

# **ROSBANK Group**

**Interim condensed consolidated  
financial statements**

*6 months ended 30 June 2017  
(unaudited)*

# ROSBANK GROUP

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## ROSBANK GROUP

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of PJSC ROSBANK and its subsidiaries (the "Group") as at 30 June 2017, and the results of its operations for 6 months then ended, cash flows and changes in equity for 6 months then ended, in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

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

- Properly selecting and applying accounting policies.
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance.
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The interim condensed consolidated financial statements of the Group for 6 months ended 30 June 2017 were authorized for issue on 2 August 2017 by the Management Board of PJSC ROSBANK.

On behalf of the Board:

  
Chairman of the Management Board

2 August 2017  
Moscow



## **Report on Review of Interim Financial Information**

To the Shareholders and the Board of Directors of  
Public joint stock company ROSBANK

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Public joint stock company ROSBANK and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2017, the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the six-month and three-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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



Совершенство бизнеса,  
улучшаем мир

### **Conclusion**

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

A.V. Sorokin  
Partner  
Ernst & Young LLC

2 August 2017

### **Details of the entity**

Name: Public joint stock company ROSBANK  
Record made in the State Register of Legal Entities on 25 October 2002, State Registration Number 1027739460737.  
Address: Russia 107078, Moscow, Mashki Poryvaevoy st., 34.

### **Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

# ROSBANK GROUP

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2017 (UNAUDITED) (in millions of Russian Roubles)

	Notes	30 June 2017 (unaudited)	31 December 2016
<b>ASSETS</b>			
Cash and balances with the Central Bank of the Russian Federation	6	77,098	48,499
Financial assets at fair value through profit or loss	7, 9, 28	35,466	37,152
Due from banks	8, 28	113,117	86,126
Loans to customers	10	597,496	587,810
Investments available-for-sale	11, 28	6,428	8,237
Investments held to maturity	12	70,853	72,912
Property and equipment		19,304	19,675
Intangible assets		2,187	2,008
Current income tax assets		869	48
Deferred income tax assets		2,843	3,086
Other assets	28	11,586	15,153
<b>Total assets</b>		<b>937,247</b>	<b>880,706</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	9, 13, 28	34,416	35,982
Due to the Central Bank of the Russian Federation		266	190
Due to banks and international financial institutions	14, 28	36,036	47,993
Customer accounts	15, 28	543,087	461,893
Debt securities issued	16	146,780	158,133
Other provisions	20	1,192	1,545
Current income tax liabilities		203	382
Deferred income tax liabilities		1,729	1,409
Other liabilities	28	10,604	9,749
Subordinated debt	17, 28	35,268	39,872
<b>Total liabilities</b>		<b>809,581</b>	<b>757,148</b>
<b>EQUITY</b>			
Share capital	18	17,587	17,587
Share premium	18	59,707	59,707
Cumulative translation reserve		1,778	1,684
Property and equipment revaluation reserve		5,739	5,952
Investments available-for-sale fair value reserve		(1,193)	(1,309)
Cash flow hedge		(118)	(156)
Retained earnings		44,166	40,093
<b>Total equity</b>		<b>127,666</b>	<b>123,558</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>937,247</b>	<b>880,706</b>

On behalf of the Board:

  
Chairman of the Management Board

2 August 2017  
Moscow



The notes on pages 11-38 form an integral part of these interim condensed consolidated financial statements.

# ROSBANK GROUP

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 6 AND 3 MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

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

	Notes	6 months ended 30 June (unaudited)		3 months ended 30 June (unaudited)	
		2017	2016	2017	2016
Interest income	19, 28	40,157	44,319	20,165	21,653
Interest expense	19, 28	(21,773)	(24,956)	(11,019)	(12,390)
<b>Net interest income before provision for impairment losses on interest bearing assets</b>		<b>18,384</b>	<b>19,363</b>	<b>9,146</b>	<b>9,263</b>
Provision for impairment losses on interest bearing assets	20, 28	(2,006)	(7,747)	(1,156)	(3,074)
<b>Net interest income</b>		<b>16,378</b>	<b>11,616</b>	<b>7,990</b>	<b>6,189</b>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	21, 28	(869)	(210)	(494)	(147)
Net gain/(loss) on foreign exchange operations	22	2,132	696	1,501	560
Net gain/(loss) on precious metals operations		14	74	(24)	27
Fee and commission income	23, 28	5,683	5,266	3,044	2,689
Fee and commission expense	23, 28	(1,484)	(1,339)	(771)	(592)
Other provisions	20, 28	172	(1,066)	509	(1,002)
Dividend income		328	347	328	347
Other income		503	589	220	267
<b>Net non-interest income</b>		<b>6,479</b>	<b>4,357</b>	<b>4,313</b>	<b>2,149</b>
<b>Operating income</b>		<b>22,857</b>	<b>15,973</b>	<b>12,303</b>	<b>8,338</b>
Operating expenses	24, 28	(17,359)	(16,521)	(8,701)	(8,174)
Other non-operating income/(expense)		(83)	98	(56)	-
<b>Profit/(loss) before income tax</b>		<b>5,415</b>	<b>(450)</b>	<b>3,546</b>	<b>164</b>
Income tax credit/(expense)	25	(1,555)	(12)	(1,037)	(59)
<b>Net profit/(loss) for the period</b>		<b>3,860</b>	<b>(462)</b>	<b>2,509</b>	<b>105</b>
<b>EARNINGS PER SHARE</b>					
Basic and diluted (in RUB)	26	2.49	(0.30)	1.62	0.07

On behalf of the Board:

  
Chairman of the Management Board

2 August 2017  
Moscow



The notes on pages 11-38 form an integral part of these interim condensed consolidated financial statements.

## ROSBANK GROUP

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 3 AND 6 MONTHS ENDED 30 JUNE 2017 (UNAUDITED) (in millions of Russian Roubles)

	6 months ended 30 June (unaudited)		3 months ended 30 June (unaudited)	
	2017	2016	2017	2016
Net profit/(loss) for the period	<u>3,860</u>	<u>(462)</u>	<u>2,509</u>	<u>105</u>
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	118	(426)	225	(27)
Income tax on translating foreign operations	(24)	(449)	(45)	23
Cash flow hedge	44	465	(143)	254
Income tax on cash flow hedge	(6)	(97)	31	(55)
Net profit/(loss) resulting on revaluation of available-for-sale financial assets during period	23	94	28	36
Amounts recycled to profit and loss relating to available-for-sale financial assets	122	118	62	61
Income tax on available-for-sale financial assets during the period	<u>(29)</u>	<u>(42)</u>	<u>(18)</u>	<u>(19)</u>
Other comprehensive income/(expense) after income tax	<u>248</u>	<u>(337)</u>	<u>140</u>	<u>273</u>
Total comprehensive income/(expense)	<u><u>4,108</u></u>	<u><u>(799)</u></u>	<u><u>2,649</u></u>	<u><u>378</u></u>

On behalf of the Board:

  
Chairman of the Management Board

2 August 2017  
Moscow



The notes on pages 11-38 form an integral part of these interim condensed consolidated financial statements.



## ROSBANK GROUP

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 6 MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

(in millions of Russian Roubles)

	Share capital	Share premium	Cumulative translation reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve	Cash flow hedge	Retained earnings	Total equity
31 December 2015	17,587	59,707	2,771	6,834	(1,616)	(889)	36,107	120,501
Net profit/(loss) for the period	-	-	-	-	-	-	(462)	(462)
Other comprehensive income/(expense) for the period	-	-	(875)	-	170	368	-	(337)
<b>Total comprehensive income/(expense) for the period</b>	-	-	<b>(875)</b>	-	<b>170</b>	<b>368</b>	<b>(462)</b>	<b>(799)</b>
Property and equipment disposal (net of deferred tax of RUB 31 millions)	-	-	-	(127)	-	-	127	-
30 June 2016 (unaudited)	17,587	59,707	1,896	6,707	(1,446)	(521)	35,772	119,702
31 December 2016	17,587	59,707	1,684	5,952	(1,309)	(156)	40,093	123,558
Net profit/(loss) for the period	-	-	-	-	-	-	3,860	3,860
Other comprehensive income/(expense) for the period	-	-	94	-	116	38	-	248
<b>Total comprehensive income/(expense) for the period</b>	-	-	<b>94</b>	-	<b>116</b>	<b>38</b>	<b>3,860</b>	<b>4,108</b>
Property and equipment disposal (net of deferred tax of RUB 53 millions)	-	-	-	(213)	-	-	213	-
30 June 2017 (unaudited)	17,587	59,707	1,778	5,739	(1,193)	(118)	44,166	127,666

On behalf of the Board:

Chairman of the Management Board

2 August 2017  
Moscow

The notes on pages 11-38 form an integral part of these interim condensed consolidated financial statements.

# ROSBANK GROUP

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR 6 MONTHS ENDED 30 JUNE 2017 (in millions of Russian Roubles)

	Notes	6 months ended 30 June (unaudited)	
		2017	2016
<b>Cash flows from operating activities</b>			
Interest received		39,159	44,845
Interest paid		(21,765)	(24,658)
Fees and commissions received		5,658	5,140
Fees and commissions paid		(1,469)	(1,313)
Receipts from/(payment for) financial assets at fair value through profit or loss		(532)	(431)
Receipts from/(payment for) trading in foreign currencies		1,675	(471)
Other operating income received		459	589
Receipts from/(payment for) precious metals operations		69	52
Administrative and other operating expenses paid		(16,125)	(16,232)
Income tax received/(paid)		(2,051)	(334)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>5,079</b>	<b>7,187</b>
<b>Changes in operating assets and liabilities</b>			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(1,174)	(224)
Net (increase)/decrease in financial assets at fair value through profit or loss		(1,786)	289
Net i(increase)/decrease in due from banks		3,815	(17,816)
Net (increase)/decrease in loans to customers		(11,365)	16,243
Net (increase)/decrease in other assets		3,468	(1,762)
Net increase/(decrease) in financial liabilities at fair value through profit or loss		1,410	(602)
Net increase/(decrease) in due to the Central Bank of the Russian Federation		42	(15,498)
Net increase/(decrease) in due to banks and international financial institutions		(11,614)	(19,265)
Net increase/(decrease) in customer accounts		85,672	(35,807)
Net increase/(decrease) in debt securities issued, other than bonds issued		433	(1,313)
Net increase/(decrease) in other liabilities		427	(57)
Net increase/(decrease) in other liabilities on law cases		(10)	(16)
<b>Net cash from/(used in) operating activities</b>		<b>74,397</b>	<b>(68,641)</b>
<b>Cash flows from investing activities</b>			
Purchase of available for sale financial assets		-	(1,917)
Proceeds from disposal and redemption of available for sale financial assets		1,694	399
Proceeds from redemption of held to maturity financial assets		624	(4,650)
Purchase of held to maturity financial assets		-	1,787
Purchase of property and equipment		(1,124)	(1,054)
Proceeds from disposal of property and equipment		235	158
Dividend income received		328	347
<b>Net cash from/(used in) investing activities</b>		<b>1,757</b>	<b>(4,930)</b>
<b>Cash flows from financing activities</b>			
Redemption of bonds issued by the Group		(1,450)	(32,180)
Issue of bonds		4,000	24,507
Proceeds from sale of previously bought back bonds issued		953	2,532
Buy back of bonds issued		(24,540)	(4,588)
Issue of promissory notes		9,961	-
Repayment of subordinated debt		(3,550)	(1,250)
<b>Net cash from/(used in) financing activities</b>		<b>(14,626)</b>	<b>(10,979)</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,405)	(2,319)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>59,123</b>	<b>(86,869)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	6	<b>112,992</b>	<b>175,232</b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	6	<b>172,115</b>	<b>88,363</b>

On behalf of the Board:

  
Chairman of the Management Board

2 August 2017  
Moscow



The notes on pages 11-38 form an integral part of these interim condensed consolidated financial statements.

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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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 30 June 2017 and 31 December 2016 ROSBANK had 8 branches operating in the Russian Federation.

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

ROSBANK (“the Bank”) is the parent company of a banking group (the “Group”) which consists of the following material enterprises as of 30 June 2017, 31 December 2016 and 30 June 2016:

Name	Country of incorporation	Group’s ownership interest / voting rights, %			Type of operations
		30 June 2017	31 December 2016	30 June 2016	
Delta Credit Bank JSC (previous name – Delta Credit Bank CJSC)	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	Issue of loans to individuals
RB Factoring LLC	Russia	100/100	100/100	100/100	Factoring
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	100/100	Banking
RB LEASING LLC	Russia	100/100	100/100	100/100	Leasing
ORS JSC (previous name – ORS OJSC)	Russia	100/100	100/100	100/100	Processing
RB Specialized Depository LLC (previous name – RB Securities LLC)	Russia	100/100	100/100	100/100	Operations with securities
Valmont LLC	Russia	Liquidated	100/100	100/100	Asset holding company
RB Service LLC (previous name – RBS Avto LLC)	Russia	100/100	100/100	100/100	Financial services
Telsikom CJSC	Russia	100/100	100/100	100/100	Telecommunication services

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. The liquidation process is subject to authorisation 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.

As of 30 June 2017 and 31 December 2016, 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 2016 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 2016 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.

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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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 2016, 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:

	30 June 2017	31 December 2016
RUB/1 US Dollar	59.0855	60.6569
RUB/1 Euro	67.4993	63.8111
RUB/Gold (1 ounce)	73,398.96	70,307.41
RUB/Platinum (1 ounce)	54,476.83	55,015.81
RUB/Palladium (1 ounce)	49,690.91	41,004.06
RUB/Silver (1 ounce)	973.14	985.07

### 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 2016 prepared in accordance with IFRS.

The Group adopted new Standards effective as of 1 January 2017 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 2016, except for the adoption of new standards effective as of 1 January 2017. 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:

*Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

*Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

***Annual improvements cycle – 2014-2016***

*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments do not have any impact on the Group.

The above mentioned amended standards effective for the Group from 1 January 2017 did not have a material impact on the accounting policies, financial position or performance of the Group.

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 6. Cash and balances with the Central Bank of the Russian Federation

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
Cash	14,382	20,057
Balances with the Central Bank of the Russian Federation	<u>62,716</u>	<u>28,442</u>
<b>Total cash and balances with the Central Bank of the Russian Federation</b>	<b><u>77,098</u></b>	<b><u>48,499</u></b>

As of 30 June 2017 and 31 December 2016 included in the balances with the Central Bank of the Russian Federation are RUB 6,043 million and RUB 4,869 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central Bank of the Russian Federation. The Group is required to maintain the reserve balances with Central Bank of the Russian Federation at all times.

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

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB	30 June 2016 mRUB (unaudited)
Cash and balances with the Central Bank of the Russian Federation	77,098	48,499	36,905
Due from banks with original maturity within 90 days	<u>101,060</u>	<u>69,362</u>	<u>55,581</u>
	<b>178,158</b>	<b>117,861</b>	<b>92,486</b>
Less minimum reserve deposits	<u>(6,043)</u>	<u>(4,869)</u>	<u>(4,123)</u>
<b>Total cash and cash equivalents</b>	<b><u>172,115</u></b>	<b><u>112,992</u></b>	<b><u>88,363</u></b>

#### 7. Financial assets at fair value through profit or loss

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
Debt securities	3,547	1,589
Financial assets at fair value through profit or loss pledged under repurchases agreements	-	470
Derivative financial instruments (Note 9)	<u>31,919</u>	<u>35,093</u>
<b>Total financial assets at fair value through profit or loss</b>	<b><u>35,466</u></b>	<b><u>37,152</u></b>



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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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

		30 June 2017 (unaudited)		31 December 2016
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
<b>Debt securities</b>				
Debt securities of Russian banks	8.75-10.4%	503	-	-
Debt securities of the Russian Federation	4.25-7.75%	487	4.75-8.5%	1,343
Debt securities of Russian companies	4.95-12.4%	2,557	3.8-10.25%	716
		<u>3,547</u>		<u>2,059</u>

#### 8. Due from banks

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
Demand deposits in banks	15,696	28,631
Term deposits in banks	64,753	32,628
Loans under reverse repurchase agreements	32,965	24,867
	<u>113,414</u>	<u>86,126</u>
Less allowance for impairment losses	(297)	-
<b>Total due from banks</b>	<u>113,117</u>	<u>86,126</u>

As of 30 June 2017 the Group had loans and advances to two banks totaling RUB 69,961 million, which individually exceeded 10% of the Group's equity. As of 31 December 2016 the Group had loans and advances to two banks totaling RUB 30,744 million which individually exceeded 10% of the Group's equity.

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 30 June 2017 and 31 December 2016 comprise:

	Carrying value of loan	30 June 2017 (unaudited) mRUB Fair value of collateral	Carrying value of loan	31 December 2016 mRUB Fair value of collateral
Bonds of Russian companies	21,675	26,249	13,528	16,683
Bonds of the Russian Federation	4,789	5,209	4,582	5,549
Bonds of the Russian banks	2,281	2,684	3,336	4,038
Shares of Russian companies	4,220	5,862	3,421	5,246
<b>Total loans under reverse repurchase agreements</b>	<u>32,965</u>	<u>40,005</u>	<u>24,867</u>	<u>31,516</u>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

### 9. Derivative financial instruments

Derivative financial instruments comprise:

	Nominal value	30 June 2017 (unaudited) mRUB		Nominal value	31 December 2016 mRUB	
		Fair value assets	Fair value liabilities		Fair value assets	Fair value liabilities
<b>Derivative financial instruments</b>						
<b>Foreign exchange contracts</b>						
Swaps	94,846	1,614	(3,843)	74,541	1,029	(4,164)
Forwards	25,720	1,639	(305)	24,046	2,166	(72)
IRS/CIRS	356,519	27,951	(27,134)	314,988	30,138	(29,652)
Cash flow and NIFE hedge	2,884	40	(168)	2,984	304	-
Fair value hedge	2,450	-	(138)	2,450	95	-
Foreign exchange options	7,506	308	(308)	12	-	-
<b>Total foreign exchange contracts</b>		<b>31,552</b>	<b>(31,896)</b>		<b>33,732</b>	<b>(33,888)</b>
<b>Contracts on precious metals and commodities</b>						
Forwards	2,650	196	(196)	4,783	365	(365)
Swaps	543	2	-	507	12	-
Options	30,648	169	(169)	43,992	984	(984)
<b>Total contracts on precious metals and commodities</b>		<b>367</b>	<b>(365)</b>		<b>1,361</b>	<b>(1,349)</b>
<b>Total</b>		<b>31,919</b>	<b>(32,261)</b>		<b>35,093</b>	<b>(35,237)</b>

#### Cash Flow Hedge and Hedge of Net Investment in Foreign Entity (NIFE)

As of 30 June 2017 and 31 December 2016 the Group's cash flow hedge was related to its exposure to the variability in the anticipated future cash flows on its financial liabilities related to Société Générale Group share-based payment program announced in May 2017 and in April 2016 for the total amount equivalent to 58,362 and 60,185 shares respectively to be paid during 2016-2022 subject to the satisfaction of certain underlying conditions.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

To hedge against the variability in the cash flows on financial liabilities due to the share price risk, as of 30 June 2017 the Group used forward contracts at a fixed price of EUR 44.0984 and EUR 32.9154 per share (as of 31 December 2016 – 32.9154 per share). As such the Group minimizes the effect of changes in market prices for SG shares on its future cash flows.

Another part of the Cash flow hedge is related to the swap (hedging instrument), which enables the Group to protect itself against negative variations in future cash flows on the variable-rate loans to customers due to a fall in interest rates. This part of the Group's cash flow hedge is related to variable-rate loans to customers for the principal as at 31 December 2016 of RUB 393 million.

The Group's hedge of Net Investment in Foreign Entity is related to the variability of the net assets of its subsidiary (Rosbank (Switzerland) SA) nominated in CHF.

#### Fair Value Hedge

The Group's fair value hedge is related to its exposure to the variability in changes of fair value of available-for-sale securities for the nominal amount as of 30 June 2017 and 31 December 2016 of RUB 2,500 million and RUB 2,500 million, respectively.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

### Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial liabilities at fair value through profit and loss in amount RUB 627 million as at 30 June 2017 and RUB 269 million as at 31 December 2016, 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 assets at fair value through profit and loss amounted to RUB 450 million as at 30 June 2017 and in financial liabilities at fair value through profit and loss amounted to RUB 205 million as at 31 December 2016, respectively.

### 10. Loans to customers

	<b>30 June 2017 mRUB (unaudited)</b>	<b>31 December 2016 mRUB</b>
Loans to legal entities	245,082	244,399
Loans to individuals	382,627	380,757
Net investments in finance lease	15,597	13,047
Account receivable from RF Government on financed loans	3,881	3,344
<b>Total loans to customers before impairment</b>	<b>647,187</b>	<b>641,547</b>
Less allowance for impairment losses	(49,691)	(53,737)
<b>Total loans to customers</b>	<b>597,496</b>	<b>587,810</b>

As of 30 June 2017 the Group had loans to one group of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2016 the Group had loans to two groups of customers which individually exceeded 10% of the Group's equity.

As of 30 June 2017 the amount receivable from RF Government on the financed car loan program amounted to RUB 3,855 million (as of 31 December 2016 – to RUB 3,205 million).

As of 30 June 2017 the amount receivable from RF Government on the financed mortgage program amounted to RUB 26 million (as of 31 December 2016 – to RUB 139 million).

As of 30 June 2017 and 31 December 2016 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

### 11. Investments available-for-sale

	<b>30 June 2017 mRUB (unaudited)</b>	<b>31 December 2016 mRUB</b>
Debt securities	6,225	8,033
Equity investments	203	204
<b>Total investments available-for-sale</b>	<b>6,428</b>	<b>8,237</b>

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

		30 June 2017 (unaudited) Amount mRUB		31 December 2016 Amount mRUB
	Nominal interest rate %		Nominal interest rate %	
<b>Debt securities</b>				
Bonds of the Russian Federation	6.5-7.5%	5,833	6.5-7.5%	5,790
Eurobonds of Russian companies	5.13-6.7%	392	3.15-6.7%	2,243
		<u>6,225</u>		<u>8,033</u>

		30 June 2017 (unaudited) Amount mRUB		31 December 2016 Amount mRUB
<b>Equity investments</b>				
Shares of Russian companies		202		203
Shares of international clearing companies		1		1
		<u>203</u>		<u>204</u>

### 12. Investments held to maturity

		30 June 2017 (unaudited) Amount mRUB		31 December 2016 Amount mRUB
	Nominal annual interest rate		Nominal annual interest rate	
Eurobonds of the Russian Federation	3.5-11.0%	40,812	3.5-11.0%	42,741
Bonds of the Russian Federation	7.0-7.6%	23,008	7.0-7.6%	22,966
Eurobonds of Russian companies	3.37-9.13%	7,033	3.37-9.13%	7,205
<b>Total investments held to maturity</b>		<u>70,853</u>		<u>72,912</u>

### 13. Financial liabilities at fair value through profit or loss

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
Derivative financial instruments	32,261	35,237
Short position on securities purchased	2,155	745
<b>Total financial liabilities at fair value through profit or loss</b>	<u>34,416</u>	<u>35,982</u>

Derivative financial instruments are disclosed in Note 9.

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 14. Due to banks and international financial institutions

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
Time deposits	12,103	14,119
Demand accounts	22,140	30,102
Loans under repurchase agreements	1,793	3,772
<b>Total due to banks and international financial institutions</b>	<b>36,036</b>	<b>47,993</b>

The Group is obligated to comply with financial covenants in relation to certain balances deposited by banks and international financial institutions. These covenants include various financial performance ratios. As of 30 June 2017 and 31 December 2016 the Group has not breached any of these covenants.

As at 30 June 2017 and 31 December 2016 included in due to banks and international financial institutions are RUB 17,003 million and RUB 13,610 million (13% and 11% of total balances due to banks and international financial institutions), respectively, that were due to two and three banks, respectively, which represents a significant concentration.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 June 2017 comprise:

	Carrying value of loans mRUB	30 June 2017 (unaudited) Fair value of collateral mRUB	Carrying value of loans mRUB	31 December 2016 Fair value of collateral mRUB
Bonds of the Russian Federation purchased by reverse repurchases agreements	1,793	1,852	3,303	3,440
Bonds of the Russian Federation	-	-	469	470
<b>Total</b>	<b>1,793</b>	<b>1,852</b>	<b>3,772</b>	<b>3,910</b>

#### 15. Customer accounts

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
<b>Corporate</b>		
Time deposits	162,719	165,315
Repayable on demand	146,593	87,171
<b>Total corporate</b>	<b>309,312</b>	<b>252,486</b>
<b>Individuals</b>		
Time deposits	152,149	144,321
Repayable on demand	81,626	65,086
<b>Total individuals</b>	<b>233,775</b>	<b>209,407</b>
<b>Total customer accounts</b>	<b>543,087</b>	<b>461,893</b>

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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 27.

#### 16. Debt securities issued

	Annual coupon rates %	30 June 2017 mRUB (unaudited)	Annual coupon rates %	31 December 2016 mRUB
Bonds of Deltacredit due in 2017-2026	8.00-12.50%	70,767	8.00-12.50%	71,230
Bonds of Rosbank due in 2020-2026	7.50-10.40%	28,180	9.35-11.60%	38,008
Bonds of Rusfinancebank due in 2018-2026	8.75-13.90%	26,348	9.95-13.90%	36,295
Exchange structural bonds of Rosbank due in 2017-2025	9.89-11.52%	10,000	9.31-14.32%	11,450
Discount bearing promissory notes	0.00-8.55%	11,485	0.00-8.37%	1,150
<b>Total debt securities issued</b>		<b>146,780</b>		<b>158,133</b>

During the period January-June 2017 new bonds were issued:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate %
Rusfinance Bank	21.03.2017	23.03.2020	4,000	9.6%

During the period January-June 2017 the following bonds were redeemed:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate %
Rosbank	26.02.2014	26.02.2017	800	9.3%
Rosbank	26.02.2015	26.02.2017	650	14.3%

In February 2017 JSC ROSBANK issued discount promissory notes with maturity in January-February 2020 in amount of RUB 12 738 million.

During the period January-June 2017 the following bonds were bought back in oferta date:

Issuer	Issue date	Oferta date	Maturity date	Volume of buyback, mRUB	Annual coupon rate at oferta date %
Rosbank	30.09.2014	07.04.2017	07.10.2024	9,378	11.6%
Rusfinance Bank	24.07.2013	25.01.2017	18.07.2018	1,015	11.9%
Rusfinance Bank	24.04.2013	26.04.2017	24.04.2018	3,105	13.9%
Rusfinance Bank	30.06.2015	10.01.2017	30.06.2020	1,345	10.0%
Rusfinance Bank	29.09.2015	31.03.2017	29.09.2020	3,800	12.1%
Rusfinance Bank	26.02.2016	01.03.2017	26.02.2021	4,113	11.65%

Changes in the balances for the 6 months ended 30 June 2017 were also due to a partial buyback of the bonds and operations with the bonds issued by its subsidiaries.

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 17. Subordinated debt

	Currency	Interest rate %	30 June 2017 mRUB (unaudited)	Interest rate %	31 December 2016 mRUB
Societe Generale S.A. due in 2020-2023	USD	6.5-9.3%	35,268	6.5-9.3%	36,207
Societe Generale S.A. due in 2017	RUB			8.00-8.5%	3,665
<b>Total subordinated debt</b>			<b>35,268</b>		<b>39,872</b>

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.

In January 2017 the Group redeemed subordinated debt in amount RUB 2,800 million received from Societe Generale S.A.

In May 2017 the Group redeemed subordinated debt in amount RUB 750 million received from Societe Generale S.A.

#### 18. Share capital

As of 30 June 2017 and 31 December 2016 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 30 June 2017 and 31 December 2016 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 30 June 2017 and 31 December 2016 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

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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

	6 months ended 30 June (unaudited) mRUB		3 months ended 30 June (unaudited) mRUB	
	2017	2016	2017	2016
<b>Interest income comprises</b>				
Interest income on financial assets recorded at amortized cost	39,624	43,800	19,843	21,343
Interest income on financial assets recorded at fair value	533	519	322	310
<b>Total interest income</b>	<b>40,157</b>	<b>44,319</b>	<b>20,165</b>	<b>21,653</b>
<b>Interest income on financial assets recorded at amortized cost comprises</b>				
Interest on loans to individuals	25,480	27,363	12,735	13,377
Interest on loans to corporate customers	10,726	12,233	5,257	6,084
Interest on due from banks	1,576	1,931	939	764
Interest on investments held to maturity	1,842	2,273	912	1,118
<b>Total interest income on financial assets recorded at amortized cost</b>	<b>39,624</b>	<b>43,800</b>	<b>19,843</b>	<b>21,343</b>
<b>Interest income on financial assets recorded at fair value comprises</b>				
Interest income on investments available-for-sale	238	230	118	119
Interest income on financial assets at fair value through profit and loss	295	289	204	191
<b>Total interest income on financial assets recorded at fair value</b>	<b>533</b>	<b>519</b>	<b>322</b>	<b>310</b>
<b>Interest expense comprises</b>				
Interest on financial liabilities recorded at amortized cost	21,773	24,956	11,019	12,390
<b>Total interest expense</b>	<b>21,773</b>	<b>24,956</b>	<b>11,019</b>	<b>12,390</b>
<b>Interest expense on financial liabilities recorded at amortized cost comprise</b>				
Interest on corporate customer accounts	6,595	8,037	3,584	4,077
Interest on debt securities issued	7,531	7,235	3,600	3,609
Interest on deposits from individuals	5,091	5,395	2,664	2,699
Interest on deposits from banks	1,176	1,804	486	912
Interest on subordinated debt	1,373	2,135	681	1,001
Interest on deposits of the Central Bank of the Russian Federation	7	350	4	92
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<b>21,773</b>	<b>24,956</b>	<b>11,019</b>	<b>12,390</b>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>18,384</b>	<b>19,363</b>	<b>9,146</b>	<b>9,263</b>



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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 20. Allowance for impairment losses and other provisions

For 6 months ended 30 June 2017 and 2016 the amount of provision for impairment losses on interest bearing assets in the interim condensed consolidated statement of profit or loss comprises:

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
Net allocations	2,062	6,547	1,235	2,626
Recoveries of loans written off	(77)	(46)	(77)	(46)
Write offs not covered by provisions	21	1,246	(2)	494
<b>Provision for impairment losses on interest bearing assets</b>	<b>2,006</b>	<b>7,747</b>	<b>1,156</b>	<b>3,074</b>

Write-offs not covered by provision in the amount of RUB 21 million and RUB 1,246 million for 6 months ended 30 June 2017 and 2016, respectively, represent losses incurred by the Group from refinancing of US dollar denominated mortgage loans to individuals 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 provision for impairment losses on interest bearing assets 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 mRUB	Loans to customers mRUB	Total mRUB
<b>31 December 2015</b>	-	<b>63,488</b>	<b>63,488</b>
Net allocations	-	6,547	6,547
Forex effect on provision revaluation	-	(1,193)	(1,193)
Sales and write-offs of loans	-	(11,390)	(11,390)
<b>30 June 2016 (unaudited)</b>	<b>-</b>	<b>57,452</b>	<b>57,452</b>
<b>31 December 2016</b>	-	<b>53,737</b>	<b>53,737</b>
Net allocations	297	1,765	2,062
Forex effect on provision revaluation	-	(195)	(195)
Sales and write-offs of loans	-	(5,616)	(5,616)
<b>30 June 2017 (unaudited)</b>	<b>297</b>	<b>49,691</b>	<b>49,988</b>

For 6 months ended 30 June 2017 and 2016 and for 3 months ended 30 June 2017 and 2016 the amount of other provision comprises:

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
Net allocations	(101)	1,011	(478)	947
Recoveries of debtors receivables written off	(92)	-	(30)	-
Write offs not covered by provisions	21	55	(1)	55
<b>Other provisions</b>	<b>(172)</b>	<b>1,066</b>	<b>(509)</b>	<b>1,002</b>

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

The movements in other provisions were as follows:

	Other assets mRUB	Provisions for financial guarantees issued, claims and other commitments mRUB	Total mRUB
<b>31 December 2015</b>	<b>2,088</b>	<b>1,315</b>	<b>3,403</b>
Provision	92	919	1,011
Write-offs	(135)	(16)	(151)
Forex effect on provision revaluation	-	(43)	(43)
<b>30 June 2016 (unaudited)</b>	<b>2,045</b>	<b>2,175</b>	<b>4,220</b>
<b>31 December 2016</b>	<b>1,922</b>	<b>1,545</b>	<b>3,467</b>
Provision	184	(285)	(101)
Write-offs	(922)	(68)	(990)
Forex effect on provision revaluation	-	-	-
<b>30 June 2017 (unaudited)</b>	<b>1,184</b>	<b>1,192</b>	<b>2,376</b>

The information about other provision of the Group disclosed in Note 27.

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

### 21. 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:

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
<b>Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise</b>				
Realized gain/(loss) on trading operations	(28)	146	12	43
Unrealized revaluation of securities at fair value through profit or loss	28	25	11	(12)
Net gain/(loss) on operations with derivative financial instruments, except forex swaps and forwards	(869)	(381)	(517)	(178)
<b>Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards</b>	<b>(869)</b>	<b>(210)</b>	<b>(494)</b>	<b>(147)</b>

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 22. Net gain/(loss) on foreign exchange operations

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
Net gain/(loss) on foreign exchange operations	1,563	1,339	870	650
Exchange differences	(80)	15	128	143
Effect of foreign currency swap instruments	649	(658)	503	(233)
<b>Total net gain/(loss) on foreign exchange operations</b>	<b>2,132</b>	<b>696</b>	<b>1,501</b>	<b>560</b>

During 6 months ended 2017 and 2016, the Bank used foreign currency swaps to manage its liquidity between currencies.

#### 23. Fee and commission income and expense

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
<b>Fee and commission income</b>				
Plastic cards operations	1,615	1,501	848	741
Agency operations	1,448	1,029	812	602
Settlements	973	1,199	511	566
Cash operations	523	398	271	195
Documentary operations	478	521	252	256
Other operations	646	618	350	329
<b>Total fee and commission income</b>	<b>5,683</b>	<b>5,266</b>	<b>3,044</b>	<b>2,689</b>
<b>Fee and commission expense</b>				
Plastic cards operations	763	619	400	244
Cash operations	309	275	173	88
Settlements	147	194	70	120
Documentary operations	31	87	15	40
Other operations	234	164	113	100
<b>Total fee and commission expense</b>	<b>1,484</b>	<b>1,339</b>	<b>771</b>	<b>592</b>

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 24. Operating expenses

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
Salary and bonuses	8,333	7,907	4,253	4,004
Unified social tax contribution	2,023	1,900	908	962
Operating lease expense	1,248	1,275	626	598
Repairs and maintenance expense	1,153	1,038	554	476
Depreciation charge on property and equipment	1,000	1,215	522	594
Professional services	802	467	461	277
Deposit insurance charge	512	389	266	194
Communications	385	386	195	197
Advertising and marketing expenses	384	336	189	165
Security	151	171	86	83
Transportation expenses	80	132	54	71
Other	1,288	1,305	587	553
<b>Total operating expenses</b>	<b>17,359</b>	<b>16,521</b>	<b>8,701</b>	<b>8,174</b>

#### 25. 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 30 June 2017 and 31 December 2016 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 30 June 2017.

Income tax (credit)/expense for 6 and for 3 months ended 30 June 2017 and 2016 comprise:

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
Current tax charge	1,052	373	142	234
Deferred tax (credit)/charge – origination and reversal of temporary differences and tax loss carried forward	562	227	927	(124)
Less: deferred tax recognized directly in other comprehensive income	(59)	(588)	(32)	(51)
<b>Income tax (credit)/expense</b>	<b>1,555</b>	<b>12</b>	<b>1,037</b>	<b>59</b>

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

#### 26. Earnings per share attributable to equity holders of the parent

	6 months ended 30 June mRUB (unaudited)		3 months ended 30 June mRUB (unaudited)	
	2017	2016	2017	2016
<b>Profit/(loss)</b>				
Net profit/(loss) attributable to equity holders of the parent for the period (mRUB)	3,860	(462)	2,509	105
<b>Weighted average number of ordinary shares</b>				
For basic and diluted earnings per share	<u>1,551,401,853</u>	<u>1,551,401,853</u>	<u>1,551,401,853</u>	<u>1,551,401,853</u>
<b>Earnings per share – basic and diluted (RUB)</b>	<u><b>2.49</b></u>	<u><b>(0.30)</b></u>	<u><b>1.62</b></u>	<u><b>0.07</b></u>

#### 27. 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.

	30 June 2017 mRUB (unaudited)	31 December 2016 mRUB
Litigations and other provisions	285	387
Provision for losses on letters of credit and guarantees	<u>907</u>	<u>1,158</u>
<b>Total other provisions</b>	<u><b>1,192</b></u>	<u><b>1,545</b></u>

As of 30 June 2017 and 31 December 2016, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 67 million and RUB 82 million, respectively and guarantees issued covered by cash amounted to RUB 1,122 million and RUB 86 million, respectively.

As of 30 June 2017 and 31 December 2016, the nominal or contract amounts were:

	30 June 2017 (unaudited) Nominal amount mRUB	31 December 2016 Nominal amount mRUB
<b>Contingent liabilities and credit commitments</b>		
Guarantees issued and similar commitments	105,884	97,847
Letters of credit and other transaction related contingent obligations	9,375	9,542
Commitments on loans and unused credit lines	<u>78,586</u>	<u>98,534</u>
<b>Total contingent liabilities and credit commitments</b>	<u><b>193,845</b></u>	<u><b>205,923</b></u>

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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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 30 June 2017 and 31 December 2016 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 643 million and RUB 193 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:

	<b>30 June 2017 mRUB (unaudited)</b>	<b>31 December 2016 mRUB</b>
Not later than 1 year	2,140	2,153
Later than 1 year and not later than 5 years	3,300	3,232
Later than 5 years	<u>2,478</u>	<u>2,517</u>
<b>Total operating lease commitments</b>	<b><u>7,918</u></b>	<b><u>7,902</u></b>

### 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 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 apply retroactively and occur 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 the Russian tax authorities are taking a 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. Special transfer pricing rules apply to transactions with securities and derivatives.

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 level of prices applied by the Group under the "controlled" transactions and accrue additional tax liabilities unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation. The impact of the potential challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated. However, taking into account that loans represent one of the major parts of transactions between the companies of the Group, the Management believes that the existing safe harbor rules on interest income and expenses significantly reduce the impact of the potential challenge of the Group's transfer pricing positions on loans.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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Starting from 1 January 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 this law as a whole is associated with an increase in the administrative and, in some cases, tax burden on Russian taxpayers engaged in transactions with foreign companies. 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. In the opinion of the Management, the Group's application of the above new rules does not have a significant effect on the Group's tax liabilities.

Since January 1, 2017 the provisions of the Russian Tax Code regulating tax agent function execution has been tightened. The Group has to perform additional steps to ensure that the foreign company which receives income from the Group has a factual right to such income.

Also starting from 1 January 2017 "losses carried forward" tax rule has been amended. In particular, the Group 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.

The introduction of these laws, as well as the interpretation of certain provisions of the Russian tax legislation in combination with the latest trends in law enforcement indicate the potential 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 cannot 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 preceding 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 at 30 June 2017 the provisions of the tax laws applicable to the Group were interpreted appropriately.

#### **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 showed limited signs of recovery over the course of 2016 and 2017. 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. In June 2017, bill on a new set of sanctions was passed by the US Senate, currently under consideration by the US House of Representatives. Ratings of Russia's sovereign debt from Moody's and S&P agencies remain at a below investment-grade level following a series of downgrades over 2014-2015. 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, including areas where the Russian forces are involved (such as Syria). 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.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

### 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.

### 28. 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:

	30 June 2017 mRUB (unaudited)		31 December 2016 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Financial assets at fair value through profit or loss				
- shareholders	15,340	35,466	16,914	37,152
- related parties under common control with the Group	15,276		16,914	
	64		-	
Due from banks	49,766	113,117	20,565	86,126
- shareholders	45,868		17,686	
- related parties under common control with the Group	3,898		2,879	
Loans to customers, gross	1,198	647,187	1,913	641,547
- key management personnel of the Group	9		11	
- related parties under common control with the Group	1,189		1,902	
Investments available-for-sale	79	6,428	79	8,237
- related parties under common control with the Group	79		79	
Other assets	57	11,586	46	15,153
- shareholders	13		13	
- related parties under common control with the Group	44		33	
Financial liabilities at fair value through profit or loss	19,897	34,416	21,022	35,982
- shareholders	19,873		21,022	
- related parties under common control with the Group	24		-	
Due to banks and international financial institutions	3,339	36,036	8,580	47,993
- shareholders	2,736		6,591	
- related parties under common control with the Group	603		1,989	
Customer accounts	3,943	543,087	3,741	461,893
- key management personnel of the Group	434		284	
- related parties under common control with the Group	3,509		3,457	
Debt securities issued	124	146,780	132	158,133
- related parties under common control with the Group	124		132	
Other liabilities	473	10,604	378	9,749
- shareholders	457		378	
- related parties under common control with the Group	16		-	
Subordinated debt	35,268	35,268	39,872	39,872
- shareholders	35,268		39,872	
Guarantees issued and similar commitments	4,332	105,884	1,301	97,847
- shareholders	2,855		1,297	
- related parties under common control with the Group	1,477		4	
Commitments on loans and unused credit lines	10,935	78,586	13,507	98,534
- shareholders	4,812		3,976	
- key management personnel of the Group	9		9	
- related parties under common control with the Group	6,114		9,522	
Guarantees received	14,446	225,547	17,720	242,804
- shareholders	13,985		17,249	
- related parties under common control with the Group	461		471	



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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

Included in the interim condensed consolidated statements of profit or loss for the 6 months ended 30 June 2017 and 2016 are the following amounts which arose due to transactions with related parties:

	6 months ended 30 June 2017		6 months ended 30 June 2016	
	Related party transactions	mRUB (unaudited) Total category as per financial statements caption	Related party transactions	mRUB (unaudited) Total category as per financial statements caption
Interest income	240	40,157	189	44,319
- shareholders	189		141	
- key management personnel of the Group	1		2	
- related parties controlled by, or under common control with the Group	50		46	
Interest expense	(1,661)	(21,773)	(2,582)	(24,956)
- shareholders	(1,575)		(2,242)	
- key management personnel of the Group	(8)		(8)	
- related parties under common control with the Group	(78)		(332)	
Provision for impairment losses on interest bearing assets	-	(2,006)	51	(7,747)
- related parties under common control with the Group	-		51	
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	117	(869)	(1,728)	(210)
- shareholders	(166)		(1,728)	
- related parties under common control with the Group	283			
Net gain/(loss) on foreign exchange operations and on precious metals operations	(341)	2,146	(1,099)	770
- shareholders	(349)		(1,086)	
- related parties under common control with the Group	8		(13)	
Fee and commission income	1,048	5,683	814	5,266
- shareholders	83		228	
- related parties under common control with the Group	965		586	
Fee and commission expense	(34)	(1,484)	(89)	(1,339)
- shareholders	(32)		(87)	
- related parties under common control with the Group	(2)		(2)	
Operating expense (other than compensation)	(187)	(7,003)	(304)	(6,714)
- shareholders	(168)		(296)	
- related parties under common control with the Group	(19)		(8)	
Dividend income	328	328	347	347
- related parties under common control with the Group	328		347	
Other income	16	503	23	589
- shareholders	11		7	
- related parties under common control with the Group	5		16	

For the 6 months ended 30 June 2017 and 2016 total remuneration of the key management amounted to RUB 473 million and RUB 563 million, respectively.

### 29. 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.

## ROSBANK GROUP

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

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:

	30 June 2017 (unaudited)		31 December 2016	
	Carrying value mRUB	Fair value mRUB	Carrying value mRUB	Fair value mRUB
Cash and balances with the Central Bank of the Russian Federation	77,098	77,098	48,499	48,499
Financial assets at fair value through profit or loss				
- <i>Derivative financial instruments</i>	31,919	31,919	35,093	35,093
- <i>Debt securities</i>	3,547	3,547	2,059	2,059
Due from banks	113,117	113,443	86,126	86,225
Loans to customers	597,496	610,429	587,810	591,567
Investments available-for-sale	6,428	6,428	8,237	8,237
Investments held to maturity	70,853	74,186	72,912	75,988
Other financial assets	2,363	2,363	3,414	3,414
Financial liabilities at fair value through profit or loss	34,416	34,416	35,982	35,982
Due to the Central Bank of the Russian Federation	266	266	190	190
Due to banks and international financial institutions	36,036	37,247	47,993	49,540
Customer accounts	543,087	545,634	461,893	462,073
Debt securities issued	146,780	149,266	158,133	161,712
Other financial liabilities	7,828	7,828	7,239	7,239
Subordinated debt	35,268	35,654	39,872	39,383

#### 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 30 June 2017 and 31 December 2016, 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).

# ROSBANK GROUP

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2017

Balance sheet Category	30 June 2017 mRUB (unaudited)			31 December 2016 mRUB		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss						
- <i>Derivative financial instruments</i>	-	31,919	-	-	35,093	-
- <i>Debt securities</i>	3,547	-	-	2,059	-	-
Investments available-for-sale	6,225	203	-	8,033	204	-
Financial liabilities at fair value through profit or loss	2,155	32,261	-	745	35,237	-

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.

### 30. 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:

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- 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	6 months ended 30 June 2017 (unaudited)
Net interest margin	12,626	3,838	171	1,749	18,384
Provisions for impairment losses on interest bearing assets	(1,854)	(152)	-	-	(2,006)
Net gain/(loss) on financial transactions	68	5	1,127	77	1,277
Net fee and commission income	3,176	913	242	(132)	4,199
Other provisions	57	106	(3)	12	172
Dividend income	139	189	-	-	328
Other income	125	-	24	354	503
Expense)/income from other segments	869	1,183	8	(2,060)	-
<b>Total operating income</b>	<b>15,206</b>	<b>6,082</b>	<b>1,569</b>	<b>-</b>	<b>22,857</b>
Operating expenses (Expense)/income from other segments	(13,778)	(2,067)	(1,006)	(508)	(17,359)
Other non-operating income/(expense)	(19)	(58)	(6)	-	(83)
<b>Profit before income tax</b>	<b>1,069</b>	<b>3,839</b>	<b>507</b>	<b>-</b>	<b>5,415</b>
Income tax expense	(348)	(1,093)	(114)	-	(1,555)
<b>Net profit/(loss) for the period</b>	<b>721</b>	<b>2,746</b>	<b>393</b>	<b>-</b>	<b>3,860</b>
Segment assets as at 30 June 2017 (unaudited)	431,217	356,235	136,228	13,567	937,247
Segment liabilities as at 30 June 2017 (unaudited)	374,848	380,191	43,738	10,804	809,581

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Segment information for 6 months ended 30 June 2016 is presented below:

	Retail banking	Corporate banking	Treasury and financial institutions	Unallocated	6 months ended 30 June 2016 (unaudited)
Net interest margin	13,786	4,276	924	377	19,363
Provisions for impairment losses on interest bearing assets	(8,310)	563	-	-	(7,747)
Net gain/(loss) on financial transactions	(1)	-	751	(190)	560
Net fee and commission income	2,744	1,046	193	(56)	3,927
Other provisions	(47)	(1,217)	(4)	202	(1,066)
Dividend income	161	129	57	-	347
Other income	129	29	25	406	589
Intersegment allocation operating income	444	412	(117)	(739)	-
<b>Total operating income</b>	<b>8,906</b>	<b>5,238</b>	<b>1,829</b>	<b>-</b>	<b>15,973</b>
Operating expenses	(14,297)	(1,999)	(951)	726	(16,521)
Intersegment allocation operating expenses	378	278	70	(726)	-
Other non-operating income	98	-	-	-	98
<b>Profit/(loss) before income tax</b>	<b>(4,915)</b>	<b>3,517</b>	<b>948</b>	<b>-</b>	<b>(450)</b>
Income tax credit/(expense)	(6)	(4)	(2)	-	(12)
<b>Net profit/(loss)</b>	<b>(4,921)</b>	<b>3,513</b>	<b>946</b>	<b>-</b>	<b>(462)</b>
Segment assets as at 31 December 2016	419,060	313,323	132,375	15,948	880,706
Segment liabilities as at 31 December 2016	372,295	308,278	65,986	10,589	757,148

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.