

AO UniCredit Bank

Consolidated Interim Condensed
Financial Statements
for the Nine-Month Period Ended 30 September 2016
(unaudited)

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AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016

Management of AO UniCredit Bank is responsible for the preparation of the consolidated interim condensed financial statements that present fairly the financial position of AO UniCredit Bank and its subsidiary (collectively – the "Group") as at 30 September 2016, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended and a summary of significant accounting policies and selected notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements") in compliance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

In preparing the consolidated interim condensed financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated interim condensed financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated interim condensed financial statements for the nine-month ended 30 September 2016 were approved by the Supervisory Board of AO UniCredit Bank on 10 November 2016 based on the decision of Board of Management of AO UniCredit Bank dated 1 November 2016.


I. Matveev
Acting Chairman of the Board of Management

10 November 2016
Moscow




G. Chernysheva
Chief Accountant

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To: the Shareholder and Supervisory Board of AO UniCredit Bank

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of AO UniCredit Bank and its subsidiary (collectively – the "Group") as at 30 September 2016, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended, and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with Federal Rule (Standard) of Auditing No. 33, Review of Financial Statements, and 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 Federal Auditing Standards of the Russian Federation and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

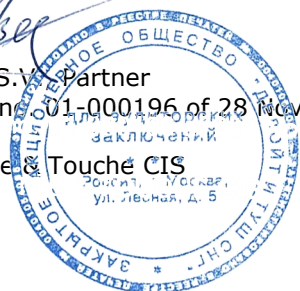
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Deloitte & Touche

10 November 2016
Moscow, Russian Federation

Sep
Neklyudov S.V. Partner
(certificate no. 01-000196 of 28 November 2011)

ZAO Deloitte & Touche CIS



Audited entity: AO UniCredit Bank

Licensed by the Central Bank of the Russian Federation on 22.12.2014, License #1.

Primary State Registration Number: 1027739082106

Certificate of registration in the Unified State Register series 77 # 007773325 of 19.08.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation #39.

9, Prechistenskaya emb., Moscow, Russia 119034.

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration #018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

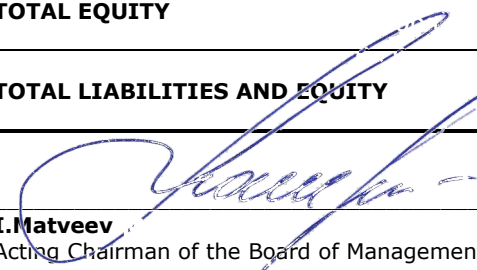
Certificate of registration in the Unified State Register series 77 # 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation #39.

Certificate of membership in "NP "Audit Chamber of Russia" (auditors' SRO) of 20.05.2009 #3026, ORNZ 10201017407.

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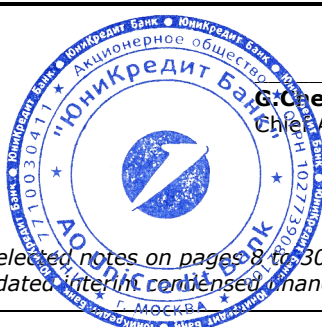
Consolidated Interim Condensed Statement of Financial Position as at 30 September 2016 (in thousands of Russian Roubles)

	Notes	30 September 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash balances	5	42 674 808	22 730 813
Trading securities held by the Group	6	1 420 312	3 652 106
Amounts due from credit institutions	7	288 158 836	336 744 808
Derivative financial assets	8	49 793 611	65 526 002
Derivative financial assets designated for hedging	8	10 487 220	7 042 056
Changes in fair value of portfolio hedged items		3 703 062	998 710
Loans to customers	9	732 048 383	867 295 074
Investment securities	10		
- available-for-sale			
- held by the Group		48 564 269	54 895 759
- pledged under repurchase agreements		15 509 003	14 841 932
- held-to-maturity			
- held by the Group		19 147 329	16 130 748
- pledged under repurchase agreements		12 010 734	-
Fixed assets		5 257 147	5 612 240
Intangible assets		5 388 590	5 350 637
Current income tax assets		389 849	1 858 930
Other assets		6 464 232	4 445 843
TOTAL ASSETS		1 241 017 385	1 407 125 658
LIABILITIES			
Amounts due to credit institutions	12	140 363 258	193 922 309
Derivative financial liabilities	8	24 840 147	49 246 075
Derivative financial liabilities designated for hedging	8	14 872 314	19 306 086
Changes in fair value of portfolio hedged items		2 653 363	404 256
Amounts due to customers	13	843 436 092	931 426 988
Debt securities issued	14	17 260 962	32 979 085
Deferred income tax liabilities		9 113 280	7 390 616
Other liabilities		9 872 098	7 922 980
TOTAL LIABILITIES		1 062 411 514	1 242 598 395
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(1 479 830)	(765 540)
Revaluation reserve for available-for-sale securities		(13 786)	(2 902 933)
Retained earnings		137 874 400	125 970 649
TOTAL EQUITY		178 605 871	164 527 263
TOTAL LIABILITIES AND EQUITY		1 241 017 385	1 407 125 658


I. Matveev
Acting Chairman of the Board of Management

10 November 2016
Moscow


G. Chernysheva
Chief Accountant



The accompanying selected notes on pages 8 to 30 are an integral part of these consolidated interim condensed financial statements.

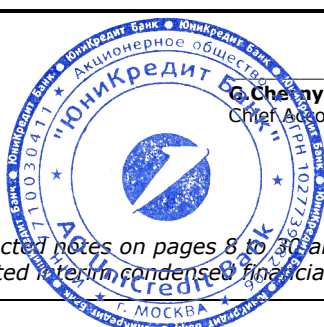
AO UniCredit Bank

Consolidated Interim Condensed Statement of Comprehensive Income for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Interest income and similar revenues		29 092 272	31 304 780	89 653 691	100 034 830
Interest expense and similar charges		(17 426 322)	(21 336 458)	(56 413 225)	(70 194 430)
Net interest income	4	11 665 950	9 968 322	33 240 466	29 840 400
Fee and commission income		2 609 626	2 228 966	7 482 489	6 182 503
Fee and commission expense		(957 100)	(1 127 852)	(2 955 695)	(3 214 589)
Net fee and commission income		1 652 526	1 101 114	4 526 794	2 967 914
Dividend income		-	-	4	3
(Losses)/gains on financial assets and liabilities held for trading	16	(217 475)	531 637	2 553 761	3 924 154
Fair value adjustments in portfolio hedge accounting		(65 971)	1 286	(232 801)	(904 040)
Gains/(losses) on disposal of:					
- loans		1 061	24 698	7 273	26 603
- available-for-sale financial assets		247 921	-	248 006	(142 357)
OPERATING INCOME		13 284 012	11 627 057	40 343 503	35 712 677
(Impairment)/recovery of impairment on:					
- loans	9	(4 015 788)	(3 592 431)	(11 916 266)	(10 513 155)
- other financial transactions		-	-	-	11 781
NET INCOME FROM FINANCIAL ACTIVITIES		9 268 224	8 034 626	28 427 237	25 211 303
Personnel expenses		(2 185 312)	(1 923 846)	(6 453 159)	(5 906 222)
Other administrative expenses		(1 643 598)	(1 363 456)	(4 643 883)	(3 849 652)
Depreciation of fixed assets		(207 498)	(169 028)	(498 769)	(544 133)
Amortization of intangible assets		(231 508)	(200 806)	(877 666)	(602 423)
Other provisions		(164 339)	(34 290)	(599 008)	(71 483)
Net other operating expenses		(154 869)	(151 173)	(269 846)	(188 676)
Operating costs		(4 587 124)	(3 842 599)	(13 342 331)	(11 162 589)
Gains on disposal of fixed assets		3 521	1 882	5 716	5 815
PROFIT BEFORE INCOME TAX EXPENSE		4 684 621	4 193 909	15 090 622	14 054 529
Income tax expense	11	(1 053 221)	(826 606)	(3 186 871)	(2 848 534)
PROFIT FOR THE PERIOD		3 631 400	3 367 303	11 903 751	11 205 995
OTHER COMPREHENSIVE INCOME/(LOSSES)					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge reserve – effective portion of changes in fair value, net of tax:					
- fair value changes		384 134	1 677 703	(758 391)	2 003 914
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		(71 542)	7 004	44 101	6 860
Revaluation reserve for available-for-sale securities, net of tax:					
- fair value changes		145 817	159 986	2 695 036	4 416 436
- reclassification adjustment relating to available-for-sale financial assets disposed of in the period		157 755	4 768	194 111	218 481
Other comprehensive income for the period, net of tax	11	616 164	1 849 461	2 174 857	6 645 691
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4 247 564	5 216 764	14 078 608	17 851 686

I. Matveev
Acting Chairman of the Board of Management

10 November 2016
Moscow



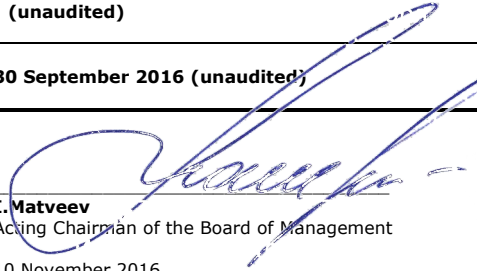
G. Chernysheva
Chief Accountant

The accompanying selected notes on pages 8 to 30 are an integral part of these consolidated interim condensed financial statements.

AO UniCredit Bank

Consolidated Interim Condensed Statement of Changes in Equity for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
1 January 2015	41 787 806	437 281	(1 541 487)	(9 070 231)	110 452 655	142 066 024
Total comprehensive income						
Profit for the period (unaudited)	-	-	-	-	11 205 995	11 205 995
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	2 010 774	-	-	2 010 774
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	4 634 917	-	4 634 917
Total other comprehensive income (unaudited)	-	-	2 010 774	4 634 917	-	6 645 691
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (unaudited)	-	-	2 010 774	4 634 917	11 205 995	17 851 686
30 September 2015 (unaudited)	41 787 806	437 281	469 287	(4 435 314)	121 658 650	159 917 710
1 January 2016	41 787 806	437 281	(765 540)	(2 902 933)	125 970 649	164 527 263
Total comprehensive income						
Profit for the period (unaudited)	-	-	-	-	11 903 751	11 903 751
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(714 290)	-	-	(714 290)
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	2 889 147	-	2 889 147
Total other comprehensive income (unaudited)	-	-	(714 290)	2 889 147	-	2 174 857
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (unaudited)	-	-	(714 290)	2 889 147	11 903 751	14 078 608
30 September 2016 (unaudited)	41 787 806	437 281	(1 479 830)	(13 786)	137 874 400	178 605 871


I. Matveev
Acting Chairman of the Board of Management

10 November 2016
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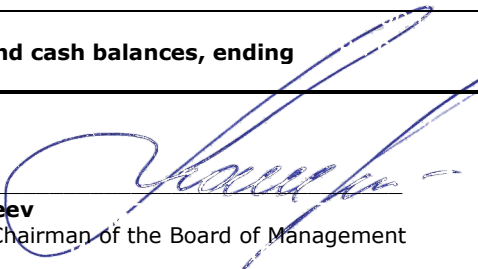

G. Chernysheva
Chief Accountant

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AO UniCredit Bank

Consolidated Interim Condensed Statement of Cash Flows for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

	Note	Nine-month period ended 30 September 2016 (unaudited)	Nine-month period ended 30 September 2015 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		21 004 750	242 492
Net cash from/(used in) operating activities before income tax		60 979 948	(19 206 773)
Corporate income tax paid		(538 881)	(2 450 752)
Net cash flows from/(used in) operating activities		60 441 067	(21 657 525)
Cash flows from investing activities			
Dividends received		4	3
Proceeds from redemption and sale of available-for-sale securities		13 171 937	5 892 550
Purchases of available for sale securities		(6 101 285)	-
Purchases of held to maturity securities		(16 330 803)	-
Proceeds from sale of fixed and intangible assets		6 815	6 294
Purchase of fixed and intangible assets		(921 191)	(2 633 745)
Net cash flows (used in)/ from investing activities		(10 174 523)	3 265 102
Cash flows from financing activities			
Proceeds from issuance of bonds		-	4 000 000
Redemption of bonds issued		(15 205 218)	(29 907 421)
Repayment of subordinated debt		(14 233 680)	-
Proceeds from subordinated debt received		-	27 761 347
Net cash flows (used in)/from financing activities		(29 438 898)	1 853 926
Net effect of exchange rates changes on cash and cash balances		(883 651)	1 388 101
Net increase/(decrease) in cash and cash balances		19 943 995	(15 150 396)
Cash and cash balances, beginning	5	22 730 813	42 873 396
Cash and cash balances, ending	5	42 674 808	27 723 000


I. Matveev
Acting Chairman of the Board of Management
10 November 2016
Moscow




G. Chernysheva
Chief Accountant

The accompanying selected notes on pages 8 to 30 are an integral part
of these consolidated interim condensed financial statements.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

1. Principal activities

These consolidated interim condensed financial statements include the financial statements of AO UniCredit Bank (hereinafter – the “Bank”) and its subsidiary. AO UniCredit Bank and its subsidiary are hereinafter collectively referred to as the “Group”.

The Bank (the former International Moscow Bank) was established in 1989 as a closed joint-stock company under the laws of the Russian Federation. The Bank operates under General Banking License of the Central Bank of Russia (hereinafter – the “CBR”) for banking operations as well as the license of the CBR for operations with precious metals, both issued on 22 December 2014 for #1. The Bank also possesses licences of the professional securities market participant for dealing, brokerage and depository activities issued by the Federal Securities Commission on 25 April 2003, as well as authorized to speak to the customs authorities as a guarantor. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 30 September 2016 the Group comprises the Bank, the leading operating entity of the Group, and LLC UniCredit Leasing Company, a leasing company as its subsidiary. LLC UniCredit Leasing owns 100% of the shares in ZAO Locat Leasing Russia. Both companies operate in the financial leasing industry on the local market.

As at 30 September 2016 the Bank has 13 branches and 11 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus (as at 31 December 2015: 13 branches and 12 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus).

The Bank’s registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

As at 30 September 2016 the sole shareholder of the Group is UniCredit Bank Austria AG. UniCredit Bank Austria AG, a member of UniCredit Group, is responsible for commercial banking in Central and Eastern Europe within the UniCredit Group.

As at 1 October 2016 the immediate parent of the Group has changed to UniCredit S.p.A. as a result of the reorganization of CEE Division of UniCredit Group (see Note 19 for details).

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, operating results for the nine-month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

2. Basis of preparation

Statement of compliance. These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2015 prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for 2015 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group’s annual consolidated financial statements for 2015 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

2. Basis of preparation (continued)

Basis of measurement. These consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation currency. These consolidated interim condensed financial statements are presented in Russian Roubles (hereinafter – “RUB”). Amounts in Russian Roubles are rounded to the nearest thousand.

The exchange rates used by the Group in the preparation of the consolidated interim condensed financial statements as at period-end are as follows:

	30 September 2016	31 December 2015
RUB/1 US Dollar	63.1581	72.8827
RUB/1 Euro	70.8823	79.6972

Use of estimates and judgements. The preparation of financial statements in conformity with IAS 34 requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 recognized 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.

In preparing these consolidated interim condensed financial statements the significant judgements made by the management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

Going concern. These consolidated interim condensed financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

3. Significant accounting policies

Interim measurement period. Income tax expense is recognized in these consolidated interim condensed financial statements based on the management’s best estimates of the weighted average effective annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2015.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

3. Significant accounting policies (continued)

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New or amended standard or interpretation	Effective date¹ - for annual periods beginning on or after
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
Amendments to IFRS 10 and IAS 28 - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB ²
Amendments to IAS 12 - <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

¹ Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

² The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

4. Operating segments

For the management purposes, the Group has four reporting business segments:

Corporate and Investment banking (hereinafter – “CIB”) includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking comprises banking services to private individuals and Small and Medium Entities (hereinafter – “SME”), credit and debit card services, retail sight and term deposit services, lending to SME and retail lending (consumer loans, car loans and mortgages).

Leasing represents the leasing activities of the Group.

Other represents the Group’s funding activities and other unallocated items.

The information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated interim condensed financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group’s funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	30 September 2016 (unaudited)	31 December 2015
Assets		
CIB	865 083 101	1 015 688 084
Retail banking	112 467 187	120 721 231
Leasing	16 168 635	14 001 241
Other	247 298 462	256 715 102
Total assets	1 241 017 385	1 407 125 658
Liabilities		
CIB	760 735 842	855 887 223
Retail banking	214 196 062	224 639 697
Leasing	13 110 411	11 186 533
Other	74 369 199	150 884 942
Total liabilities	1 062 411 514	1 242 598 395

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 September 2016 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	7 182 876	1 856 950	268 748	2 357 376	11 665 950
Inter-segment income/(expense)	704 311	376 928	-	(1 081 239)	-
Net interest income	7 887 187	2 233 878	268 748	1 276 137	11 665 950
Net fee and commission income / (expense) from external customers	617 640	1 089 172	11 784	(66 070)	1 652 526
(Losses)/gains on financial assets and liabilities held for trading from external customers	(599 759)	292 202	(521)	90 603	(217 475)
Fair value adjustments in portfolio hedge accounting	-	-	-	(65 971)	(65 971)
Gains on disposals of financial assets	248 982	-	-	-	248 982
Operating income	8 154 050	3 615 252	280 011	1 234 699	13 284 012
Impairment on loans and other financial transactions	(2 998 536)	(983 556)	(28 693)	(5 003)	(4 015 788)
Net income from financial activities	5 155 514	2 631 696	251 318	1 229 696	9 268 224
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 441 395)	(2 468 053)	(125 714)	(551 962)	(4 587 124)
Gains on disposal of fixed assets	(160 041)	(277 594)	(1 371)	-	(439 006)
	-	-	-	3 521	3 521
Profit before income tax expense	3 714 119	163 643	125 604	681 255	4 684 621
Income tax expense					(1 053 221)
Profit for the period					3 631 400
Cash flow hedge reserve					312 592
Revaluation reserve for available-for-sale securities					303 572
Total comprehensive income for the period					4 247 564

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 September 2015 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	6 267 110	2 487 846	210 794	1 002 572	9 968 322
Inter-segment income/(expense)	690 604	15 471	-	(706 075)	-
Net interest income	6 957 714	2 503 317	210 794	296 497	9 968 322
Net fee and commission income/(expense) from external customers	413 765	765 733	7 202	(85 586)	1 101 114
Gains/(losses) on financial assets and liabilities held for trading from external customers	210 065	324 064	(1 661)	(831)	531 637
Fair value adjustments in portfolio hedge accounting	-	-	-	1 286	1 286
Gains/(losses) on disposals of financial assets	25 289	(591)	-	-	24 698
Operating income	7 606 833	3 592 523	216 335	211 366	11 627 057
(Impairment)/recovery of impairment on loans and other financial transactions	(2 698 740)	(874 316)	(19 836)	461	(3 592 431)
Net income from financial activities	4 908 093	2 718 207	196 499	211 827	8 034 626
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 249 081)	(2 268 214)	(123 215)	(202 089)	(3 842 599)
Gains on disposal of fixed assets	-	-	-	1 882	1 882
Profit before income tax expense	3 659 012	449 993	73 284	11 620	4 193 909
Income tax expense					(826 606)
Profit for the period					3 367 303
Cash flow hedge reserve					1 684 707
Revaluation reserve for available-for-sale securities					164 754
Total comprehensive income for the period					5 216 764

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the nine-month period ended 30 September 2016 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	21 483 294	5 695 991	747 335	5 313 846	33 240 466
Inter-segment income/(expense)	1 626 055	1 455 801	-	(3 081 856)	-
Net interest income	23 109 349	7 151 792	747 335	2 231 990	33 240 466
Net fee and commission income/(expense) from external customers	1 604 867	2 914 748	14 434	(7 255)	4 526 794
Dividend income	-	-	-	4	4
Gains on financial assets and liabilities held for trading from external customers	1 506 564	796 642	2 158	248 397	2 553 761
Fair value adjustments in portfolio hedge accounting	-	-	-	(232 801)	(232 801)
Gains on disposals of financial assets	255 279	-	-	-	255 279
Operating income	26 476 059	10 863 182	763 927	2 240 335	40 343 503
Impairment on loans and other financial transactions	(9 218 580)	(2 596 693)	(96 868)	(4 125)	(11 916 266)
Net income from financial activities	17 257 479	8 266 489	667 059	2 236 210	28 427 237
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(4 735 881)	(7 219 259)	(328 842)	(1 058 349)	(13 342 331)
Gains on disposal of fixed assets	(492 934)	(879 411)	(4 090)	-	(1 376 435)
	-	-	-	5 716	5 716
Profit before income tax expense	12 521 598	1 047 230	338 217	1 183 577	15 090 622
Income tax expense					(3 186 871)
Profit for the period					11 903 751
Cash flow hedge reserve					(714 290)
Revaluation reserve for available-for-sale securities					2 889 147
Total comprehensive income for the period					14 078 608

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the nine-month period ended 30 September 2015 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	18 596 684	8 129 894	620 031	2 493 791	29 840 400
Inter-segment income/(expense)	957 870	(337 619)	-	(620 251)	-
Net interest income	19 554 554	7 792 275	620 031	1 873 540	29 840 400
Net fee and commission income/(expense) from external customers	960 845	2 072 345	14 978	(80 254)	2 967 914
Dividend income	-	-	-	3	3
Gains/(losses) on financial assets and liabilities held for trading from external customers	2 250 749	1 071 614	(317)	602 108	3 924 154
Fair value adjustments in portfolio hedge accounting	-	-	-	(904 040)	(904 040)
(Losses)/gains on disposals of financial assets	(143 538)	27 784	-	-	(115 754)
Operating income	22 622 610	10 964 018	634 692	1 491 357	35 712 677
(Impairment)/recovery of impairment on loans and financial transactions	(7 787 261)	(2 657 465)	(57 592)	944	(10 501 374)
Net income from financial activities	14 835 349	8 306 553	577 100	1 492 301	25 211 303
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(3 922 198)	(6 457 570)	(319 135)	(463 686)	(11 162 589)
Gains on disposal of fixed assets	(370 969)	(773 394)	(2 193)	-	(1 146 556)
	-	-	-	5 815	5 815
Profit before income tax expense	10 913 151	1 848 983	257 965	1 034 430	14 054 529
Income tax expense					(2 848 534)
Profit for the period					11 205 995
Cash flow hedge reserve					2 010 774
Revaluation reserve for available-for-sale securities					4 634 917
Total comprehensive income for the period					17 851 686

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

5. Cash and cash balances

Cash and cash balances comprise:

	30 September 2016 (unaudited)	31 December 2015
Cash on hand	9 921 868	14 356 435
Current accounts with the CBR	32 752 940	8 374 378
Cash and cash balances	42 674 808	22 730 813

Included in cash and cash balances as at 30 September 2016 is amount of RUB 1 500 000 thousand (31 December 2015: RUB 2 050 000 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2015 (see Note 14 for details).

6. Trading securities

Trading securities comprise:

	30 September 2016 (unaudited)	31 December 2015
USD denominated		
Russian government eurobonds	1 042	7 137
RUB denominated		
Russian government bonds	1 089 284	946 463
Corporate and bank bonds	329 986	2 698 506
Trading securities	1 420 312	3 652 106

As at 30 September 2016 no trading securities are blocked as collateral in order to receive "overnight" loans from the CBR upon the Group's request (31 December 2015: RUB 512 118 thousand). As at 30 September 2016 and 31 December 2015 the Group has no "overnight" loans due to the CBR.

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2016 (unaudited)	31 December 2015
Current accounts with credit institutions	59 085 310	60 609 432
Time deposits	169 133 150	254 059 273
Reverse repurchase agreements with credit institutions	54 329 141	18 201 246
Obligatory reserve with the CBR	5 611 235	3 874 857
Amounts due from credit institutions	288 158 836	336 744 808

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw such deposit is significantly restricted by statutory legislation.

As at 30 September 2016, there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 30 September 2016, the aggregate amount of these balances is RUB 229 719 526 thousand (31 December 2015: three counterparties with aggregate amount of RUB 253 319 891 thousand).

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

7. Amounts due from credit institutions (continued)

As at 30 September 2016, the Group entered into reverse repurchase agreements with a number of Russian banks. Pledged under these agreements are Russian government bonds, corporate and bank bonds with the total fair value of RUB 60 374 989 thousand (31 December 2015: Russian government bonds, corporate and bank bonds with total fair value of RUB 19 427 182 thousand).

8. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of reporting period and are indicative of neither the market risk nor the credit risk.

The Group values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

The table below shows the fair value of derivative instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	30 September 2016 (unaudited)			31 December 2015		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	212 686 916	39 863 797	17 536 111	228 353 208	56 770 885	39 765 795
Interest rate swaps and options	207 657 202	6 466 498	6 655 390	251 888 460	7 044 837	7 333 570
Foreign exchange forwards, options and swaps	33 360 754	3 463 316	648 646	87 409 741	1 710 280	2 146 710
Total derivative assets/liabilities		49 793 611	24 840 147		65 526 002	49 246 075

The table below shows the fair values of derivative financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts.

	30 September 2016 (unaudited)			31 December 2015		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	164 933 384	40 837	1 548 970	321 333 127	380 446	345 545
Cross-currency interest rate swaps	136 231 902	5 242 527	3 510 219	100 927 028	2 084 247	11 372 356
Total cash flow hedge		5 283 364	5 059 189		2 464 693	11 717 901
Fair value hedge						
Interest rate swaps	600 483 851	5 203 856	9 813 125	704 837 888	4 577 363	7 588 185
Total fair value hedge		5 203 856	9 813 125		4 577 363	7 588 185
Total derivative financial assets/ liabilities designated for hedging		10 487 220	14 872 314		7 042 056	19 306 086

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

9. Loans to customers

Loans to customers comprise:

	30 September 2016 (unaudited)	31 December 2015
Corporate customers	625 793 763	755 082 908
Retail customers, including SME	126 030 526	132 646 305
Lease receivables	14 464 348	12 481 464
Reverse repurchase agreements with companies	8 748 758	533 189
Gross loans to customers	775 037 395	900 743 866
Less: allowance for loan impairment	(42 989 012)	(33 448 792)
Loans to customers	732 048 383	867 295 074

A reconciliation of the allowance for loan impairment is as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Allowance for loan impairment at the beginning of the period	39 449 794	25 599 704	33 448 792	20 749 321
Charge for the period	4 015 788	3 592 431	11 916 266	10 513 155
Loans sold or recovered through repossession of collateral during the period	(2 066)	(23 600)	(11 078)	(421 733)
Loans written-off during the period	(315 316)	(795 760)	(1 062 873)	(2 307 478)
Effect of exchange rate changes	(159 188)	1 187 441	(1 302 095)	1 026 951
Allowance for loan impairment at the end of the period	42 989 012	29 560 216	42 989 012	29 560 216

Write-off and sale of loans. The decision to write-off the loan is taken by the authorized body of the Group. Loans are written-off after receiving all necessary documentation from the authorized state bodies, as well as under the conditions where further debt collection is not possible.

The decision to sell the loans is taken individually for each case, for both corporate and retail loans. The decision is taken by the authorized body of the Group based on the analysis of all possible alternative strategies for debt collection, the main criterion for the adoption of which is to minimize the losses of the Group's troubled assets.

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

9. Loans to customers (continued)

The following table shows gross loans and related impairment as at 30 September 2016:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	576 827 090	(2 823 790)	574 003 300
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	5 533 735	(76 905)	5 456 830
- Past due 31-90 days	449 117	(16 855)	432 262
Impaired loans			
- Not past due	9 055 495	(2 988 452)	6 067 043
- Past due less than 31 days	918 774	(507 047)	411 727
- Past due 31-90 days	227 825	(87 435)	140 390
- Past due 91-180 days	1 494 285	(903 821)	590 464
- Past due over 180 days	31 287 442	(21 890 192)	9 397 250
Total loans to corporate customers	625 793 763	(29 294 497)	596 499 266
Retail customers			
Standard loans, not past due	102 816 914	(563 795)	102 253 119
Standard loans, past due			
- Past due less than 31 days	2 767 722	(145 293)	2 622 429
- Past due 31-90 days	1 016 685	(179 671)	837 014
- Past due 91-180 days	266 384	(99 148)	167 236
- Past due over 180 days	72 584	(13 931)	58 653
Impaired loans			
- Not past due	93 956	(1 044)	92 912
- Past due less than 31 days	50 885	(3 372)	47 513
- Past due 31-90 days	86 184	(18 169)	68 015
- Past due 91-180 days	687 701	(304 047)	383 654
- Past due over 180 days	18 171 511	(12 234 871)	5 936 640
Total loans to retail customers	126 030 526	(13 563 341)	112 467 185
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	13 566 441	(56 990)	13 509 451
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	482 835	(3 125)	479 710
- Past due 31-90 days	201 003	(2 137)	198 866
Impaired loans			
- Not past due	32 993	(7 947)	25 046
- Past due less than 31 days	46 119	(14 263)	31 856
- Past due 31-90 days	85 658	(14 986)	70 672
- Past due 91-180 days	23 855	(16 327)	7 528
- Past due over 180 days	25 444	(15 399)	10 045
Total lease receivables	14 464 348	(131 174)	14 333 174
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	8 748 758	-	8 748 758
Total loans to customers	775 037 395	(42 989 012)	732 048 383

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

9. Loans to customers (continued)

The following table shows gross loans and related impairment as at 31 December 2015:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	709 479 029	(3 213 961)	706 265 068
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	2 825 193	(43 836)	2 781 357
- Past due 31-90 days	1 057 786	(29 127)	1 028 659
Impaired loans			
- Not past due	11 827 914	(3 219 232)	8 608 682
- Past due less than 31 days	238 053	(63 420)	174 633
- Past due 31-90 days	1 341 986	(865 539)	476 447
- Past due 91-180 days	4 760 156	(1 734 228)	3 025 928
- Past due over 180 days	23 552 791	(12 184 827)	11 367 964
Total loans to corporate customers	755 082 908	(21 354 170)	733 728 738
Retail customers			
Standard loans, not past due	112 265 778	(506 288)	111 759 490
Standard loans, past due			
- Past due less than 31 days	2 472 982	(124 252)	2 348 730
- Past due 31-90 days	1 202 829	(205 656)	997 173
- Past due 91-180 days	580 467	(194 197)	386 270
- Past due over 180 days	80 144	(9 926)	70 218
Impaired loans			
- Not past due	173 481	(25 501)	147 980
- Past due less than 31 days	86 260	(5 093)	81 167
- Past due 31-90 days	125 281	(27 099)	98 182
- Past due 91-180 days	1 065 294	(472 342)	592 952
- Past due over 180 days	14 593 789	(10 403 756)	4 190 033
Total loans to retail customers	132 646 305	(11 974 110)	120 672 195
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 363 315	(56 942)	11 306 373
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	595 613	(4 244)	591 369
- Past due 31-90 days	400 320	(2 975)	397 345
Impaired loans			
- Not past due	45 847	(6 767)	39 080
- Past due less than 31 days	12 043	(6 456)	5 587
- Past due 31-90 days	16 661	(4 652)	12 009
- Past due 91-180 days	16 144	(10 160)	5 984
- Past due over 180 days	31 521	(28 316)	3 205
Total lease receivables	12 481 464	(120 512)	12 360 952
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	533 189	-	533 189
Total loans to customers	900 743 866	(33 448 792)	867 295 074

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

9. Loans to customers (continued)

As at 30 September 2016 the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are Russian government bonds, corporate and bank bonds with the total fair value of RUB 9 268 314 thousand (31 December 2015: Russian government bonds and corporate bonds with total fair value of RUB 556 354 thousand).

As at 30 September 2016 the Group had RUB 208 865 833 thousand due from its ten largest borrowers (27% of gross loan portfolio) (31 December 2015: RUB 246 592 534 thousand or 27%). An allowance of RUB 162 530 thousand was recognized against these loans (31 December 2015: RUB 271 223 thousand).

As at 30 September 2016 the Group had five borrowers or groups of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2015: eleven borrowers or groups of borrowers). As at 30 September 2016 the gross amount of these loans is RUB 152 798 218 thousand (31 December 2015: RUB 288 585 229 thousand).

As at 30 September 2016 there are no loans pledged as collateral for term deposits due to the CBR (31 December 2015: RUB 49 218 141 thousand) (see Note 12 for details).

Included in retail loans as at 30 September 2016 are mortgage loans with gross amount of RUB 2 924 355 thousand (31 December 2015: RUB 7 541 188 thousand) pledged as collateral for mortgage-backed bonds issued by the Group (see Note 14 for details).

10. Investment securities

Available-for-sale investment securities comprise:

	30 September 2016 (unaudited)	31 December 2015
Debt and other fixed income investments available-for-sale		
USD denominated		
Russian government eurobonds	16 093 536	17 656 944
Corporate eurobonds	-	239 432
RUB denominated		
Russian government bonds	35 372 291	34 718 381
Corporate and bank bonds	12 487 793	17 003 282
Total debt and other fixed income investments available-for-sale	63 953 620	69 618 039
Equity investments available-for-sale		
RUB denominated		
Equity investments in financial institutions	116 945	116 945
EUR denominated		
Equity investments in financial institutions	2 707	2 707
Total equity investments available-for-sale	119 652	119 652
Total available-for-sale securities	64 073 272	69 737 691

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

10. Investment securities (continued)

As at 30 September 2016 included in available-for sale Russian government bonds are securities sold under repurchase agreements with credit institutions and customers in the amount of RUB 15 509 003 thousand (31 December 2015: RUB 14 841 932 thousand) (see Notes 12 and 13 for details).

As at 30 September 2016 included in debt and other fixed income investments available-for-sale are bonds blocked as collateral in order to receive "overnight" loans from the CBR in the amount of RUB 16 141 041 thousand (31 December 2015: RUB 18 784 041 thousand). As at 30 September 2016 and 31 December 2015 the Group has no "overnight" loans due to the CBR.

In 2015 the Group acquired Russian government debt securities with the positive intent and ability to hold them to maturity. Additionally in 2016 the Group acquired USD denominated Russian government eurobonds with a nominal amount of USD 233 600 thousand.

As at 30 September 2016 and 31 December 2015, held-to-maturity securities comprise:

	30 September 2016 (unaudited)		31 December 2015	
	Nominal value	Carrying value	Nominal value	Carrying value
Russian government bonds, RUB denominated	15 000 000	15 500 950	15 000 000	16 130 748
Russian government eurobonds, USD denominated	14 753 732	15 657 113	-	-
Held-to-maturity securities	29 753 732	31 158 063	15 000 000	16 130 748

As at 30 September 2016 included in held-to-maturity Russian government bonds and eurobonds are securities sold under repurchase agreements in the amount of RUB 12 010 734 thousand (31 December 2015: none) (see Notes 12 and 13 for details).

As at 30 September 2016 included in held-to-maturity securities are Russian government and eurobonds blocked as collateral in order to receive "overnight" loans from the CBR in the amount of RUB 15 772 908 thousand (31 December 2015: RUB 12 903 281 thousand). As at 30 September 2016 and 31 December 2015 the Group has no "overnight" loans due to the CBR.

11. Taxation

The corporate income tax expense comprises:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Current tax charge	704 436	995 287	2 007 962	2 106 641
Deferred tax charge – origination/ (reversal) of temporary differences	348 785	(168 681)	1 178 909	741 893
Income tax expense	1 053 221	826 606	3 186 871	2 848 534

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

11. Taxation (continued)

Tax effect relating to components of other comprehensive income comprises:

	Three-month period ended 30 September 2016 (unaudited)			Three-month period ended 30 September 2015 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	390 740	(78 148)	312 592	2 105 884	(421 177)	1 684 707
Revaluation reserve for available-for-sale securities	379 465	(75 893)	303 572	205 942	(41 188)	164 754
Other comprehensive income	770 205	(154 041)	616 164	2 311 826	(462 365)	1 849 461

	Nine-month period ended 30 September 2016 (unaudited)			Nine-month period ended 30 September 2015 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(892 863)	178 573	(714 290)	2 513 468	(502 694)	2 010 774
Revaluation reserve for available-for-sale securities	3 611 434	(722 287)	2 889 147	5 793 646	(1 158 729)	4 634 917
Other comprehensive income	2 718 571	(543 714)	2 174 857	8 307 114	(1 661 423)	6 645 691

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2016 (unaudited)	31 December 2015
Current accounts	16 400 212	15 490 125
Time deposits and loans	78 338 480	114 574 175
Repurchase agreements with credit institutions (Note 10)	15 251 836	12 766 312
Subordinated debt (Note 18)	30 372 730	51 091 697
Amounts due to credit institutions	140 363 258	193 922 309

As at 30 September 2016, the ten largest deposits, excluding subordinated debt, represented 77% of total amounts due to credit institutions (31 December 2015: 79%).

As at 30 September 2016 the Group had no counterparties with the balances that exceed 10% of equity (31 December 2015: two counterparties). As at 31 December 2015, the aggregate amount of these balances was RUB 55 732 422 thousand.

As at 30 September 2016 the Group has no term deposits due to the CBR (31 December 2015: RUB 38 292 939 thousand) which are secured by a pool of corporate loans (see Note 9 for details).

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

13. Amounts due to customers

The amounts due to customers include the following:

	30 September 2016 (unaudited)	31 December 2015
Current accounts	176 678 941	146 655 702
Time deposits	655 776 838	784 025 324
Repurchase agreements with customers (Note 10)	10 980 313	745 962
Amounts due to customers	843 436 092	931 426 988

As at 30 September 2016, approximately 54% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2015: 59%).

Analysis of customer accounts by type of customer is as follows:

	30 September 2016 (unaudited)	31 December 2015
Corporate		
Current accounts	83 648 306	60 292 671
Time deposits	534 611 411	645 936 117
Repurchase agreements with customers	10 980 313	745 962
Total corporate accounts	629 240 030	706 974 750
Retail		
Current accounts	93 030 635	86 363 031
Time deposits	121 165 427	138 089 207
Total retail accounts	214 196 062	224 452 238
Amounts due to customers	843 436 092	931 426 988

Included in retail time deposits are deposits of individuals in the amount of RUB 107 908 000 thousand (31 December 2015: RUB 119 174 751 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. Group's experience shows that majority of the time deposits of individuals mature according to contractual terms and can be treated as stable customer base. The remaining part of retail time deposits in the amount of RUB 13 257 427 thousand (31 December 2015: RUB 18 914 456 thousand) is represented by deposits placed by SME.

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14. Debt securities issued

Debt securities issued consists of the following:

Issue	Date of issue	Maturity date	Currency	Coupon rate, %	Carrying value at 30 September 2016 (unaudited)	Carrying value at 31 December 2015
UniCredit Bank, BO-10	26.11.2013	20.11.2018	RUR	8.10	10 286 300	10 082 110
UniCredit Bank, 02-IP	23.09.2015	16.09.2020	RUR	12.35	4 012 200	4 133 989
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUR	10.75	2 915 940	2 839 802
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUR	9.00	45 686	60 838
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUR	9.00	836	192 057
UniCredit Bank, 01-IP	14.09.2011	07.09.2016	RUR	8.20	-	5 122 775
UniCredit Bank, BO-06	14.02.2013	11.02.2016	RUR	8.60	-	5 166 110
UniCredit Bank, BO-07	14.02.2013	11.02.2016	RUR	8.60	-	5 166 110
UniCredit Bank, BO-08	26.02.2013	23.02.2016	RUR	14.00	-	141 048
UniCredit Bank, BO-09	26.02.2013	23.02.2016	RUR	14.00	-	74 246
Debt securities issued					17 260 962	32 979 085

As at 30 September 2016 mortgage-backed bonds (UniCredit Bank, 02-IP) with the carrying value of RUB 4 012 200 thousand (31 December 2015: UniCredit Bank, 01-IP and UniCredit Bank, 02-IP with the carrying value of RUB 9 256 764 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 2 924 355 thousand (31 December 2015: RUB 7 541 188 thousand) and by cash in the amount of RUB 1 500 000 thousand (31 December 2015: RUB 2 050 000 thousand) (see Notes 5 and 9 for details).

15. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 September 2016 (unaudited)	31 December 2015
Guarantees issued	127 174 022	130 012 623
Undrawn loan commitments	62 144 485	124 924 548
Letters of credit issued	34 174 798	47 271 329
Undrawn commitments to issue documentary instruments	92 281 984	-
Total credit related commitments and contingencies	315 775 289	302 208 500

As at 30 September 2016 and 31 December 2015 undrawn loan commitments and undrawn commitments to issue documentary instruments are of revocable nature for which the Group does not undertake any substantial liability.

Operating environment. Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first half-year of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Rouble exchange rate.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In the first half-year of 2016 one international credit agency downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

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15. Credit related commitments and contingencies (continued)

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

16. (Losses)/gains on financial assets and liabilities held for trading

Results on financial assets and liabilities held for trading comprise:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Net gains from trading securities	26 069	59 933	135 667	174 852
Net (losses)/gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	(243 544)	471 704	2 418 094	3 749 302
(Losses)/gains on financial assets and liabilities held for trading	(217 475)	531 637	2 553 761	3 924 154

17. Fair values of financial instruments

Fair value is defined as 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 fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, deposits due to banks and customers, promissory notes issued, subordinated debt, other borrowing funds and other financial assets and liabilities, there is no reliable market value available for these portfolios. In order to present fair value for these financial instruments a separate recalculation procedure is performed by a special routine which uses cash flows of each individual deal as a basis. The cash flows are multiplied with the respective discount factor per time bucket, currency and risk product (asset or liability).

In accordance with the Group methodology discount factors include:

- for assets: risk free rate + expected loss + unexpected loss;
- for liabilities: risk free rate + own credit spread (liquidity spreads).

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

17. Fair values of financial instruments (continued)

- For financial assets and liabilities that have a short-term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value valuation of derivative instruments is based on discounted cash flow analysis and performed using the management's best estimates and applicable interest rates. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	30 September 2016 (unaudited)		
	Level 1	Level 2	Total
Financial assets measured at fair value			
Trading securities			
- held by the Group	1 090 326	329 986	1 420 312
Derivative financial assets	-	49 793 611	49 793 611
Derivative financial assets designated for hedging	-	10 487 220	10 487 220
Available-for-sale securities			
- held by the Group	31 074 719	17 369 898	48 444 617
- pledged under repurchase agreements	15 509 003	-	15 509 003
Total	47 674 048	77 980 715	125 654 763
Financial liabilities measured at fair value			
Derivative financial liabilities	-	24 840 147	24 840 147
Derivative financial liabilities designated for hedging	-	14 872 314	14 872 314
Total	-	39 712 461	39 712 461

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

17. Fair values of financial instruments (continued)

	31 December 2015		
	Level 1	Level 2	Total
Financial assets measured at fair value			
Trading securities			
- held by the Group	437 860	3 214 246	3 652 106
Derivative financial assets	-	65 526 002	65 526 002
Derivative financial assets designated for hedging	-	7 042 056	7 042 056
Available-for-sale securities			
- held by the Group	36 936 733	17 839 374	54 776 107
- pledged under repurchase agreements	14 390 682	451 250	14 841 932
Total	51 765 275	94 072 928	145 838 203
Financial liabilities measured at fair value			
Derivative financial liabilities	-	49 246 075	49 246 075
Derivative financial liabilities designated for hedging	-	19 306 086	19 306 086
Total	-	68 552 161	68 552 161

The table above does not include available-for-sale equity investments of RUB 119 652 thousand (31 December 2015: RUB 119 652 thousand) which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently the Group does not intend to dispose of these investments.

During the nine-month period ended 30 September 2016 there were no transfers between Level 1 and Level 2 for trading securities. During the nine-month period ended 30 September 2015 the transfers from Level 2 to Level 1 amounted to RUR 425 863 thousand for trading securities.

During the nine-month period ended 30 September 2016 there were no transfers between Level 1 and Level 2 for available-for-sale securities. During the nine-month period ended 30 September 2015 the transfers from Level 2 to Level 1 amounted to RUR 2 103 795 thousand for available-for-sale securities.

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated interim condensed statement of financial position approximate their fair value. For the purpose of calculation fair value of financial instruments the Group applies ratios calculating by UniCredit Bank Austria AG.

	30 September 2016		31 December 2015	
	Carrying value (unaudited)	Fair value (unaudited)	Carrying value	Fair value
Financial assets				
Amounts due from credit institutions	288 158 836	282 411 471	336 744 808	321 744 421
Loans to customers	732 048 383	746 214 004	867 295 074	885 729 267
Investment securities held-to-maturity				
- held by the Group	19 147 329	19 792 700	16 130 748	16 305 248
- pledged under repurchase agreements	12 010 734	12 340 574	-	-
Financial liabilities				
Amounts due to credit institutions	140 363 258	161 547 113	193 922 309	211 690 450
Amounts due to customers	843 436 092	864 220 948	931 426 988	944 180 736
Debt securities issued	17 260 962	17 424 760	32 979 085	32 582 136

As at 30 September 2016, there were no changes in fair value levels hierarchy for financial assets and financial liabilities that are measured subsequently to initial recognition at amortized cost in comparison with 31 December 2015.

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

18. Related party disclosures

As at 30 September 2016 the Group's ultimate shareholder is UniCredit S.p.A, the parent company of UniCredit Group. The Bank's immediate parent is UniCredit Bank Austria AG. Both entities issue publicly available financial statements.

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or 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. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be conducted on the same terms, conditions and amounts as transactions between unrelated parties.

Balances and transactions with UniCredit Bank Austria AG (the immediate parent) and UniCredit S.p.A (ultimate parent) were as follows:

	30 September 2016 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2015	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	5 005 738	10.5%	-	-
- In EUR	41 585	0.0%	560 100	0.0%
- In USD	133 886 643	4.1%	210 655 001	3.1%
Derivative financial assets	994 445		65 775	
Derivative financial assets designated for hedging	4 734 771		302 860	
Other assets	145 366		115 505	
Amounts due to credit institutions				
- In Russian Roubles	5 654 256	8.4%	4 893 570	8.0%
- In EUR	4 020 325	1.4%	20 119 736	1.9%
- In USD	36 501 689	9.3%	46 409 005	8.5%
Derivative financial liabilities	2 353 604		13 320 617	
Derivative financial liabilities designated for hedging	976 232		4 144 017	
Other liabilities	493 898		632 275	
Commitments and guarantees issued	8 455 119		13 025 828	
Commitments and guarantees received	83 167 354		97 532 631	

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Interest income and similar revenues	4 835 804	2 840 517	11 838 800	7 137 106
Interest expense and similar charges	(1 223 358)	(1 063 411)	(3 616 422)	(2 457 115)
Fee and commission income	12 453	5 961	40 367	19 330
Fee and commission expense	(479 575)	(631 761)	(1 549 691)	(1 934 402)
(Losses)/gains on financial assets and liabilities held for trading	(413 127)	(3 797 481)	4 730 237	(5 665 836)
Fair value adjustments in portfolio hedge accounting	(1 643)	9 281	(19 910)	9 067
Recovery of personnel expenses/(personnel expenses) for seconded employees	26 347	(6 949)	76 807	(6 984)
Other administrative expenses	(21 431)	-	(78 038)	-

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

18. Related party disclosures (continued)

Balances and transactions with other companies controlled by the UniCredit Group or related with UniCredit Group are as follows:

	30 September 2016 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2015	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	19 181 220	10.4%	12 596 181	14.2%
- In EUR	25 861 718	0.0%	10 567 575	0.4%
- In USD	951 301	3.3%	1 466 189	4.1%
- In other currencies	2 175	0.0%	4 822	0.0%
Derivative financial assets	6 251 666		7 491 744	
Derivative financial assets designated for hedging	4 958 099		4 761 503	
Loans to customers				
- In Russian Roubles	878 709	5.0%	864 197	5.0%
Intangible assets	551 327		1 175 070	
Other assets	4 110		17 791	
Amounts due to credit institutions				
- In Russian Roubles	214 617	4.5%	2 683 006	7.9%
- In EUR	3 235 486	1.1%	5 394 160	0.0%
- In USD	1 413 336	1.8%	379 645	0.0%
- In other currencies	281	0.0%	1 413	0.0%
Derivative financial liabilities	8 635 419		10 639 021	
Derivative financial liabilities designated for hedging	4 639 988		7 492 424	
Amounts due to customers				
- In Russian Roubles	26 213	8.4%	10 867	8.6%
- In EUR	469 094	0.0%	332 508	0.0%
Other liabilities	1 100 917		811 259	
Commitments and guarantees issued	5 316 338		5 915 263	
Commitments and guarantees received	2 394 914		980 193	

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Interest income and similar revenues	1 552 102	2 477 840	4 978 099	7 481 395
Interest expense and similar charges	(1 614 196)	(1 123 064)	(3 549 225)	(3 578 556)
Fee and commission income	38 356	25 814	68 949	47 766
Fee and commission expense	(28 187)	(25 675)	(60 623)	(52 892)
Gains on financial assets and liabilities held for trading	1 249 450	5 979 744	1 645 712	2 347 318
Fair value adjustments in portfolio hedge accounting	(1 347 528)	1 529 866	(1 006 338)	(741 900)
Other income	122	109	364	326
Personnel expenses	(15 180)	(13 172)	(44 416)	(36 681)
Other administrative expenses	(60 398)	(34 496)	(176 893)	(95 921)

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Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2016 (in thousands of Russian Roubles)

18. Related party disclosures (continued)

Balances and transactions with key management personnel are as follows:

	30 September 2016 (unaudited)	31 December 2015
Amounts due to customers	298 482	296 028
Other liabilities	26 938	22 018

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Interest expense	(3 689)	(2 795)	(10 935)	(8 284)
Personnel expenses, including:	(43 435)	(32 558)	(142 825)	(110 914)
short-term benefits	(42 858)	(32 260)	(141 600)	(110 063)
post-employment benefits	(577)	(298)	(1 225)	(851)

Subordinated loans from the members of the UniCredit Group (included in the Amounts due to credit institutions, see Note 12 for details) were as follows:

	Nine-month period ended 30 September 2016 (unaudited) UniCredit Bank Austria AG	Nine-month period ended 30 September 2015 (unaudited) UniCredit Bank Austria AG
Subordinated loans at the beginning of the period	51 091 697	13 753 224
Subordinated loans received during the period	-	27 761 347
Subordinated loans repaid during the period	(14 233 680)	-
Accrual of interest, net of interest paid	(45 747)	(84 684)
Net effect of exchange rates changes	(6 439 540)	5 339 842
Subordinated loans at the end of the period	30 372 730	46 769 729

19. Subsequent events

As at 1 October 2016 the reorganization of CEE Division of UniCredit Group has been successfully completed. Under this reorganization the transfer of the CEE subsidiaries from UniCredit Bank Austria AG to UniCredit Holding has taken place. As a result, the immediate parent of the Group has changed to UniCredit S.p.A. effective from 1 October 2016. Thus, UniCredit Bank Austria AG has ceased to exist as sub-holding but remained a member of UniCredit Group.

This reorganization will allow to simplify the structure and strengthen the central steering functions under the direct supervision of UniCredit Group while preserving the existing know-how and customers' relationships.

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