ROSBANK Group

Interim condensed consolidated financial statements

3 months ended 31 March 2018
(unaudited)

ROSBANK GROUP

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ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2018 (UNAUDITED)

(in millions of Russian Roubles)

	Notes	31 March 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents	6, 7	188,538	209,810
Mandatory cash balances with the Central Bank of the Russian Federation	6	7,303	6,113
Financial assets at fair value through profit or loss	8 ,9, 30	35,080	34,570
Due from banks	6, 10, 30	10,894	11,767
Loans to customers	11	631,681	654,875
Investments at fair value through other comprehensive income	12, 30	13,871	-
Investments at amortized cost	13	79,327	-
Investments available-for-sale	12, 30	-	15,160
Investments held to maturity	13	-	73,479
Property and equipment		18,482	18,157
Intangible assets		2,496	2,569
Current income tax assets		273	198
Deferred income tax assets		2,810	2,859
Other assets		12,780	11,358
Total assets		**1,003,535**	**1,040,915**
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	9 ,14, 30	32,834	33,762
Due to the Central Bank of the Russian Federation		125	207
Due to banks and international financial institutions	15, 30	66,034	32,089
Customer accounts	16, 30	585,211	648,024
Debt securities issued	17, 30	139,459	146,304
Other provisions	22	1,005	1,124
Current income tax liabilities		144	580
Deferred income tax liabilities		1,325	1,522
Other liabilities	30	10,900	10,309
Subordinated debt	18, 30	25,611	34,397
Total liabilities		**862,648**	**908,318**
EQUITY:			
Share capital	19	17,587	17,587
Share premium	19	59,707	59,707
Perpetual subordinated debt	20, 30	8,664	-
Cumulative translation reserve		330	429
Property and equipment revaluation reserve		4,748	4,941
Fair value reserve		69	(1,073)
Cash flow and NIFE hedge		23	31
Retained earnings		49,759	50,975
Total equity		**140,887**	**132,597**
TOTAL LIABILITIES AND EQUITY		**1,003,535**	**1,040,915**

Chairman of the Management Board
I.A. Polyakov

Chief Financial Officer
A.A. Ovchinnikov

18 May 2018
Moscow

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО РОСБАНК
РОСБАНК
г. Москва

The notes on pages 8-39 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 3 MONTHS ENDED 31 MARCH 2018 (UNAUDITED)

(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	3 months ended 31 March (unaudited)	
		2018	**2017**
Interest income	21, 30	21,044	19,992
Interest expense	21, 30	(11,338)	(10,754)
Net interest income before provision for impairment losses on interest bearing assets		**9,706**	**9,238**
Provision for impairment losses on interest bearing assets	22, 30	(1,029)	(850)
Net interest income		**8,677**	**8,388**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	23, 30	(257)	(375)
Net gain/(loss) on foreign exchange operations	24	664	631
Net gain/(loss) on precious metals operations		1	38
Fee and commission income	25, 30	3,296	2,639
Fee and commission expense	25, 30	(850)	(713)
Other provisions	22, 30	(96)	(337)
Other income		211	283
Net non-interest income		**2,969**	**2,166**
Operating income		**11,646**	**10,554**
Operating expenses	26, 30	(9,299)	(8,658)
Other non-operating income/(expense)		(35)	(27)
Profit/(loss) before income tax		**2,312**	**1,869**
Income tax credit/(expense)	27	(854)	(518)
Net profit/(loss) for the period		**1,458**	**1,351**
EARNINGS PER SHARE			
Basic and diluted (in RUB)	28	0.94	0.87

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ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH 2018 (UNAUDITED)

(in millions of Russian Rubles)

	Notes	3 months ended 31 March (unaudited) 2018	2017
Net profit/(loss) for the period		**1,458**	**1,351**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(103)	(107)
Income tax on translating foreign operations		4	21
Cash flow and NIFE hedge		(11)	187
Income tax on cash flow and NIFE hedge		3	(37)
Changes in allowance for expected credit losses of investments at fair value through other comprehensive income		1	-
Net change in fair value of investments at fair value through other comprehensive income		(3)	-
Net profit/(loss) resulting on revaluation of available-for-sale financial assets during period		-	(5)
Amounts recycled to profit and loss relating to available-for-sale financial assets		-	60
Income tax on available-for-sale financial assets during the period		-	(11)
Other comprehensive income/(expense) after income tax		**(109)**	**108**
Total comprehensive income/(expense)		**1,349**	**1,459**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 3 MONTHS ENDED 31 MARCH 2018 (UNAUDITED)

(in millions of Russian Roubles)

	Share capital	Share premium	Perpetual subor-dinated debt	Cumulative translation reserve	Property and equipment revaluation reserve	Fair value reserve	Cash flow and NIFE hedge	Retained earnings	Total equity
31 December 2016	**17,587**	**59,707**	**-**	**1,684**	**5,952**	**(1,309)**	**(156)**	**40,093**	**123,558**
Net profit/(loss) for the period	-	-	-	-	-	-	-	1,351	1,351
Other comprehensive income/(expense) for the period	-	-	-	(86)	-	44	150	-	108
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**(86)**	**-**	**44**	**150**	**1,351**	**1,459**
Property and equipment disposal (net of deferred tax of RUB 23 millions)	-	-	-	-	(93)	-	-	93	-
31 March 2017 (unaudited)	**17,587**	**59,707**	**-**	**1,598**	**5,859**	**(1,265)**	**(6)**	**41,537**	**125,017**
31 December 2017	**17,587**	**59,707**	**-**	**429**	**4,941**	**(1,073)**	**31**	**50,975**	**132,597**
Impact of adopting IFRS 9 (Note 5)	-	-	-	-	-	1,144	-	(2,867)	(1,723)
Restated opening balance under IFRS 9	**17,587**	**59,707**	**-**	**429**	**4,941**	**71**	**31**	**48,108**	**130,874**
Perpetual subordinated debt	-	-	8,664	-	-	-	-	-	8,664
Net profit/(loss) for the period	-	-	-	-	-	-	-	1,458	1,458
Other comprehensive income/(expense) for the period	-	-	-	(99)	-	(2)	(8)	-	(109)
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**(99)**	**-**	**(2)**	**(8)**	**1,458**	**1,349**
Property and equipment disposal (net of deferred tax of RUB 48 millions)	-	-	-	-	(193)	-	-	193	-
31 March 2018 (unaudited)	**17,587**	**59,707**	**8,664**	**330**	**4,748**	**69**	**23**	**49,759**	**140,887**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR 3 MONTHS ENDED 31 MARCH 2018 (UNAUDITED)

(in millions of Russian Roubles)

	Notes	3 months ended 31 March (unaudited) 2018	2017
Cash flows from operating activities:			
Interest received		21,957	21,037
Interest paid		(11,814)	(10,442)
Fees and commissions received		3,271	2,614
Fees and commissions paid		(835)	(698)
Receipts from/(payment for) financial assets at fair value through profit or loss		(209)	(126)
Receipts from/(payment for) trading in foreign currencies		(1,270)	2,053
Other operating income received		133	239
Receipts from/(payment for) precious metals operations		23	55
Administrative and other operating expenses paid		(9,559)	(7,597)
Income tax received/(paid)		(1,075)	(509)
Cash flows from operating activities before changes in operating assets and liabilities		**622**	**6,626**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(1,190)	(1,218)
Net (increase)/decrease in financial assets at fair value through profit or loss		(1,365)	(3,477)
Net (increase)/decrease in due from banks		974	30
Net (increase)/decrease in loans to customers		19,653	(8,690)
Net (increase)/decrease in other assets		(2,472)	(1,197)
Net increase/(decrease) in financial liabilities at fair value through profit or loss		173	268
Net increase/(decrease) in due to the Central Bank of the Russian Federation		(82)	(3)
Net increase/(decrease) in due to banks and international financial institutions		34,778	(24,519)
Net increase/(decrease) in customer accounts		(61,997)	21,385
Net increase/(decrease) in debt securities issued, other than bonds issued		629	10,147
Net increase/(decrease) in other liabilities		1,466	(278)
Net increase/(decrease) in other liabilities on law cases		(4)	(12)
Net cash from/(used in) operating activities		**(8,815)**	**(938)**
Cash flows from investing activities			
Purchase of financial assets at fair value through other comprehensive income		(17,801)	-
Proceeds from disposal and redemption of financial assets available-for-sale		-	934
Proceeds from disposal and redemption of financial assets at fair value through other comprehensive income		18,753	-
Proceeds from redemption of financial assets at amortised cost		3,515	-
Purchase of financial assets at amortised cost		(7,558)	-
Proceeds from redemption of held to maturity financial assets		-	1,624
Purchase of held to maturity financial assets		-	(887)
Purchase of property and equipment		(997)	(730)
Proceeds from disposal of property and equipment		144	128
Net cash from/(used in)investing activities		**(3,944)**	**1,069**
Cash flows from financing activities			
Redemption of bonds issued by the Group		(5,196)	(1,450)
Issue of bonds		-	4,000
Proceeds from sale of previously bought back bonds issued		182	925
Buy back of bonds issued		(2,379)	(12,285)
Repayment of subordinated debt		-	(2,800)
Net cash from/(used in) financing activities		**(7,393)**	**(11,610)**
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,116)	(4,973)
Net increase/(decrease) in cash and cash equivalents		**(21,268)**	**(16,452)**
CASH AND CASH EQUIVALENTS, beginning of the period	7	**209,810**	**112,992**
CASH AND CASH EQUIVALENTS, end of the period	7	**188,542**	**96,540**

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО РОСБАНК г. Москва

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A.A. Ovchinnikov

18 May 2018
Moscow

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1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies kept acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks ROSBANK and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in ROSBANK equity from VTB Group, increasing it up to 92.4%. As part of the agreement ROSBANK sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2015 Societe Generale acquired further 7% of ROSBANK‘s share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in ROSBANK.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 March 2018 and 31 December 2017 ROSBANK had 8 branches operating in the Russian Federation.

ROSBANK ("the Bank") is the parent company of a banking group (the "Group") which consists of the following material enterprises as of 31 March 2018, 31 December 2017 and 31 March 2017:

Name	Country of incorporation	Group's ownership interest / voting rights, %			Type of operations
		31 March 2018	31 December 2017	31 March 2017	
Delta Credit Bank JSC	Russia	100/100	100/100	100/100	Banking
Rusfinance Bank LLC	Russia	100/100	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	100/100	Commerce
RB Factoring LLC	Russia	100/100	100/100	100/100	Factoring
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	100/100	In liquidation
RB LEASING LLC	Russia	100/100	100/100	100/100	Leasing
ORS JSC	Russia	100/100	100/100	100/100	Processing
RB Specialized Depositary LLC	Russia	100/100	100/100	100/100	Depositary servises
Valmont LLC	Russia	Liquidated	Liquidated	100/100	Asset holding company
RB Service LLC	Russia	100/100	100/100	100/100	Service company
Telsikom CJSC	Russia	100/100	100/100	100/100	Telecommunication servises
SG Finance	Russia	100/100	100/100	-	Leasing

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. In May 2017 the licence for banking activities was withdrawn. The liquidation process is authorized by Swiss banking authorities. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

In June 2017 Valmont LLC was liquidated.

In October 2017 the Group acquired 100% shares in SG Finance, a company operating in leasing. The purchase consideration amounted to RUB 168 million.

As of 31 March 2018 and 31 December 2017, the controlling shareholder of ROSBANK is Societe Generale S.A. with share more than 99%.

2. Going concern

These interim condensed consolidated 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. 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. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for 2017 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 2017 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 equity and cash flows for the interim reporting periods.

Since the results of the Group’s operations closely relate to and depend on changing market conditions, the results of the Group’s operations for the interim period are not necessarily indicative of the results for the full year.

Other basis of presentation criteria

These interim condensed consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

These interim condensed consolidated financial statements are presented in millions of Russian Roubles (“mRUB”), unless otherwise indicated.

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 *Property, Plant and Equipment* (“IAS 16”). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised 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 Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Group maintain their accounting records in accordance with the law of the countries, in which they operate. These interim condensed consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentation currency of the interim condensed consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million RUB, except when otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the interim condensed consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the interim condensed consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation permitted by any IFRS, and as specifically disclosed in the accounting policies of the Group.

4. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2017, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

Rates of exchange and commodity prices

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

	31 March 2018	**31 December 2017**
RUB/1 US Dollar	57.2649	57.6002
RUB/1 Euro	70.5618	68.6886
RUB/Gold (1 ounce)	75,810.14	74,678.66
RUB/Platinum (1 ounce)	53,599.95	53,395.39
RUB/Palladium (1 ounce)	55,546.95	60,825.81
RUB/Silver (1 ounce)	932.27	971.43

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2017 prepared in accordance with IFRS.

The Group adopted new Standards effective as of 1 January 2018 as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Application of new and revised International Financial Reporting Standards (IFRS)

The accounting policies adopted in the preparation of the 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each amendment is described below.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remains largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL. Embedded derivatives are no longer separated from a host financial asset.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan impairment by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD — The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD — The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD — The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group distinguishes homogeneous groups based on business-directions. Each of the scenarios is associated with different PDs, EADs and LGDs. In its ECL models, the Group relies on a broad range of forward looking information as economic inputs. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The Group considers an exposure to have significantly increased in credit risk in case of any violation of financial covenants and conditions of the credit agreement, since initial recognition. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset and forms a customer/facility watch list. Regardless of the change in other conditions, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or financial asset restructuration.

The Group calculates ECLs on an individual basis for the following assets: all stage 3 assets, the corporate lending portfolio, the treasury and interbank relationships (due from banks, REPO, debt investment securities at amortised cost/FVOCI), POCI resulted from restructuring.

The Group calculates ECL for Stage 3 based on a measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The

Group calculates ECL on a collective basis for all other classes of assets which it groups into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans and applies to them homogeneous provisioning rates.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

(c) Effect of transition to IFRS 9

The following tables set out the impact of adopting IFRS 9 on the statement of financial position and retained earnings as at 1 January 2018 including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 ECL.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 31 December 2017 is as follows:

	IAS 39 measurement		Reclassification	Remeasurement		IFRS 9 measurement	
	Category	**Amount**		**ECL**	**Other**	**Amount**	**Category**
Financial assets							
Cash and cash equivalents	Loans and receivables	209,810	-	(7)	-	209,803	Amortised cost
Mandatory cash balances with the Central Bank of the Russian Federation	Loans and receivables	6,113	-	-	-	6,113	Amortised cost
Financial assets at fair value through profit or loss	FVPL	34,570	191	-	-	34,761	FVPL(mandatory)
Due from banks	Loans and receivables	11,767	-	(4)	-	11,763	Amortised cost
Loans to customers – amortised cost	Loans and receivables	654,875	-	(4,206)	-	650,669	Amortised cost
Investments at fair value through other comprehensive income	AFS	15,160	(191)	-	1,427	16,396	FVOCI (debt)
Investments at amortized cost	HTM	73,479	-	(56)	-	73,423	Amortised cost
Other financial assets	Loans and receivables	1,840	-	(4)	-	1,836	Amortised cost
Non-financial assets		30,442	-	-	-	30,442	
Deferred income tax assets		2,859	-	717	(286)	3,290	
Total assets		**1,040,915**	**-**	**(3,560)**	**1,141**	**1,038,496**	
Financial liabilities							
Provisions		(1,124)	-	696	-	(428)	
Total liabilities		**(1,124)**	**-**	**696**	**-**	**(428)**	

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	**(1,073)**
Reclassification of debt investment securities from available-for-sale to amortised cost	1,427
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	3
Deferred tax in relation to the above	(286)
Restated opening balance under IFRS 9 (1 January 2018)	**71**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**50,975**
Recognition of IFRS 9 ECLs including those measured at FVOCI	(3,584)
Deferred tax in relation to the above	717
Restated opening balance under IFRS 9 (1 January 2018)	**48,108**
Total change in equity due to adopting IFRS 9	**(1,723)**

The following table reconciles the aggregate opening loan loss allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions Contingent Liabilities and Contingent Assets* to the ECL allowances under IFRS 9.

	Loan loss allowance/provision under IAS 39/IAS 37 at 31 December 2017	**Remeasurement**	**ECL under IFRS 9 at 1 January 2018**
Impairment allowance for			
Cash and cash equivalents	-	(7)	(7)
Due from banks	-	(4)	(4)
Loans and receivables at amortised cost	(46,271)	(4,206)	(50,477)
Held to maturity securities per IAS 39/Investment securities at amortised cost under IFRS 9	-	(56)	(56)
Available-for-sale debt investment securities per IAS 39/debt financial assets at FVOCI under IFRS 9	-	(3)	(3)
Other assets	(1,327)	(4)	(1,331)
Provisions for financial guarantees issued, claims and other commitments	(1,124)	696	(428)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group's revenue including interest income, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 Financial Instruments and IAS 17 Leases. As a result, the majority of the Group's income are not impacted by the adoption of this standard.

The Group adopted the new standard using the modified retrospective method by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018, without restating comparative information.

6. Change of prior period balances

The Group has changed presentation of Cash and cash equivalents to provide better view of the consolidated financial statements. The presentation of the comparative figures has been adjusted to be consistent with the new presentation.

	As previously reported 31 December 2017 mRUB	**Reclassification**	**As revised 31 December 2017 mRUB**
Cash and balances with Central Bank of Russian Federation	136,903	(136,903)	-
Cash and cash equivalents	-	209,810	209,810
Mandatory cash balances with the Central Bank of the Russian Federation	-	6,113	6,113
Due from banks	90,787	(79,020)	11,767

7. Cash and cash equivalents

Cash and cash equivalents for the purposes of the interim condensed consolidated statement of cash flows are comprised of the following:

	31 March 2018 mRUB (unaudited)	**31 December 2017 mRUB revised**
Cash	12,597	19,269
Balances with the Central Bank of the Russian Federation	111,895	111,521
Demand deposits in banks	16,778	15,892
Loans under reverse repurchase agreements	46,971	35,776
Due from banks with original maturity within 90 days	301	27,352
Cash and cash equivalents	**188,542**	**209,810**
Less – Allowance for impairment	(4)	-
Total cash and cash equivalents	**188,538**	**209,810**

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 March 2018 and 31 December 2017 comprise:

	31 March 2018 (unaudited) mRUB		31 December 2017 mRUB	
	Carrying value of loan	**Fair value of collateral**	**Carrying value of loan**	**Fair value of collateral**
Bonds of Russian companies	27,376	31,170	23,779	27,197
Bonds of the Russian Federation	9,311	10,127	2,430	2,771
Bonds of local authorities of Russian Federation	7,947	9,396	3,170	3,368
Bonds of the Russian banks	837	1,294	4,896	5,495
Shares of Russian companies	1,500	2,491	1,501	2,547
Total loans under reverse repurchase agreements	**46,971**	**54,478**	**35,776**	**41,378**

8. Financial assets at fair value through profit or loss

	31 March 2018 mRUB (unaudited)	**31 December 2017 mRUB**
Debt securities	4,677	3,204
Financial assets at fair value through profit or loss pleged under repurchases agreements	2	32
Derivative financial instruments (Note 9)	30,210	31,334
Shares	191	-
Total financial assets at fair value through profit or loss	**35,080**	**34,570**

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 March 2018 (unaudited)		31 December 2017	
	Nominal interest rate %	**Amount mRUB**	**Nominal interest rate %**	**Amount mRUB**
Debt securities:				
Debt securities of Russian banks	8.45 - 9.8 %	222	8.45-10.4%	210
Debt securities of local authorities	7.6 - 7.7 %	278	7.6-7.7%	200
Debt securities of the Russian Federation	4.875 - 8.95 %	1,722	6.4-10.61%	1,400
Debt securities of Russian companies	2.5 - 9.25 %	2,457	2.25-8.8%	1,426
		4,679		**3,236**

9. Derivative financial instruments

Derivative financial instruments comprise:

	31 March 2018 (unaudited) mRUB			31 December 2017 mRUB		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	85,199	982	(3,655)	52,645	809	(3,394)
Forwards	82,127	2,561	(497)	42,485	2,377	(515)
IRS/CIRS	358,743	25,892	(25,843)	338,872	27,642	(27,476)
Cash flow and NIFE hedge	640	27	-	854	32	(1)
Foreign exchange options	7,101	150	(151)	2,012	43	(43)
Total foreign exchange contracts		**29,612**	**(30,146)**		**30,903**	**(31,429)**
Contracts on precious metals and commodities						
Forwards	9,586	567	(567)	5,893	427	(427)
Swaps	99	-	(11)	92	4	-
Options	13,515	31	(31)	10,887	-	-
Total contracts on precious metals and commodities		598	(609)		431	(427)
Total		**30,210**	**(30,755)**		**31,334**	**(31,856)**

Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial assets at fair value through profit and loss in amount RUB 3,730 million as at 31 March 2018 and in amount RUB 3,833 million as at 31 December 2017, respectively. Simultaneously the Group entered into interest rate swap contracts to compensate future cash flows to be paid on structural bonds issued. The fair value of interest rate swaps included in financial liabilities at fair value through profit and loss amounted to RUB 4,008 million as at 31 March 2018 and amounted to RUB 3,998 million as at 31 December 2017, respectively.

10. Due from banks

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB Revised
Term deposits in banks	10,898	11,767
Less – Allowance for impairment	(4)	-
Total due from banks	**10,894**	**11,767**

11. Loans to customers

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Loans to Corporate business		
Loans to legal entities	246,361	273,062
Net investments in finance lease	14,500	14,875
Account receivable from RF Government on financed loans	3,796	4,283
Loans under reverse repurchase agreements	507	847
Loans to Retail business		
Loans to individuals	417,125	408,079
Total loans to customers before impairment	**682,289**	**701,146**
Less – Allowance for impairment	(50,608)	(46,271)
Total loans to customers	**631,681**	**654,875**

As of 31 March 2018 the Group had loans to two groups of customers which individually exceeded 10% of the Group’s equity.

As of 31 December 2017 the Group had loans to three groups of customers which individually exceeded 10% of the Group’s equity.

As of 31 March 2018 the amount receivable from RF Government on the financed car loan program amounted to RUB 3,796 million (as of 31 December 2017 – to RUB 4,283 million).

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 March 2018 and 31 December 2017 comprise:

	31 March 2018 (unaudited) mRUB		31 December 2017 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Bonds of Russian companies	507	632	847	960
Total loans under reverse repurchase agreements	**507**	**632**	**847**	**960**

12. Investments at fair value through other comprehensive income (previously classified as Investments available-for-sale)

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Debt securities	13,871	14,969
Equity investments	-	191
Investments at fair value through other comprehensive income (previously classified as Investments available-for-sale)	**13,871**	**15,160**

	31 March 2018 (unaudited) Nominal interest rate %	Amount mRUB	31 December 2017 Nominal interest rate %	Amount mRUB
Debt securities:				
Bonds of the Russian Federation	6.5% - 7.25%	13,871	6.5%-7.75%	14,969
		13,871		**14,969**

13. Investments at amortised cost (previously classified as Investments held to maturity)

	31 March 2018 (unaudited) Nominal annual interest rate	Amount mRUB	31 December 2017 Nominal annual interest rate	Amount mRUB
Eurobonds of the Russian Federation	3.5 -11.0%	40,250	3.5-11.0%	39,005
Bonds of the Russian Federation	7.0 -7.6%	35,810	7.0-7.6%	27,597
Eurobonds of Russian companies	3.37 -9.13%	3,312	3.37-9.13%	6,877
Less – Allowance for impairment		(45)		-
Investments at amortised cost (previously classified as Investments held to maturity)		**79,327**		**73,479**

14. Financial liabilities at fair value through profit or loss

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Derivative financial instruments	30,755	31,856
Short position on securities purchased	2,079	1,906
Total financial liabilities at fair value through profit or loss	**32,834**	**33,762**

Derivative financial instruments are disclosed in Note 9.

15. Due to banks and international financial institutions

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Time deposits	30,906	12,615
Demand accounts	33,965	18,436
Loans under repurchase agreements	1,163	1,038
Total due to banks and international financial institutions	**66,034**	**32,089**

The Group is obligated to comply with financial covenants in relation to certain balances deposited by banks and international financial institutions deposits. These covenants include various financial performance ratios. As of 31 March 2018 and 31 December 2017 the Group has not breached any of these covenants.

As at 31 March 2018 and 31 December 2017 included in due to banks and international financial institutions are RUB 28,060 million and RUB 13,609 million (21% and 10% of Group equity), respectively, that were due to three and three banks, respectively, which represents a significant concentration.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 March 2018 comprise:

	31 March 2018 (unaudited)		31 December 2017	
	Carrying value of loans mRUB	Fair value of collateral mRUB	Carrying value of loans mRUB	Fair value of collateral mRUB
Bonds of the Russian Federation purchased by reverse repurchases agreements	1,161	1,160	1,005	1,006
Bonds of the Russian Federation	2	2	33	32
Total	**1,163**	**1,162**	**1,038**	**1,038**

16. Customer accounts

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Corporate		
Time deposits	193,678	256,197
Repayable on demand	137,709	139,744
Total corporate	**331,387**	**395,941**
Individuals		
Time deposits	146,136	148,906
Repayable on demand	107,688	103,177
Total individuals	**253,824**	**252,083**
Total customer accounts	**585,211**	**648,024**

Customer accounts which were held as security against letters of credit and guarantees issued and other transaction related contingent obligations of the Group are presented in Note 29.

17. Debt securities issued

	Annual coupon rates %	31 March 2018 mRUB (unaudited)	Annual coupon rates %	31 December 2017 mRUB
Bonds of Deltacredit due in 2018-2026	5.00%-12.50%	66,297	8.00%-12.50%	72,627
Bonds of Rosbank due in 2020-2026	7.50%-10.40%	31,544	7.50%-10.40%	31,165
Bonds of Rusfinancebank due in 2018-2026	8.05%-11.00%	19,420	8.75%-13.90%	20,549
Exchange structual bonds of Rosbank due in 2024	5.00%	10,000	9.89%-11.52%	10,000
Discount bearing promissory notes	0.00%-8.55%	12,198	0.00%-8.55%	11,963
Total debt securities issued		**139,459**		**146,304**

Changes in the balances for the 3 months ended 31 March 2018 were also due to a partial buyback of the bonds and operations with the bonds issued by its subsidiaries.

During the period January - March 2018 the following bonds were redeemed:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate, %
DeltaCredit Bank	04.02.2015	04.02.2018	4,996	8.5%
Rusfinance Bank	29.09.2015	29.03.2018	200	8.8%

18. Subordinated debt

	Currency	Interest Rate %	31 March 2018 mRUB (unaudited)	Interest Rate, %	31 December 2017 mRUB
Societe Generale S.A. due in 2020-2023	USD	6.5 - 9.3%	25,611	6.5-9.3%	34,397
Total subordinated debt			**25,611**		**34,397**

In March 2018 the terms of subordinated loan attracted by the Group from Societe General S.A. in June 2008 in the amount of USD 150 million and annual interest rate of 9.34% and mature in June 2020 were modified (Note 20).

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

19. Share capital

As of 31 March 2018 and 31 December 2017 the nominal share capital totaling RUB 17,587 million issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote. The hyperinflation effect has been recorded in the amount of RUB 2,073 million.

As of 31 March 2018 and 31 December 2017 share premium totaling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

As at 31 March 2018 and 31 December 2017 the Group's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital repurchased	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	-	1,551,401,853

20. Perpetual subordinated debt

In March 2018 the terms of subordinated loan attracted by the Group from Societe General S.A. in June 2008 in the amount of USD 150 million and annual interest rate of 9.34% and mature in June 2020 were modified. According to amended terms of the agreement Societe Generale S.A. granted to the Group perpetual subordinated loan in the amount of USD 150 million with an annual initial interest rate of 7.25% and annual interest payment. Rate of interest is to be reset every 5 years.

The Group accounts for the perpetual subordinated loan as an equity instrument in the consolidated statement of financial position due to undefined maturity and an option for cancellation of both the debt and the interest payment by the Group.

Interest payments may be cancelled in accordance with the terms of the perpetual subordinated loan. At the moment the interest under the perpetual subordinated loan becomes non-cancellable, it is recorded as a part of equity.

Central Bank of Russian Federation has approved the inclusion of the perpetual subordinated loan in the regulatory capital calculation of the Bank.

21. Net interest income before provision for impairment losses on interest bearing assets

	3 months ended 31 March mRUB (unaudited)	
	2018	**2017**
Interest income comprises:		
Interest income on financial assets recorded at amortized cost	20,655	19,781
Interest income on financial assets recorded at fair value	389	211
Total interest income	**21,044**	**19,992**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to individuals	12,812	12,745
Interest on loans to corporate customers	4,481	5,469
Interest on due from banks	2,345	637
Interest on investments at amortised cost	1,017	-
Interest on investments held to maturity	-	930
Total interest income on financial assets recorded at amortized cost	**20,655**	**19,781**
Interest income on financial assets recorded at fair value comprises:		
Interest income on investments available-for-sale	-	120
Interest income on investments at fair value through other comprehensive income	323	-
Interest income on financial assets at fair value through profit and loss	66	91
Total interest income on financial assets recorded at fair value	**389**	**211**
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	11,338	10,754
Total interest expense	**11,338**	**10,754**
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on corporate customer accounts	4,140	3,011
Interest on debt securities issued	3,267	3,931
Interest on deposits from individuals	2,772	2,427
Interest on deposits from banks	529	690
Interest on subordinated debt	627	692
Interest on deposits of the Central Bank of the Russian Federation	3	3
Total interest expense on financial liabilities recorded at amortized cost	**11,338**	**10,754**
Net interest income before provision for impairment losses on interest bearing assets	**9,706**	**9,238**

22. Allowance for impairment losses and other provisions

For 3 months ended 31 March 2018 and 2017 the amount of provision for impairment losses on interest bearing assets in the interim condensed consolidated statement of profit or loss comprises:

	3 months ended 31 March mRUB (unaudited)	
	2018	**2017**
Net allocations	1,254	827
Recoveries of loans written off	(239)	-
Write offs not covered by provisions	14	23
Provision for impairment losses on interest bearing assets	**1,029**	**850**

Write-offs not covered by provision in the amount of RUB 14 million and RUB 23 million for 3 months ended 31 March 2018 and 2017, respectively, represent losses incurred by the Group from refinancing program at a decreased interest rate the difference between the fair value at initial recognition of new loan and the carrying value of the previous loan is recognized as a loss from refinancing of US dollar denominated mortgage loans to individuals in the interim condensed consolidated statement of profit or loss.

The movements in allowance for impairment losses on interest-bearing assets were as follows:

	Due from banks	Loans to customers	Total
	mRUB	mRUB	mRUB
31 December 2016	**1,922**	**1,545**	**3,467**
Net allocations	88	289	377
Forex effect on provision revaluation	(737)	(12)	(749)
Sales and write-offs of loans	-	(25)	(25)
31 March 2017 (unaudited)	**1,273**	**1,797**	**3,070**

An analysis of changes in the ECLs for financial assets for three months ended 31 March 2018 is, as follows:

	Cash and cash equivalents and due from banks	Loans to Corporate business	Loans to Retail business	Investments at amortised cost	Investments at FVOCI	Total
	mRUB (unaudited)	mRUB (unaudited)	mRUB (unaudited)	mRUB (unaudited)	mRUB (unaudited)	mRUB (unaudited)
Stage 1						
ECL as at 1 January 2018	**8**	**1,244**	**4,707**	**56**	**3**	**6,018**
Transfers to Stage 1	-	-	119	-	-	119
Transfers to Stage 2	-	-	(20)	-	-	(20)
Transfers to Stage 3	-	-	(7)	-	-	(7)
Allowance charge	19	69	986	5	3	1,082
Recoveries	(19)	(106)	(1,033)	(16)	(4)	(1,178)
Foreign exchange adjustments	-	(1)	-	-	-	(1)
ECL as at 31 March 2018	**8**	**1,206**	**4,752**	**45**	**2**	**6,013**
Stage 2						
ECL as at 1 January 2018	**3**	**74**	**1,051**	**-**	**-**	**1,128**
Transfers to Stage 1	-	-	(66)	-	-	(66)
Transfers to Stage 2	-	246	28	-	-	274
Transfers to Stage 3	-	(7)	(360)	-	-	(367)
Allowance charge	-	16	737	-	-	753
Recoveries	(3)	(249)	(202)	-	-	(454)
Foreign exchange adjustments	-	1	(1)	-	-	-
ECL as at 31 March 2018	**-**	**81**	**1,187**	**-**	**-**	**1,268**
Stage 3						
ECL as at 1 January 2018	**-**	**9,761**	**33,640**	**-**	**-**	**43,401**
Transfers to Stage 1	-	-	(53)	-	-	(53)
Transfers to Stage 2	-	(246)	(8)	-	-	(254)
Transfers to Stage 3	-	7	367	-	-	374
Allowance charge	-	713	1,785	-	-	2,498
Recoveries	-	(20)	(1,427)	-	-	(1,447)
Amounts written off	-	-	(1,133)	-	-	(1,133)
Foreign exchange adjustments	-	1	(5)	-	-	(4)
ECL as at 31 March 2018	**-**	**10,216**	**33,166**	**-**	**-**	**43,382**
Total at 1 January 2018	**11**	**11,079**	**39,398**	**56**	**3**	**50,547**
Total at 31 March 2018	**8**	**11,503**	**39,105**	**45**	**2**	**50,663**

As of 31 March 2018 and 2017 the amount of other provision comprises:

	3 months ended 31 March mRUB (unaudited)	
	2018	2017
Net allocations	92	377
Recoveries of debtors receivables written off	(6)	(62)
Write offs not covered by provisions	10	22
Other provisions	**96**	**337**

The movements in other provisions were as follows:

	Other assets mRUB	Provisions for financial guarantees issued, claims and other commitments mRUB	Total mRUB
31 December 2016	**1,922**	**1,545**	**3,467**
Provision	88	289	377
Write-offs	(737)	(12)	(749)
Forex effect on provision revaluation	-	(25)	(25)
31 March 2017 (unaudited)	**1,273**	**1,797**	**3,070**

The information about other provisions of the Group is disclosed in Note 29.

Allowance for impairment losses on assets is deducted from the respective assets. Provision for impairment losses on financial guarantees issued, claims and other commitments is presented in liabilities.

An analysis of changes in the ECLs for other financial assets for three months ended 31 March 2018 is, as follows:

	Provisions for financial guarantees, credit lines, letters of credit	Provision for claims and other commitme nts	Provision for other assets	Total
	mRUB (unaudited)	mRUB (unaudited)	mRUB (unaudited)	mRUB (unaudited)
Stage 1				
ECL as at 1 January 2018	**69**	**-**	**-**	**69**
Transfers to Stage 1	3	-	-	3
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Allowance charge	33	-	-	33
Recoveries	(44)	-	-	(44)
Foreign exchange adjustments	2	-	-	2
ECL as at 31 March 2018	**63**	**-**	**-**	**63**
Stage 2				
ECLs as at 1 January 2018	**65**	**-**	**4**	**69**
Transfers to Stage 1	(3)	-	-	(3)
Transfers to Stage 2	15	-	-	15
Transfers to Stage 3	-	-	-	-
Allowance charge	18	-	1	19
Recoveries	(67)	-	(1)	(68)
Foreign exchange adjustments	(1)	-	-	(1)
ECL as at 31 March 2018	**27**	**-**	**4**	**31**
Stage 3				
ECLs as at 1 January 2018	**92**	**201**	**1,327**	**1,620**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(15)	-	-	(15)
Transfers to Stage 3	-	-	-	-
Accounting transfer	-	544	(544)	-
Allowance charge	76	63	56	195
Recoveries	(3)	(39)	(1)	(43)
Amounts written off	-	-	(195)	(195)
Foreign exchange adjustments	-	(3)	-	(3)
ECL as at 31 March 2018	**150**	**766**	**643**	**1,559**
Total at 1 January 2018	**226**	**201**	**1,331**	**1,758**
Total at 31 March 2018	**240**	**766**	**647**	**1,653**

23. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards

Net loss on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards comprises:

	3 months ended 31 March mRUB (unaudited)	
	2018	2017
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:		
Realized gain/(loss) on trading operations	(31)	(40)
Unrealized revaluation of securities at fair value through profit or loss	63	17
Net gain/(loss) on operations with derivative financial instruments, except forex swaps and forwards	(289)	(352)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	**(257)**	**(375)**

24. Net gain/(loss) on foreign exchange operations

	3 months ended 31 March mRUB (unaudited)	
	2018	2017
Net gain/(loss) on foreign exchange operations	655	693
Exchange differences	86	(208)
Effect of foreign currency swap instruments	(77)	146
Total net gain/(loss) on foreign exchange operations	**664**	**631**

25. Fee and commission income and expense

	3 months ended 31 March mRUB (unaudited)	
	2018	2017
Fee and commission income:		
Agency operations	910	636
Plastic cards operations	842	623
Settlements	463	462
Documentary operations	240	226
SMS-informing	235	211
Internet bank	204	160
Cash operations	141	95
Other operations	261	226
Total fee and commission income	**3,296**	**2,639**
Fee and commission expense:		
Plastic cards operations	477	363
Cash operations	152	136
Agency operations	97	48
Settlements	77	77
Documentary operations	18	16
Other operations	29	73
Total fee and commission expense	**850**	**713**

26. Operating expenses

	3 months ended 31 March mRUB (unaudited)	
	2018	**2017**
Salary and bonuses	4,381	4,080
Unified social tax contribution	1,244	1,115
Repairs and maintenance expense	626	599
Operating lease expense	606	622
Depreciation charge on property and equipment	566	478
Professional services	426	341
Deposit insurance charge	370	246
Advertising and marketing expenses	223	190
Communications	219	195
Security	69	65
Transportation expenses	27	26
Other	542	701
Total operating expenses	**9,299**	**8,658**

27. Income tax

The Group measures and records its current income tax payable in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 March 2018 and 31 December 2017 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax - book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 31 March 2018.

Income tax (credit)/expense for 3 months ended 31 March 2018 and 2017 comprise:

	3 months ended 31 March mRUB (unaudited)	
	2018	**2017**
Current tax charge	565	910
Deferred tax (credit)/charge- origination and reversal of temporary differences and tax loss carried forward	260	(365)
Less: deferred tax recognized directly in other comprehensive income	29	(27)
Income tax (credit)/expense	**854**	**518**

28. Earnings per share attributable to equity holders of the parent

	3 months ended 31 March mRUB (unaudited) 2018	2017
Profit/(loss)		
Net profit/(loss) attributable to equity holders of the parent for the period (mRUB)	1,458	1,351
Weighted average number of ordinary shares		
For basic and diluted earnings per share	1,551,401,853	1,551,401,853
Earnings per share - basic and diluted (RUB)	**0.94**	**0.87**

29. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Litigations and other provisions	867	276
Provision for losses on letters of credit and guarantees	139	848
Total other provisions	**1,006**	**1,124**

As of 31 March 2018 and 31 December 2017, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 320 million and RUB 910 million, respectively and guarantees issued covered by cash amounted to RUB 203 million and RUB 148 million, respectively.

As of 31 March 2018 and 31 December 2017, the nominal or contract amounts were:

	31 March 2018 (anaudited) Nominal amount mRUB	31 December 2017 Nominal amount mRUB
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	92,611	102,835
Letters of credit and other transaction related contingent obligations	15,321	15,386
Commitments on loans and unused credit lines	64,614	64,225
Total contingent liabilities and credit commitments	**172,546**	**182,446**

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 31 March 2018 and 31 December 2017 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 752 million and RUB 270 million, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases of buildings and equipment are as follows:

	31 March 2018 mRUB (unaudited)	31 December 2017 mRUB
Not later than 1 year	1,797	2,041
Later than 1 year and not later than 5 years	3,327	2,907
Later than 5 years	2,288	2,209
Total operating lease commitments	**7,412**	**7,157**

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred.

Taxation. The current provisions of the Russian laws and regulations affecting business continue to change rapidly. The implementation of Russian tax laws and regulations is often unclear or inconsistent. Historically, the system of tax collection in Russia has been relatively ineffective, resulting in the continual changes to the tax legislation, some of which applies retroactively and occurs with little notice, as well as in interpretation of the existing laws and regulations by various authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that Russian tax authorities are taking more assertive position in their interpretation of the legislation and, as a result, transactions and activities that have not been challenged in the past may be challenged in future tax audits.

Russian transfer pricing rules introduced additional reporting and documentation requirements. The Russian tax authorities may assess additional tax charges in respect of all controlled transactions (both domestic and cross-border), including but not limited to transactions with related parties, if they consider transactions to be priced not at arm's length. In light of the uncertainty and absence of extensive practice of application of the Russian transfer pricing legislation it cannot be fully excluded that the Russian tax authorities may try to challenge the methodology and the level of prices applied by the Group under the "controlled" transactions and accrue additional tax liabilities unless the Group is able to demonstrate the application of market prices in "controlled" transactions. The impact of the potential challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Loan financing is one of the major parts Group's transactions. Management supposes that control procedure applied in the Group with respect to interest rates applied in intragroup loan financing mitigates potential transfer pricing tax risk.

Starting from January 1, 2015, new rules on taxation of controlled foreign companies were introduced into the Russian tax legislation, as well as the concept of determining the tax residency of organizations and the beneficial owner of income. The adoption of these rules in its entirety is associated with an increase in the administrative and, in some cases, tax burden on Russian taxpayers engaged in transactions with foreign companies. During 2018 the Group did not have foreign subsidiaries, in respect of which the Group could have significant tax liabilities in accordance with the rules on taxation of controlled foreign companies.

Since January 1, 2017, provisions of the Russian Tax Code regulating tax agent function execution in view of payments on certain types of income in favor of foreign recipients oblige tax agents to perform additional steps and collect documentary ground to ensure that the foreign company which receives income from the Group has an factual right to such income (is a beneficial owner of income). The Group has taken into account such legislative amendments and has started to perform procedures to receive from its counterparties documents confirming their actual right to income. The management believes that the procedures performed by the Group enable to mitigate potential tax risks arising from taxation of income in favor of counterparties.

Also starting from January 1, 2017 “losses carried forward” tax rule has been amended. In particular, the Bank may reduce its profits tax base of the current period by the amount of losses carried forward limited to 50% of profits tax base of the current period. This limitation is applicable till year 2021. Such tax law amendment leads to increase of tax payments of the Group. Management of the Group cannot exclude that new limitations in respect of tax losses carried forward may be introduced starting from 1 January 2021.

On 18 July 2017, the “unjustified tax benefit” concept was effectively introduced directly into the Russian Tax Code. Previously unjustified tax benefit concept was introduced only in the Russian court practice. The provisions of this article establish limits for possibility to qualify the transactions of taxpayers as transactions aimed at unjustified decrease of tax obligations. No assurance can currently be given as to what exact effect the above law may have on the Group.

Since January 1, 2018 the Russian Tax Code is supplemented with a new chapter setting forth the definitions of a multinational group of companies and members; it also would contains provisions regarding the submission of a notification of participation in a multinational group and country-by-country (CbC) reporting for a multinational group, such as the CbC report, the master file and local file.

Also since January 1, 2018 the Russian Tax Code is supplemented with a new section which establishes the rules on exchange of financial account information with foreign states and territories. Under the requirements relating to the automatic exchange of financial account information, Russian financial organizations are now required to perform additional procedures for the identification of their clients and beneficiaries and (or) controlling persons of those clients with a view to identifying tax residents of foreign states, and to submit annual reports on the accounts of those persons to the Federal Tax Service.

Since January 1, 2018 the tax base with respect to income in the form of interest (coupon) from marketable Russian corporate bonds denominated in rubles and issued after January 1, 2017 is calculated as difference between the amount of interest or coupon payment and the amount of interest calculated based on the nominal value of bonds and the refinancing rate of the Bank of Russia, increased by five percentage points, valid for the period for which the coupon yield was paid

Since January 1, 2018 income in the form of discount under marketable Russian corporate bonds denominated in rubles and issued after January 1, 2017 is exempted from personal income tax.

The introduction of these laws, as well as the interpretation of certain provisions of the Russian tax legislation combined with the latest trends in law enforcement indicate the possibility of increasing of the amount of taxes paid and the amount of penalties, including due to the fact that the Russian tax authorities and courts may be taking a more assertive position in their application of the legislation and assessments. At the same time the potential impact could not be reliably estimated, as well as the probability of an unfavorable outcome in the case of claims of the Russian tax authorities. Tax inspections may cover three calendar years immediately proceeding the year of review. The longer periods may be reviewed under certain conditions. As such, additional taxes, penalties and late payment interest may be assessed by the relevant authorities.

Management believes that as of 31 March 2018 the provisions of the tax laws were applicable to the Group companies were interpreted correctly.

Operating environment – Emerging markets such as Russian Federation 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 Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russian Federation 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, which decreased significantly during 2015 and has shown significant degree of volatility over 2016-2018. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. At the same time, the US Federal Reserve System has accelerated the pace of interest rates hikes which should affect flows of capital to/from emerging economies such as Russian Federation. Global geopolitical landscape remains complicated due to stress around numerous regions.

As a consequence of these factors, Russian financial assets have suffered a material rise in volatility in early April 2018. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Russian Rouble and other negative economic consequences.

The impact of further political and economic developments in Russian Federation on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments – The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares granted is recognized in the interim condensed consolidated statement of profit or loss within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled payments.

30. Transactions with related parties

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 March 2018 mRUB (unaudited)		31 December 2017 mRUB	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
Cash and cash equivalents	2,083	188,538	13,832	209,810
- shareholders	1,203		12,980	
- related parties under common control with the Group	880		852	
Financial assets at fair value through profit or loss	12,371	35,080	12,680	34,570
- shareholders	12,277		12,676	
- related parties under common control with the Group	94		4	
Loans to customers, gross	1,767	682,289	1,634	701,146
- key management personnel of the Group	1		5	

	31 March 2018 mRUB (unaudited)		31 December 2017 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
- related parties under common control with the Group	1,766		1,629	
Investments at fair value through other comprehensive income (previously classified as Investments available-for-sale)	-	13,871	79	15,160
- related parties under common control with the Group	-		79	
Other assets	88	12,780	96	11,358
- shareholders	6		9	
- related parties under common control with the Group	82		87	
Financial liabilities at fair value through profit or loss	20,428	32,834	20,992	33,762
- shareholders	20,401		20,992	
- related parties under common control with the Group	27			
Due to banks and international financial institutions	4,019	66,034	3,899	32,089
- shareholders	2,423		2,659	
- related parties under common control with the Group	1,596		1,240	
Customer accounts	5,801	585,211	4,574	648,024
- key management personnel of the Group	366		298	
- related parties under common control with the Group	5,435		4,276	
Debt securities issued	119	139,459	-	146,304
- related parties under common control with the Group	119		-	
Other liabilities	702	10,900	609	10,309
- shareholders	671		585	
- related parties under common control with the Group	31		24	
Subordinated debt	25,611	25,611	34,397	34,397
- shareholders	25,611		34,397	
Perpetual subordinated debt	8,664	8,664	-	-
- shareholders	8,664		-	
Guarantees issued and similar commitments	5,726	92,611	-	102,835
- shareholders	2,267		-	
- related parties under common control with the Group	3,459		-	
Commitments on loans and unused credit lines	13,038	64,614	13,551	64,225
- shareholders	5,000		5,000	
- key management personnel of the Group	11		8	
- related parties under common control with the Group	8,027		8,543	
Guarantees received	3,331	279,577	3,326	270,157
- shareholders	2,856		2,856	

	31 March 2018 mRUB (unaudited)		31 December 2017 mRUB	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
- related parties under common control with the Group	475		470	

Included in the interim condensed consolidated statements of profit or loss for the 3 months ended 31 March 2018 and 2017 are the following amounts which arose due to transactions with related parties:

	3 months ended 31 March 2018 mRUB (unaudited)		3 months ended 31 March 2017 mRUB (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	74	21,044	95	19,992
- shareholders	45		64	
- key management personnel of the Group	-		-	
- related parties controlled by, or under common control with the Group	29		31	
Interest expense	(758)	(11,338)	(795)	(10,754)
- shareholders	(661)		(761)	
- key management personnel of the Group	(4)		(4)	
- related parties under common control with the Group	(93)		(30)	
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	(30)	(257)	343	(375)
- shareholders	(33)		97	
- related parties under common control with the Group	3		246	
Net gain/(loss) on foreign exchange operations and on precious metals operations	(97)	665	232	669
- shareholders	(105)		230	
- related parties under common control with the Group	8		2	
Fee and commission income	619	3,296	446	2,639
- shareholders	7		40	
- related parties under common control with the Group	612		406	
Fee and commission expense	(18)	(850)	(17)	(713)
- shareholders	(18)		(17)	
Operating expense (other than compensation)	(84)	(3,674)	(94)	(3,463)
- shareholders	(79)		(82)	
- related parties under common control with the Group	(4)		(12)	
Other income	27	211	7	283
- shareholders	24		-	

	3 months ended 31 March 2018 mRUB (unaudited)		3 months ended 31 March 2017 mRUB (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
- related parties under common control with the Group	3		7	

For the 3 months ended 31 March 2018 and 2017 total remuneration of the key management amounted to RUB 294 million and RUB 194 million, respectively.

31. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 "Fair Value Measurement". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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 (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- 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.
- 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.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying value may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- 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 values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. 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.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the interim condensed consolidated statement of financial position of the Group is presented below:

	31 March 2018 (unaudited)		31 December 2017	
	Carrying value, mRUB	**Fair value, mRUB**	**Carrying value, mRUB**	**Fair value, mRUB**
Cash and cash equivalents	188,538	188,538	209,810	209,810
Mandatory cash balances with the Central Bank of the Russian Federation	7,303	7,303	6,113	6,113
Financial assets at fair value through profit or loss				
- Derivative financial instruments	30,210	30,210	31,334	31,334
- Debt securities	4,679	4,679	3,236	3,236
- Shares	191	191	-	-
Due from banks	10,894	11,075	11,767	11,802
Loans to customers	631,681	650,662	654,875	672,673
Investments at fair value through other comprehensive income (previously classified as Investments available-for-sale)	13,871	13,871	15,160	15,160
Investments at amortised cost (previously classified as Investments held to maturity)	79,327	81,165	73,479	76,720
Other financial assets	1,751	1,751	1,840	1,840
Financial liabilities at fair value through profit or loss	32,834	32,834	33,762	33,762
Due to the Central Bank of the Russian Federation	125	125	207	207
Due to banks and international financial institutions	66,034	67,105	32,089	33,209
Customer accounts	585,211	585,863	648,024	648,493
Debt securities issued	139,459	141,515	146,304	147,380
Other financial liabilities	8,971	8,971	7,861	7,861
Subordinated debt	25,611	25,883	34,397	34,666

Assets and liabilities for which fair value approximates carrying value

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.

Fair value measurements recognised in the interim condensed consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 31 March 2018 and 31 December 2017, the Group has categorized classes of assets and liabilities at fair value into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balance Sheet Category	31 March 2018, mRUB (unaudited) Level 1	Level 2	Level 3	31 December 2017, mRUB Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss						
- *Derivative financial instruments*	-	30,210	-	-	31,334	-
- *Debt securities*	4,679	-	-	3,236	-	-
- *Shares*		191			-	
Investments at fair value through other comprehensive income (previously classified as Investments available-for-sale)	13,871	-	-	14,969	191	-
Financial liabilities at fair value through profit or loss	2,079	30,755	-	1,906	31,856	-

Possibility of transfer from Level 1 to Level 2 category is assessed as low, as liquidity control is performed by Market Risk Department. Control period of liquidity assessment is 90 days from position opening. Market risk department performs liquidity analysis using position turnover, volumes of exchange trades, availability of exchange and brokers quotations. In case of position assessment as insufficiently liquid the necessary actions to close position are taken.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10% to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

32. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 “Operating segments” and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group’s reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	3 months ended 31 March 2018 (unaudited)
Net interest margin	6,204	2,127	254	1,121	9,706
Provisions for impairment losses on interest bearing assets	(632)	(466)	(2)	71	(1,029)
Net gain/(loss) on financial transactions	89	(5)	343	(19)	408
Net fee and commission income	1,857	506	114	(31)	2,446
Other provisions	-	(13)	-	(83)	(96)
Other income	70	21	13	107	211
Intersegment allocation operating income	273	827	91	(1,191)	-
Total operating income	**7,861**	**2,997**	**813**	**(25)**	**11,646**
Operating expenses	(7,550)	(1,009)	(544)	(196)	(9,299)
Intersegment allocation operating expenses	(119)	(56)	(21)	196	-
Other non-operating income/(expense)	(8)	(24)	(3)	-	(35)
Profit before income tax	**184**	**1,908**	**245**	**(25)**	**2,312**
Income tax expense	(194)	(594)	(66)	-	(854)
Net profit/(loss) for the period	**(10)**	**1,314**	**179**	**(25)**	**1,458**
Segment assets as at 31 March 2018 (unaudited)	**461,061**	**480,574**	**48,696**	**13,204**	**1,003,535**
Segment liabilities as at 31 March 2018 (unaudited)	**364,109**	**403,161**	**84,728**	**10,650**	**862,648**

Segment information for 3 months ended 31 March 2017 is presented below

	Retail banking	**Corporate banking**	**Treasury and Financial institutions**	**Unallocated**	**3 months ended 31 March 2017 (unaudited)**
Net interest margin	6,139	1,931	204	964	9,238
Provisions for impairment losses on interest bearing assets	(1,064)	143	2	69	(850)
Net gain/(loss) on financial transactions	(14)	-	491	(183)	294
Net fee and commission income	1,499	426	86	(85)	1,926
Other provisions	-	(262)	(4)	(71)	(337)
Other income	71	-	11	201	283
Intersegment allocation operating income	464	330	101	(895)	
Total operating income	**7,095**	**2,568**	**891**	**-**	**10,554**
Operating expenses	(6,823)	(1,020)	(515)	(300)	(8,658)
Intersegment allocation operating expenses	(187)	(79)	(34)	300	-
Other non-operating income	(6)	(19)	(2)	-	(27)
Profit/(loss) before income tax	**79**	**1,450**	**340**	**-**	**1,869**
Income tax credit/(expense)	(119)	(368)	(31)	-	(518)
Net profit/(loss)	**(40)**	**1,082**	**309**	**-**	**1,351**
Segment assets as at 31 December 2017	**443,385**	**458,332**	**126,633**	**12,565**	**1,040,915**
Segment liabilities as at 31 December 2017	**372,080**	**476,819**	**48,888**	**10,531**	**908,318**

For the purpose of the segment reporting disclosure the category “Net gain/(loss) on financial transactions” includes the following categories:
- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards;
- Net gain/(loss) on foreign exchange operations;
- Net gain/(loss) on precious metals operations.

33. Subsequent events

In April 2018 Analytical Credit Rating Agency (ACRA) affirms the credit rating assigned to the Group at AAA(RU), outlook “Stable”.

In April 2018 LLC Rusfinance Bank had early redempted bond series 14 in the amount RUB 4,000 million. Also bond series BO-11 was redemped by the issuer (at the moment of redemption the amount of bonds was purchased by the issuer).

In May 2018 LLC Rusfinance Bank decided to redempt before the maturity date exchange-traded interest-bearing non-convertible documentary bond with mandatory centralized storage series BO-04 with annual coupon rate 10.10% for the third-fitht periods. The repayment will be made in May 2018 in full amount RUB 3,000 million on the last day of fith coupon period.