Russian Agricultural Bank Group

Interim Condensed Consolidated Financial Statements with Independent Auditor's Report on Review of Interim Condensed Consolidated Financial Statements

31 March 2016

CONTENTS

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улучшаем мир

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Report on review of interim condensed consolidated financial statements

To the Shareholder and Supervisory Board of
Russian Agricultural Bank Group

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Russian Agricultural Bank and its subsidiaries (together the "Group") as at 31 March 2016, which comprise the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statements of changes in equity and of cash flows for the three month period then ended and selected explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Ernst & Young LLC

29 June 2016

Moscow, Russia

In millions of Russian Roubles	Note	31 March 2016 (unaudited)	31 December 2015
Assets			
Cash and cash equivalents		204 703	168 232
Mandatory cash balances with the Central Bank of the Russian Federation		8 301	7 739
Trading securities		499	485
Financial instruments designated at fair value through profit or loss		5 396	5 069
Due from other banks		98 621	61 101
Derivative financial instruments	15	143 826	166 712
Loans and advances to customers	5	1 651 827	1 625 637
Investment securities available for sale		232 482	211 196
Investment securities held to maturity		30 984	28 758
Investment securities pledged under repurchase agreements	14	-	7 836
Current income tax assets		1 058	1 024
Deferred income tax asset		15 814	15 911
Intangible assets		2 741	2 613
Premises and equipment		22 594	23 624
Other assets		31 835	20 654
Assets of the disposal groups held for sale and assets held for sale		478	1 861
Total assets		**2 451 159**	**2 348 452**
Liabilities			
Derivative financial instruments	15	906	204
Due to other banks	6	93 464	97 256
Customer accounts	7	1 382 815	1 189 856
Promissory notes issued		13 708	14 637
Bonds issued	8	535 565	609 824
Current income tax liability		175	14
Deferred income tax liability		1 084	1 183
Other liabilities		12 869	12 795
Liabilities directly associated with disposal groups held for sale		-	1 769
Total liabilities before subordinated debts		**2 040 586**	**1 927 538**
Subordinated debts		214 168	225 109
Total liabilities		**2 254 754**	**2 152 647**
Equity			
Share capital		327 598	327 598
Revaluation reserve for premises		1 191	1 213
Revaluation reserve for investment securities available for sale		4 696	279
Accumulated loss		(138 025)	(134 018)
Equity attributable to the Bank's shareholder		**195 460**	**195 072**
Non-controlling interest		**945**	**733**
Total equity		**196 405**	**195 805**
Total liabilities and equity		**2 451 159**	**2 348 452**

Approved for issue and signed on behalf of the Management Board on 29 June 2016.

«Российский Сельскохозяйственный банк» АО «Россельхозбанк»

D.N. Patrushev
Chairman of the Management Board

E.A. Romankova
Deputy Chairman of the Management Board, Chief Accountant

The notes set out on pages 5 to 31 form an integral part of these interim condensed consolidated financial statements.

(Unaudited) *In millions of Russian Roubles*	Note	For the three months ended 31 March 2016	 2015
Interest income	9	61 980	46 697
Interest expense	9	(48 631)	(43 107)
Net interest income		**13 349**	**3 590**
Provision for loan impairment	5	(13 010)	(20 079)
Net interest income/(expense) after provision for loan impairment		**339**	**(16 489)**
Fee and commission income	10	3 624	2 408
Fee and commission expense	10	(387)	(262)
(Losses net of gains)/gains less losses from trading securities		(12)	32
Gains less losses from financial instruments designated at fair value through profit or loss		42	466
Gains less losses/(losses net of gains) from investment securities available for sale		299	(1 123)
Recovery of losses from impairment of investment securities available for sale		29	97
Foreign exchange translation gains less losses/(losses net of gains)		16 820	(14 602)
(Losses net of gains)/gains less losses from derivative financial instruments		(14 726)	15 794
Gains less losses from dealing in foreign currencies		1 237	504
(Provision)/recovery of provision for credit related commitments and other assets impairment		(241)	152
Gains less losses from early redemption of borrowed funds		3	48
Gains from non-banking activities		2 057	1 581
Losses from non-banking activities		(1 844)	(1 953)
Loss on disposal of subsidiaries		(329)	(381)
Other operating income		696	337
Administrative and other operating expenses		(11 975)	(10 011)
Loss before tax		**(4 368)**	**(23 402)**
Income tax credit		345	3 610
Loss for the period		**(4 023)**	**(19 792)**
(Loss)/profit is attributable to:			
Shareholder of the Bank		(4 029)	(19 708)
Non-controlling interest		6	(84)
Loss for the period		**(4 023)**	**(19 792)**
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Investment securities available for sale:			
- Revaluation of securities at fair value		5 820	4 123
- Realised revaluation reserve (at disposal)		(299)	1 123
Income tax		(1 104)	(1 049)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**4 417**	**4 197**
Total other comprehensive income		**4 417**	**4 197**
Total comprehensive income/(loss) for the period		**394**	**(15 595)**
Total comprehensive income/(loss) is attributable to:			
Shareholder of the Bank		388	(15 511)
Non-controlling interest		6	(84)
Total comprehensive income/(loss) for the period		**394**	**(15 595)**

In millions of Russian Roubles	Attributable to shareholder of the Bank					Non-controlling interest	Total equity
	Share capital	Revaluation reserve for premises	Revaluation reserve for investment securities available for sale	(Accumula-ted loss)/ retained earnings	Total		
Balance at 31 December 2014	**248 798**	**1 194**	**(12 403)**	**(39 922)**	**197 667**	**332**	**197 999**
Loss for the period, net of tax	-	-	-	(19 708)	**(19 708)**	(84)	**(19 792)**
Other comprehensive income for the period, net of tax	-	-	4 197	-	**4 197**	-	**4 197**
Total comprehensive income/(loss) for the period, net of tax	**-**	**-**	**4 197**	**(19 708)**	**(15 511)**	**(84)**	**(15 595)**
Disposal of subsidiaries	-	-	-	-	**-**	471	**471**
Depreciation of revaluation reserve for premises	-	(10)	-	10	**-**	-	**-**
Balance at 31 March 2015 (unaudited)	**248 798**	**1 184**	**(8 206)**	**(59 620)**	**182 156**	**719**	**182 875**
Balance at 31 December 2015	**327 598**	**1 213**	**279**	**(134 018)**	**195 072**	**733**	**195 805**
(Loss)/income for the period, net of tax	-	-	-	(4 029)	**(4 029)**	6	**(4 023)**
Other comprehensive income for the period, net of tax	-	-	4 417	-	**4 417**	-	**4 417**
Total comprehensive income/(loss) for the period, net of tax	**-**	**-**	**4 417**	**(4 029)**	**388**	**6**	**394**
Disposal of subsidiaries	-	-	-	-	**-**	206	**206**
Depreciation of revaluation reserve for premises	-	(22)	-	22	**-**	-	**-**
Balance at 31 March 2016 (unaudited)	**327 598**	**1 191**	**4 696**	**(138 025)**	**195 460**	**945**	**196 405**

(Unaudited) *In millions of Russian Roubles*	**Note**	**For the three months ended 31 March 2016**	**2015**
Cash flows from operating activities			
Interest received		59 681	41 926
Interest paid		(41 599)	(38 350)
Income received/(expenses incurred) from trading in securities and financial instruments designated at fair value through profit or loss		355	(917)
Income received from derivative financial instruments		8 862	937
Income received from dealing in foreign currencies		1 237	504
Fees and commissions received		3 490	2 457
Fees and commissions paid		(387)	(262)
Other operating income received		205	72
Net (expenses incurred)/income received from insurance operations		(108)	77
Income received from non-banking activities		1 532	1 014
Losses incurred from non-banking activities		(1 677)	(660)
Administrative and other operating expenses paid		(8 878)	(8 568)
Income tax paid		(594)	(25)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**22 119**	**(1 795)**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(562)	110
Net decrease/(increase) in trading securities		817	(1 058)
Net increase in financial instruments designated at fair value through profit or loss		(500)	-
Net increase in due from other banks		(39 968)	(15 457)
Net increase in loans and advances to customers		(60 034)	(49 298)
Net increase in other assets		(10 696)	(1 349)
Net (decrease)/increase in due to other banks		(2 700)	4 094
Net increase in customer accounts		196 560	83 517
Net decrease in promissory notes issued		(924)	(5 055)
Net decrease in other liabilities		(650)	(287)
Net cash from operating activities		**103 462**	**13 422**
Cash flows from investing activities			
Acquisition of premises and equipment		(347)	(481)
Proceeds from disposal of premises and equipment		14	90
Acquisition of intangible assets		(332)	(250)
Acquisition of investment securities available for sale		(72 196)	(20 645)
Proceeds from disposal of investment securities available for sale		61 798	19 984
Proceeds from redemption of investment securities held to maturity		112	225
Net cash used in investing activities		**(10 951)**	**(1 077)**
Cash flows from financing activities			
Proceeds from bonds issued	8	-	15 000
Repayment of bonds issued	8	(44 438)	(10 000)
Proceeds from sale of previously bought back bonds issued		15 172	1 313
Buy back of bonds issued		(23 507)	(1 528)
Net cash (used in)/from financing activities		**(52 773)**	**4 785**
Effect of exchange rate changes on cash and cash equivalents		**(3 267)**	**(1 757)**
Net increase in cash and cash equivalents		**36 471**	**15 373**
Cash and cash equivalents at the beginning of the period		168 232	105 009
Cash and cash equivalents at the end of the period		**204 703**	**120 382**

The notes set out on pages 5 to 31 form an integral part of these interim condensed consolidated financial statements.

1 Introduction

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) for the three months ended 31 March 2016 for Joint Stock Company Russian Agricultural Bank (the “Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Bank’s only shareholder is the Russian Federation acting through the Federal Agency for Managing State Property which holds the Bank’s issued and outstanding ordinary shares (71.3% from total share capital (31 December 2015: 71.3% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank’s issued and outstanding preference shares (7.65% from total share capital (31 December 2015: 7.65% from total share capital)) and the State Corporation “Deposit Insurance Agency” which holds the Bank’s issued and outstanding preference shares (21.05% from total share capital (31 December 2015: 21.05% from total share capital)).

The Group’s structure comprises of the Bank and its subsidiaries. Principal subsidiaries of the Bank are Closed Joint Stock Company RSHB Insurance (ownership interest of the Bank is 100%), RSHB Capital S.A. (structured entity incorporated for Eurobonds issue for the Bank), Limited Liability Company RSHB Asset Management (ownership interest of the Bank is 100%) and 38 companies and funds operating in agricultural and other industries (ownership interest of the Bank is from 31% to 100%).

In February 2016 as a result of insolvency procedures the Group lost control over two its subsidiaries in Tula Region (CJSC “Khomyakovsky khladokombinat” and LLC “Optovie tekhnologii”) and recognized loss from disposal of subsidiaries in the amount of RR 329 million.

Principal activity. The Bank’s principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- to participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- to develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- to maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by Federal Law # 177-FZ *Deposits of individuals insurance in Russian Federation* dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual and/or individual entrepreneur current accounts and deposits up to RR 1 400 thousand per individual or individual entrepreneur in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 76 (31 December 2015: 76) branches within the Russian Federation. The Bank’s registered address is 119034 Russia, Moscow, Gagarinsky Pereulok, 3. The Bank’s principal place of business is 119019 Russia, Moscow, Arbat, 1.

The number of the Group’s employees as at 31 March 2016 was 31 264 (31 December 2015: 31 817).

Presentation currency. These interim condensed consolidated financial statements are presented in Russian Roubles (“RR”). All amounts are expressed in RR millions unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation.

2 Operating Environment of the Group (Continued)

The Russian economy continues to show recessionary trend. The first quarter of 2016 economic indicators reflect maintaining the main negative factors for economic development. The duration and depth of the recession were largely caused by such factors as unfavourable raw material market conjuncture, particularly, significant drop in crude oil prices, devaluation of the Russian Rouble, the effect of international sanctions imposed against certain Russian companies and individuals, reduction of investments and decline in the household consumption.

During the three months ended 31 March 2016, the following were the key changes in selected macro-economic indicators:

- the CBRF exchange rate appreciated from RR 72.8827 to RR 67.6076 per US Dollar;
- the CBRF key rate remained at 11.0 p.a.;
- the RTS stock exchange index increased from 757.0 to 876.2.

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

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3 Summary of Significant Accounting Policies

Basis of preparation. These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS.

The functional currency of the Bank and its subsidiaries, and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles. As at 31 March 2016 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 67.6076 (31 December 2015: USD 1 = RR 72.8827), EUR 1 = RR 76.5386 (31 December 2015: EUR 1 = RR 79.6972).

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2016 or as at the date indicated, noted below:

IFRS 14 Regulatory Deferral Accounts. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 — Accounting for Acquisitions of Interests in Joint Arrangements. The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

3 Summary of Significant Accounting Policies (Continued)

Amendments to IAS 16 and IAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments do not have any impact on the Group's consolidated financial statements given that the Group does not use a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 16 and IAS 41 — Agriculture: Bearer Plants. The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 27 — Equity Method in Separate Financial Statements. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. These amendments do not have any impact on the Group's consolidated financial statements.

Disclosure Initiative Amendments to IAS 1. The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group's consolidated financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (these amendments must be applied retrospectively). The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments do not have any impact on the Group's consolidated financial statements as the Group does not apply the consolidation exception.

3 Summary of Significant Accounting Policies (Continued)

Annual improvements to IFRSs 2012-2014 Cycle. The improvements consist of changes in the following standards:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* — changes in methods of disposal. Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *IFRS 7 Financial Instruments: Disclosures* — servicing contracts. IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *IFRS 7 Financial Instruments: Disclosures* — applicability of the offsetting disclosures to condensed interim financial statements. In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase ’and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report.
- *IAS 19 Employee Benefits* — regional market issue regarding discount rate. The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *IAS 34 Interim Financial Reporting* — disclosure of information ‘elsewhere in the interim financial report’. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively.

The above mentioned amended standards effective for the Group from 1 January 2016 does not have any material impact on the accounting policies, financial position or performances of the Group.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The accounting estimates and judgements applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2015.

Judgements that have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in a particular group.

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 5.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial assets. Management applies judgment in assessing whether financial assets can be categorized as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances — for example, selling an insignificant amount or a sale close to maturity — it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Refer to Note 15.

Deferred income tax asset recognition. The recognized deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the interim consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances and approved by the management of the Bank. A key assumption in the business plan is to obtain profits in subsequent financial years through widening of product range and client base.

Structured entities. The Group considers RSHB Capital S.A. incorporated for Eurobonds issue for the Bank as consolidated structured entity under IFRS 12 requirements. As at 31 March 2016 the Group guarantees all obligations of the consolidated structured entity represented by Eurobonds issued in the amount of RR 355 627 million and subordinated debts in the amount of RR 80 926 million (31 December 2015: Eurobonds issued in the amount of RR 425 485 million and subordinated debts in the amount of RR 85 735 million). During three months ended 31 March 2016 and the year 2015 the Group did not provide any other financial support to the consolidated structured entity. The Group has no other current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

Holding Corporate Eurobonds in the trading and investment portfolios of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

5 Loans and Advances to Customers

In millions of Russian Roubles	31 March 2016 (unaudited)	31 December 2015
Loans to legal entities		
- Loans to corporates	1 490 932	1 480 739
- Lending for food interventions	27 228	16 020
- Deals with securities purchased under "reverse repo agreements"	-	10 913
- Investments in agricultural cooperatives	391	391
Loans to individuals	302 883	296 798
Total loans and advances to customers (before impairment)	**1 821 434**	**1 804 861**
Less: provision for loan impairment	(169 607)	(179 224)
Total loans and advances to customers	**1 651 827**	**1 625 637**

Lending for food interventions is represented by loans to the company under the control of the Russian Federation.

As at 31 March 2016, the Group has loans to ten largest borrowers (groups of borrowers) in the total amount of RR 354 060 million (before impairment), or 19% of total loans and advances to customers (before impairment) (31 December 2015: the Group has loans to ten largest borrowers (groups of borrowers) in the total amount of RR 342 726 million (before impairment), or 19% of total loans and advances to customers (before impairment)).

Analysis of the movements in the provision for loan impairment is as follows:

	For the three months ended 31 March 2016				For the three months ended 31 March 2015			
(Unaudited) *In millions of Russian Roubles*	**Loans to corporates**	**Investments in agricultural cooperatives**	**Loans to individuals**	**Total**	**Loans to corporates**	**Investments in agricultural cooperatives**	**Loans to individuals**	**Total**
Provision for loan impairment at 1 January	**166 293**	**63**	**12 868**	**179 224**	**129 678**	**26**	**7 775**	**137 479**
Provision/(recovery of provision) for loan impairment during the period	10 660	-	2 350	**13 010**	19 032	(1)	1 048	**20 079**
Provision for loans sold during the period	(8 825)	-	(1 498)	**(10 323)**	(890)	-	-	**(890)**
Loans and advances to customers written off during the period as uncollectible	(12 520)	-	(17)	**(12 537)**	(13 340)	-	(10)	**(13 350)**
Recovery of loans previously written off sold during the period	76	-	-	**76**	-	-	-	**-**
Recovery of loans previously written off	157	-	-	**157**	-	-	-	**-**
Disposal of subsidiaries	-	-	-	**-**	(7)	-	-	**(7)**
Provision for loan impairment at 31 March	**155 841**	**63**	**13 703**	**169 607**	**134 473**	**25**	**8 813**	**143 311**

No provision for "Lending for food interventions" and "Reverse repo agreements" was recorded as at 31 March 2016 and 31 December 2015.

5 Loans and Advances to Customers (Continued)

Refer to Note 16 for the disclosure of fair value of each class of loans and advances to customers and fair value hierarchy for loans and advances to customers. The information on related party transactions is disclosed in Note 17.

6 Due to Other Banks

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
Correspondent accounts and overnight placements of other banks	9 475	525
Borrowings from other banks with term to maturity:		
- sale and repurchase agreements less than 30 days	2	7 139
- less than 30 days	3 390	10 046
- from 31 to 180 days	734	647
- from 181 days to 1 year	62	267
- from 1 year to 3 years	18 838	32 950
- more than 3 years	16 943	3 957
Borrowings from the CBRF with term to maturity:		
- less than 30 days	122	119
- from 181 days to 1 year	24 614	-
- from 1 year to 3 years	19 284	41 606
Total due to other banks	**93 464**	**97 256**

Refer to Note 16 for the disclosure of the fair value and fair value hierarchy for due to other banks. The information on related party transactions is disclosed in Note 17.

7 Customer Accounts

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
State and public organisations		
- Current/settlement accounts	7 732	7 372
- Term deposits	384 680	234 678
Other legal entities		
- Current/settlement accounts	125 262	103 546
- Term deposits	341 203	357 732
Individuals		
- Current/demand accounts	33 273	36 903
- Term deposits	490 665	449 625
Total customer accounts	**1 382 815**	**1 189 856**

State and public organisations exclude state-controlled joint stock companies.

7 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In millions of Russian Roubles	31 March 2016 (unaudited) Amount	%	31 December 2015 Amount	%
Individuals	523 938	38	486 528	41
State and public organisations	392 412	28	242 050	20
Financial services and pension funds	150 369	11	135 805	11
Agriculture	73 143	5	67 023	6
Construction	62 582	5	64 830	5
Manufacturing	55 282	4	62 944	5
Insurance	38 247	3	36 972	3
Trading	29 711	2	35 763	3
Other	57 131	4	57 941	6
Total customer accounts	**1 382 815**	**100**	**1 189 856**	**100**

Refer to Note 16 for the disclosure of the fair value and fair value hierarchy for customer accounts. The information on related party transactions is disclosed in Note 17.

8 Bonds Issued

In millions of Russian Roubles	31 March 2016 (unaudited)	31 December 2015
Eurobonds issued	355 627	425 485
Bonds issued on domestic market	179 938	184 339
Total bonds issued	**535 565**	**609 824**

As at 31 March 2016 bonds issued consist of US Dollars and Russian Roubles denominated Eurobonds (31 December 2015: bonds issued consist of US Dollars, Russian Roubles and Chinese Yuan denominated Eurobonds) issued by the Group through its structured entity RSHB Capital S.A. as well as Russian Roubles denominated bonds issued on domestic market.

In January, February and March 2016, the Group re-issued on the domestic market RR 2 340 million of previously bought back bonds maturing in November 2018, with semi-annual payments of coupon at 12.5% p.a.

In January 2016, the Group repaid Eurobonds (loan participation notes) (placed at par) denominated in Chinese yuan in the amount of CNY 1 000 million, equivalent to RR 12 438 million as at maturity date, issued in February 2013.

In February 2016, the Group repaid bonds denominated in RR issued on the domestic market in the amount of RR 5 851 million at the put option date.

In February 2016, the Group repaid bonds denominated in RR issued on the domestic market in the amount of RR 10 000 million prior to put option date by agreement with bonds holders.

In February and March, the Group re-issued on the domestic market RR 1 903 million of previously bought back bonds maturing in February 2017, with semi-annual payments of coupon at 12.0% p.a.

In February and March 2016, the Group re-issued on the domestic market RR 4 812 million of previously bought back bonds maturing in January 2020, with semi-annual payments of coupon at 11.95% p.a.

In March 2016, the Group re-issued on the domestic market RR 470 million of previously bought back bonds maturing in February 2025, with quarterly payments of coupon at 11.50% p.a.

In March 2016, the Group repaid at the maturity date Eurobonds (loan participation notes) denominated in RR in the amount of RR 20 000 million issued in March 2011.

8 Bonds Issued (Continued)

In March 2016, the Group repaid at the maturity date Eurobonds (loan participation notes) denominated in RR in the amount of RR 12 000 million issued in April 2011.

In March 2016, the Group re-issued on the domestic market RR 2 120 million of previously bought back bonds maturing in June 2018, with semi-annual payments of coupon at 11.55% p.a.

Refer to Note 16 for the disclosure of the fair value and fair value hierarchy for bonds issued. Refer to Note 18 for information on issues/redemptions after the end of the reporting period.

9 Interest Income and Expense

(Unaudited) *In millions of Russian Roubles*	**For the three months ended 31 March 2016**	**2015**
Interest income on financial instruments carried at fair value through profit or loss		
Financial instruments designated at fair value through profit or loss	49	144
Trading securities	20	131
Total interest income on financial instruments carried at fair value through profit or loss	**69**	**275**
Interest income on other financial instruments		
Loans and advances to legal entities	39 027	30 864
Loans and advances to individuals	10 887	9 888
Investment securities available for sale including pledged under repurchase agreements	6 107	3 090
Cash equivalents	2 561	1 433
Due from other banks	2 826	630
Investment securities held to maturity including pledged under repurchase agreements	503	517
Total interest income on other financial instruments	**61 911**	**46 422**
Total interest income	**61 980**	**46 697**
Interest expense		
Term deposits of legal entities	(18 755)	(14 617)
Bonds issued	(12 892)	(10 735)
Term deposits of individuals	(10 862)	(7 182)
Term deposits of the CBRF	(1 214)	(5 645)
Subordinated debts	(3 930)	(1 530)
Term deposits of other banks	(303)	(1 781)
Current/settlement accounts	(324)	(639)
Promissory notes issued	(351)	(978)
Total interest expense	**(48 631)**	**(43 107)**
Net interest income	**13 349**	**3 590**

The information on related party transactions is disclosed in Note 17.

10 Fee and Commission Income and Expense

(Unaudited) *In millions of Russian Roubles*	**For the three months ended 31 March** **2016**	**2015**
Fee and commission income		
Commission on cash and settlements transactions	1 858	1 412
Commission on guarantees issued	635	528
Fees for sale of insurance contracts	560	236
Commission on banking cards	147	105
Fees for currency control	48	37
Other	376	90
Total fee and commission income	**3 624**	**2 408**
Fee and commission expense		
Commission on settlement transactions	(198)	(151)
Commission on cash collection	(79)	(103)
Other	(110)	(8)
Total fee and commission expense	**(387)**	**(262)**
Net fee and commission income	**3 237**	**2 146**

11 Gains less Losses/(Losses Net of Gains) from Non-banking Activities

(Unaudited) *In millions of Russian Roubles*	**For the three months ended 31 March** **2016**	**2015**
Sales of goods	1 320	1 047
Cost of goods sold	(1 386)	(970)
Recovery of provision/(provision) for trade receivables and prepayments	65	(15)
Net income from insurance operations	430	114
Other non-banking income	242	259
Other non-banking expenses	(458)	(807)
Total gains less loses/(losses net of gains) from non-banking activities	**213**	**(372)**

Sales of goods mainly represent sales of grain, sugar, meat and milk products, animal feedstuff and other non-foods agriculturals.

11 Gain less Losses/(Losses Net of Gains) from Non-banking Activities (Continued)

Net income from insurance operations is as follows:

(Unaudited) *In millions of Russian Roubles*	For the three months ended 31 March 2016	2015
Insurance premiums		
Premium earned	764	524
Reinsurers share in premiums earned	(276)	(249)
Net insurance premiums earned	**488**	**275**
Insurance benefits and claims		
Net claims incurred during the period	91	(111)
Acquisition costs	(149)	(51)
Reinsurers share in claims incurred during the period	-	1
Net insurance benefits and claims	**(58)**	**(161)**
Net income from insurance operations	**430**	**114**

12 Significant Risk Concentrations

As at 31 March 2016 correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included the balances with one Russian banking group individually above 10% of the Group’s equity with rating of the parent bank at BBB- (Fitch) in the amount of RR 48 381 million, or 24% of total cash and cash equivalents (31 December 2015: balances with one Russian banking group individually above 10% of the Group’s equity with rating of the parent bank at Ba2 (Moody`s) in the amount of RR 44 331 million, or 26% of total cash and cash equivalents).

As at 31 March 2016, cash and cash equivalents included the balances with CBRF in the total amount of RR 62 825 million, or 31% of total cash and cash equivalents (31 December 2015: RR 38 424 million, or 23% of total cash and cash equivalents).

As at 31 March 2016, due from other banks included balances with two counterparties individually above 10% of the Group’s equity with ratings Ba2 and Ba3 (Moody's) in the amount of RR 52 082 million, or 53% of total due from other banks. As at 31 December 2015 due from other banks included no balances with other banks each above 10% of the Group’s equity. As at 31 December 2015, due from other banks included the balances with two counterparties with rating Ba3 and Caa2 (Moody's) in the amount of RR 26 057 million, or 43% of total due from other banks), in aggregate above 10% of the Group’s equity.

As at 31 March 2016, due to other banks included balances with CBRF above 10% of the Group's equity in the amount of RR 44 020 million, or 47% of total due to other banks (31 December 2015: due to other banks included balances with CBRF above 10% of the Group's equity in the amount of RR 41 725 million, or 43% of total due to other banks).

As at 31 March 2016 and 31 December 2015, due to other banks included no balances with other banks each above 10% of the Group's equity. As at 31 March 2016, due to banks included the balances with two OECD banking groups with ratings of parent banks at A+ and A- (S&P) in the amount of RR 30 022 million, or 32% of total due to other banks (31 December 2015: two OECD banking groups with ratings of parent banks at A+ and A- (S&P) in the amount of RR 30 942 million, or 32% of total due to other banks), in aggregate above 10% of the Group’s equity.

As at 31 March 2016, customer accounts included balances with five customers each above 10% of the Group’s equity (31 December 2015: balances with four customers each above 10% of the Group’s equity). The aggregate balance of these customers was RR 416 698 million, or 30% of total customer accounts (31 December 2015: RR 245 211 million, or 21% of total customer accounts).

13 Segment Analysis

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus significantly differs from policies described in the summary of significant accounting policies in the Group's last annual consolidated financial statements.

As at 31 March 2016, Saint-Petersburg branch previously being a part of North-West federal district is displayed as a separate reportable segment because it meets the criteria of defining it as a separate reportable segment. The presentation of the comparative figures for the three months ended 31 March 2015 has been adjusted to be consistent with the new presentation.

13 Segment Analysis (Continued)

Segment reporting of the Group's revenue and profit/(loss) for the three months ended 31 March 2016 and for the three months ended 31 March 2015 and segment reporting of the Group's assets at 31 March 2016 and 31 December 2015 are as follows:

In millions of Russian Roubles	**Head office**	**Central federal district**	**Far-Eastern federal district**	**Volga federal district**	**Saint-Petersburg district**	**North-West federal district**	**North-Caucasian federal district**	**Siberian federal district**	**Ural federal district**	**Southern federal district**	**Total**
For the three months ended 31 March 2016 (unaudited)											
Revenue from external customers:	**13 527**	**17 768**	**1 975**	**11 615**	**2 652**	**2 533**	**3 064**	**4 967**	**1 962**	**6 781**	**66 844**
- Interest income from loans and advances to customers, due from other banks and other placed funds	13 308	16 233	1 795	10 878	2 460	2 334	2 754	4 480	1 853	6 360	**62 455**
- Net fee and commission income from credit related operations	219	1 535	180	737	192	199	310	487	109	421	**4 389**
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	15 692	(10 541)	181	233	133	(215)	173	117	(1 835)	(1 761)	**2 177**
Interest expenses from due to other banks, customer accounts and bonds issued	(30 938)	(5 709)	(1 378)	(3 488)	(1 102)	(1 166)	(816)	(1 573)	(766)	(1 524)	**(48 460)**
Recovery of provision/(provision) for impairment	18	(310)	(145)	5 980	954	1 748	(150)	(386)	(11)	(992)	**6 706**
Administrative and maintenance expense	(7 282)	(471)	(131)	(386)	(44)	(112)	(172)	(266)	(85)	(171)	**(9 120)**
- Including depreciation charge	(275)	(78)	(19)	(64)	(6)	(21)	(35)	(52)	(12)	(27)	**(589)**
Other expenses less other income	(552)	(907)	(30)	(7 999)	(68)	(2 361)	(703)	(126)	(132)	(646)	**(13 524)**
Current income tax expense	(325)	-	-	-	-	-	-	-	-	-	**(325)**
Intersegment income/(expense)*	**10 649**	**123**	**(305)**	**(5 648)**	**(1 476)**	**(448)**	**(2 128)**	**1 234**	**1 099**	**(3 100)**	**-**
(Loss)/profit of reportable segments	**(9 860)**	**(170)**	**472**	**5 955**	**2 525**	**427**	**1 396**	**2 733**	**(867)**	**1 687**	**4 298**

* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

13 Segment Analysis (Continued)

In millions of Russian Roubles	Head office	Central federal district	Far-Eastern federal district	Volga federal district	Saint-Petersburg district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
For the three months ended 31 March 2015 (unaudited)											
Revenue from external customers:	**4 174**	**12 765**	**1 778**	**9 968**	**1 770**	**1 607**	**2 646**	**4 792**	**1 871**	**5 084**	**46 455**
- Interest income from loans and advances to customers, due from other banks and other placed funds	6 700	11 703	1 629	9 299	1 670	1 459	2 418	4 439	1 757	4 815	**45 889**
- Net fee and commission income from credit related operations	(2 526)	1 062	149	669	100	148	228	353	114	269	**566**
(Losses net of gains)/gains less losses arising from securities, derivative financial instruments and foreign currency	(5 400)	4 090	107	(1)	(110)	117	41	31	873	(535)	**(787)**
Interest expenses from due to other banks, customer accounts and bonds issued	(24 209)	(5 736)	(956)	(3 532)	(1 756)	(1 220)	(485)	(1 692)	(909)	(1 979)	**(42 474)**
(Provision)/recovery of provision for impairment	(12)	(456)	(127)	(290)	(25)	(68)	(832)	(324)	18	(834)	**(2 950)**
Administrative and maintenance expense	(6 688)	(545)	(152)	(445)	(45)	(119)	(178)	(326)	(126)	(199)	**(8 823)**
- Including depreciation charge	(122)	(66)	(16)	(55)	(5)	(16)	(29)	(40)	(10)	(22)	**(381)**
(Other expenses less other income)/other income less other expenses	(276)	(25)	(2)	(1 799)	6	(13)	11	10	(51)	362	**(1 777)**
Current income tax expense	(62)	-	-	-	-	-	-	-	-	-	**(62)**
Intersegment income/(expense)*	**20 979**	**(7 808)**	**(528)**	**(4 400)**	**349**	**(472)**	**(1 865)**	**(2 270)**	**(1 316)**	**(2 669)**	**-**
(Loss)/profit of reportable segments	**(32 473)**	**10 093**	**648**	**3 901**	**(160)**	**304**	**1 203**	**2 491**	**1 676**	**1 899**	**(10 418)**
Total assets											
31 March 2016 (unaudited)	1 778 966	651 703	83 825	348 509	88 210	102 255	125 017	174 392	71 856	244 104	**3 668 837**
31 December 2015	2 300 371	911 213	103 367	423 395	100 016	119 158	155 456	200 201	121 395	306 724	**4 741 296**

* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

In the third quarter 2015 and in the first quarter 2016 the Bank changed its approach to intersegment income and expense calculation that resulted in changes in income and expenses allocation to operating segments. Intersegment income and expense were adjusted to include income and expenses related to customers significant at the federal level and gains less losses/(losses net of gains) arising from currency, in addition to transfer income and expenses, insurance premiums earned and staff costs. The presentation of the comparative figures for the three months ended 31 March 2015 has been adjusted to be consistent with the new presentation.

13 Segment Analysis (Continued)

Reconciliation of profit/(loss) of the reportable segments results is as follows:

(Unaudited) *In millions of Russian Roubles*	**For the three months ended 31 March** **2016**	**2015**
Total profit/(loss) of reportable segments (after tax)	**4 298**	**(10 418)**
Adjustments of provision for impairment	(9 732)	(15 895)
Results of non-reportable segments, including the effect of consolidation*	787	(1 296)
Accounting for financial instruments at fair value	1 362	3 573
Adjustment of deferred tax	950	4 452
Gains less losses from revaluation of other financial instruments at fair value through profit and loss	36	466
Accrued staff costs	(713)	(536)
Adjustments of financial assets and liabilities carried at amortised cost	-	415
Other	(1 011)	(553)
The Group's loss under IFRS (after tax)	**(4 023)**	**(19 792)**

* Non-reportable segments are represented by subsidiaries of the Group.

Adjustments of provision for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under RAR used for preparation of management reporting and the methodology used for IFRS reporting. The provision under RAR is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model.

Adjustments of derivative financial instruments to their fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR foreign exchange swaps are recognized as back-to-back deposits, whereas in IFRS financial statements such transactions are recognized at fair value. Refer to Note 15. Providing reconciliation, accounting for deals described above under RAR assumes also adjustments related to interest income/expense and total assets of reportable segments.

Adjustments to financial assets and liabilities carried at amortised cost resulted from accruals of interest income/expenses using effective interest rate method in IFRS, whereas there is nominal rate accrual approach used under RAR.

Adjustments of deferred income tax expense and accrued staff costs arise from the timing difference in recognition of certain expenses under RAR compared to IFRS and regulatory requirements of tax-filing date.

All other adjustments also result from the differences between RAR (used as the basis for management reporting) and IFRS.

14 Contingencies and Commitments

Legal proceedings. From time to time in the normal course of business, claims against the Group are received. As at 31 March 2016, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision for cover of such losses has been made in these interim condensed consolidated financial statements (31 December 2015: Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision for cover of such losses has been made in annual consolidated financial statements).

14 Contingencies and Commitments (Continued)

Tax contingencies. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to changes which may occur frequently, at short notice and could be applied retrospectively. As a result it is subject to varying interpretations and selective and inconsistent application in practice. It is therefore possible that transactions and activities of the Group may be challenged at any time in the future by relevant regulatory authorities. The tax authorities may be taking a more assertive position in their interpretation and application of the legislation and in making tax assessments. Consequently, the tax authorities may successfully challenge transactions and tax accounting methods that have not been challenged in the past.

Fiscal periods remain open and subject to review by the tax authorities in course of the on-site tax audits for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

Russian transfer pricing legislation allows the Russian tax authority to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all “controlled” transactions if the transaction price differs from the market level of prices and such deviation resulted in the underpayment of the tax to the revenue. The list of “controlled” transactions includes transactions performed with related parties (subject to certain conditions) and certain types of cross-border transactions. Special transfer pricing rules apply to transactions with securities and derivatives.

During the three months ended 31 March 2016, the Group determined its tax liabilities arising from the “controlled” transactions using actual transaction prices.

Due to the uncertainty and absence of the stable practice of the application of the Russian transfer pricing legislation, the Russian tax authorities may challenge the level of prices applied by the Russian companies of the Group for tax purposes under the “controlled” transactions and accrue additional tax liabilities unless the Group is able to demonstrate that the respective transactions are arms’ length for tax purposes.

As at 31 March 2016, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

Capital expenditure commitments. As at 31 March 2016, the Group has contractual capital expenditure commitments of RR 25 million (31 December 2015: RR 27 million).

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

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
Not later than 1 year	4 845	4 912
Later than 1 year and not later than 5 years	7 682	9 389
Later than 5 years	1 972	2 009
Total operating lease commitments	**14 499**	**16 310**

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group’s Management believes that the Group is in compliance with the covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

14 Contingencies and Commitments (Continued)

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
Financial guarantees issued	114 340	109 336
Undrawn credit lines	123 531	129 693
Letters of credit	7 040	10 966
Less: provision for impairment	(137)	(100)
Total credit related commitments	**244 774**	**249 895**

Undrawn credit lines are represented by revocable credit lines. The Group has the right to revoke unused portion of credit line in response to a material adverse change of the borrower. As at 31 March 2016 and 31 December 2015, there were no grounds for cancellation of disclosed amount of unused credit lines.

The total outstanding contractual amount of revocable undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Credit related commitments are denominated in currencies as follows:

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
Russian Roubles	226 609	224 862
Euros	13 345	17 610
US Dollars	4 477	6 926
Other currencies	343	497
Total credit related commitments	**244 774**	**249 895**

Assets pledged and restricted. The Group had the following assets pledged and restricted:

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
Assets pledged under loan agreements with banks (including CBRF)	70 690	68 778
Security deposit under the lease agreement	202	202

As at 31 March 2016, mandatory cash balances with the CBRF of RR 8 301 million (31 December 2015: RR 7 739 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 March 2016 and 31 December 2015, assets pledged under loan agreements with banks (including CBRF) mainly include loans and advances to customers pledged to CBRF under loan agreements in accordance with the CBRF Act # 312-P *On the procedures of granting loans secured by assets or guarantees by CBRF to credit organisations* dated 12 November 2007.

14 Contingencies and Commitments (Continued)

Financial assets transferred without derecognition. Transferred financial assets that are not derecognized in their entirety are represented by securities transferred without derecognition and pledged under repurchase agreements. As at 31 March 2016, the associated liabilities of these agreements in the current amount of RR 2 million are included in due to other banks (31 December 2015: RR 7 139 million were included in due to other banks).

The following table provides a summary of financial assets transferred without derecognition:

In millions of Russian Roubles	31 March 2016 (unaudited) Carrying amount assets	31 March 2016 (unaudited) Carrying amount associated liabilities	31 December 2015 Carrying amount assets	31 December 2015 Carrying amount associated liabilities
Direct repurchase agreements				
Corporate bonds	-	-	6 616	6 023
Municipal and subfederal bonds	-	-	1 220	1 116
Securities received without recognition under reverse repurchase agreements transferred under direct repurchase agreements				
Corporate shares	2	2	-	-
Total	**2**	**2**	**7 836**	**7 139**

15 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. As a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms, derivative financial instruments are recognized as assets (in case of positive fair value) or liabilities (in case of negative fair value).

As at 31 March 2016, in the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days prevails swaps structured as deposits placed by the Group in US Dollars and Japanese yens (31 December 2015: in US Dollars, Chinese Yuans and Japanese yens) to six large OECD banks and one Russian banking group with maturities from May 2017 to May 2023, and deposits in Russian Roubles received from the same counterparties with the same maturities (“back-to-back loans”). These transactions are aimed at economically hedging the currency exposure of the Group.

Part of these agreements contain special procedures for counterparties upon the occurrence of a credit event or an event of default (for example bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring external unsubordinated public liabilities, providing incorrect or misleading representation). The subjects of such events are the Group, and in some instances, the counterparty of the agreement, and/or the Russian Federation. Some of the agreements provide that no further mutual payment obligation between the parties is due, if a credit event or default event happens. Some agreements on the exchange of resources provide termination of liabilities with a mark-to-market payment in the case of a relevant event (e.g., a default event).

As at 31 March 2016, international credit ratings of these counterparties were not less than BB- (S&P) (31 December 2015: not less than BB- (S&P)).

15 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 March 2016 and covers the contracts with settlement dates after the respective end of the reporting period:

(Unaudited) *In millions of Russian Roubles*	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Positive fair value**	**Negative fair value**
Forwards and swaps				
- Currency	278 988	(136 064)	143 787	(863)
- Securities	3 219	(3 223)	1	(5)
Options	6 218	(6 057)	38	(38)
Total	**288 425**	**(145 344)**	**143 826**	**(906)**

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2015 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Positive fair value**	**Negative fair value**
Forwards and swaps				
- Currency	317 453	(150 945)	166 712	(204)
Total	**317 453**	**(150 945)**	**166 712**	**(204)**

As at 31 March 2016, the Group had three foreign exchange swaps with two foreign banks and one Russian bank with rating not lower than BB- (S&P) with fair value each individually above 10% of the Group's equity (31 December 2015: three foreign exchange swaps with two foreign banks and one Russian bank with rating not lower than BB- (S&P) with fair value each individually above 10% of the Group's equity). As at 31 March 2016, receivables and payables on settlement of these foreign exchange swaps amounted to RR 177 377 million and RR 71 730 million, respectively, or 72% of total receivables or 70% of total payables on settlement of foreign exchange swaps (31 December 2015: RR 198 339 million and RR 74 209 million, respectively, or 73% of total receivables or 71% of total payables on settlement of foreign exchange swaps).

Refer to Note 16 for the disclosure of fair value hierarchy for derivative financial instruments. The information on related party transactions is disclosed in Note 17.

16 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

16 Fair Value of Financial Instruments (Continued)

Financial instruments carried at fair value. Trading securities, securities available for sale, and related trading and investment securities pledged under repurchase agreements are carried on the Interim consolidated statement of financial position at their fair value based on quoted market prices and valuation techniques with all material inputs observable.

Financial instruments designated at fair value through profit or loss and derivative financial instruments are carried on the interim consolidated statement of financial position at their fair value based on valuation technique with inputs observable in markets. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The Group uses discounted cash flow techniques with observable market data inputs as offshore and onshore yield curves, as well as market data, reflecting the distribution of the probability of default over time.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

Held to maturity securities carried at amortised cost. The fair value for held to maturity securities and securities held to maturity pledged under repurchase agreements is based on quoted market prices and valuation techniques with all material inputs observable.

Liabilities carried at amortised cost. The fair value of bonds issued is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

16 Fair Value of Financial Instruments (Continued)

(a) Fair value of financial instruments carried at amortised cost and at fair value

	31 March 2016 (unaudited)		31 December 2015	
In millions of Russian Roubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets carried at amortised cost				
Cash and cash equivalents	204 703	204 703	168 232	168 232
Mandatory cash balances with the CBRF	8 301	8 301	7 739	7 739
Due from other banks	98 621	99 296	61 101	60 203
Loans and advances to customers				
- Loans to corporates	1 335 091	1 279 839	1 314 446	1 270 805
- Lending for food interventions	27 228	27 228	16 020	16 020
- Reverse repo agreements	-	-	10 913	10 913
- Investments in agricultural cooperatives	328	328	328	328
- Loans to individuals	289 180	296 992	283 930	278 653
Investment securities held to maturity including pledged under repurchase agreements				
- Corporate bonds	8 189	7 789	8 269	7 817
- Federal Loan bonds (OFZ)	2 199	1 862	2 245	1 856
- Corporate Eurobonds	20 596	20 581	20 266	20 017
Other financial assets	19 854	19 854	11 504	11 504
Total financial assets carried at amortised cost	**2 014 290**	**1 966 773**	**1 904 993**	**1 854 087**
Financial assets carried at fair value	**382 203**	**382 203**	**389 276**	**389 276**
Total financial assets	**2 396 493**	**2 348 976**	**2 294 269**	**2 243 363**
Financial liabilities carried at amortised cost				
Due to other banks				
- Term borrowings from other banks	39 969	42 913	55 006	57 899
- Term borrowings from the CBRF	44 020	43 082	41 725	41 032
- Correspondent accounts and overnight placements of other banks	9 475	9 475	525	525
Customer accounts				
- State and public organisations	392 412	393 814	242 050	242 527
- Other legal entities	466 465	475 734	461 278	465 732
- Individuals	523 938	557 437	486 528	485 566
Promissory notes issued	13 708	13 708	14 637	14 637
Bonds issued				
- Eurobonds issued	355 627	365 024	425 485	429 526
- Bonds issued on domestic market	179 938	182 575	184 339	186 098
Other financial liabilities	1 835	1 835	3 218	3 218
Total financial liabilities carried at amortised cost before subordinated debts	**2 027 387**	**2 085 597**	**1 914 791**	**1 926 760**
Subordinated debts	214 168	212 756	225 109	219 298
Total financial liabilities carried at amortised cost	**2 241 555**	**2 298 353**	**2 139 900**	**2 146 058**
Financial liabilities carried at fair value	**906**	**906**	**204**	**204**
Total financial liabilities	**2 242 461**	**2 299 259**	**2 140 104**	**2 146 262**

16 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (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.

Fair value hierarchy. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Analysis of financial and non-financial instruments as at 31 March 2016 is as follows:

(Unaudited) *In millions of Russian Roubles*	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with non-observable inputs (Level 3)**	**Total**
Assets measured at fair value				
Trading securities	-	499	-	**499**
Financial instruments designated at fair value through profit or loss	-	5 396	-	**5 396**
Investment securities available for sale	144 309	88 173	-	**232 482**
Derivative financial instruments	-	143 826	-	**143 826**
Office premises	-	-	7 744	**7 744**
Assets for which fair values are disclosed				
Cash and cash equivalents	-	204 703	-	**204 703**
Mandatory cash balances with the CBRF	-	-	8 301	**8 301**
Due from other banks	-	99 296	-	**99 296**
Loans and advances to customers	-	-	1 604 387	**1 604 387**
Investment securities held to maturity	9 310	20 922	-	**30 232**
Other financial assets carried at amortised cost	-	-	19 854	**19 854**
Total financial and non-financial assets	**153 619**	**562 815**	**1 640 286**	**2 356 720**
Liabilities measured at fair value				
Derivative financial instruments	-	906	-	**906**
Liabilities for which fair values are disclosed				
Due to other banks	-	95 470	-	**95 470**
Customer accounts	-	-	1 426 985	**1 426 985**
Promissory notes issued	-	-	13 708	**13 708**
Bonds issued				
- Eurobonds issued	344 270	20 754	-	**365 024**
- Bonds issued on domestic market	163 255	19 320	-	**182 575**
Other financial liabilities	-	-	1 835	**1 835**
Total financial liabilities before subordinated debts	**507 525**	**136 450**	**1 442 528**	**2 086 503**
Subordinated debts	90 020	122 736	-	**212 756**
Total financial liabilities	**597 545**	**259 186**	**1 442 528**	**2 299 259**

16 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2015 is as follows:

In millions of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with non-observable inputs (Level 3)**	**Total**
Assets measured at fair value				
Trading securities	-	485	-	**485**
Financial instruments designated at fair value through profit or loss	-	5 069	-	**5 069**
Investment securities available for sale, including investment securities available for sale pledged under repurchase agreements	138 247	78 763	-	**217 010**
Derivative financial instruments	-	166 712	-	**166 712**
Office premises	-	-	7 827	**7 827**
Assets for which fair values are disclosed				
Cash and cash equivalents	-	168 232	-	**168 232**
Mandatory cash balances with the CBRF	-	-	7 739	**7 739**
Due from other banks	-	60 203	-	**60 203**
Loans and advances to customers	-	-	1 576 719	**1 576 719**
Investment securities held to maturity, including securities held to maturity pledged under repurchase agreements	9 673	20 017	-	**29 690**
Other financial assets carried at amortised cost	-	-	11 504	**11 504**
Total financial and non-financial assets	**147 920**	**499 481**	**1 603 789**	**2 251 190**
Liabilities measured at fair value				
Derivative financial instruments	-	204	-	**204**
Liabilities for which fair values are disclosed				
Due to other banks	-	99 456	-	**99 456**
Customer accounts	-	-	1 193 825	**1 193 825**
Promissory notes issued	-	-	14 637	**14 637**
Bonds issued				
- Eurobonds issued	377 294	52 232	-	**429 526**
- Bonds issued on domestic market	164 793	21 305	-	**186 098**
Other financial liabilities	-	-	3 218	**3 218**
Total financial liabilities before subordinated debts	**542 087**	**173 197**	**1 211 680**	**1 926 964**
Subordinated debts	82 032	137 266	-	**219 298**
Total financial liabilities	**624 119**	**310 463**	**1 211 680**	**2 146 262**

There were no financial instruments carried at fair value based on a valuation technique with non-observable inputs (Level 3) as at 31 March 2016 (31 December 2015: none).

16 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments (Continued)

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during three months ended 31 March 2016:

(Unaudited)	**Transfers between Level 1 and Level 2**	
In millions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Investment securities available for sale, including investment securities available for sale pledged under repurchase agreements	9 595	3 182
Total transfers of financial assets	**9 595**	**3 182**

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2015:

	Transfers between Level 1 and Level 2	
In millions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Investment securities available for sale, including investment securities available for sale pledged under repurchase agreements	2 257	927
Total transfers of financial assets	**2 257**	**927**

Financial instruments are transferred from Level 2 to Level 1 of the fair value hierarchy when they become traded in active markets and fair value can be determined based on quoted prices in active markets.

Financial instruments are transferred from Level 1 to Level 2 when they ceased to be traded in active markets. The liquidity on the market is not sufficient to use market prices for valuation and as a result fair value is determined using valuation techniques with all material inputs observable.

There were no other transfers between levels of the fair value hierarchy during three months ended 31 March 2016 and during the year ended 31 December 2015.

The following table shows the quantitative information as at 31 March 2016 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

			Inputs used		
Assets	**Fair value,** *in millions of Russian Roubles*	**Valuation technique**	**Input**	**Min**	**Max**
Office premises	7 744	Comparative method	Trade discount	8.0%	20.0%

The following table shows the quantitative information as at 31 December 2015 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

			Inputs used		
Assets	**Fair value,** *in millions of Russian Roubles*	**Valuation technique**	**Input**	**Min**	**Max**
Office premises	7 827	Comparative method	Trade discount	8.0%	20.0%

17 Related Party Transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property, the Ministry of Finance of the Russian Federation and The State Corporation "Deposit Insurance Agency". Refer to Note 1.

In these interim condensed consolidated financial statements, significant balances and transactions with the state-controlled entities and parties that are related to such entities and balances and transactions with related parties represented by key management and their family members are disclosed.

The outstanding balances with related parties were as follows:

In millions of Russian Roubles	**31 March 2016 (unaudited)**	**31 December 2015**
Cash and cash equivalents		
CBRF	62 825	38 424
Other banks	68 174	55 640
Loans and advances to customers		
Loans and advances to customers (before impairment)	98 840	91 363
Less: provision for loan impairment	(3 208)	(3 294)
Derivative financial instruments — assets	20 256	23 538
Securities		
Securities issued by Russian Federation	117 836	97 479
Securities of entities and banks	43 027	47 365
Due from other banks	33 081	2 334
Other assets		
State Corporation Deposit Insurance Agency	16 707	5 308
Accrued subsidies under the government program to subsidize mortgage and car loans	791	387
Customer accounts		
Entities	467 758	335 091
Key management and their family members	1 430	1 493
Due to other banks		
CBRF	44 020	41 725
Other banks	9 428	12 529
Derivative financial instruments — liabilities	792	204
Subordinated debts	79 584	84 776
Credit related commitments		
Undrawn credit lines	75 153	74 145
Financial guarantees issued	10 431	12 478
Financial guarantees received	20 611	20 729

17 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

(Unaudited) *In millions of Russian Roubles*	**For the three months ended 31 March** **2016**	**2015**
Interest income on cash and cash equivalents		
CBRF	523	180
Other banks	1 958	460
Interest income on due from other banks	616	122
Interest income on loans and advances to customers	2 905	1 744
Interest income on securities		
Securities issued by Russian Federation	3 161	587
Securities of entities and banks	1 055	1 857
Gains less losses/(losses net of gains) from securities		
Securities issued by Russian Federation	535	(933)
Securities of entities and banks	(217)	(212)
(Losses net of gains)/gains less losses from derivative financial instruments	(903)	5 246
Interest expense on customer accounts		
Entities	(11 687)	(5 978)
Key management and their family members	(23)	(17)
Interest expense on subordinated debts	(1 230)	-
Interest expense on due to other banks		
CBRF	(1 214)	(5 645)
Other banks	(132)	(546)
Other operating income		
Accrued subsidies	404	-
Administrative and other operating expenses		
Payments to the Deposit Insurance Fund (SC DIA)	(457)	(311)

During three months ended 31 March 2016, the only transactions with the shareholder were taxes paid and subsidies received under the government program to subsidize mortgage and car loans (three months ended 31 March 2015: the only transactions with the shareholder were taxes paid).

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. For the three months ended 31 March 2016 total remuneration of the key management amounted to RR 87 million (for the three months ended 31 March 2015: RR 71 million).

18 Events after the End of the Reporting Period

In April 2016, the Bank increased its share capital by issuing 8 000 ordinary shares with the total nominal amount of RR 8 000 million. All ordinary shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

In April 2016, the Group re-issued on the domestic market RR 244 million of previously bought back bonds maturing in October 2022, with semi-annual payments of coupon at 12.15% p.a.

In May and June 2016, the Group re-issued on the domestic market RR 4 058 million of previously bought back bonds maturing in September 2024, with quarterly payments of coupon at 11.10% p.a.

In April and May 2016, the Group re-issued on the domestic market RR 782 million of previously bought back bonds maturing in February 2017, with semi-annual payments of coupon at 12.0% p.a.

In April 2016, the Group re-issued on the domestic market RR 1 906 million of previously bought back bonds maturing in June 2018, with semi-annual payments of coupon at 11.55% p.a.

In April, May and June 2016, the Group repurchased bonds denominated in RR issued on the domestic market in the amount of RR 13 841 million at the put option date.

In May 2016, the Group re-issued on the domestic market RR 306 million of previously bought back bonds maturing in October 2021, with semi-annual payments of coupon at 11.00% p.a.

In May 2016, the Group re-issued on the domestic market RR 804 million of previously bought back bonds maturing in November 2019, with semi-annual payments of coupon at 10.90% p.a.

In April and May 2016, the Group re-issued on the domestic market RR 2 560 million of previously bought back bonds maturing in April 2023, with semi-annual payments of coupon at 11.10% p.a.

In June 2016 the CBRF decreased key interest rate from 11.0% p.a. to 10.5% p.a.

In June 2016 the Group made investments in the Limited Liability Company "RSHB — Insurance broker", with Closed Joint Stock Company RSHB Insurance being the only participant.