

BANK VOZROZHDENIE

Interim Consolidated Condensed
Financial Information
for the three-month period ended
31 March 2017
(unaudited)

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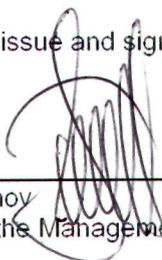
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Vozrozhdenie Bank
Interim Consolidated Condensed Statement of Financial Position as at 31 March 2017

<i>(in millions of Russian roubles)</i>	Note	31 March 2017 (unaudited)	31 December 2016
ASSETS			
Cash and cash equivalents	3	17 360	26 697
Mandatory cash balances with the Bank of Russia		1 621	1 583
Trading securities	4	500	1 669
Due from other banks	5	847	3 652
Loans and advances to customers	6	181 312	175 078
Investment securities available for sale	7	18 984	16 793
Other financial assets	8	957	1 450
Investment property	9	4 055	3 825
Other assets	10	781	665
Non-current assets held for sale	10	1 187	1 152
Premises, equipment and intangible assets	11	5 106	5 193
Deferred income tax asset		1 006	1 136
TOTAL ASSETS		233 716	238 893
LIABILITIES			
Due to other banks	12	4 338	4 150
Customer accounts	13	195 284	200 946
Debt securities in issue	14	4 863	5 001
Other financial liabilities	16	458	577
Other liabilities		913	850
Subordinated loans	15	3 565	3 608
TOTAL LIABILITIES		209 421	215 132
EQUITY			
Share capital		250	250
Share premium		7 306	7 306
Retained earnings		14 655	14 118
Revaluation reserve for investment securities available for sale		147	150
Revaluation reserve for premises and equipment		1 937	1 937
TOTAL EQUITY		24 295	23 761
TOTAL LIABILITIES AND EQUITY		233 716	238 893

Approved for issue and signed on 26 May 2017.

K. V. Basmanov
 Chairman of the Management Board




D. S. Ivliev
 Deputy of Chief Accountant



Vozrozhdenie Bank
Interim Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2017

<i>(in millions of Russian roubles)</i>	Note	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Interest income	17	6 086	6 028
Interest expense	17	(3 233)	(3 796)
Net interest income		2 853	2 232
Provision for loan impairment	6	(1 093)	(910)
Net interest income after provision for loan impairment		1 760	1 322
Fee and commission income	18	1 184	1 163
Fee and commission expense	18	(181)	(195)
Gains less losses / (losses less gains) from trading securities		21	(22)
Gains less losses / (losses less gains) from trading in foreign currencies		48	(1 163)
Gains less losses from foreign exchange translation		61	1 212
Gains less losses from disposals of investment securities available for sale		3	17
Other operating (expenses) / income		(106)	49
Administrative and general expenses	19	(1 991)	(2 226)
Losses on initial recognition of assets at rates below market		-	(516)
Provision for non-credit related commitments		(4)	(2)
Provision for impairment of other assets	10	(2)	8
Fair valuation of investment properties	9	(115)	27
Profit / (loss) before tax		678	(326)
Income tax		(141)	57
PROFIT/(LOSS) FOR THE YEAR		537	(269)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available for sale investments:			
- Change in revaluation reserve		(4)	(16)
- Income tax related to revaluation of investments available for sale		1	(1)
Other comprehensive loss for the year		(3)	(17)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		534	(286)
Basic and diluted earnings / (loss) per ordinary share (expressed in RR per share)			
Ordinary shares		21	(11)

Vozrozhdenie Bank
Interim Consolidated Condensed Statement of Changes in Equity for the three-month period
ended 31 March 2017

	Share capital	Share premium	Revaluation reserve for AFS securities	Revaluation reserve for premises	Retained earnings	Total
<i>In millions of Russian roubles</i>						
Balance at 31 December 2016	250	7 306	150	1 937	14 118	23 761
Profit for three-month period ended 31 March 2017	-	-	-	-	537	537
Other comprehensive loss for three-month period ended 31 March 2017	-	-	(3)	-	-	(3)
Total comprehensive (loss) / income	-	-	(3)	-	537	534
Balance at 31 March 2017	250	7 306	147	1 937	14 655	24 295

	Share capital	Share premium	Revaluation reserve for AFS securities	Revaluation reserve for premises	Retained earnings	Total
<i>In millions of Russian roubles</i>						
Balance at 31 December 2015	250	7 306	766	1 886	12 003	22 211
Profit for three-month period ended 31 March 2016	-	-	-	-	(269)	(269)
Other comprehensive for three-month period ended 31 March 2016	-	-	(17)	-	-	(17)
Total comprehensive loss	-	-	(17)	-	(269)	(286)
Balance at 31 March 2016	250	7 306	749	1 886	11 734	21 925

Vozrozhdenie Bank
Interim Consolidated Condensed Statement of Cash Flows for the three-month period ended
31 March 2017

	Note	Tree-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
<i>(in millions of Russian roubles)</i>			
Cash flows from operating activities			
Interest received		6 048	5 798
Interest paid		(3 022)	(4 159)
Fees and commissions received		1 180	1 152
Fees and commissions paid		(181)	(195)
Net income received from trading in trading securities		10	-
Net income received/(losses paid) from trading in foreign currencies		48	(1 162)
Other operating (losses paid)/income received		(126)	3
Staff costs paid		(1 146)	(1 400)
Administrative and general expenses paid		(589)	(677)
Income tax (paid)/recovered		(15)	252
Cash flows from operating/(used in) activities before changes in operating assets and liabilities		2 207	(388)
Net (increase)/decrease in operating assets			
Mandatory cash balances with the Bank of Russia		(38)	(87)
Trading securities		1 154	1 393
Due from other banks		2 734	2 324
Loans and advances to customers		(8 186)	(7 906)
Other financial assets		460	(81)
Other assets		(112)	170
Net increase/(decrease) in operating liabilities			
Due to other banks		218	(5 686)
Customer accounts		(4 140)	7 430
Promissory notes and deposit certificates		140	(351)
Other financial liabilities		(116)	(260)
Other liabilities		(59)	56
Net cash used in operating activities		(5 738)	(3 386)
Cash flows from investing activities			
Acquisition of investment securities available for sale		(5 116)	(1 935)
Proceeds from disposal of investment securities available for sale		2 201	2 052
Acquisition of premises, equipment and intangible assets	11	(41)	(167)
Proceeds from disposal of premises and equipment		1	29
Proceeds from disposal of non-current assets held for sale		22	156
Proceeds from disposal of investment properties		139	32
Dividend income received		-	2
Net cash (used in)/from investing activities		(2 794)	169
Cash flows from financing activities			
Redemption of issued mortgage backed bonds		(272)	(498)
Net cash used in financing activities		(272)	(498)
Effect of exchange rate changes on cash and cash equivalents		(533)	(5)
Net decrease in cash and cash equivalents		(9 337)	(3 720)
Cash and cash equivalents at the beginning of the year	3	26 697	31 263
Cash and cash equivalents at the end of the period	3	17 360	27 543

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***1 Introduction**

These interim consolidated financial information have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the three-month period ended 31 March 2017 for Bank Vozrozhdenie (the “Bank”), its subsidiaries and its securitisation structured entities, ZAO IAV 3 and OOO IAV 4 (together referred to as the “Group”).

The Bank was incorporated and operates in the Russian Federation. The Bank is a public joint-stock company.

Principal activity. The Bank’s principal business activity is banking and other operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Bank of Russia since 1991. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand (before 29 December 2014: RR 700 thousand) per individual if a licence is withdrawn from a bank or the Bank of Russia has imposed moratorium on payments.

The Bank has 16 (2016: 31) branches in the Russian Federation. Currently the Bank is in the process of reorganising its branch network.

Information about the Bank’s structural subdivisions is provided below:

	31 March 2017	31 December 2016
Branches	16	31
Additional offices	99	86
Operational cash desks and offices	4	4

The Bank’s Head Office is located at the following address: 7/4 Luchnikov Pereulok, Bldg 1, Moscow 101000, Russian Federation.

As at 31 March 2017 and 31 December 2016, the Bank’s parent company is Promsvyaz Capital B.V. (the Netherlands) holding 52.73% of ordinary shares. The owners of Promsvyaz Capital B.V. (the Netherlands) are Antracite Investment Limited (UK) and Urgula Platinum Limited (UK), each holding a 50% interest. Antracite Investment Limited (UK) is owned by Mr A.N. Ananyev. Urgula Platinum Limited (UK) is owned by Mr D.N. Ananyev. Mr A.N. Ananyev and Mr D.N. Ananyev exercise joint control over the Group.

At 31 March 2017 and 31 December 2016 the Bank’s shareholders are:

	Percentage of the total number of ordinary shares, %	
	31 March 2017	31 December 2016
OOO VectorInvest (Limited Liability Company)	10.53	10.53
Victor Alexandrovich Pichugov	-	10.00
MOSCOW CREDIT BANK (Open Joint Stock Company)	9.07	9.07
Nikolai Dmitrievich Orlov	6.98	6.98
PJSC “Bank Saint Petersburg”	5.80	-
VTB BANK (AUSTRIA) AG	5.22	-
Other shareholders holding less than 5%	9.67	10.69

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***1 Introduction (Continued)**

The Bank is a head credit institution of the banking group (the Group) which includes the following members:

Name of the member	Location	Interest held rounded to the nearest whole number, %	
		31 March 2017	31 December 2016
ZAO IAV 3	Moscow	-	-
OOO IAV 4	Moscow	-	-
OOO Vozrozhdenie-Finance	Moscow	100	100
ZAO V-REGISTER	Moscow	100	100
OAO YUNOST	Moscow Region	55	55
OOO Baltic Resort	Kaliningrad Region	51	51

ZAO ZAO IAV 3, OOO IAV 4 are structured entities engaged in securitisation of the Bank's mortgage loans. The Bank does not hold any shares (units) in these entities.

The core asset of OOO Vozrozhdenie-Finance is a mineral water bottling plant in the Stavropol Region, which the Bank provided as an asset contribution to the Company's charter capital. The Bank is looking for an investor for the disposal of the asset.

The core activity of ZAO V-REGISTER is financial leasing.

OAO YUNOST is a recreation centre engaged in therapeutic and resort activity in Schelkovsky District, Moscow Region.

OOO Baltic Resort is engaged in construction of a recreation tourist area in Kaliningrad Region and since 2015 year is in stage of bankruptcy.

Presentation currency. This interim consolidated condensed financial information is presented in millions of Russian Roubles ("RR millions").

Foreign currency translation. The Group's functional and presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

The following official exchange rates were used to translate balances of foreign currency-denominated accounts:

	31 March 2017	31 December 2016	31 March 2016
RR/USD 1	56.3779	60.6569	67.6076
RR/EUR 1	60.5950	63.8111	76.5386

2 Significant Accounting Policies, Critical Accounting Estimates, and Judgements

Basis of preparation This interim consolidated condensed financial information of the Group have been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This interim consolidated condensed financial information does not contain all notes required for disclosure in the full set of financial statements.

Significant Accounting Policies

Accounting policies used in the preparation of this interim consolidated condensed financial information is consistent with the accounting policies and methods applied and described in the Group's annual consolidated financial statements for the year ended 31 December 2016.

Use of estimates and judgements

The preparation of interim consolidated condensed financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and judgments applied by the Group in this interim consolidated condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

Judgements that have the most significant effect on the amounts recognised in these consolidated financial statements include:

- Loan impairment estimates – Refer to Note 6;
- Investment securities available for sale – Refer to Note 7;
- Investment property revaluation estimates – Refer to Note 9;
- Real estate revaluation estimates – Refer to Note 11;
- Deferred tax asset – Refer to Note 23.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***3 Cash and Cash Equivalents**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Cash on hand	6 156	9 126
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	6 345	6 841
Correspondent accounts and placements with banks and other financial institutions with the initial maturity of less than one month		
Russian Federation	2 305	7 215
other countries	2 554	3 515
Total cash and cash equivalents	17 360	26 697

Transactions that did not require the use of cash and cash equivalents and were excluded from the consolidated statement of cash flows are as follows:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Non-cash operating activities		
Other assets acquired by the Group in settlements of overdue loans and advances to customers	470	1 762
Repayment of loans and advances to customers by non-cash assets	(470)	(1 762)
Non-cash operating activities	-	-

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 21.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***4 Trading Securities**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Corporate bonds	437	446
Corporate Eurobonds	63	360
Russian Federation Eurobonds	-	863
Total trading securities	500	1 669

Analysis by credit quality of debt trading securities is as follows at 31 March 2017:

<i>(in millions of Russian roubles)</i>	Corporate bonds	Corporate Eurobonds	Total
<i>Neither past due nor impaired (at fair value)</i>			
- BBB- to BBB+ rated	437	-	437
- BB- to BB+ rated	-	63	63
Total trading securities	437	63	500

Analysis by credit quality of debt trading securities is as follows at 31 December 2016:

<i>(in millions of Russian roubles)</i>	Corporate bonds	Corporate Eurobonds	Russian Federation Eurobonds	Total
<i>Neither past due nor impaired (at fair value)</i>				
- BB- to BB+ rated	446	-	-	446
- BB- to BB+ rated	-	360	863	1 223
Total trading securities	446	360	863	1 669

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Group does not analyse or monitor impairment indicators. The debt securities are not collateralised.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

Trading securities are used by the Group basically for managing liquidity risk.

Geographical, currency, interest rate and maturity analyses of trading securities are disclosed in Note 21.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***5 Due from Other Banks**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Insurance deposits with non-resident banks	663	713
Short-term placements with other banks	184	2 939
Total due from other banks	847	3 652

Analysis by credit quality of amounts due from other banks outstanding at 31 March 2017 is as follows:

<i>(in millions of Russian roubles)</i>	Insurance deposits with non-resident banks	Short-term placements in other banks	Total
<i>Neither past due nor impaired</i>			
- AA- to AA+ rated	113	-	113
- BBB- to BBB+ rated	550	13	563
- BB- to BB+ rated	-	95	95
- unrated	-	76	76
Total due from other banks	663	184	847

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2016 is as follows:

<i>(in millions of Russian roubles)</i>	Insurance deposits with non-resident banks	Short-term placements in other banks	Total
<i>Neither past due nor impaired</i>			
- AA- to AA+ rated	121	-	121
- BBB- to BBB+ rated	592	14	606
- B- to B+ rated	-	1 860	1 860
- C- to C+ rated	-	965	965
- unrated	-	100	100
Total due from other banks	713	2 939	3 652

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 21.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Loans to corporate customers	96 324	94 515
Loans to small and medium entities	34 701	31 685
Mortgage loans	46 970	45 493
Other loans to individuals	18 324	18 416
including:		
consumer loans	16 427	16 509
car loans	72	92
bank card loans	1 825	1 815
Total loans and advances to customers before provision for loan impairment	196 319	190 109
Less provision for loan impairment	(15 007)	(15 031)
Total loans and advances to customers less impairment provision	181 312	175 078

Segmentation of loans to legal entities depends on the revenue of the client / group of related borrowers, loans to corporate clients (with revenues exceeding RR 4 500 million) and loans to medium and small entities (with revenues RR 4 500 million and less). Loans to state and municipal institutions are categorised as loans to corporate clients, irrespectively to their revenues. As decided by the management of the Group, when issued, a loan may be allocated to one of the categories irrespectively to revenues.

Retail loans are divided into categories by product: mortgage loans and other loans to individuals including consumer loans, car loans and bank card loans.

At 31 March 2017, mortgage loans include loans securitised in 2014-2015 amounting to RR 3 965 million (less impairment provision), at 31 December 2016 – amounting to RR 4 252 million (less impairment provision). Management of the Group determined that the Group had not transferred main risks with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition. Refer to Notes 14.

The Group classifies loans with principal and/or interest overdue more than 90 days into the non-performing loans category.

The non-performing loans at 31 March 2017 are as follows:

<i>(in millions of Russian roubles)</i>	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision-to- loan ratio before provision
Loans to corporate customers	6 585	(2 910)	3 675	44.2%
Loans to small and medium entities	3 969	(3 599)	370	90.7%
Mortgage loans	605	(324)	281	53.6%
Other loans to individuals	1 173	(1 161)	12	99.0%
Total non-performing loans	12 332	(7 994)	4 338	64.8%

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers (continued)**

The non-performing loans at 31 December 2016 are as follows:

<i>(in millions of Russian roubles)</i>	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision-to-loan ratio before provision
Loans to corporate customers	8 930	(3 852)	5 078	43.1%
Loans to small and medium entities	4 168	(3 785)	383	90.8%
Mortgage loans	609	(320)	289	52.5%
Other loans to individuals	1 075	(1 063)	12	98.9%
Total non-performing loans	14 782	(9 020)	5 762	61.0%

Movements in the provision for loan impairment during the three-month period ended 31 March 2017 are as follows:

<i>(in millions of Russian roubles)</i>	Loans to legal entities	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at 1 January 2017	13 343	397	1 291	15 031
Provision for impairment during the reporting period	1 021	34	122	1 177
Loans and advances to customers written off during the reporting period	(131)	-	(1)	(132)
Recovery of provision resulting from disposal of loans	(1 069)	-	-	(1 068)
Provision for loan impairment at 31 March 2017	13 164	431	1 412	15 007

The provision for loan impairment during the three-month period ended 31 March 2017 differs from the amount presented in profit or loss for the year due recovery of provision for loans previously written off as uncollectible amounting to RR 84 million. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

Movements in the provision for loan impairment during the three-month period ended 31 March 2016 are as follows:

<i>(in millions of Russian roubles)</i>	Loans to legal entities	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at 1 January 2016	14 418	537	970	15 925
Provision for impairment during the reporting period	748	72	150	970
Loans and advances to customers written off during the reporting period	(84)	-	(1)	(85)
Recovery of provision resulting from disposal of loans	(1 158)	-	-	(1 158)
Provision for loan impairment at 31 March 2016	13 924	609	1 119	15 652

The provision for loan impairment during the three-month period ended 31 March 2016 differs from the amount presented in profit or loss for the reporting period due to recovery of provision for loans previously written off as uncollectible amounting to RR 60 million. The amount of the recovery was credited directly to the provisions line in profit or loss for the period.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers (Continued)**

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)				31 December 2016			
	Loans	%	Provision	%	Loans	%	Provision	%
Individuals	65 294	33	1 843	12	63 909	34	1 688	11
Manufacturing	45 207	24	4 046	27	43 432	23	4 702	31
Trade	24 274	12	3 991	27	21 756	11	3 469	23
Construction	16 953	9	2 460	16	17 690	9	2 457	16
State and municipal organisations	9 808	5	98	1	9 909	5	99	1
Agriculture	8 416	4	200	1	7 892	4	209	1
Real estate	8 215	4	428	3	8 393	4	460	3
Transport	3 844	2	1 037	7	3 082	2	1 039	7
Finance	3 470	2	340	2	3 511	2	333	2
Tourism	1 656	1	196	1	1 758	1	158	1
Telecommunications and media	356	-	235	2	423	-	288	2
Other	8 826	4	133	1	8 354	5	129	2
Total	196 319	100	15 007	100	190 109	100	15 031	100

At 31 March 2017, loans and advances to customers include loans with a carrying amount of RR 2 923 million (2016: RR 3 294 million) with receivable balances pledged as collateral for term placements of AO MSP Bank. Refer to Notes 12 and 23.

Credit risk concentrations

As at 31 March 2017, the aggregate amount of loans issued to 20 largest borrowers (or groups of related borrowers) was RR 48 955 million (31 December 2016: RR 48 293 million) or 25% (31 December 2016: 25%) of total loan portfolio before impairment.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers (Continued)**

Analysis by credit quality of corporate portfolio loans outstanding as at 31 March 2017 is as follows:

	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision- to-loan ratio before provision
<i>(in millions of Russian roubles)</i>				
Loans to corporate customers				
Loans assessed on an individual basis and collectively without signs of impairment	79 420	(1 916)	77 504	2.4%
Overdue but not impaired loans assessed collectively				
- less than 30 days overdue	59	(3)	56	5.1%
- 31 to 60 days overdue	10	-	10	-
Total overdue but not impaired loans	69	(3)	66	4.3%
Impaired loans				
Assessed on an individual basis				
- not past due	9 251	(2 097)	7 154	22.7%
- less than 30 days overdue	838	(760)	78	90.7%
- 31 to 60 days overdue	157	(142)	15	90.4%
- 91 to 180 days overdue	11	(10)	1	90.9%
- 181 to 360 days overdue	3 012	(1 462)	1 550	48.5%
- over 360 days overdue	3 096	(972)	2 124	31.4%
Assessed collectively				
- 31 to 60 days overdue	3	(3)	-	100.0%
- over 360 days overdue	466	(466)	-	100.0%
Total impaired loans	16 834	(5 912)	10 922	35.1%
Total loans to corporate customers	96 323	(7 831)	88 492	8.1%
Loans to small and medium entities				
Loans assessed on an individual basis and collectively without signs of impairment	26 952	(561)	26 391	2.1%
Overdue but not impaired loans assessed collectively				
- less than 30 days overdue	151	(4)	147	2.6%
Total overdue but not impaired loans	151	(4)	147	2.6%
Impaired loans				
Assessed on an individual basis				
- not past due	3 355	(941)	2 414	28.0%
- 31 to 60 days overdue	268	(221)	47	82.5%
- 181 to 360 days overdue	386	(386)	-	100.0%
- over 360 days overdue	229	(229)	-	100.0%
Assessed collectively				
- 61 to 90 days overdue	7	(7)	-	100.0%
- 91 to 180 days overdue	325	(192)	133	59.1%
- 181 to 360 days overdue	947	(710)	237	75.0%
- over 360 days overdue	2 082	(2 082)	-	100.0%
Total impaired loans	7 599	(4 768)	2 831	62.7%
Total loans to small and medium enterprises	34 702	(5 333)	29 369	15.4%
Total loans to legal entities	131 025	(13 164)	117 861	10.0%

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers (Continued)**

Analysis by credit quality of corporate portfolio loans outstanding as at 31 December 2016 is as follows:

<i>(in millions of Russian roubles)</i>	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision to-loan ratio before provision
Loans to corporate customers				
Loans assessed on an individual basis and collectively without signs of impairment	76 990	(1 714)	75 276	2.2%
Impaired loans				
Assessed on an individual basis				
- not past due	8 584	(1 997)	6 587	23.4%
- less than 30 days overdue	11	(7)	4	63.6%
- 91 to 180 days overdue	994	(72)	922	7.2%
- 181 to 360 days overdue	1 698	(1 018)	680	60.0%
- over 360 days overdue	5 774	(2 298)	3 476	39.8%
Assessed collectively				
- over 360 days overdue	464	(464)	-	100.0%
Total impaired loans	17 525	(5 856)	11 669	33.4%
Total loans to corporate customers	94 515	(7 570)	86 945	8.0%
Loans to small and medium entities				
Loans assessed on an individual basis and collectively without signs of impairment	22 303	(496)	21 807	2.2%
Overdue but not impaired loans assessed collectively				
- less than 30 days overdue	142	(3)	139	2.1%
- 31 to 60 days overdue	209	(5)	204	2.4%
- 61 to 90 days overdue	6	-	6	-
Total overdue but not impaired loans	357	(8)	349	2.2%
Impaired loans				
Assessed on an individual basis				
- not past due	4 811	(1 480)	3 331	30.8%
- 181 to 360 days overdue	386	(386)	-	100.0%
- over 360 days overdue	287	(287)	-	100.0%
Assessed collectively				
- not past due	46	(4)	42	8.7%
- 91 to 180 days overdue	466	(345)	121	74.0%
- 181 to 360 days overdue	947	(685)	262	72.3%
- over 360 days overdue	2 082	(2 082)	-	100.0%
Total impaired loans	9 025	(5 269)	3 756	58.4%
Total loans to small and medium enterprises	31 685	(5 773)	25 912	18.2%
Total loans to legal entities	126 200	(13 343)	112 857	10.6%

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers (Continued)**

Analysis by credit quality of retail portfolio loans outstanding as at 31 March 2017 is as follows:

<i>(in millions of Russian roubles)</i>	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision- to-loan ratio before provision
Mortgage loans				
- not past due	45 002	(26)	44 976	0.1%
- less than 30 days overdue	1 003	(3)	1 000	0.3%
- 31 to 60 days overdue	290	(59)	231	20.3%
- 61 to 90 days overdue	70	(19)	51	27.1%
- 91 to 180 days overdue	76	(35)	41	46.1%
- 181 to 360 days overdue	131	(72)	59	55.0%
- over 360 days overdue	398	(217)	181	54.5%
Total mortgage loans	46 970	(431)	46 539	0.9%
Other loans to individuals				
Consumer loans				
- not past due	14 949	(47)	14 902	0.3%
- less than 30 days overdue	315	(79)	236	25.1%
- 31 to 60 days overdue	115	(66)	49	57.4%
- 61 to 90 days overdue	52	(37)	15	71.2%
- 91 to 180 days overdue	123	(113)	10	91.9%
- 181 to 360 days overdue	262	(262)	-	100.0%
- over 360 days overdue	611	(611)	-	100.0%
Total consumer loans	16 427	(1 215)	15 212	7.4%
Car loans				
- not past due	51	-	51	-
- less than 30 days overdue	1	-	1	-
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	1	(1)	-	100.0%
- over 360 days overdue	19	(19)	-	100.0%
Total car loans	72	(20)	52	27.8%
Bank card loans				
- not past due	1 609	(5)	1 604	0.3%
- less than 30 days overdue	37	(4)	33	10.8%
- 31 to 60 days overdue	13	(7)	6	53.8%
- 61 to 90 days overdue	9	(6)	3	66.7%
- 91 to 180 days overdue	17	(15)	2	88.2%
- 181 to 360 days overdue	30	(30)	-	100.0%
- over 360 days overdue	110	(110)	-	100.0%
Total bank card loans	1 825	(177)	1 648	9.7%
Total other loans to individuals	18 324	(1 412)	16 912	7.7%
Total loans to individuals	65 294	(1 843)	63 451	2.8%

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***6 Loans and Advances to Customers (Continued)**

Analysis by credit quality of retail portfolio loans outstanding as at 31 December 2016 is as follows:

<i>(in millions of Russian roubles)</i>	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Provision-to-loan ratio before provision
Mortgage loans				
- not past due	44 715	(46)	44 669	0.1%
- less than 30 days overdue	86	(11)	75	12.8%
- 31 to 60 days overdue	78	(19)	59	24.4%
- 61 to 90 days overdue	5	(1)	4	20.0%
- 91 to 180 days overdue	104	(44)	60	42.3%
- 181 to 360 days overdue	110	(60)	50	54.5%
- over 360 days overdue	395	(216)	179	54.7%
Total mortgage loans	45 493	(397)	45 096	0.9%
Other loans to individuals				
Consumer loans				
- not past due	15 259	(48)	15 211	0.3%
- less than 30 days overdue	209	(79)	130	37.8%
- 31 to 60 days overdue	83	(47)	36	56.6%
- 61 to 90 days overdue	50	(36)	14	72.0%
- 91 to 180 days overdue	148	(138)	10	93.2%
- 181 to 360 days overdue	275	(275)	-	100.0%
- over 360 days overdue	485	(485)	-	100.0%
Total consumer loans	16 509	(1 108)	15 401	6.7%
Car loans				
- not past due	69	-	69	-
- less than 30 days overdue	-	-	-	-
- 31 to 60 days overdue	-	-	-	-
- 61 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	1	(1)	-	100.0%
- over 360 days overdue	22	(22)	-	100.0%
Total car loans	92	(23)	69	25.0%
Bank card loans				
- not past due	1 623	(5)	1 618	0.3%
- less than 30 days overdue	33	(4)	29	12.1%
- 31 to 60 days overdue	8	(4)	4	50.0%
- 61 to 90 days overdue	7	(5)	2	71.4%
- 91 to 180 days overdue	16	(14)	2	87.5%
- 181 to 360 days overdue	36	(36)	-	100.0%
- over 360 days overdue	92	(92)	-	100.0%
Total bank card loans	1 815	(160)	1 655	8.8%
Total other loans to individuals	18 416	(1 291)	17 125	7.0%
Total loans to individuals	63 909	(1 688)	62 221	2.6%

6 Loans and Advances to Customers (Continued)

The Group's policy is to classify each loan as 'neither past due nor impaired' until objective evidence of impairment of the loan is identified. The primary factors that the Group considers in determining whether a loan is impaired are its overdue status debt restructuring due to the client's financial difficulties and realisability of related collateral. Overdue of a loan over 90 days is recognized as the event of default.

The Group estimates loan impairment provision, for which no impairment indicators have been identified on an individual basis, based on its past experience with actual losses incurred and after considering the industry of the borrowers.

Changes in the assessments will influence provision for loan impairment. Were difference between actual and estimated losses on loans to legal entities to increase/decrease by 10% the losses from impairment would be RR 1 316 million higher/lower (2016: RR 1 334 million) respectively.

The Group estimates provision for impairment of the retail loan portfolio by credit product on the basis of historical migration matrix for actual losses incurred over the past 12 months.

Were the period of migration matrices averaging 6 months longer/shorter the provision for impairment of loan portfolio as at 31 March 2017 would be RR 15 million higher, RR 21 million lower accordingly (at 31 December 2016 would be RR 23 million lower RR 34 million lower accordingly).

The Group usually issues loans in case there is a liquid and sufficient collateral that is documented in accordance with legally established procedures (except for some credit products used for lending to individuals, overdrafts without collateral loans to RF constituents and municipal organisations, factoring financing, loan products assessed on an individual basis and authorised for issue without collateral). Loans to legal entities may be collateralised by the following:

- real estate;
- equipment;
- motor vehicles;
- goods in turnover;
- guarantee deposit;
- banking guarantee;
- state (municipal) guarantee;
- own promissory notes;
- highly liquid securities;
- bullions (gold, silver, platinum and palladium);
- property receivables arising from contractual commitments.

Loans collateralised by third parties may be issued only if the third parties also provide their guarantees as collateral for such loans. In this case:

- the guarantor (a legal entity) should have a financial position not worse than average in accordance with the Group's internal methodologies for evaluation of financial position;
- the guarantor (an individual) should have a good financial position in accordance with the Group's internal methodologies for evaluation of financial position.

6 Loans and Advances to Customers (Continued)

Real estate property (except for land), equipment, motor vehicles and inventory items pledged as collateral should be insured. The insured amount of the collateral should be no less than its collateral value, the term of the insurance contract should expire no earlier than one month after the loan maturity date.

Loans to individuals may be collateralised by the following:

- real estate purchased under the sale agreement using the credit facilities provided by the Group, and encumbered with a mortgage by law;
- pledge of rights to claim under the contract on acquisition of residential real estate at a construction stage;
- pledge of a share - for the residential real estate purchased under the contract on participation in ZhSK;
- real estate owned by individuals or legal entities, burdened with a mortgage;
- motor vehicles;
- guarantees of third parties, in particular employers of the individual borrower;
- pledge of rights to claim on an individual's deposit; and
- other property owned by the borrower.

In addition, to mitigate the credit risk, the Group uses insurance by borrowers of the pledged item, the individual borrower's life and disability or accident and illness insurance, and also insurance of the risks connected with loss of work.

Obligations of the borrowers can be collateralised with various types of collateral simultaneously. The collateral should be sufficient to repay the principal, interest and the amount of the Group's potential expenses associated with the fulfilment of debtor's obligations.

The collateral value of property is determined when a loan is issued in accordance with the Group's effective procedure.

In addition, the Group has a right for write-off from the borrower's settlement and current accounts with the Group in case of non-fulfilment of loan contract obligations by the borrower.

The market value of property is assumed to be the collateral value of security for credit products included in the retail portfolio. The market value of property should be confirmed by the report on real estate market valuation prepared by a valuation company.

Depending on the credit limit, profession and current employer of the borrower, life and disability insurance can be taken as security for bank card loans. The Group can also require additional collateral.

The financial effect of collateral is presented by disclosing the impact of collateral and other credit enhancements on impairment provisions for loans to legal entities recognised at the end of the reporting period. Without collateral and other credit enhancements, the impairment provisions would be higher by the following amounts:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Loans to corporate customers	10 096	10 423
Loans to small and medium entities	2 460	1 967

Financial effect of collateral on mortgage loans as at 31 March 2017 would be RR 336 million (2016: RR 292 million) due to application of the recovery rate for assessment of loan impairment provisions.

Geographical, currency, interest rate and maturity analyses of loans and advances to customers are disclosed in Note 21.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***7 Investment Securities Available for Sale**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Corporate Eurobonds	10 679	9 382
Corporate bonds	6 351	5 335
Federal loan bonds	1 492	1 491
Bonds of constituents of the Russian Federation	78	77
Russian Federation Eurobonds	-	123
Total debt investment securities available for sale	18 600	16 408
Corporate shares	384	385
Total investment securities available for sale	18 984	16 793

Analysis by credit quality of debt securities available for sale at 31 March 2017 is as follows:

<i>(in millions of Russian roubles)</i>	Corporate Eurobonds	Corporate bonds	Federal loan bonds	Bonds of constituents of the Russian Federation	Total
<i>Neither past due nor impaired (at fair value)</i>					
- BBB- to BBB+ rated	-	1 346	1 492	-	2 838
- BB- to BB+ rated	10 558	4 300	-	78	14 936
- B- to B+ rated	121	705	-	-	826
Total debt investment securities available for sale	10 679	6 351	1 492	78	18 600

Analysis by credit quality of debt securities available for sale at 31 December 2016 is as follows:

<i>(in millions of Russian roubles)</i>	Corporate Eurobonds	Corporate bonds	Federal loan bonds	Bonds of constituents of the Russian Federation of the Eurobonds	Russian Federation	Total
<i>Neither past due nor impaired (at fair value)</i>						
- BBB- to BBB+ rated	319	1 329	1 491	-	-	3 139
- BB- to BB+ rated	9 031	3 974	-	77	123	13 205
- B- to B+ rated	32	32	-	-	-	64
Total debt investment securities available for sale	9 382	5 335	1 491	77	123	16 408

Geographical, currency, interest rate and maturity analyses of investment securities available for sale are disclosed in Note 21.

Vozrozhdenie Bank
Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017
(in millions of Russian roubles)

8 Other Financial Assets

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Settlements with currency and stock exchanges	607	919
Banking cards receivables	238	351
Receivables	112	180
Total other financial assets	957	1 450

Other financial assets are neither past due, impaired nor collateralised.

Geographical, currency and maturity analyses of financial assets are disclosed in Note 21.

9 Investment property

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Investment property	4 055	3 825
Total investment property	4 055	3 825

Under IAS 40, investment property includes real estate repossessed by the Group in settlements of overdue loans and leased out under operating lease or retained until the growth of their value:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Non-residential premises	1 908	1 668
Residential premises	1 259	1 269
Land plots	888	888
Total investment property	4 055	3 825

Movements in the carrying value of non-core assets during the three-month period ended 31 March 2017 were as follows:

<i>(in millions of Russian roubles)</i>	Investment property	Inventories	Non-current assets held for sale
Carrying amount at 1 January 2017	3 825	172	1 198
Provision for impairment at 1 January 2017	-	(15)	(46)
Carrying amount less provision for impairment at 1 January 2017	3 825	157	1 152
Additions	470	-	59
Disposals	(125)	(23)	(22)
Revaluation subject to market changes	(115)	-	-
Carrying amount at 31 March 2017	4 055	149	1 235
Provision for impairment at 31 March 2017	-	(15)	(48)
Carrying amount less provision for impairment at 31 March 2017	4 055	134	1 187

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***10 Other Assets**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Non-current assets held for sale	1 235	1 198
Prepayments	554	395
Inventories	149	172
Current income tax prepayment	2	4
Other	91	109
Total other assets before provision for impairment of other assets	2 031	1 878
Less provision for impairment of other assets	(63)	(61)
Total other assets	1 968	1 817

Movements of non-core assets during the three-month period ended 31 March 2017 are disclosed in Note 9.

Inventories (IAS 2) and Non-current assets held for sale (IFRS 5) represent real estate and equipment repossessed by the Group in settlements of overdue loans and other Bank's assets.

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)		31 December 2016	
	Inventories	Non-current assets held for sale	Inventories	Non-current assets held for sale
Inventory	64	-	87	-
Equipment	85	61	85	3
Non-residential premises	-	1 049	-	1 054
Residential premises	-	122	-	135
Transport	-	3	-	6
Total Inventories and Non-current assets held for sale before provision for impairment	149	1 235	172	1 198
Less provision for impairment	(15)	(48)	(15)	(46)
Total Inventories and Non-current assets held for sale	134	1 187	157	1 152

The Group is actively marketing Non-core assets held for sale and expects to complete the sale within the year after their recording in this category.

Tangible assets repossessed by the Group in settlement of overdue loans did not require the use of cash and cash equivalents and therefore were not included in the consolidated statement of cash flows.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***10 Other Assets (continued)**

Movements in the provision for impairment of other assets during for the three month, ended 31 March 2017 are as follows:

	Inventories	Non-current assets held for sale	Total
<i>(in millions of Russian roubles)</i>			
Provision for impairment at 1 January 2017	15	46	61
Adjustment for market changes	-	2	2
Provision for impairment at 31 March 2017	15	48	63

Movements in the provision for impairment of other assets during for the three month, ended 31 March 2016 are as follows:

	Inventories	Non-current assets held for sale	Total
<i>(in millions of Russian roubles)</i>			
Provision for impairment at 1 January 2016	1 765	60	1 825
Adjustment for market changes	(1)	-	(1)
Disposals	-	(12)	(12)
Provision for impairment at 31 March 2016	1 764	48	1 812

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***11 Premises and Equipment and Intangible Assets**

	Note	Premises and land	Office and banking equip- ment	Compu- ters	Motor vehicles	Intangible assets	Other	Total Premises, equipment and intangible assets
<i>(in millions of Russian roubles)</i>								
Cost at 31 December 2016								
Balance at the beginning of the year		4 253	1 216	1 058	433	133	914	8 007
Additions		-	1	19	-	6	15	41
Disposals		-	(2)	(1)	(1)	-	-	(4)
Reclassification		-	351	(265)	-	-	(86)	-
Cost at the end of the reporting period		4 253	1 566	811	432	139	843	8 044
Accumulated depreciation								
Balance at the beginning of the year		-	986	803	312	40	673	2 814
Depreciation charge	19	19	31	23	30	13	11	127
Disposals		-	(1)	(1)	(1)	-	-	(3)
Reclassification		-	262	(187)	(5)	-	(70)	-
Balance at the end of the reporting period		19	1 278	638	336	53	614	2 938
Carrying amount at 31 March 2017 (unaudited)		4 234	288	173	96	86	229	5 106

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***11 Premises and Equipment and Intangible Assets (continued)**

	Note	Premises and land	Office and banking equip- ment	Compu- ters	Motor vehicles	Intangible assets	Other	Total Premises, equipment and intangible assets
<i>(in millions of Russian roubles)</i>								
Cost at								
31 December 2015								
Balance at the beginning of the year		4 123	1 281	1 098	563	-	1 079	8 144
Additions		1	33	14	35	133	6	222
Transfers		137	-	-	-	-	(137)	-
Disposals		(89)	(98)	(54)	(165)	-	(34)	(440)
Accumulated depreciation charged on revalued assets		(120)	-	-	-	-	-	(120)
Revaluation recognised in other comprehensive income		128	-	-	-	-	-	128
Revaluation recognised in the statement of profit or loss and other comprehensive income		73	-	-	-	-	-	73
Cost at the end of the reporting period		4 253	1 216	1 058	433	133	914	8 007
Accumulated depreciation								
Balance at the beginning of the year		16	1 011	751	393	-	656	2 827
Depreciation charge	19	106	71	106	53	40	38	414
Disposals		(2)	(96)	(54)	(134)	-	(21)	(307)
Accumulated depreciation charged on revalued assets		(120)	-	-	-	-	-	(120)
Balance at the end of the reporting period		-	986	803	312	40	673	2 814
Carrying amount at 31 December 2016		4 253	230	255	121	93	241	5 193

At 31 March 2017 the carrying value of premises and equipment and intangible assets was RR 5 106 million (2016: RR 5 193 million).

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***12 Due to Other Banks**

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Deposits of other banks	4 330	4 140
Correspondent accounts of other banks	8	10
Total due to other banks	4 338	4 150

At 31 March 2017 the total amount of five major aggregated balances on correspondent accounts and overnight placements with other banks was RR 4 330 million or 99.8% (2016: RR 4 005 million or 96.5%) of the total amount of due to other banks.

At 31 March 2017 placements of other banks include a deposit attracted under the programme on providing state support to SME from AO MSP Bank of RR 2 912 million at a rate from 6.2% p.a. to 10.3% p.a. with maturity from September 2017 to August 2023 (2016: RR 3 382 million at a rate from 6.2% p.a. to 10.3% p.a. with maturity from September 2017 to April 2023). The rights of claim for the loans with a carrying value of RR 2 923 million (2016: RR 3 294 million) were pledged as collateral for the Group's obligations to the creditor. Refer to Notes 6.

At 31 March 2017 placements of other banks include a deposit attracted under the programme on stimulating lending to SMEs from the Bank of Russia according to the agreement concluded at the end of 2016 of RR 381 million

Geographical, currency, interest rate and maturity analyses of amounts due to other banks are disclosed in Note 21.

13 Customer Accounts

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Current accounts and demand deposits		
Corporate clients	35 464	35 782
Individuals	14 147	17 472
Total current accounts and demand deposits	49 611	53 254
Term deposits		
Corporate clients	23 198	27 448
Individuals	122 475	120 244
Total term deposits	145 673	147 692
Total customer accounts	195 284	200 946

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***13 Customer Accounts (continued)**

Economic sector concentrations within customer accounts are as follows:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	136 622	70	137 716	70
Finance and investment	12 524	6	12 847	6
Manufacturing	7 338	4	10 214	5
Trade and commerce	6 863	3	6 120	3
Development and construction	6 368	3	9 253	5
Transport and other services	5 956	3	6 068	3
Media and telecommunication	3 288	2	2 591	1
Food production and agriculture	3 071	2	2 470	1
State and municipal organisations	2 907	1	240	-
IT and science	1 759	1	2 513	1
Energy and mineral resources	1 216	1	1 910	1
Other	7 372	4	9 004	4
Total customer accounts	195 284	100	200 946	100

Concentration of current accounts and deposits from customers

At 31 March 2017 the Group had 20 largest customers with the aggregate balance of RR 24 140 million or 12% of total customer accounts.

At 31 December 2016 the Group had 20 largest customers with the aggregate balance of RR 23 341 million or 12% of total customer accounts.

Geographical, currency, interest rate and maturity analyses of customer accounts are disclosed in Note 21.

14 Debt Securities in Issue

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Mortgage backed bonds, including issued:	3 133	3 402
in June 2015	1 829	1 968
in March 2014	1 304	1 434
Promissory notes	1 709	1 568
Deposit certificates	21	31
Total debt securities in issue	4 863	5 001

At 31 March 2017, promissory notes in issue had maturity dates from April 2017 to January 2021 (2016: from January 2017 to March 2019) and effective interest rates from 5.0% to 12.0% p.a. (2016: from 6.0% to 12.0% p.a.).

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***14 Debt Securities in Issue (Continued)**

Terms of issue of mortgage backed bonds under securitisation transactions are as follows:

Issue date	Maturity date	Amount of issue RR million	Class A notes RR million	Class B notes RR million	Coupon rate %	Rating on Moody's scale at the issue date
June 2015	27 January 2048	3 450	3 000	450	9.00%	Baa3
March 2014	26 October 2046	3 450	3 000	450	9.00%	Baa2

Class A notes were placed through open subscription on the MICEX and class B notes were bought out by the Group and, therefore, were not shown in these consolidated financial statements. Under the terms of issue of bonds, any funds received from early repayment of mortgage loans are to be used to repay the balance of nominal value of Class A notes.

The terms of issue of bonds assume discharge of obligations on class B notes only when obligations on class A notes are discharged.

15 Subordinated Loans

Subordinated loans represent long-term deposits of the Group's customers. The subordinated debt ranks after all other creditors in case of the Group's liquidation. The details of subordinated loans attracted by the Group are presented below:

No.	Start date	Maturity	Currency	31 March 2017 (unaudited)		31 December 2016	
				Contractual interest rate. %	Value, RR million	Contractual interest rate. %	Value, RR million
1	August 2010	August 2018	USD	8.00	169	8.00	182
2	July 2012	July 2020	RR	9.25	1 000	9.25	1 000
3	December 2012	July 2020	RR	9.25	1 000	9.25	1 000
4	February 2013	July 2020	RR	9.25	1 000	9.25	1 000
5	January 2014	January 2022	USD	8.50	395	8.50	426
Total subordinated loans					3 564	3 608	

Geographical, currency, interest rate and maturity analyses of subordinated loans are disclosed in Note 21.

16 Other Financial Liabilities

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	31 December 2016
Payables	323	471
Banking cards payables	113	75
Settlements on conversion operations	3	11
Other liabilities	19	20
Total other financial liabilities	458	577

Geographical, currency, interest rate and maturity analyses of other financial liabilities are disclosed in Note 21.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***17 Interest Income and Expense**

<i>(in millions of Russian roubles)</i>	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Interest income		
Loans and advances to customers - legal entities	3 331	3 607
Loans and advances to customers - individuals	2 379	2 127
Investment securities available for sale	227	199
Correspondent accounts and due from other banks	132	31
Trading securities	17	64
Total interest income	6 086	6 028
Interest expense		
Term deposits of individuals	2 300	2 661
Term deposits of legal entities	549	408
Current accounts and demand deposits	151	60
Debt securities in issue	93	163
Subordinated loans	81	87
Correspondent accounts and due from other banks	59	417
Total interest expense	3 233	3 796
Net interest income	2 853	2 232

18 Fee and Commission Income and Expense

<i>(in millions of Russian roubles)</i>	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Fee and commission income		
Settlement transactions	434	396
Bank cards and cheques settlements	335	334
Cash transactions	183	172
Guarantees issued	75	73
Cash collection	53	46
Payroll projects	29	41
Other	75	101
Total fee and commission income	1 184	1 163
Fee and commission expense		
Bank cards and cheques settlements	133	142
Settlement transactions	21	22
Fee for attracted funds	16	-
Settlements with currency and stock exchanges	5	11
Cash collection and cash transactions	1	2
Other	5	18
Total fee and commission expense	181	195
Net fee and commission income	1 003	968

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***19 Administrative and General Expenses**

<i>(in millions of Russian roubles)</i>	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Staff costs	1 243	1 446
Contributions to the State Deposit Insurance Agency	167	128
Depreciation and amortisation	127	110
Taxes other than on income	85	38
Premises maintenance expenses	69	62
Rent expenses	59	93
Information and telecommunication services	42	112
Insurance	41	14
Security	36	60
Advertising and marketing services	5	9
Charity and sponsorship	-	25
Other	117	129
Total administrative and general expenses	1 991	2 226

Included in staff costs for the three-month period ended 31 March 2017 are statutory contributions to pension funds of RR 200 million (three-month period ended 31 March 2016: RR 258 million).

20 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person – or group of persons – who allocates resources and assesses the performance for the entity. The functions of chief operating decision maker (CODM) are performed by the Management Board of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

For the purpose of management, the Group's operations are split by types of products and services and by classes of clients acquiring them, into the following operating segments:

- Corporate business – representing services to corporate clients and SME on settlement and cash services of settlement and current accounts of organisations, collection services, attraction of deposits of legal entities, issue of bills and deposit certificates, carrying out of factoring operations, lending, guarantees, overdrafts, credit lines and other types of financing, operation with foreign currency and derivative financial instruments.
- Retail business includes provision of banking services to individuals and bank card-based services. Services to individuals include opening and maintaining settlement accounts, settlement and cash services, deposits and loans to individuals, foreign exchange transactions and custody services. Bank card-based services include remote bank services for bank cards holders, settlement and cash services with the use of bank cards, overdrafts and revolving loans with the use of bank cards, payroll project services, acquiring, self-service operations at ATMs, information service to bank cards holders.
- Financial business represents interbank and financial markets transactions, including securities transactions.
- Liquidity includes reallocation of funds between operating segments.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic lines of business that focus on different categories of customers. For the purposes of these consolidated financial statements each operating segment of the Bank is presented as a reportable segment. The "other" category includes unallocated items.

20 Segment Analysis (Continued)

(c) Measurement of operating segment profit or loss, assets and liabilities

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal accruals and transfer pricing adjustments have been considered in calculating performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM reviews financial information prepared in accordance with the requirements of Russian law. Such financial information differs in certain aspects from International Financial Reporting Standards:

- (i) the fair value changes in available-for-sale securities are reported within the segments' profits or losses rather than in other comprehensive income;
- (ii) funds are generally reallocated between segments at internal interest rates set by the Treasury department, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances;
- (iii) income taxes are not allocated to segments;
- (iv) loan provisions are recognised based on the regulations of the Bank of Russia, rather than based on the incurred loss model prescribed in IAS 39;
- (v) commission income relating to lending is recognised immediately rather than deferred using the effective interest method.

The CODM evaluates performance of each segment based on profit before income tax.

(d) Information about reportable segment profit or loss, assets and liabilities

The Bank does not disclose geographical information in its segment analysis as the majority of transactions and revenues of the reportable segments are concentrated in Russia. The analysis of the reportable segments is based on differences in banking products and services rather than on the geographical factors.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***20 Segment Analysis (Continued)**

Segment information about reportable segment assets and liabilities at 31 March 2017 is set out below:

<i>(in millions of Russian roubles)</i>	Corporate business	Retail business	Financial business	Other	Total
Cash and cash equivalents	-	1 907	11 204	4 249	17 360
Mandatory cash balances with the Bank of Russia	-	-	-	1 621	1 621
Trading securities	-	-	500	-	500
Due from other banks	184	663	-	-	847
Loans and advances to customers	117 861	63 451	-	-	181 312
Investment securities available for sale	372	-	18 600	12	18 984
Other financial assets	-	238	-	719	957
Investment property	4 055	-	-	-	4 055
Other assets	-	227	-	554	781
Non-current assets held for sale	-	-	-	1 187	1 187
Premises, equipment and intangible assets	-	-	-	5 106	5 106
Deferred income tax asset	-	-	-	1 006	1 006
Total reportable segment assets	122 472	66 486	30 304	15 089	233 716
Due to other banks	2 914	-	1 424	-	4 338
Customer accounts	58 662	136 622	-	-	195 284
Debt securities in issue	1 730	3 133	-	-	4 863
Other financial liabilities	43	-	-	415	458
Other liabilities	61	13	-	839	913
Subordinated loans	3 565	-	-	-	3 565
Total reportable segment liabilities	66 975	139 768	1 424	23 648	233 716

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***20 Segment Analysis (Continued)**

Segment information about reportable segment assets and liabilities at 31 December 2016 is set out below:

<i>(in millions of Russian roubles)</i>	Corporate business	Retail business	Financial business	Other	Total
Cash and cash equivalents	-	2 611	17 571	6 515	26 697
Mandatory cash balances with the Bank of Russia	-	-	-	1 583	1 583
Trading securities	-	-	1 669	-	1 669
Due from other banks	114	713	2 825	-	3 652
Loans and advances to customers	112 857	62 221	-	-	175 078
Investment securities available for sale	373	-	16 408	12	16 793
Other financial assets	-	351	-	1 099	1 450
Investment property	3 825	-	-	-	3 825
Other assets	60	265	-	340	665
Non-current assets held for sale	-	-	-	1 152	1 152
Premises, equipment and intangible assets	-	-	-	5 193	5 193
Deferred income tax asset	-	-	-	1 136	1 136
Total reportable segment assets	117 229	66 161	38 473	17 030	238 893
Due to other banks	3 385	-	765	-	4 150
Customer accounts	63 230	137 716	-	-	200 946
Debt securities in issue	1 599	3 402	-	-	5 001
Other financial liabilities	1	-	-	576	577
Other liabilities	206	462	6	176	850
Subordinated loans	3 608	-	-	-	3 608
Total reportable segment liabilities	72 029	141 580	771	752	215 132

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***20 Segment Analysis (Continued)**

The table below represents information on income and expenses per reportable segment for three month ended 31 March 2017. The Bank's management considers operating income before provision for loan impairment as a key measure of reportable segments performance.

<i>(in millions of Russian roubles)</i>	Corporate business	Retail business	Financial business	Liquidity	Other	Total
For the three month ended 31 March 2017						
Interest income	3 331	2 379	376	-	-	6 086
Non-interest income	721	434	59	-	(3)	1 211
Intersegment revenues	1 577	3 166	3	400	-	5 146
Operating revenues subject to transfers	5 629	5 979	438	400	(3)	12 443
Interest expense	(858)	(2 300)	(59)	-	(16)	(3 233)
Non-interest expense	(112)	(67)	-	-	(2)	(181)
Intersegment expenses	(3 110)	(1 671)	(280)	-	(85)	(5 146)
Total expenses	(4 080)	(4 038)	(339)	-	(103)	(8 560)
Operating income	1 549	1 941	99	400	(106)	3 883
Administrative and general expenses	(902)	(981)	(27)	-	46	(1 864)
Depreciation of premises and equipment	(70)	(59)	(3)	-	5	(127)
Provision for loan impairment	(937)	(156)	-	-	-	(1 093)
Provision for impairment of other assets	(121)	-	-	-	-	(121)
(Loss) / profit before tax (segment result)	(481)	745	69	400	(55)	678

Non-interest income includes fee and commission income, gains less losses from trading in foreign currencies, from foreign exchange translation and other operating income.

Non-interest expenses include fee and commission expenses, losses less gains from trading in foreign currencies, from foreign exchange translation.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***20 Segment Analysis (Continued)**

The table below represents information on income and expenses per reportable segment for three month ended 31 March 2016.

<i>(in millions of Russian roubles)</i>	Corporate business	Retail business	Financial business	Liquidity	Other	Total
For the three month ended 31 March 2016						
Interest income	3 607	2 127	294	-	-	6 028
Non-interest income	640	569	23	-	24	1 256
Intersegment revenues	987	3 341	180	517	-	5 025
Operating revenues subject to transfers	5 234	6 037	497	517	24	12 309
Interest expense	(718)	(2 661)	(248)	-	(169)	(3 796)
Non-interest expense	(60)	(148)	(9)	-	22	(195)
Losses on initial recognition of assets at rates below market	(516)	-	-	-	-	(516)
Intersegment expenses	(3 406)	(1 431)	(152)	-	(36)	(5 025)
Total expenses	(4 700)	(4 240)	(409)	-	(183)	(9 532)
Operating income/(expenses)	534	1 797	88	517	(159)	2 777
Administrative and general expenses	(868)	(1 160)	(34)	-	(54)	(2 116)
Depreciation of premises and equipment	(49)	(58)	(2)	-	(1)	(110)
Provision for loan impairment	(688)	(222)	-	-	-	(910)
Provision for impairment of other assets	33	-	-	-	-	33
(Loss) / profit before tax (segment result)	(1 038)	357	52	517	(214)	(326)

21 Financial Risk Management

The operations of Group members are affected by a wide range of risks, among which, due to the nature of the Group's business, the most significant are: credit risk, market risk (including equity, currency, interest rate and other price risks), liquidity risk, operational risk.

Key planned measures of risk mitigation policy are established within the scope of the Bank's strategy, which complies with its strategic goals and is aimed at further improvement of risk management system in accordance with the business objectives, the number and the size of accepted risks and the optimal balance between profitability and risk level.

The Bank's risk management system ensures timely risk identification, analysis, measurement and assessment of risk position, as well as application of various risk management methods (prevention, mitigation, distribution and absorption). Risk assessment and management procedures are integrated into current operations.

The purpose, objectives and principles of the risk assessment and management system are stipulated in the Bank's Strategy on Risk and Capital Management approved by the Board of Directors of the Bank.

The Risks Department is in charge of managing and controlling financial and other risks.

The main objectives of the Risks Department are:

- to organise risk management, develop and implement rules and policies on risk management, risk identification and assessment methods;
- to take measures, including coordination of the Departments' activities, aimed at reducing the risks' impact;
- to introduce and ensure continuous control of the restrictions limiting the risks' impact;
- to develop the stress testing methodology;
- to prepare risk reports, including integral reports (covering all risks), and present them to the Bank's management as part of internal capital adequacy assessment process (ICAAP).

Independent assessment of completeness and efficiency of the procedures for management of banking risks is performed by the Internal Audit Function and the Compliance Department in the course of internal audits.

Risk management system of the Group's structured entities corresponds to the nature and scope of their operations and allows to identify, prevent and limit the risks significant for the Group.

Each Group member operates in accordance with its charter, established internal procedures for transaction (deal) approval and execution, as well as for compliance of the necessary procedures of control over the accepted risks by the management and control bodies. Additional control over the operation of the Group members is organised at the level of the Group's head credit unit.

All material terms and conditions of the transactions (deals) intended for execution by mortgage agents and contracts intended for conclusion are agreed in advance with the Group's head credit unit. All decisions about allocation and spending of the funds required for those business activities are taken upon approval by the Inspector - Head of the Internal Audit Function of the Group's head credit unit.

The level of operational risk of the Group's structured entities was significantly reduced at the stage of their establishment by:

- detailed development of the securitisation scheme and contractual base with involvement of international consulting entities having significant experience in such transactions;
- proper segregation of rights and obligations between the participants of securitisation transactions (service agent, back-up servicer, management company, the bank where the account for payment collection is kept, settlement agent, the bank where the issuer account and the account for mortgage coverage are kept).

21 Financial Risk Management (Continued)

Credit risk. The Group takes exposure to credit risk, which is defined by the Group as the risk of losses as a result of the default, untimely or partial discharge of obligations by borrower under the contract terms.

The maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 10.

The credit policy constitutes a basis of the credit risk management system.

The key elements of the credit risk management system include the following:

A. IT system

As part of the credit risk management framework, the existing IT system allows for:

- the quality processing of source information about clients. assessing their credit standing at the time of considering loan applications;
- performing analysis in the period of credit risk monitoring and at the stage of the credit product repayment;
- managing non-performing loans;
- drafting and providing management with analytical reports on the credit risk levels at any level of complexity that contain accurate and objective information for management decision making purposes.

The lending process is based on three main sources of client information: internal database, information provided by the client, external databases (credit history bureaus. information and analytical systems, Internet resources, etc.).

The retail banking function uses CRM Dynamics system and Deductor decision-making support module which ensure achieving a high level of process automation and improving operating efficiency and quality of decisions made.

B. Limits compliance

The Bank uses a system of limits to implement its credit policy.

Limits mean restrictions in providing credit products / setting guarantee limits. in accordance with the Bank's internal regulations.

The system of limits is determined by the following factors:

- the Bank of Russia's regulatory requirements;
- corporate and retail lending strategy;
- limitations on high-risk transactions;
- diversification of risks taken.

Additionally to general limits, the Bank sets certain qualitative and quantitative indices representing the segment, industry and regional structure of the corporate loan portfolio and the structure of the loan portfolio in terms of currency and maturity.

21 Financial Risk Management (Continued)

General limits restrictions aimed at reducing concentration risk and related parties risk applied to all loans (irrespective of the client sector to which the borrower belongs) are annually approved by the Management Board of the Bank in accordance with its credit policy:

- the maximum loan amount to one borrower;
- the level of loan portfolio concentration (the ratio of loans issued to 20 largest borrowers to equity of the Group);
- the maximum aggregate amount of guarantees or uncovered letters of credit issued by the Bank;
- the maximum amount of all large loans;
- the maximum aggregate amount of loans and guarantees issued to the shareholders;
- the aggregate amount of risk related to insiders.

To mitigate its exposure to credit risk, the Bank has developed an accreditation arrangement for construction companies that enables it to set and manage limits on mortgage loans to individuals for acquisition of apartments in one residential property.

C. Credit risks identification and assessment

The Bank has developed internal techniques that enable identification and assessment of the credit risk level for all client categories.

Assessment of an individual credit standing of legal entities and individuals is based on a comprehensive analysis of a client using internal and external data sources. The credit standing assessment checks:

- For corporate clients and their beneficial owners: financial position, business reputation, quality of management, cash flows, quality of collateral;
- For retail clients: background information about a client (passport data, criminal or administrative liability checks, etc.), credit history, solvency, quality of collateral.

When considering loan applications from legal entities and individuals and supporting lending transactions, the formalised procedures are required to be used for identification of groups of related borrowers and assessment of the aggregate credit risk for the groups identified.

To enhance control and monitor the credit risk level for large borrowers, the Bank has a Large Corporate Risks Division.

Products exposed to credit risk are provided if there is a liquid collateral that secures repayment of the loan by a borrower, payment of interest, commission fees and expenses (except for certain types of credit products).

There are procedures in place for calculating collateral discounts, appraising collateral, insuring collateral and/or a borrower (including through engagement of appraisers and insurers who meet the Bank's criteria), as well as the procedure and regularity of checking collateral for adequacy and liquidity.

The centralised appraisal of property expected to be pledged against large loans and the monitoring of assets already pledged against large loans are performed centrally by a specialised department of the Bank – the Collateral Management Department.

21 Financial Risk Management (Continued)

D. Lending transaction authorisation

Pursuant to the risk and capital management strategy and credit policy, the authorities, certain types of and limits on lending transactions are regularly delegated to the Management Board by decision of the Board of Directors. Further redistribution of authorities and limits between the collegial bodies is performed by decision of the Management Board and is subject to quarterly revisions.

Within the credit risk management framework there is a multilevel system of authorities that enables independent decision-making on providing credit products and is divided into:

- authorities of the Bank's Management Board;
- authorities of the Credit and Investment Committee of the Bank, which comprise the authorities of:
 - the Credit Committee;
 - the Committee for Small and Medium Businesses;
 - the Sub-Committee of the Credit Committee for Retail Lending;
- authorities of the Committee on Overdue Loans and Non-Performing Assets;
- authorities of the heads of the Corporate Lending Department and Credit Risk Department;
- personal authorities on issuing retail loans of the employees of the underwriting function of the Retail Business Department.

If credit products are to be provided outside the scope of authorities of the Management Board and Collegial Bodies of the Bank, such issues are submitted for consideration to the Board of Directors.

E. Credit risk monitoring

To monitor outstanding loans due from the borrowers, multiple monitoring tools have been developed, including:

- regular assessment of the borrower's financial position and economic effectiveness of the arrangements and projects financed;
- identification of the groups of related clients/borrowers;
- compliance with the current limits and the Bank of Russia's requirements for calculation of statutory ratios;
- assessment of liquidity and adequacy of the collateral provided;
- ongoing monitoring of how borrowers meet their obligations and whether the collateral actually exists and is in the right condition;
- assessment of the quality category of credit products provided;
- assessment of whether provisions made for potential loan losses and other credit-related commitments are adequate;
- a procedure for identification and control over the authorities of Collegial Bodies to provide credit products;
- mandatory regular client checks by the Economic Security Service.

The monitoring procedures are performed by Risk Management Department, Credit Risk Department and Economic Security Service using internal and external data sources and automatic controls.

The Early Warning System is used to ensure efficient credit risk monitoring for corporate borrowers. In the automatic mode, the system enables detecting signs of deterioration in the corporate borrowers' financial performance at an early stage and taking preventive steps to minimise exposure to credit risk before the related loans become non-performing.

21 Financial Risk Management (Continued)

Risk Mitigation Policy

The risk management system uses standard risk mitigation tools for each type of risk: insurance, provisioning, distribution (including risk premium in the product's price), diversification and risk control. When an unfavourable risk event materialises, steps are taken to establish the reasons of the occurrence and to design measures aimed at preventing similar events in future.

The key risk mitigation methods are as follows:

- clear documentation of rules and procedures for executing banking and other transactions;
- implementation of the principles of segregation of duties and restriction of personnel functions, authorities and responsibilities;
- taking collegial decisions, setting risk limits for individual transactions;
- implementing internal controls over business processes and compliance with statutory and internal regulatory requirements;
- ensuring physical and information security;
- ensuring required personnel qualification level and staff training;
- automation of bank processes and technologies, organisation of effective monitoring of IT-systems performance.

Market risk. Market risk is defined by the Group as the risk of losses resulting from unfavourable movements in the market value of financial instruments of trade portfolio and derivative financial instruments of the credit organisation and also of foreign currency exchange rates and (or) precious metals. Market risk includes equity, currency and interest rate risks.

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. The market risk management system includes setting limits on the level of accepted risk and control over their compliance on a daily basis.

Currency risk. The Group is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions. The Group manages currency risk by ensuring maximum possible consistency between the currency of its assets and the currency of its liabilities by currency within established limits.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***21 Financial Risk Management (Continued)**

Currency risks are mitigated by maintaining a balance between assets and liabilities in different currencies. The Bank's treasury monitors OPCs on a daily basis and manages the open currency position so as to reduce the currency risk. As principal management tools it uses spot exchange transactions and forward contracts.

The Bank observes a conservative currency policy, trying to limit the accepted currency risk by maintaining open positions at their lowest possible level. The Bank sets limits for cash and term transactions by transaction type and by currency. All currency transactions are performed within the limits set for the counterparties of such transactions.

The Bank performs regular revaluation of its assets and liabilities – a stress test including an estimation of the Bank's hypothetical losses that it could incur in case of dramatic changes in foreign currency rates. Its regularity depends on the rate of market changes and the level of currency risk.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 March 2017:

<i>(in millions of Russian roubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	13 097	1 913	2 316	34	17 360
Mandatory cash balances with the Bank of Russia	1 292	225	103	1	1 621
Trading securities	437	-	63	-	500
Due from other banks	171	676	-	-	847
Loans and advances to customers	176 201	4 390	721	-	181 312
Investment securities available for sale	7 898	8 550	2 152	-	18 600
Other financial assets	343	4	610	-	957
Total monetary financial assets	199 439	15 758	5 965	35	221 197
Monetary financial liabilities					
Due to other banks	3 801	-	537	-	4 338
Customer accounts	169 910	17 373	7 944	57	195 284
Debt securities in issue	4 860	3	-	-	4 863
Other financial liabilities	416	36	6	-	458
Subordinated loans	3 000	565	-	-	3 565
Total monetary financial liabilities	181 987	17 977	8 487	57	208 508
Net balance sheet position	17 452	(2 219)	(2 522)	(22)	12 689
Off-balance sheet commitments					
Financial guarantees	128	-	-	-	128
Other credit related commitments	17 330	370	917	-	18 617
Total off-balance sheet credit related commitments (Note 23)	17 458	370	917	-	18 745

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***21 Financial Risk Management (Continued)**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2016:

<i>(in millions of Russian roubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	19 974	4 736	1 955	32	26 697
Mandatory cash balances with the Bank of Russia	1 217	246	119	1	1 583
Trading securities	446	1 223	-	-	1 669
Due from other banks	99	728	2 825	-	3 652
Loans and advances to customers	170 215	3 978	885	-	175 078
Investment securities available for sale	6 878	6 278	3 252	-	16 408
Other financial assets	481	918	51	-	1 450
Total monetary financial assets	199 310	18 107	9 087	33	226 537
Monetary financial liabilities					
Due to other banks	3 392	-	758	-	4 150
Customer accounts	174 920	17 502	8 483	41	200 946
Debt securities in issue	4 998	3	-	-	5 001
Other financial liabilities	551	14	12	-	577
Subordinated loans	3 000	608	-	-	3 608
Total monetary financial liabilities	186 861	18 127	9 253	41	214 282
Net balance sheet position	12 449	(20)	(166)	(8)	12 255
Off-balance sheet commitments					
Financial guarantees	2	-	-	-	2
Other credit related commitments	18 257	8	966	-	19 231
Total off-balance sheet credit related commitments (Note 23)	18 259	8	966	-	19 233

The above analysis includes only monetary assets and liabilities. Investments in equities and nonmonetary assets are not considered to give rise to any material currency risk.

At 31 March 2017, if the US Dollar exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, profit before tax for the three-month period of 2017 would have been RR 444 million lower (RR 444 million higher).

At 31 December 2016, if the US Dollar exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, profit before tax for the year would have been RR 4 million lower (RR 4 million higher).

At 31 March 2017, if the Euro exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, profit before tax for the three-month period of 2017 would have been RR 504 million lower (RR 504 million higher).

At 31 December 2016, if the Euro exchange rate had been 20.0% higher (or 20.0% lower) with all other variables held constant, profit before tax for the year would have been RR 33 million lower (RR 33 million higher).

21 Financial Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

Assessment of the Group's exposure to interest rate risk is managed upon gap analysis of financial instruments sensitive to changes in interest rates (SFI). The principal methodological approach of gap analysis within the framework of interest rate risk evaluation is recognition of future payment flows under SFI at carrying amounts. These carrying amounts are broken down by the earlier of contractual interest repricing or maturity dates.

Any changes in net interest income resulting from changes in the value of SFI at the date of their redemption or interest repricing determine the amount of interest rate risk exposure. Any changes in the amount of net interest income depend upon net cumulative gap on SFI and possible changes in interest rate at the end of the annual reporting period. For the purposes of analysis of financial instruments that are sensitive to interest rate changes a year long period is selected as the maximum analysed interval.

The main methods used by the Group to mitigate its interest rate risk is balancing the assets and liabilities in terms of repricing/rescheduling as well as regular (at least quarterly) revision of current interest rates.

The table below summarises the Group's exposure to interest rate risk at 31 March 2017:

<i>(in millions of Russian roubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and cash equivalents	4 859	-	-	-	-	12 501	17 360
Mandatory cash balances with the Bank of Russia	-	-	-	-	-	1 621	1 621
Trading securities	500	-	-	-	-	-	500
Due from other banks	184	-	-	-	-	663	847
Loans and advances to customers	12 781	31 679	31 282	70 308	35 262	-	181 312
Investment securities available for sale	2 191	539	5 529	9 931	410	384	18 984
Other financial assets	-	-	-	-	-	957	957
Total assets	20 515	32 218	36 811	80 239	35 672	16 126	221 581
Financial liabilities							
Due to other banks	550	534	339	2 029	886	-	4 338
Customer accounts	18 784	48 625	42 112	38 873	-	46 890	195 284
Debt securities in issue	449	755	622	2 294	-	743	4 863
Other financial liabilities	-	-	-	-	-	458	458
Subordinated loans	-	-	-	3 565	-	-	3 565
Total liabilities	19 783	49 914	43 073	46 761	886	48 091	208 508
Net interest sensitivity gap	732	(17 969)	(6 262)	33 478	34 786	(31 965)	13 073
Gap coefficient (aggregate relative cumulative gap)	1.04	0.76	0.79	1.06	1.28	-	-

Vozrozhdenie Bank

Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017

(in millions of Russian roubles)

21 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risk at 31 December 2016:

<i>(in millions of Russian roubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and cash equivalents	10 730	-	-	-	-	15 967	26 697
Mandatory cash balances with the Bank of Russia	-	-	-	-	-	1 583	1 583
Trading securities	1 669	-	-	-	-	-	1 669
Due from other banks	1 002	1 937	-	-	-	713	3 652
Loans and advances to customers	6 665	34 061	32 671	65 350	36 331	-	175 078
Investment securities available for sale	224	4 300	1 307	10 163	414	385	16 793
Other financial assets	-	-	-	-	-	1 450	1 450
Total assets	20 290	40 298	33 978	75 513	36 745	20 098	226 922
Financial liabilities							
Due to other banks	152	207	588	2 084	1 119	-	4 150
Customer accounts	18 003	52 459	36 182	41 044	4	53 254	200 946
Debt securities in issue	452	635	610	2 550	-	754	5 001
Other financial liabilities	-	-	-	-	-	577	577
Subordinated loans	-	-	-	3 183	425	-	3 608
Total liabilities	18 607	53 301	37 380	48 861	1 548	54 585	214 282
Net interest sensitivity gap	1 683	(13 003)	(3 402)	26 652	35 197	(34 487)	12 640
Gap coefficient (aggregate relative cumulative gap)	1.09	0.84	0.87	1.08	1.30	-	-

The interest rate risk analyses presented above includes current accounts and demand deposits that are classified as non-interest bearing as interest rates on them are very low.

The table below presents analysis of the sensitivity of the profit / (loss) before tax and equity to the risk of interest rates change during the next 12 months:

	31 March 2017 (unaudited)		2016	
	increase in interest rates by 200 basis points	decrease in interest rates by 200 basis points	increase in interest rates by 200 basis points	decrease in interest rates by 200 basis points
Sensitivity of the profit / (loss) before tax	(268)	268	(169)	169
Sensitivity of equity to changes in the fair value of debt investment securities available for sale	77	(77)	72	(72)
General sensitivity	(191)	191	(97)	97

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***21 Financial Risk Management (Continued)**

Risk management comprises minimising net gap established in analysis of assets and liabilities sensitive to interest rate changes. Depending upon the net gap amount the Group takes the decision to issue or attract resources at certain rates for a certain period in order to minimise potential losses as a result of changes in the market interest rate.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on effective interest rates at the end of the reporting period used for amortisation of the respective assets/liabilities. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date.

<i>In % p.a.</i>	31 March 2017 (unaudited)		2016	
	Carrying amount	Average effective interest rate	Carrying amount	Average effective interest rate
Interest-bearing assets				
Cash and cash equivalents				
- in Russian roubles	1 581	3%	5 315	10%
- in other currencies	3 278	0%	5 415	2%
Trading securities				
- in Russian roubles	437	10%	446	10%
- in other currencies	63	3%	1 223	4%
Due from other banks				
- in Russian roubles	171	0%	99	0%
- in other currencies	13	0%	2 840	5%
Loans and advances to customers				
- in Russian roubles	176 201	13%	170 215	14%
- in other currencies	5 111	8%	4 863	9%
Investment securities available for sale				
- in Russian roubles	7 898	10%	6 878	10%
- in other currencies	10 702	2%	9 530	2%
Interest-bearing liabilities				
Due to other banks				
- in Russian roubles	3 801	8%	3 392	8%
- in other currencies	537	1%	758	1%
Current accounts and demand deposits				
- in Russian roubles	44 688	0%	49 069	0%
- in other currencies	4 923	0%	4 185	0%
Term deposits				
- in Russian roubles	125 222	9%	125 851	9%
- in other currencies	20 451	2%	21 841	2%
Debt securities in issue				
- in Russian roubles	4 120	9%	4 244	9%
- in other currencies	-	-	3	0%
Subordinated loans				
- in Russian roubles	3 000	9%	3 000	9%
- in other currencies	565	8%	608	8%

The sign “-“ in the table above means that the Group does not have any assets or liabilities in the corresponding currency.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***21 Financial Risk Management (Continued)**

Geographical risk concentrations. The geographical concentration of the Group's assets and liabilities at 31 March 2017 is set out below:

<i>(in millions of Russian roubles)</i>	Russia	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	14 806	2 554	-	17 360
Mandatory cash balances with the Bank of Russia	1 621	-	-	1 621
Trading securities	500	-	-	500
Due from other banks	171	676	-	847
Loans and advances to customers	180 137	-	1 175	181 312
Investment securities available for sale	18 960	24	-	18 984
Other financial assets	957	-	-	957
Total financial assets	217 152	3 254	1 175	221 581
Non-financial assets				
	12 135	-	-	12 135
Total assets	229 287	3 254	1 175	233 716
Financial liabilities				
Due to other banks	3 798	537	3	4 338
Customer accounts	194 093	725	466	195 284
Debt securities in issue	4 863	-	-	4 863
Other financial liabilities	458	-	-	458
Subordinated loans	3 000	-	565	3 565
Total financial liabilities	206 212	1 262	1 034	208 508
Non-financial liabilities				
	913	-	-	913
Total liabilities	207 125	1 262	1 034	209 421
Net balance sheet position	22 162	1 992	141	24 295
Credit related commitments (Note 23)	18 745	-	-	18 745

Assets, liabilities and credit related commitments have been classified based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which it is physically held.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***21 Financial Risk Management (Continued)**

The geographical concentration of the Group's assets and liabilities at 31 December 2016 is set out below:

<i>(in millions of Russian roubles)</i>	Russia	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	23 182	3 515	-	26 697
Mandatory cash balances with the Bank of Russia	1 583	-	-	1 583
Trading securities	1 669	-	-	1 669
Due from other banks	99	728	2 825	3 652
Loans and advances to customers	175 038	-	40	175 078
Investment securities available for sale	16 768	25	-	16 793
Other financial assets	1 449	1	-	1 450
Total financial assets	219 788	4 269	2 865	226 922
Non-financial assets				
	11 971	-	-	11 971
Total assets	231 759	4 269	2 865	238 893
Financial liabilities				
Due to other banks	3 391	758	1	4 150
Customer accounts	200 088	431	427	200 946
Debt securities in issue	5 001	-	-	5 001
Other financial liabilities	577	-	-	577
Subordinated loans	3 000	-	608	3 608
Total financial liabilities	212 057	1 189	1 036	214 282
Non-financial liabilities				
	850	-	-	850
Total liabilities	212 907	1 189	1 036	215 132
Net balance sheet position	18 852	3 080	1 829	23 761
Credit related commitments (Note 23)	19 233	-	-	19 233

Liquidity risk. Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The process of control over liquidity risk is regulated by the Bank of Russia's instructions and internal regulations of the Group.

For the purpose of liquidity loss risk assessment and analysis, the Bank applies various methods, including the method of liquidity analysis based on cash flows.

21 Financial Risk Management (Continued)

Liquidity risk management is exercised through agreeing repayment dates for assets placed and liabilities attracted by the Bank and through maintaining a required volume of highly liquid funds. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia. At 31 March 2017 and 31 December 2016 and as well as during 2017 and 2016 the Bank complied with the capital adequacy ratios.

The Group monitors compliance with the liquidity ratios set by the Bank of Russia on a daily basis.

To analyse the liquidity risk, the Group reviews its dependence on interbank market transactions, transactions of large customers and credit risk concentration. The Group seeks to maintain a stable resource base which primarily comprises deposits of legal entities, individual deposits and due to other banks. Special attention is given to quality and diversity of assets.

When forming its securities portfolio the Group focusses on the Bank of Russia's Lombard List to get access to refinancing instruments.

The liquidity risk analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The expected maturity of investment securities available for sale is based on offer agreement date.

In accordance with legislation of the Russian Federation term deposits of individuals can be withdrawn ahead-of-schedule. However based on prior experience the management believes that although deposits can be withdrawn early, these customer accounts form a long-term and stable resource for the Group.

Group management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

Starting from 2016 the Group applies a more sophisticated statistical model for the distribution of stable balances on customer accounts among maturity categories.

At 31 March 2017 the Group included some of its current customer accounts totalling RR 24 767 million (2016: RR 22 785 million) into categories other than demand and less than one month, based on historical experience in cash withdrawal from current accounts.

Vozrozhdenie Bank
Notes to the Interim Consolidated Condensed Financial Information for the three-month period
ended 31 March 2017
(in millions of Russian roubles)

21 Financial Risk Management (Continued)

To manage its liquidity risk, the Group monitors expected maturities that are presented below as at 31 March 2017:

<i>(in millions of Russian roubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Between 1 and 5 years	Over 5 years	No maturity	Total
Financial assets							
Cash and cash equivalents	17 360	-	-	-	-	-	17 360
Mandatory cash balances with the Bank of Russia	322	448	454	397	-	-	1 621
Trading securities	500	-	-	-	-	-	500
Due from other banks	184	-	-	-	-	663	847
Loans and advances to customers	12 781	31 282	31 495	70 492	35 262	-	181 312
Investment securities available for sale	2 191	539	5 529	9 931	410	384	18 984
Other financial assets	957	-	-	-	-	-	957
Total financial assets	34 295	32 269	37 478	80 820	35 672	1 047	221 581
Non-financial assets	-	-	1 187	5 061	-	5 887	12 135
Total assets	34 295	32 269	38 665	85 881	35 672	6 934	233 716
Financial liabilities							
Due to other banks	550	534	339	2 029	886	-	4 338
Customer accounts	39 381	55 074	56 003	44 826	-	-	195 284
Debt securities in issue	485	762	622	2 994	-	-	4 863
Other financial liabilities	458	-	-	-	-	-	458
Subordinated loans	-	-	-	3 565	-	-	3 565
Total financial liabilities	40 874	56 370	56 964	53 414	886	-	208 508
Non-financial liabilities	-	7	-	-	906	-	913
Total liabilities	40 874	56 377	56 964	53 414	1 792	-	209 421
Net liquidity gap of financial assets and financial liabilities	(6 579)	(24 101)	(19 486)	27 406	34 786	-	12 026
Cumulative liquidity gap	(6 579)	(30 680)	(50 166)	(22 760)	12 026	-	-
Off-balance sheet commitments							
Financial guarantees	128	-	-	-	-	-	128
Other credit related commitments	18 617	-	-	-	-	-	18 617
Total off-balance sheet credit related commitments (Note 23)	18 745	-	-	-	-	-	18 745

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***21 Financial Risk Management (Continued)**

The maturity analysis at 31 December 2016 is as follows:

<i>(in millions of Russian roubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Between 1 and 5 years	Over 5 years	No maturity	Total
Financial assets							
Cash and cash equivalents	26 697	-	-	-	-	-	26 697
Mandatory cash balances with the Bank of Russia	334	458	393	395	3	-	1 583
Trading securities	1 669	-	-	-	-	-	1 669
Due from other banks	1 002	1 937	-	-	-	713	3 652
Loans and advances to customers	6 665	33 583	32 682	65 817	36 331	-	175 078
Investment securities available for sale	224	4 300	1 307	10 163	414	385	16 793
Other financial assets	1 450	-	-	-	-	-	1 450
Total financial assets	38 041	40 278	34 382	76 375	36 748	1 098	226 922
Non-financial assets	-	-	1 152	4 961	-	5 858	11 971
Total assets	38 041	40 278	35 534	81 336	36 748	6 956	238 893
Financial liabilities							
Due to other banks	152	207	588	2 084	1 119	-	4 150
Customer accounts	43 032	59 382	51 093	47 435	4	-	200 946
Debt securities in issue	499	642	610	3 250	-	-	5 001
Other financial liabilities	577	-	-	-	-	-	577
Subordinated loans	-	-	-	3 183	425	-	3 608
Total financial liabilities	44 260	60 231	52 291	55 952	1 548	-	214 282
Non-financial liabilities	-	3	-	-	847	-	850
Total liabilities	44 260	60 234	52 291	55 952	2 395	-	215 132
Net liquidity gap of financial assets and financial liabilities	(6 219)	(19 953)	(17 909)	20 423	35 200	-	11 542
Cumulative liquidity gap	(6 219)	(26 172)	(44 081)	(23 658)	11 542	-	-
Off-balance sheet commitments							
Financial guarantees	2	-	-	-	-	-	2
Other credit related commitments	19 231	-	-	-	-	-	19 231
Total off-balance sheet credit related commitments (Note 23)	19 233	-	-	-	-	-	19 233

21 Financial Risk Management (Continued)

Operational risk. Operational risk is defined by the Group as the risk of losses arising from insufficient organisation of the Group's processes, deliberate or non-deliberate actions of employees or third parties, failure of information, technology or other systems and as a result of external events.

The organisational process of operational risk management, the structure, roles and functions of the process participants are set out in internal documents of the Group's head credit unit in accordance with the recommendations of the CBRF and the Basel Committee for Bank Supervision (Basel II).

22 Management of Capital

The Bank's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation. (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord.

In order to implement and achieve the goals and objectives of capital management, the Bank uses the following procedures:

- forecasting core performance indicators;
- planning capital requirements;
- monitoring capital adequacy.

At 31 March 2017, regulatory capital calculated in accordance with the technique to estimate equity (capital) amount and adequacy ratio ("Basel III") established by the Bank of Russia is RR 30 326 million, including RR 6 625 million received in the form of additional capitalisation through federal loan bonds (OFZ) (at 31 December 2016: RR 29 235 million).

Under the capital requirements set by the Bank of Russia, banks have to maintain the ratio of regulatory capital to risk-weighted assets ("statutory capital ratio") above the prescribed minimum level of 10%. At 31 March 2017 this statutory capital ratio is 12.2% (31 December 2016: 12.4%). At the end of the reporting period and as well as during 2017 and 2016 the Bank complied with the capital adequacy ratios.

In October 2015, the Bank joined the programme for government support in the form of additional capitalisation through federal loan bonds (OFZ).

Under the subordinated loan agreement executed with the State Corporation Deposit Insurance Agency, the Bank received five federal loan bond issues with the aggregate nominal value of RR 6 625 million with maturity dates from 2025 to 2034. Interest rates on these loans are equal to coupon rates under relevant OFZ issues plus 1% p.a.

The Bank also signed an agreement with the Deposit Insurance Agency to monitor its activities. and certain provisions of this Agreement were approved by the extraordinary general meeting of the Bank's shareholders. Under this Agreement the Bank undertakes the following obligations for the period of three years from the date of the funds' disbursement:

- to increase the aggregate amount of mortgage (housing) lending and/or the amount of lending to small and medium businesses and/or entities operating in industries covered by the Agreement by at least by 1% per month;
- not to exceed the level of compensation (payroll) to its key management personnel achieved at 1 January 2015.

The Agreement also provides for an increase in the Bank's capitalisation in the amount of at least 50% of the received subordinated liability at the expense of additional contributions from the Bank's shareholders and/or allocation of at least 75% of the Bank's profit to increase its capital till the target level is achieved.

22 Management of Capital (Continued)**Basel III capital adequacy ratio**

The table below presents the capital structure analysis calculated in accordance with the Basel requirements.

	31 March 2017 (unaudited)	2016
Common equity tier 1 capital	23 223	22 519
Additional tier 1 capital	13	13
Tier 1 capital	23 236	22 532
Tier 2 capital	8 310	8 438
Total capital	31 546	30 970
Risk-weighted assets	201 119	199 810
Common Equity Tier 1 capital adequacy ratio (min 4.5%)	11.55	11.27
Tier 1 capital adequacy ratio (min 6.0%)	11.55	11.28
Total capital adequacy ratio (min 8.0%)	15.69	15.50

23 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. The Group's management believes that the allowance of RR 7 million recognised at 31 March 2017 (31 December 2016: RR 3 million) is sufficient for possible payments under legal proceedings.

Tax legislation. Russian tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by tax authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

At 31 March 2017, the management has not made any provisions for potential tax liabilities (at 31 December 2016: no provision), as the management of the Group believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

23 Contingencies and Commitments (Continued)

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

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

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

Outstanding credit related commitments and performance guarantees are as follows:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	2016
Unused limits on overdraft loans and credit lines with debt limit	16 468	18 236
Undrawn credit lines with a payment limit	2 031	995
Financial guarantees	128	2
Import letters of credit	118	-
Total credit related commitments	18 745	19 233
Performance guarantees	11 564	13 092
Undrawn limits on issuance of guarantees	2 097	301
Total credit related commitments and performance guarantees	32 406	32 626

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

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***23 Contingencies and Commitments (Continued)**

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

<i>(in millions of Russian roubles)</i>	Note	31 March 2017 (unaudited)		2016	
		Asset pledged	Related liability	Asset pledged	Related liability
Pledged receivables related to funds attracted from AO MSP Bank	6, 12	2 923	2 912	3 294	3 382
Pledged receivables related to funds attracted from the Bank of Russia under the programme "Corporation MSP 6.5"	12	381	381	-	-
Total		3 304	3 293	3 294	3 382

Mandatory cash balances with the Bank of Russia in the amount of RR 1 621 million (2016: RR 1 583 million) represent mandatory reserve deposits with the Bank of Russia which are not available to finance the Group's day-to-day operations.

Cash due from other banks includes insurance deposits placed with non-resident banks in the amount of RR 663 million for settlements with bank cards (2016: RR 713 million). This cash is not available to finance the Group's day-to-day operations. Refer to Note 5.

24 Fair Value Disclosures

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

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***24 Fair Value Disclosures (Continued)****(a) Recurring fair value measurements**

Recurring fair value measurements are those that the other IFRS require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Trading securities						
Corporate bonds	437	-	-	446	-	-
Corporate Eurobonds	63	-	-	360	-	-
Russian Federation Eurobonds	-	-	-	863	-	-
Investment securities available for sale						
Corporate Eurobonds	10 679	-	-	9 382	-	-
Corporate bonds	6 351	-	-	5 335	-	-
Federal loan bonds	1 492	-	-	1 491	-	-
Bonds of constituents of the Russian Federation	78	-	-	77	-	-
Corporate shares	25	-	359	26	-	359
Russian Federation Eurobonds	-	-	-	123	-	-
NON-FINANCIAL ASSETS						
Operating real estate	-	-	4 234	-	-	4 253
Investment property	-	-	4 055	-	-	3 825
Total assets recurring fair value measurements	19 125	-	8 648	18 103	-	8 437

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments is as follows:

<i>(in millions of Russian roubles)</i>	31 March 2017 (unaudited)	2016
Fair value at 1 January	8 437	4 520
Reclassification of operating real estate	-	137
Revaluation of operating real estate for market changes	-	128
Depreciation charge	(19)	-
Disposal of operating real estate	-	(119)
Addition of investment properties	470	1 450
Reclassification of investment properties	-	2 356
Revaluation of investment properties for market changes	(115)	25
Disposal of investment properties	(125)	(60)
Fair value at the end of the reporting period	8 648	8 437
(Losses)/gains recognised in profit or loss for the year	(115)	98

At 31 March 2017 and 31 December 2016, the fair value of non-quoted securities available for sale was assessed based on the amount calculated by an independent appraiser.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***24 Fair Value Disclosures (Continued)****(b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 March 2017 (unaudited)			2016		
	Level 2	Level 3	Carrying value	Level 2	Level 3	Carrying value
<i>(in millions of Russian roubles)</i>						
FINANCIAL ASSETS						
Cash and cash equivalents						
Cash on hand	6 156	-	6 156	9 126	-	9 126
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	6 345	-	6 345	6 841	-	6 841
<i>Correspondent accounts and placements with banks and other financial institutions with original maturity less than one month:</i>						
Russian Federation	2 305	-	2 305	7 215	-	7 215
other countries	2 554	-	2 554	3 515	-	3 515
Mandatory cash balances with the Bank of Russia	-	1 621	1 621	-	1 583	1 583
Due from other banks						
Insurance deposits with non-resident banks	184	-	184	2 945	-	2 939
Short-term placements with other banks	663	-	663	713	-	713
Loans and advances to customers						
Loans to corporate customers	-	87 581	88 492	-	85 109	86 945
Loans to small and medium enterprises	-	29 278	29 369	-	26 349	25 912
Mortgage loans	-	43 520	46 539	-	45 572	45 096
Other loans to individuals	-	17 484	16 912	-	18 015	17 125
Other financial assets						
Settlements with currency and stock exchanges	607	-	607	919	-	919
Banking cards receivables	-	238	238	-	351	351
Receivables	-	112	112	-	180	180
TOTAL	18 814	179 834	202 097	31 274	177 159	208 460

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***24 Fair Value Disclosures (Continued)**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 March 2017 (unaudited)			2016		
	Level 2	Level 3	Carrying value	Level 2	Level 3	Carrying value
<i>(in millions of Russian roubles)</i>						
FINANCIAL LIABILITIES						
Due to other banks						
Placements of other banks	4 189	-	4 330	4 011	-	4 140
Correspondent accounts of other banks	8	-	8	10	-	10
Customer accounts						
Current accounts and demand deposits						
Corporate customers	35 464	-	35 464	35 782	-	35 782
Individuals	14 147	-	14 147	17 472	-	17 472
Term deposits						
Corporate customers	23 218	-	23 198	27 483	-	27 448
Individuals	123 303	-	122 475	122 163	-	120 244
Debt securities in issue						
Mortgage backed bonds in issue	3 158	-	3 133	3 407	-	3 402
Promissory notes	1 710	-	1 709	1 571	-	1 568
Deposit certificates	21	-	21	31	-	31
Other financial liabilities						
Payables	-	323	323	-	471	471
Banking cards payables	-	113	113	-	75	75
Settlements on conversion operations	-	3	3	-	11	11
Other liabilities	-	19	19	-	20	20
Subordinated loans						
	-	3 663	3 564	-	3 702	3 608
TOTAL	205 218	4 121	208 507	211 930	4 279	214 282

The fair value of unquoted fixed interest rate instruments was estimated based on future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***25 Related Party Transactions**

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group does not classify non-controlling interest owners as related parties due to their insignificant influence on the Group's financial and operating decisions.

At 31 March 2017, the outstanding balances with related parties were as follows:

<i>(in millions of Russian roubles)</i>	Parent		The Bank's management		Associates and other related companies	
	Carrying amount	Average rate	Carrying amount	Average rate	Carrying amount	Average rate
Cash and cash equivalents	-	-	-	-	1 990	7.3%
Investment securities available for sale	-	-	-	-	671	12.0%
Loans and advances to customers						
Gross amount of loans and advances to customers	-	-	7	15.9%	6 750	12.7%
Provision for impairment of loans and advances to customers	-	-	-	-	(434)	-
Other financial assets	-	-	-	-	15	-
Customer accounts						
Current accounts and demand deposits	-	-	13	0.0%	88	0.0%
Term deposits	-	-	83	3.7%	65	8.9%
Other financial liabilities	-	-	-	-	183	-

At 31 December 2016, the outstanding balances with related parties were as follows:

<i>(in millions of Russian roubles)</i>	Parent		The Bank's management		Associates and other related companies	
	Carrying amount	Average rate	Carrying amount	Average rate	Carrying amount	Average rate
Cash and cash equivalents	-	-	-	-	356	-
Loans and advances to customers						
Gross amount of loans and advances to customers	-	-	3	16.9%	6 425	12.8%
Provision for impairment of loans and advances to customers	-	-	-	-	(367)	-
Other financial assets	-	-	-	-	43	-
Customer accounts						
Current accounts and demand deposits	-	-	11	0.0%	345	0.0%
Term deposits	-	-	124	3.8%	294	8.9%
Other financial liabilities	-	-	-	-	58	-

Vozrozhdenie Bank**Notes to the Interim Consolidated Condensed Financial Information for the three-month period ended 31 March 2017***(in millions of Russian roubles)***25 Related Party Transactions (Continued)**

Aggregate amounts lent to and repaid by related parties during the three-month period ended 31 March 2017 and during 2016 were as follows:

	Three-month period ended 31 March 2017 (unaudited)			2016		
	Parent	Key manage- ment personnel	Associates and other related companies	Parent	Key manage- ment personnel	Associates and other related companies
<i>(in millions of Russian roubles)</i>						
Amounts lent to related parties during the period	-	8	1 436	-	5	7 695
Amounts repaid by related parties during the period	-	4	1 111	-	13	3 294

During the three-month period ended 31 March 2017 the Bank did not assigned to a related party any of its loan receivables (2016: RR 1 384 million for the nominal value). During the three-month period ended 31 March 2017 the Bank did not received any loan receivables from a related party (2016: RR 22 763 million for the nominal value).

The income and expense items with related parties for the three-month period ended 31 March 2017 and the three-month period ended 31 March 2016 were as follows:

	Three-month period ended 31 March 2017 (unaudited)			Three-month period ended 31 March 2016 (unaudited)		
	Parent	Key manage- ment personnel	Associates and other related companies	Parent	Key manage- ment personnel	Associates and other related companies
<i>(in millions of Russian roubles)</i>						
Interest income:						
Loans and advances to customers	-	-	184	-	-	65
Interest expense:						
Term deposits	-	(1)	(2)	-	-	-
Subordinated loans	-	-	-	-	-	-
Fee and commission income	-	-	42	-	-	-
Other operating income and expenses	-	-	(136)	-	-	-
Administrative and general expenses	-	-	(22)	-	-	-

Key management personnel includes the members of the Management Board and of the Board of Directors.

The Group's associates and other related parties include subsidiaries that have an insignificant impact on the Group's performance, entities under control and the entities under significant influence by the Group's management.

In the three-month period ended 31 March 2017, the total remuneration of the Group's key management personnel comprised salaries, discretionary bonuses and other short-term benefits of RR 21 million (three-month period of 2016: RR 43 million) including payments to pension funds of RR 3 million (three-month period of 2016: RR 5 million).

26 Events after the End of the Reporting Period

In April 2017 the Bank issued mortgage-backed bonds of RR 4.1 billion and completed the 5th securitization of the mortgage portfolio. The issue should be redeemed by 28 August 2049. There is also an option of the early redemption in 5 years after the date of placement or in case if the outstanding nominal value of bonds becomes less than 30% of the initial volume of the issue.

The rate of the first coupon was set at 9.5% p.a. upon the results of the book closing. The rates of the second and all following coupons will be equal to the rate of the first coupon, coupons will be paid on a monthly basis.

Moody's Investors Service rating agency assigned investment-grade rating Baa3 to the Bank's bonds.