as off-balance sheet item. The funding is used to increase Tier 2 capital (calculated in accordance with the requirements of the CBR and the Basel Accord) and step up lending to Russia's leading corporates, small and medium-sized businesses, as well as mortgage lending.

CBR capital adequacy ratio

The Group also monitors capital requirements set by the Central Bank of Russia for credit institutions. Under the current capital requirements banks have to maintain a ratios of capital to risk weighted assets ("statutory capital ratios") above the prescribed minimum levels. The CBR sets the following mandatory capital ratios requirements for common equity, Tier 1 and total capital: 5%, 6% and 10% respectively. The Bank was in compliance with the statutory requirements related to the capital ratio during the three-month period ended 31 March 2016 and during the year ended 31 December 2015.

24 Credit related and capital commitments**Credit related commitments**

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

24 Credit related and capital commitments (continued)

The contractual amounts of commitments and contingent liabilities as at 31 March 2016 and 31 December 2015 are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	31 March 2016 (unaudited)	31 December 2015
Contracted amount		
Financial guarantees	48 765	58 479
Import letters of credit	6 908	5 984
Total	55 673	64 463

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests. As at 31 March 2016 the outstanding amount of such guarantees is RUB 27 715 million (31 December 2015: RUB 33 693 million).

Maturity and currency analyses of credit related commitments are disclosed in Note 22. The information on related party balances is disclosed in Note 26.

Compliance with covenants

The Group has to comply with certain covenants, primarily related to loans from other banks and other borrowed funds. These covenants include:

- *General business covenants*, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the company is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;
- *Restrictive covenants*, including *constraints* (without lender's consent) in respect of dividend payments and other distributions, and changes in the shareholding structure, restrictions on individual types of activities, use of assets and certain types of transactions;
- *Financial covenants*, such as meeting certain liquidity and capital adequacy requirements, the amount of certain type of liabilities, risk per customer, profit before taxes to total assets ratio, amount of related party transactions; and
- *Reporting covenants*, obliging the Group to provide its audited consolidated financial statements to the lender, as well as certain additional financial information and any other documents upon request.

24 Credit related and capital commitments (continued)

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As at 31 March 2016 and 31 December 2015, the Group's management believes that the Group fully meets all covenants of its agreements.

25 Fair value of financial instruments

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

The significance of a valuation input is assessed against the fair value measurement in its entirety

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.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

As at 31 March 2016 the level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows.

25 Fair value of financial instruments (continued)

	Quoted market prices (in active markets)	Valuation techniques based on observable inputs	Valuation techniques involving the use of non- market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss				
Corporate bonds	30 250	-	-	30 250
Corporate Eurobonds	18 363	-	-	18 363
Russian Government Federal bonds (OFZ)	9 810	-	-	9 810
Russian municipal and regional bonds	2 176	-	-	2 176
Russian Federation Eurobonds	1 599	-	-	1 599
Derivative financial instruments	-	26 815	-	26 815
Total financial assets at fair value through profit or loss	62 198	26 815	-	89 013
Investments available for sale				
Corporate shares	834	-	416	1 250
Total investments available for sale	834	-	416	1 250
Non-financial assets				
Investments in associates	-	-	4 223	4 223
Investment property	-	-	40 871	40 871
Land and buildings	-	-	10 223	10 223
Financial liabilities				
Derivative financial instruments	-	(7 247)	-	(7 247)
Trading liabilities	(540)	-	-	(540)

As at 31 December 2015 the level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows.

25 Fair value of financial instruments (continued)

	Quoted market prices (in active markets)	Valuation techniques based on observable inputs	Valuation techniques involving the use of non- market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss				
Corporate bonds	22 348	-	-	22 348
Russian Government Federal bonds (OFZ)	17 105	-	-	17 105
Corporate Eurobonds	15 935	-	-	15 935
Russian municipal and regional bonds	2 496	-	-	2 496
Russian Federation Eurobonds	1 411	-	-	1 411
Foreign Governments bonds and Eurobonds	423	-	-	423
Derivative financial instruments	-	18 349	-	18 349
Total financial assets at fair value through profit or loss	59 718	18 349	-	78 067
Investments available for sale				
Corporate shares	714	-	417	1 131
Total investments available for sale	714	-	417	1 131
Non-financial assets				
Investments in associates	-	-	4 223	4 223
Investment property	-	-	39 700	39 700
Land and buildings	-	-	10 414	10 414
Financial liabilities				
Derivative financial instruments	-	(9 289)	-	(9 289)
Trading liabilities	(2 385)	-	-	(2 385)

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 31 March 2016 and 31 December 2015. The following main inputs are relevant:

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

25 Fair value of financial instruments (continued)

CVA itself is calculated for each counterparty by calculating Group's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate and also adjusted by the margin calls if available. The adjustment is calculated based on observable market inputs. In a DVA, the Group incorporates its own credit risk into its derivative valuation. The DVA therefore represents the CVA that a counterparty would be expected to hold against its exposure to the entity. DVA is calculated based on the credit rating of the Bank.

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

For assessment of fair value of loans and advances to customer and loans to corporate customers available for sale categorized at Level 3, the Group uses Discounted cash flows model.

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

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value as at 31 March 2016 are as follows:

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Assets carried at amortised cost				
Cash and cash equivalents				
- Cash	24 676	-	24 676	-
- Deposits with the Central Bank of the RF	88 000	-	88 000	-
- Placements with banks and other financial institutions with a remaining maturity less than one month	53 677	-	53 677	-
- Due from Central Bank – nostro accounts	21 250	-	21 250	-
Obligatory reserves with central banks				
- Minimum reserve deposit with the Central Bank of the RF	5 353	-	-	5 353
- Minimum reserve deposit with the Central Bank of Cyprus	544	-	-	544
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	23 553	-	24 434	-
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	12 255	-	12 255	-
- Amounts receivable from customers	9 348	-	-	9 348
Loans and advances to customers				
- Commercial loans	698 176	-	-	630 269
- Loans to individuals	66 437	-	-	53 486
Other financial assets				
- Accrued commission income	559	-	559	-
- Plastic card receivables	397	-	397	-
- Debtors under securities deals	208	-	-	208
- Other	109	-	-	109
Total financial assets carried at amortised cost	1 004 542	-	225 248	699 317

25 Fair value of financial instruments (continued)

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Liabilities carried at amortised cost				
Deposits and balances from banks and other financial institutions				
- Term deposits of local banks	44 006	-	44 008	-
- Term deposits from the Central Bank of the Russian Federation	37 384	-	37 188	-
- Vostro accounts	24 279	-	24 279	-
- Trading finance of foreign banks	20 309	-	20 321	-
- Term deposits of foreign banks	9 366	-	9 372	-
- Long-term finance of foreign banks	5 834	-	5 834	-
Amounts payable under repurchase agreements				
- Amounts payable to banks and other financial institutions	62 269	-	-	62 269
- Amounts payable to customers	155	-	-	155
Current account and deposits from customers				
- Current accounts of legal entities	217 351	-	217 351	-
- Term deposits of legal entities	290 102	-	290 903	-
- Current accounts of individuals	45 263	-	45 263	-
- Term deposits of individuals	256 940	-	259 445	-
Debt securities in issue				
- Loan participation notes	19 650	20 089	-	-
- Domestic bonds and mortgage backed bonds	8 790	8 751	-	-
- Promissory notes	1 933	-	1 921	-
Other borrowed funds				
- DIA funding	6 142	-	6 142	-
- Other borrowed funds	4 717	-	4 691	-
Other financial liabilities				
- Financial guarantees	994	-	-	994
- Plastic card payables	328	-	-	328
- Other accrued liabilities	123	-	-	123
- Payables on factoring deals	242	-	-	242
Subordinated debt				
- Subordinated borrowings	62 479	62 192	-	-
Total financial liabilities carried at amortised cost	1 118 656	91 032	966 718	64 111

25 Fair value of financial instruments (continued)

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value as at 31 December 2015 are as follows:

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Assets carried at amortised cost				
Cash and cash equivalents				
- Cash	24 564	-	24 564	-
- Placements with banks and other financial institutions with a remaining maturity less than one month	63 604	-	63 604	-
- Due from Central Bank – nostro accounts	41 935	-	41 935	-
- Deposits with the Central Bank of the RF	18 500	-	18 500	-
Obligatory reserves with central banks				
- Minimum reserve deposit with the Central Bank of the RF	5 182	-	-	5 182
- Minimum reserve deposit with the Central Bank of Cyprus	695	-	-	695
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	37 834	-	39 124	-
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	12 341	-	12 341	-
- Amounts receivable from customers	7 278	-	-	7 278
Loans and advances to customers				
- Commercial loans	731 854	-	-	729 755
- Loans to individuals	67 863	-	-	56 864
Other financial assets				
- Accrued commission income	959	-	959	-
- Plastic card receivables	154	-	154	-
- Debtors under securities deals	1	-	-	1
- Other	52	-	-	52
Total financial assets carried at amortised cost	1 012 816	-	201 181	799 827

25 Fair value of financial instruments (continued)

	Carrying amount	Quoted price in an active market	Valuation technique with inputs observable in markets	Valuation technique not based on observable market data technique
<i>In millions of Russian Roubles</i>				
Financial Liabilities carried at amortised cost				
Deposits and balances from banks and other financial institutions				
- Term deposits from the Central Bank of the Russian Federation	89 423	-	89 381	-
- Trading finance of foreign banks	29 373	-	29 746	-
- Term deposits of local banks	24 715	-	24 716	-
- Vostro accounts	12 891	-	12 892	-
- Long-term finance of foreign banks	6 658	-	6 767	-
- Term deposits of foreign banks	943	-	953	-
Amounts payable under repurchase agreements				
- Amounts payable to banks and other financial institutions	46 505	-	-	46 505
Current account and deposits from customers				
- Current accounts of legal entities	182 821	-	182 821	-
- Term deposits of legal entities	319 676	-	321 262	-
- Current accounts of individuals	41 559	-	41 559	-
- Term deposits of individuals	247 655	-	249 586	-
Debt securities in issue				
- Loan participation notes	21 232	21 830	-	-
- Domestic bonds	3 755	3 698	-	-
- Promissory notes	495	-	475	-
Other borrowed funds				
- DIA funding	5 977	-	5 977	-
- Other borrowed funds	5 854	-	5 799	-
Other financial liabilities				
- Financial guarantees	931	-	-	931
- Plastic card payables	558	-	-	558
- Other accrued liabilities	323	-	-	323
- Payables on factoring deals	173	-	-	173
Subordinated debt				
- Subordinated borrowings	68 610	68 183	-	-
Total financial liabilities carried at amortised cost	1 110 127	93 711	971 934	48 490

26 Related party transactions

For the purposes of this interim consolidated condensed financial information, 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 outstanding balances and the related average interest rates as at 31 March 2016 with related parties are as follows:

26 Related party transactions (continued)

	Parent		Directors and Board of Management		Entities controlled by ultimate shareholders		Total
	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Interim Consolidated Condensed Statement of Financial Position							
Assets							
Cash and cash equivalents	-	-	-	-	115	-	115
Placements with banks and other financial institutions	-	-	-	-	1 300	13.5%	1 300
Loans to customers (gross amount)	800	9.1%	-	-	26 720	10.4%	27 520
less provision for impairment	-	-	-	-	(18)	-	(18)
Investments available for sale	-	-	-	-	188	-	188
Other assets	-	-	-	-	118	-	118
Liabilities							
Financial liabilities at fair value through profit or loss	-	-	-	-	4	-	4
Current accounts and deposits from customers and other borrowed funds	1 748	6.9%	243	7.3%	4 007	10.8%	5 998
Other liabilities	-	-	-	-	48	-	48
Off balance sheet items							
Personal guarantees received	-	-	-	-	27 026	-	27 026
Guarantees issued	-	-	-	-	3 987	1.4%	3 987
Undrawn overdraft facilities	2 007	-	7	-	658	-	2 672

Entities under common control comprise mainly entities controlled by the ultimate shareholders of the Group.

As stated in Note 1 minority shareholder of the Group is the European Bank for Reconstruction and Development. The Group's management does not consider the minority shareholder as related party as it does not exercise significant influence over Group's financial or operational decisions.

As at 31 March 2016 outstanding balances with EBRD comprised RUB 1 890 million in Deposits and balances due to banks and other financial institutions.

The outstanding balances and the related average interest rates as at 31 December 2015 with related parties are as follows:

26 Related party transactions (continued)

	Parent		Directors and Board of Management		Entities controlled by ultimate shareholders		Total
	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Interim Consolidated Condensed Statement of Financial Position							
Assets							
Placements with banks and other financial institutions	-	-	-	-	1 249	13.5%	1 249
Loans to customers (gross amount) less provision for impairment	800	9.1%	14	21.6%	27 852	10.3%	28 666 (86)
Other assets	-	-	-	-	93	-	93
Liabilities							
Current accounts and deposits from customers and other borrowed funds	1 723	6.3%	271	5.9%	7 482	7.0%	9 476
Other liabilities	-	-	-	-	67	-	67
Off balance sheet items							
Personal guarantees received	-	-	-	-	34 303	-	34 303
Guarantees issued	-	-	-	-	3 262	1.7%	3 262
Undrawn overdraft facilities	2 002	-	7	-	5 201	-	7 210

As at 31 December 2015, outstanding balances with EBRD comprised RUB 108 million in deposits and balances from banks and other financial institutions.

Profit or loss amounts in respect of transactions with related parties for the three-month period ended 31 March 2016 are as follows:

	Parent	Directors and Management Board	Entities controlled by ultimate shareholders	Total
Interest income	18	-	869	887
Interest expense	(36)	(4)	(137)	(177)
Fee and commission income	-	-	25	25
General administrative expenses	-	(68)	-	(68)
Other income	-	-	2	2
Loan impairment reversal	-	-	68	68

26 Related party transactions (continued)

Profit or loss amounts in respect of transactions with related parties for the three-month period ended 31 March 2015 are as follows:

	Parent	Directors and Management Board	Entities controlled by ultimate shareholders	Total
Interest income	6	-	741	747
Interest expense	(31)	(1)	(131)	(163)
Fee and commission income	-	-	50	50
Fee and commission expense	-	-	(3)	(3)
Net foreign exchange trading gain	-	-	(102)	(102)
General administrative expenses	-	(97)	(4)	(101)
Loan impairment reversal	-	-	28	28

During the three-month period ended 31 March 2016, compensation of the Directors and members of the Management Board amounted to RUB 68 million (including RUB 10 million state pension contributions) (three-month period ended 31 March 2015: RUB 97 million (including RUB 14 million state pension contributions)). The compensation falls due wholly within twelve months after the end of the period in which management rendered the related services.

27 Subsequent events

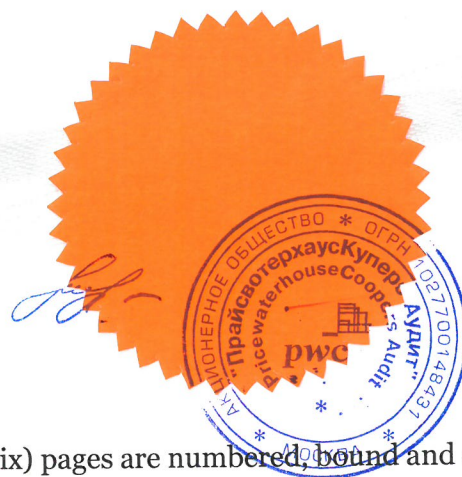
In April 2015 the Group has completed the placement of RUB 5 000 million series BO-08 bonds (coupon rate set at 11.8% for 1 year maturity).

In April 2016 the Group acquired 100% shares of closed-end investment fund ZPIF “Kommercheskaya nedvizhimost” from PAO “Pervobank”. Amount of investment comprised RUB 1 890 million. Assets of the fund are represented by property.

In May 2016 the Group acquired 100% shares of PAO “Pervobank” from parent company Promsvyaz Capital B.V. In this connection the Central Bank of the Russian Federation approved a reorganisation of PAO “Promsvyazbank” and PAO “Pervobank” in the form of a merger.

N. Mileshkina, Director
AO PricewaterhouseCoopers Audit

3 June 2016



56 (fifty six) pages are numbered, bound and sealed.