TCS Group Holding PLC

International Financial Reporting Standards
Consolidated Condensed Interim Financial Information
(Unaudited)

30 September 2016

CONTENTS

pwc

Report on review of Interim Financial Information

To TCS Group Holding PLC

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of TCS Group Holding PLC and its subsidiaries (the 'Group') as of September 30, 2016 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, November 29, 2016

PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com.cy

In millions of RR	**Note**	**30 September 2016 (Unaudited)**	**31 December 2015**
ASSETS			
Cash and cash equivalents	6	13,100	13,689
Mandatory cash balances with the CBRF		1,123	675
Due from other banks		445	726
Loans and advances to customers	7	98,856	82,067
Financial derivatives	24	2,970	11,345
Investment securities available for sale	8	33,597	15,936
Repurchase receivables		-	2,344
Current income tax assets		302	743
Guarantee deposits with payment systems		3,042	3,377
Tangible fixed assets		3,748	2,052
Intangible assets		1,676	1,419
Other financial assets		3,821	3,499
Other non-financial assets		1,497	1,780
TOTAL ASSETS		**164,177**	**139,652**
LIABILITIES			
Due to banks	9	4,231	6,392
Customer accounts	10	110,598	89,343
Debt securities in issue	11	3,071	1,905
Financial derivatives	24	-	8
Current income tax liabilities		2	36
Deferred income tax liabilities		680	1,784
Subordinated debt	12	12,901	14,609
Insurance provisions		719	515
Other financial liabilities		1,623	1,296
Other non-financial liabilities		2,203	818
TOTAL LIABILITIES		**136,028**	**116,706**
EQUITY			
Share capital	13	188	188
Share premium	13	8,623	8,623
Treasury shares	13	(1,473)	(328)
Share-based payment reserve	26	342	614
Retained earnings		19,668	13,716
Revaluation reserve		801	133
TOTAL EQUITY		**28,149**	**22,946**
TOTAL LIABILITIES AND EQUITY		**164,177**	**139,652**

Approved for issue and signed on behalf of the Board of Directors on 29 November 2016.

Constantinos Economides
Chairman of the Board,
Director

Mary Trimithiotou
Director

In millions of RR	Note	Nine months ended 30 September 2016 (Unaudited)	Three months ended 30 September 2016 (Unaudited)	Nine months ended 30 September 2015 (Unaudited)	Three months ended 30 September 2015 (Unaudited)
Interest income	14	34,898	12,245	27,319	9,584
Interest expense	14	(10,081)	(3,314)	(9,403)	(3,210)
Expenses on deposits insurance		(315)	(127)	(180)	(72)
Net margin		**24,502**	**8,804**	**17,736**	**6,302**
Provision for loan impairment	7	(6,909)	(2,366)	(11,544)	(3,576)
Net margin after provision for loan impairment		**17,593**	**6,438**	**6,192**	**2,726**
Customer acquisition expense	15	(4,602)	(1,503)	(2,398)	(881)
Net gains/(losses) from operations with foreign currencies		114	51	(206)	(112)
Gain from sale of impaired loans		24	4	20	14
Insurance premiums earned		988	349	868	307
Insurance claims incurred	16	(393)	(58)	(261)	(121)
Fee and commission income	17	5,834	2,052	3,141	1,236
Fee and commission expense	17	(2,523)	(1,012)	(1,049)	(420)
Administrative and other operating expenses	18	(7,853)	(2,751)	(5,134)	(1,827)
Other operating income		548	398	133	94
Profit before tax		**9,730**	**3,968**	**1,306**	**1,016**
Income tax	19	(2,425)	(1,085)	(389)	(302)
Profit for the period		**7,305**	**2,883**	**917**	**714**
Other comprehensive income/(loss):					
Items that may be reclassified to profit or loss					
Investment securities available for sale and Repurchase receivables					
- Net gains arising during the period, net of tax		736	177	242	37
- Net gains reclassified to profit or loss upon disposal or impairment, net of tax		(68)	(59)	(18)	(27)
Other comprehensive income for the period, net of tax		**668**	**118**	**224**	**10**
Total comprehensive income for the period		**7,973**	**3,001**	**1,141**	**724**
Earnings per share for profit attributable to the owners of the Company, basic (in RR per share)		**41.95**	**16.42**	**5.16**	**4.02**
Earnings per share for profit attributable to the owners of the Company, diluted (in RR per share)		**41.32**	**16.08**	**5.15**	**4.01**

In millions of RR	Note	Share capital	Share premium	Share-based payment reserve	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 31 December 2014		**188**	**8,623**	**587**	**(225)**	**(5)**	**11,800**	**20,968**
Profit for the nine-months period ended 30 September 2015 (Unaudited)		-	-	-	-	-	917	917
Other comprehensive income:								
Revaluation of investment securities available for sale and Repurchase receivables		-	-	-	224	-	-	224
Total comprehensive income for the nine-months period ended 30 September 2015 (Unaudited)		**-**	**-**	**-**	**224**	**-**	**917**	**1,141**
GDRs buy-back		-	-	-	-	(324)	-	(324)
Share-based payment reserve	13,26	-	-	78	-	-	-	78
Shares sold under ESOP		-	-	(66)	-	1	65	-
Balance at 30 September 2015 (Unaudited)		**188**	**8,623**	**599**	**(1)**	**(328)**	**12,782**	**21,863**
Balance at 1 January 2016		**188**	**8,623**	**614**	**133**	**(328)**	**13,716**	**22,946**
Profit for the nine-months period ended 30 September 2016 (Unaudited)		-	-	-	-	-	7,305	7,305
Other comprehensive income:								
Revaluation of investment securities available for sale and Repurchase receivables		-	-	-	668	-	-	668
Total comprehensive income for the nine-months period ended 30 September 2016 (Unaudited)		**-**	**-**	**-**	**668**	**-**	**7,305**	**7,973**
GDRs buy-back	13	-	-	-	-	(1,246)	-	(1,246)
Share-based payment reserve	13, 26	-	-	(272)	-	101	663	492
Dividends	20	-	-	-	-	-	(2,016)	(2,016)
Balance at 30 September 2016 (Unaudited)		**188**	**8,623**	**342**	**801**	**(1,473)**	**19,668**	**28,149**

In millions of RR	Note	Nine-months period ended 30 September 2016 (Unaudited)	Nine-months period ended 30 September 2015 (Unaudited)
Cash flows from operating activities			
Interest received		33,591	24,829
Interest paid		(9,337)	(9,504)
Expenses on deposits insurance paid		(266)	(150)
Customers acquisition expenses paid		(2,805)	(1,468)
Cash received from trading in foreign currencies		6,764	2,934
Cash received from insurance operations		787	977
Cash received from sale of impaired loans	7	44	25
Fees and commissions paid		(2,536)	(1,146)
Fees and commissions received		5,602	3,141
Other operating income received		245	156
Administrative and other operating expenses paid		(4,029)	(2,306)
Income tax paid		(3,255)	(31)
Cash flows from operating activities before changes in operating assets and liabilities		**24,805**	**17,457**
Changes in operating assets and liabilities			
Net increase/(decrease) in CBRF mandatory reserves		(448)	17
Net decrease/(increase) in due from banks		270	(350)
Net increase in loans and advances to customers		(21,956)	(13,344)
Net (increase)/decrease in guarantee deposits with payment systems		(109)	373
Net (increase)/decrease other financial assets		(677)	623
Net increase in other non-financial assets		(170)	-
Net decrease in due to banks		(1,957)	(8,821)
Net increase in customer accounts		19,635	27,149
Net increase/(decrease) in other financial liabilities		759	(799)
Net cash from operating activities		**20,152**	**22,305**
Cash flows used in investing activities			
Acquisition of tangible fixed assets		(1,866)	(70)
Acquisition of intangible assets		(423)	(233)
Acquisition of investments available for sale		(23,793)	(10,005)
Proceeds from sale and redemption of investments available for sale		8,425	1,826
Net cash used in investing activities		**(17,657)**	**(8,482)**
Cash flows from financing activities			
Proceeds from debt securities in issue		3,000	-
Repayment of debt securities in issue		(2,028)	(19,977)
Repayment of subordinated debt		(259)	-
GDR's buy-back		(1,246)	(324)
Dividends paid		(1,958)	-
Net cash used in financing activities		**(2,491)**	**(20,301)**
Effect of exchange rate changes on cash and cash equivalents		(593)	464
Net increase in cash and cash equivalents		**(589)**	**(6,014)**
Cash and cash equivalents at the beginning of the period	6	**13,689**	**10,700**
Cash and cash equivalents at the end of the period	6	**13,100**	**4,686**

1 Introduction

This consolidated condensed interim financial information for the nine-months period ended 30 September 2016 for TCS Group Holding PLC (the “Company”) and its subsidiaries (together referred to as the “Group” or “TCS Group Holding PLC”) has been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting” as adopted by the European Union.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap.113.

The Board of Directors of the Company at the date of authorisation of this consolidated financial information consists of: Constantinos Economides, Alexios Ioannides, Mary Trimithiotou, Philippe Delpal, Jacques Der Megreditchian and Martin Cocker.

The Company Secretary is: Caelion Secretarial Limited, 25 Spyrou Araouzou 25, Berengaria 25, 5th floor, Limassol, Cyprus.

At 30 September 2016 and 31 December 2015 the share capital of the Group is comprised of “class A” shares and “class B” shares. A “class A” share is an ordinary share with a nominal value of USD 0.04 per share and carrying one vote. A “class B” share is an ordinary share with a nominal value of USD 0.04 per share and carrying 10 votes. At 30 September 2016 and 31 December 2015 the number of “class A” shares is 90,494,146 and “class B” shares is 92,144,679.

On 25 October 2013 the Group completed an initial public offering of its “Class A” ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc.

As at 30 September 2016 and 31 December 2015 the entities holding either Class A or Class B shares of the Company were:

	Class of shares	30 September 2016	31 December 2015	Country of Incorporation
Tadek Holding & Finance S.A.	Class B	50.45%	50.45%	British Virgin Islands
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Class A	41.45%	42.52%	United Kingdom
Rousse Nominees Limited	Class A	2.88%	2.88%	Guernsey
Vostok Emerging Finance Ltd	Class A	3.49%	3.49%	Bermuda
Altruco Trustees Limited	Class A	1.73%	0.66%	Cyprus
Tasos Invest & Finance Inc.	Class B	0.00%	0.00%	British Virgin Islands
Vizer Limited	Class B	0.00%	0.00%	British Virgin Islands
Maitland Commercial Inc.	Class B	0.00%	0.00%	British Virgin Islands
Norman Legal S.A.	Class B	0.00%	0.00%	British Virgin Islands
Total		**100.00%**	**100.00%**	

Guaranty Nominees Limited is a company holding class A shares of the Company for which global depositary receipts are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

The shareholding of Altruco Trustees Limited represents shares held under the share-based payment plan (ESOP) only (Note 26).

As at 30 September 2016 and 31 December 2015 the beneficial owner of Tadek Holding & Finance S.A., Tasos Invest & Finance Inc., Vizer Limited, Maitland Commercial Inc and Norman Legal S.A. was Russian entrepreneur Mr. Oleg Tinkov and the beneficial owner of Rousse Nominees Limited was Baring Vostok Private Equity Fund IV, L.P.

As at 30 September 2016 and 31 December 2015 the ultimate controlling party of the Company is Mr. Oleg Tinkov. Mr. Oleg Tinkov controls 91.1% of the aggregated voting rights attaching to the Class A and B shares.

1 Introduction (Continued)

The Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 30 September 2016 and 31 December 2015 except for TCS Finance Ltd and Tinkoff Long-Term Incentive Plan Employee Benefit Trust (“EBT”) (see below).

JSC “Tinkoff Bank” (the “Bank”) provides on-line retail banking services in Russia. The Bank specialises in issuing credit cards.

JSC Tinkoff Insurance (the “Insurance Company”) provides insurance services.

LLC “Microfinance organization “T-Finans” provides micro-finance services to clients of the Group.

TCS Finance Ltd is a structured entity which issued debt securities for the Group. The Group neither owns shares nor has voting rights of this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity’s obligations.

LLC TCS provides printing and distribution services to the Group.

Goward Group Ltd is an investment holding company which manages part of the Group’s assets.

LLC Feniks is a debt collection agency.

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Group (MLTIP).

Principal activity. The Group’s principal business activity is retail banking and insurance operations within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license № 2673 issued by the Central Bank of the Russian Federation (“CBRF”) since 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law № 177-FZ “Deposits of individuals insurance in the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1,4 million per individual in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company’s registered address is 25 Spyrou Araouzou 25, Berengaria 25, 5th floor, Limassol, Cyprus. The Bank’s registered address is 1-st Volokolamsky proezd, 10, building 1, 123060, Moscow, Russian Federation. The Group’s principal place of business is the Russian Federation.

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

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 23). During the nine months ended 30 September 2016 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterised by a decline in gross domestic product, high interest rates and inflation. This has led to increased economic challenges to the Russian consumer, which has led to higher defaults in the retail and commercial banking sector.

2 Operating Environment of the Group (Continued)

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Management determines loan impairment provisions using the "incurred loss" model required by International Financial Reporting Standards. These standards currently require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union (EU) and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015 which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the requirements of the Cyprus Companies Law, Cap. 113.

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2015.

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.

Seasonality. The management does not consider that the Group's business exhibits material differences due to seasonality.

Repayments of written-off loans. Recovery of amounts previously written off as uncollectible are credited directly to the provisions line in profit or loss for the period.

Adoption of New or Revised Standards and Interpretations. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2015, became effective for the Group from 1 January 2016.

These new or amended standards or interpretations did not have any material impact on this consolidated condensed interim financial information.

At 30 September 2016 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 63.1581 (31 December 2015: USD 1 = RR 72.8827), the principal average rate of exchange was USD 1= RR 68.3831 for nine-months period ended 30 September 2016 (nine-months period ended 30 September 2015: USD 1= RR 62.9784).

Changes in presentation. The management of the Group made a decision to present consolidated condensed interim financial information for the nine-months period ended 30 September 2016 in millions of Russian Roubles (RR). The corresponding figures have been adjusted accordingly.

Where necessary, corresponding figures have been adjusted to conform to the presentation of the current period amounts.

The effect of reclassifications for presentation purposes was as follows on amounts in the consolidated condensed statement of profit or loss and other comprehensive income for the nine- and three-months period ended 30 September 2015.

3 Summary of Significant Accounting Policies (Continued)

Expenses on deposit insurance paid were reallocated from administrative expenses to a separate line within consolidated condensed interim statement of profit or loss and other comprehensive income and bonus payment to customer acquisition staff was reallocated from administrative expenses to customer acquisition expenses:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the nine-months period ended 30 September 2015**
Expenses on deposits insurance	-	(180)	(180)
Administrative and other expenses	(5,362)	228	(5,134)
Customer acquisition expense	(2,351)	(48)	(2,398)

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the three-months period ended 30 September 2015**
Expenses on deposits insurance	-	(72)	(72)
Administrative and other expenses	(1,931)	104	(1,827)
Customer acquisition expense	(849)	(32)	(881)

Expenses on deposit insurance were reallocated from administrative expenses to a separate line within consolidated condensed interim statement of cash flows:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the nine-months period ended 30 September 2015**
Expenses on deposits insurance paid	-	(150)	(150)
Administrative and other operating expenses paid	(2,456)	150	(2,306)

The effect of reclassifications for presentation purposes was as follows on amounts in the consolidated condensed statement of cash flows for the nine-months period ended 30 September 2015:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the nine-months period ended 30 September 2015**
Net increase in loans and advances to customers	(13,279)	(65)	(13,344)
Net decrease in customer accounts	27,084	65	27,149

3 Summary of Significant Accounting Policies (Continued)

The management of the Group made a detailed review of the components that make up interest income and identified two types of commissions (insurance fee and sms fee) which now have more characteristics of being service fees than being part of the effective interest income of the loans. The management considers that the reclassification of these commissions to Fee and commission income will result in a more reliable and relevant presentation of the financial information and is more consistent with the market practice of many other banks. The reclassification does not result in any change to the amount of income recognised in respect of these fees in any one period.

The management also reviewed its approach to the classification of foreign currency exchange transactions fee, which represents a commission for foreign exchange transactions of the Group's clients. They concluded it was appropriate to reclassify this from Gains from operations with foreign currencies to Fee and commission income.

The accounting policy for the repayments of written-off loans was changed during nine-months period ended 30 September 2016 (as described above).

The effect of reclassifications was as follows on amounts in the consolidated condensed interim statement of profit or loss and other comprehensive income for the nine-months and three-months period ended 30 September 2015:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the nine-months period ended 30 September 2015**
Interest income	29,524	(2,205)	27,319
Net gains/(losses) from operations with foreign currencies	104	(310)	(206)
Fee and commission income	695	2,446	3,141
Provision for loan impairment	(11,613)	69	(11,544)

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the three-months period ended 30 September 2015**
Interest income	10,414	(830)	9,584
Net gains/(losses) from operations with foreign currencies	(8)	(104)	(112)
Fee and commission income	340	896	1,236
Provision for loan impairment	(3,614)	38	(3,576)

The effect of reclassifications was as follows on amounts in the condensed statement of cash flows for the nine-months period ended 30 September 2015:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified for the nine-months period ended 30 September 2015**
Interest received	26,965	(2,136)	24,829
Cash received from trading in foreign currencies	3,244	(310)	2,934
Fee and commissions received	695	2,446	3,141

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated condensed interim financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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

The primary factor that the Group considers as objective evidence of impairment is the overdue status of the loan. In general, loans where there are no breaches in loan servicing are considered to be unimpaired. Given the nature of the borrowers and the loans it is the Group's view and experience that there is a very short time lag between a possible loss event that could lead to impairment and the non or under payment of a monthly instalment. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In accordance with the internal methodology for the provision estimation the Group uses its historical retail loan loss statistics for assessment of probabilities of default. The last twelve months of historical loss data are given the most weight in calculating the provision for impairment. This allows the Group to apply most recent data to estimate losses on loans to individuals as the latest trends are accounted for, and to decrease the default probabilities volatility. The loan loss provision includes adjustment for the expected future recovery of impaired loans based on conservative sampling of historical data. As at 30 September 2016 the positive effect of the above adjustment on provision for loan impairment is approximately RR 519 million (31 December 2015: RR 256 million).

To the extent that the incurred losses as at 30 September 2016 resulting from future cash flows vary by 1.0% (31 December 2015: 1.0%) from the calculated estimate, the profit would be approximately RR 1,168 million (31 December 2015: RR 1,011 million) higher or lower.

5 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements for the year ended 31 December 2015, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2017 or later and which the Group has not early adopted:

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The amendment have not yet been endorsed by the European Union.

The Group has also not early adopted any of the new standards and interpretations disclosed in this section and in the 'New Accounting Pronouncements' note in its last annual financial statements and effective for its annual periods beginning on or after 1 January 2016.

6 Cash and Cash Equivalents

In millions of RR	**30 September 2016**	**31 December 2015**
Cash on hand	39	35
Cash balances with the CBRF (other than mandatory reserve deposits)	5,163	5,315
Placements with other banks and organizations with original maturities of less than three months	7,898	8,339
Total Cash and Cash Equivalents	**13,100**	**13,689**

Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 3,833 million as at 30 September 2016 (31 December 2015: RR 5,733 million).

Cash and cash equivalents are neither impaired nor past due. Refer to Note 25 for the disclosure of the fair value of cash and cash equivalents.

7 Loans and Advances to Customers

In millions of RR	**30 September 2016**	**31 December 2015**
Loans to individuals:		
Credit card loans	107,313	90,382
Instalment loans	7,074	8,283
Cash loans	1,242	1,724
POS loans	1,165	692
Total loans and advances to customers before impairment	**116,794**	**101,081**
Less: Provision for loan impairment	(17,938)	(19,014)
Total loans and advances to customers	**98,856**	**82,067**

7 Loans and Advances to Customers (Continued)

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

The Bank has a restructuring programme for delinquent borrowers who demonstrate a willingness to settle their debt by switching to fixed monthly repayments of outstanding amounts ("instalment loans").

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

POS ("Point of sale") loans represent POS lending through the Bank's programme "POS loans" (KupiVKredit). This programme funds online purchases through internet shops for individual borrowers.

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

In units	**30 September 2016**	**31 December 2015**
Credit card limits		
Up to 20 RR thousand	434,704	441,854
20-40 RR thousand	335,629	334,214
40-60 RR thousand	270,247	240,459
60-80 RR thousand	257,965	200,194
80-100 RR thousand	199,628	171,692
100-120 RR thousand	176,964	144,918
120-140 RR thousand	310,941	266,349
More than 140 RR thousand	109,016	71,613
Total cards	**2,095,094**	**1,871,293**

Table above includes credit cards less than 180 days overdue.

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment for the nine-months period ended 30 September 2016 are as follows:

In millions of RR	As at 31 December 2015	Sales of impaired loans	Amounts written-off during the period	Provision for impairment during the period	As at 30 September 2016
Loans to individuals:					
Credit card loans	14,487	(922)	(5,802)	6,009	13,772
Instalment loans	4,093	(80)	(1,550)	1,384	3,847
Cash loans	272	(3)	(151)	87	205
POS loans	162	(4)	(113)	69	114
Total provision for loan impairment	**19,014**	**(1,009)**	**(7,616)**	**7,549**	**17,938**

Movements in the provision for loan impairment for the three-months period ended 30 September 2016 are as follows:

In millions of RR	As at 30 June 2016	Sales of impaired loans	Amounts written-off during the period	Provision for impairment during the period	As at 30 September 2016
Loans to individuals:					
Credit card loans	13,610	(427)	(1,536)	2,125	13,772
Instalment loans	3,962	(52)	(481)	418	3,847
Cash loans	196	(1)	(13)	23	205
POS loans	86	(1)	-	29	114
Total provision for loan impairment	**17,854**	**(481)**	**(2,030)**	**2,595**	**17,938**

The provision for impairment during nine-months period ended 30 September 2016 presented in the tables above differs from the amount presented in profit or loss for the period due to RR 640 million (three-months period ended 30 September 2016: RR 229 million), recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the period.

Movements in the provision for loan impairment for the nine-months period ended 30 September 2015 are as follows:

In millions of RR	As at 31 December 2014	Sales of impaired loans	Amounts written-off during the period	Provision for impairment during the period	As at 30 September 2015
Loans to individuals:					
Credit card loans	15,609	(218)	(9,028)	8,764	15,127
Instalment loans	3,134	(12)	(1,478)	2,500	4,144
Cash loans	458	-	(325)	204	337
POS loans	127	-	(94)	145	178
Total provision for loan impairment	**19,328**	**(230)**	**(10,925)**	**11,613**	**19,786**

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment for the three-months period ended 30 September 2015 are as follows:

In millions of RR	**As at 30 June 2015**	**Sales of impaired loans**	**Amounts written-off during the period**	**Provision for impairment during the period**	**As at 30 September 2015**
Loans to individuals:					
Credit card loans	15,056	(180)	(2,565)	2,816	15,127
Instalment loans	3,874	(7)	(465)	742	4,144
Cash loans	403	-	(104)	38	337
POS loans	180	-	(20)	18	178
Total provision for loan impairment	**19,513**	**(187)**	**(3,154)**	**3,614**	**19,786**

The provision for impairment during nine-months period ended 30 September 2015 presented in the tables above differs from the amount presented in profit or loss for the period due to RR 69 million (three-months period ended 30 September 2015: RR 38 million), recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the period.

During nine-months period ended 30 September 2016 the Group sold impaired loans to third parties (external debt collection agencies) with a gross amount of RR 1,029 million (nine-months period ended 30 September 2015: RR 234 million) and provision for impairment of RR 1,009 million (nine-months period ended 30 September 2015: RR 230 million). The difference between the carrying amount of these loans and the consideration received was recognised in profit or loss as gain from the sale of impaired loans in the amount of RR 24 million for the nine-months period ended 30 September 2016 (nine-months period ended 30 September 2015: RR 20 million).

During three-months period ended 30 September 2016 the Group sold impaired loans to third parties (external debt collection agencies) with a gross amount of RR 493 million (three-months period ended 30 September 2015: RR 190 million) and provision for impairment of RR 481 million (three-months period ended 30 September 2015: RR 187 million). The difference between the carrying amount of these loans and the consideration received was recognised in profit or loss as gain from the sale of impaired loans in the amount of RR 4 million for the three-months period ended 30 September 2016 (three-months period ended 30 September 2015: RR 14 million).

7 Loans and Advances to Customers (Continued)

Analysis of loans by credit quality is as follows:

	30 September 2016				31 December 2015			
In millions of RR	**Credit card loans**	**Instal-ment loans**	**Cash loans**	**POS loans**	**Credit card loans**	**Instal-ment loans**	**Cash loans**	**POS loans**
Neither past due nor impaired:								
- new	2,447	-	66	177	2,166	-	348	130
Loans collectively assessed for impairment (gross):								
- non-overdue	88,953	4,612	950	857	72,610	5,460	1,097	392
- less than 30 days overdue	3,053	490	40	34	2,347	626	42	16
- 30 to 90 days overdue	2,447	456	38	23	2,622	681	40	21
- 90 to 180 days overdue	2,010	463	45	24	2,796	583	50	24
- 180 to 360 days overdue	3,119	1,053	73	46	3,516	933	147	109
-over 360 days overdue	119	-	30	4	-	-	-	-
- loans in courts	5,165	-	-		4,325	-	-	-
Less: Provision for loan impairment	(13,772)	(3,847)	(205)	(114)	(14,487)	(4,093)	(272)	(162)
Total loans	**93,541**	**3,227**	**1,037**	**1,051**	**75,895**	**4,190**	**1,452**	**530**

Loans in category "new" represent loans provided to borrowers for which the date of the first payment did not occur before the reporting date and thus no impairment provision is considered necessary.

Loans in courts are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances.

The Group assesses non-overdue loans for impairment collectively as a homogeneous population with similar credit quality as disclosed above. The Group considers overdue loans as impaired.

Refer to Note 25 for the estimated fair value of loans and advances to customers. Information on related party balances is disclosed in Note 26.

8 Investment Securities Available for Sale

In millions of RR	30 September 2016	31 December 2015
Corporate bonds	31,973	15,624
Russian government bonds	1,624	312
Total investment securities available for sale	**33,597**	**15,936**

The movements in investment securities available for sale during nine months ended 30 September 2016 are as follows:

In millions of RR	2016
Carrying amount at 1 January	15,936
Purchases	23,793
Redemption of investment securities available for sale	(2,737)
Disposal of investment securities available for sale	(5,688)
Interest income accrued on investment securities available for sale	1,677
Interest received	(1,379)
Receipt under Sale and Repurchase agreements	2,344
Foreign exchange loss on investment securities available for sale in currency	(1,269)
Revaluation through other comprehensive income	920
Carrying amount at 30 September	**33,597**

The movements in investment securities available for sale during three months ended 30 September 2016 are as follows:

In millions of RR	2016
Carrying amount at 30 June	27,795
Purchases	9,991
Redemption of investment securities available for sale	(699)
Disposal of investment securities available for sale	(3,717)
Interest income accrued on investment securities available for sale	683
Interest received	(534)
Receipt under Sale and Repurchase agreements	-
Foreign exchange loss on investment securities available for sale in currency	(143)
Revaluation through other comprehensive income	221
Carrying amount at 30 September	**33,597**

8 Investment Securities Available for Sale (Continued)

The movements in investment securities available for sale during nine months ended 30 September 2015 are as follows:

In millions of RR	**2015**
Carrying amount at 1 January	217
Purchases	10,005
Redemption of investment securities available for sale	(1,275)
Disposal of investment securities available for sale	(551)
Interest income accrued on investment securities available for sale and repurchase agreements	693
Interest received	(564)
Receipt under sale and repurchase agreements	5,421
Pledged under Sale and Repurchase agreements	(1,630)
Foreign exchange gain on investment securities available for sale in currency	493
Revaluation through other comprehensive income	297
Carrying amount at 30 September	**13,106**

The movements in investment securities available for sale for three months ended 30 September 2015 are as follows:

In millions of RR	**2015**
Carrying amount at 30 June	11,845
Purchases	1,480
Redemption of investment securities available for sale	(356)
Disposal of investment securities available for sale	(551)
Interest income accrued on investment securities available for sale and repurchase agreements	315
Interest received	(241)
Receipt under Sale and Repurchase agreements	54
Pledged under Sale and Repurchase agreements	-
Foreign exchange gain on investment securities available for sale in currency	529
Revaluation through other comprehensive income	31
Carrying amount at 30 September	**13,106**

9 Due to Banks

In millions of RR	**30 September 2016**	**31 December 2015**
Due to other banks	2,225	251
Short-term loan from CBRF	2,006	4,014
Sale and repurchase agreements with CBRF	-	2,127
Total due to banks	**4,231**	**6,392**

On 17 February 2016 the Group raised two loans from CBRF in the total amount of RR 2,000 million with contractual interest rate of 12.75% maturing on 31 October 2016. On 19 September 2016 the interest rate decreased to 11.75%.

On 25 February 2016 the Group raised a bank loan in the total amount of RR 2,000 million with contractual interest rate of 12.25% maturing on 14 October 2016.

On 14 October 2015 the Group raised two loans from CBRF in the total amount of RR 2,000 million with contractual interest rate of 12.75%. The loans were fully repaid on 12 January 2016.

9 Due to Banks (Continued)

On 5 November 2015 the Group raised two loans from CBRF in the total amount of RR 2,000 million with contractual interest rate of 12.75%. The loans were fully repaid on 3 February 2016.

Refer to Note 25 for the disclosure of the fair value of due to banks.

10 Customer Accounts

In millions of RR	30 September 2016	31 December 2015
Legal entities		
- Current/settlement accounts of corporate entities	2,127	518
- Term deposits of corporate entities	393	375
Individuals		
- Current/settlement accounts of individuals	34,346	24,506
- Term deposits of individuals	73,732	63,944
Total Customer Accounts	**110,598**	**89,343**

Refer to Note 25 for the estimated fair value of customer accounts. Information on related party balances is disclosed in Note 26.

11 Debt Securities in Issue

In millions of RR	Maturity date	30 September 2016	31 December 2015
RR denominated bonds issued in June 2016	24 June 2021	3,071	-
Euro-Commercial Paper issued in December 2015	20 June 2016	-	1,877
RR denominated bonds issued in May 2013	24 May 2016	-	28
Total Debt Securities in Issue		**3,071**	**1,905**

On 30 June 2016 the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 11.7% coupon rate maturing on 24 June 2021.

On 2 December 2015 the Group issued RR denominated Euro-Commercial Paper (ECP) with a nominal value of RR 2,000 million with a discount of 7.2% maturing on 20 June 2016. On 20 June 2016 the Group redeemed all outstanding bonds of this issue at maturity.

On 28 May 2013 the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 10.25% coupon rate maturing on 24 May 2016. On 24 May 2016 the Group redeemed all outstanding bonds of this issue at maturity.

All bonds issued by the Group are traded on stock exchanges. Refer to Note 25 for the disclosure of the fair value of debt securities in issue.

12 Subordinated Debt

As at 30 September 2016 the carrying value of the subordinated debt was RR 12,901 million (31 December 2015: RR 14,609 million). On 6 December 2012 and 18 February 2013 the Group issued USD denominated subordinated bonds with a nominal value of USD 125 million with zero premium and USD 75 million at a premium of 7.0% respectively, at 14.0% coupon rate (applicable to both tranches) maturing on 6 June 2018. The claims of lenders against the Group in respect of the principal and interest on these bonds are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

Refer to Note 25 for the disclosure of the fair value of financial instruments.

13 Share Capital

In millions of RR except for the number of shares	**Number of authorised shares**	**Number of outstanding shares**	**Ordinary shares**	**Share premium**	**Treasury shares**	**Total**
At 1 January 2015	**190,479,500**	**182,638,825**	**188**	**8,623**	**(5)**	**8,806**
At 31 December 2015	**190,479,500**	**182,638,825**	**188**	**8,623**	**(328)**	**8,483**
GDRs buy-back	-	-	-	-	(1,246)	(1,246)
GDRs and shares transferred under MLTIP and ESOP	-	-	-	-	101	101
At 30 September 2016	**190,479,500**	**182,638,825**	**188**	**8,623**	**(1,473)**	**7,338**

During the nine months ended 30 September 2016 the Group repurchased 5,659,853 GDRs at amount of RR 1,246 million at market prices.

As at 30 September 2016 treasury shares represent GDRs of the Group repurchased from the market for the purposes of MLTIP.

As at 31 December 2015 treasury shares represent GDRs of the Group repurchased from the market for the purposes of MLTIP and shares issued for the purposes of ESOP. Refer to Note 26.

14 Net margin

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Interest income				
Loans and advances to customers, including:				
Credit card loans	31,225	11,012	25,185	8,754
Instalment loans	671	218	671	243
Cash loans	462	126	431	137
POS loans	327	124	258	78
Investment securities available for sale and Repurchase receivables	1,677	683	723	345
Placements with other banks	511	69	51	27
Other interest income	25	13	-	-
Total Interest Income	**34,898**	**12,245**	**27,319**	**9,584**
Interest expense				
Customer accounts	7,979	2,619	6,534	2,480
Subordinated debt	1,451	452	1,266	449
Due to banks	438	154	353	64
Euro-Commercial Paper	123	-	2	-
RR denominated bonds	90	89	227	9
Eurobonds	-	-	1,021	208
Total Interest Expense	**10,081**	**3,314**	**9,403**	**3,210**
Expenses on deposit insurance	315	127	180	72
Net margin	**24,502**	**8,804**	**17,736**	**6,302**

15 Customer Acquisition Expenses

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Marketing and advertising	2,393	740	1,143	415
Staff costs	1,921	662	1,079	402
Credit bureaux	188	67	125	47
Telecommunication expenses	100	34	44	17
Personalisation, printing and distribution	-	-	7	-
Total customer acquisition expenses	**4,602**	**1,503**	**2,398**	**881**

Customer acquisition expenses represent expenses paid by the Group on services related to origination of card customers. The Group uses a variety of different channels for the acquisition of new customers.

15 Customer Acquisition Expenses (Continued)

Staff costs represent salary expenses and related costs of employees involved in customer acquisition. Included in staff costs are statutory social contributions to the state pension fund in the amount of RR 387 million for the nine-months period ended 30 September 2016 and RR 135 million for the three-months period ended 30 September 2016 (nine-months period ended 30 September 2015: RR 214 million, three-months period ended 30 September 2015: RR 76 million).

16 Insurance Claims Incurred

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Claims paid	264	84	128	68
Change in loss provision	113	(32)	124	49
Claims handling expenses	16	6	9	4
Total insurance claims incurred	**393**	**58**	**261**	**121**

Staff and administrative expense for insurance operations are included in Note 18.

17 Fee and Commission Income and Expense

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Fee and commission income				
Insurance agency fee	2,511	880	1,867	685
Merchant acquiring commission	912	270	220	131
SMS fee	626	230	318	127
Interchange fee	602	243	256	123
Foreign currency exchange transactions fee	342	137	310	104
Court fees reimbursement	232	-	-	-
Card to card commission	205	128	46	20
Cash withdrawal fee	146	63	76	30
Placement fee	79	31	40	13
Legal entities current accounts commission	41	32	-	-
Other fees receivable	138	38	8	3
Total fee and commission income	**5,834**	**2,052**	**3,141**	**1,236**

Insurance agency fee income represents agency fee for distributing insurance products to borrowers of the Group.

Sms fee income includes fee for sms notification of borrowers of the Group which amounted to RR 511 million for the nine-months period ended 30 September 2016 and RR 184 million for the three-months period ended 30 September 2016 (RR 269 million for the nine-months period ended 30 September 2015 and RR 107 million for the three-months period ended 30 September 2015).

17 Fee and Commission Income and Expense (Continued)

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Fee and commission expense				
Payment systems	2,152	894	696	303
Service fees	332	105	313	104
Banking and other fees	39	13	40	13
Total fee and commission expense	**2,523**	**1,012**	**1,049**	**420**

Service fees represent fees for statement printing, mailing services and sms services.

Payment systems fees represent fees for MasterCard and Visa services.

18 Administrative and Other Operating Expenses

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Staff costs	5,084	1,744	3,165	1,147
Taxes other than income tax	884	280	656	228
Rental expenses	444	149	344	116
Information services	267	98	177	73
Communication services	249	73	177	64
Amortization of intangible assets	185	69	134	46
Depreciation of tangible fixed assets	180	66	181	54
Stationery and office expenses	92	41	48	19
Professional services	89	35	84	25
Security expenses	88	34	54	20
Other administrative expenses	291	162	114	35
Total administrative and other operating expenses	**7,853**	**2,751**	**5,134**	**1,827**

Included in staff costs are statutory social contributions to the pension fund and share-based remuneration:

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Statutory social contribution to the pension fund	710	220	555	175
Share-based remuneration	493	172	78	16

19 Income Taxes

Income tax expense comprises the following:

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Current tax	(3,529)	(1,180)	(33)	(15)
Deferred tax	1,104	95	(356)	(287)
Income tax for the period	**(2,425)**	**(1,085)**	**(389)**	**(302)**

20 Dividends

In millions of RR	2016
Dividends payable at 1 January	-
Dividends declared during the period	2,016
Dividends paid during the period	(1,958)
Foreign exchange loss on dividends payable	19
Dividends payable at 30 September	**77**
Dividends per share declared during the period (in RR)	**11.04**
Dividends per share declared during the period (in USD)	**0.170**
Dividends per share paid during the period (in RR)	**10.72**
Dividends per share paid during the period (in USD)	**0.170**

All dividends are declared and paid in USD. Dividends payable at 30 September 2016 in the amount of RR 77 million are related to treasury shares acquired under MLTIP and included in other non-financial liabilities.

21 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 Group. The functions of CODM are performed by the Management of the Bank and the Management of the Insurance Company.

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

The Group is organised on the basis of 2 main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Insurance operations – representing insurance services provided to individuals.

21 Segment Analysis (Continued)

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. They are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments as at 30 September 2016 is set out below:

In millions of RR	**Retail banking**	**Insurance operations**	**Eliminations**	**Total**
Cash and cash equivalents	12,756	824	(480)	13,100
Mandatory cash balances with the CBRF	1,123	-	-	1,123
Due from other banks	-	445	-	445
Loans and advances to customers	98,856	-	-	98,856
Financial derivatives	2,970	-	-	2,970
Investment securities available for sale	33,597	-	-	33,597
Current income tax assets	280	22	-	302
Guarantee deposits with payment systems	3,042	-	-	3,042
Tangible fixed assets	3,744	4	-	3,748
Intangible assets	1,331	345	-	1,676
Other financial assets	3,812	30	(21)	3,821
Other non-financial assets	1,353	144	-	1,497
Total reportable segment assets	**162,864**	**1,814**	**(501)**	**164,177**
Due to banks	4,231	-	-	4,231
Customer accounts	111,078	-	(480)	110,598
Debt securities in issue	3,071	-	-	3,071
Current income tax liabilities	2	-	-	2
Deferred income tax liabilities	670	10	-	680
Subordinated debt	12,901	-	-	12,901
Insurance provisions	-	719	-	719
Other financial liabilities	1,550	94	(21)	1,623
Other non-financial liabilities	2,184	19	-	2,203
Total reportable segment liabilities	**135,687**	**842**	**(501)**	**136,028**

21 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2015 is set out below:

In millions of RR	Retail banking	Insurance operations	Eliminations	Total
Cash and cash equivalents	13,666	386	(363)	13,689
Mandatory cash balances with the CBRF	675	-	-	675
Due from other banks	-	726	-	726
Loans and advances to customers	82,067	-	-	82,067
Financial derivatives	11,345	-	-	11,345
Investment securities available for sale	15,936	-	-	15,936
Repurchase receivables	2,344	-	-	2,344
Current income tax assets	713	30	-	743
Guarantee deposits with payment systems	3,377	-	-	3,377
Tangible fixed assets	2,050	2	-	2,052
Intangible assets	1,090	329	-	1,419
Other financial assets	3,455	66	(22)	3,499
Other non-financial assets	1,664	116	-	1,780
Total reportable segment assets	**138,382**	**1,655**	**(385)**	**139,652**
Due to banks	6,392	-	-	6,392
Customer accounts	89,706	-	(363)	89,343
Debt securities in issue	1,905	-	-	1,905
Current income tax liabilities	36	-	-	36
Deferred income tax liabilities	1,753	31	-	1,784
Subordinated debt	14,609	-	-	14,609
Financial derivatives	8	-	-	8
Insurance provisions	-	515	-	515
Other financial liabilities	1,246	72	(22)	1,296
Other non-financial liabilities	805	13	-	818
Total reportable segment liabilities	**116,460**	**631**	**(385)**	**116,706**

21 Segment Analysis (Continued)

Segment information for the reportable segments for nine and three months ended 30 September 2016 and 30 September 2015 is set out below:

In millions of RR	Retail banking	Insurance operations	Eliminations	Total
Nine Months ended 30 September 2016				
External revenues:				
Interest income	34,828	70	-	34,898
Insurance premiums earned	-	988	-	988
Gain from sale of impaired loans	24	-	-	24
Fee and commission income	6,025	-	(191)	5,834
Net gains from operations with foreign currencies	114	-	-	114
Other operating income	558	16	(26)	548
Total revenues	**41,549**	**1,074**	**(217)**	**42,406**
Interest expense	(10,081)	-	-	(10,081)
Expenses on deposit insurance	(315)	-	-	(315)
Provision for loan impairment	(6,909)	-	-	(6,909)
Customer acquisition expense	(4,405)	(388)	191	(4,602)
Insurance claims incurred	-	(393)	-	(393)
Fee and commission expense	(2,523)	-	-	(2,523)
Administrative and other operating expenses	(7,519)	(360)	26	(7,853)
Segment result	**9,797**	**(67)**	**-**	**9,730**

In millions of RR	Retail banking	Insurance operations	Eliminations	Total
Three Months ended 30 September 2016				
External revenues:				
Interest income	12,220	25	-	12,245
Insurance premiums earned	-	349	-	349
Gain from sale of impaired loans	4	-	-	4
Fee and commission income	2,114	-	(62)	2,052
Net gains from operations with foreign currencies	51	-	-	51
Other operating income	409	1	(12)	398
Total revenues	**14,798**	**375**	**(74)**	**15,099**
Interest expense	(3,314)	-	-	(3,314)
Expenses on deposit insurance	(127)	-	-	(127)
Provision for loan impairment	(2,366)	-	-	(2,366)
Customer acquisition expense	(1,436)	(129)	62	(1,503)
Insurance claims incurred	-	(58)	-	(58)
Fee and commission expense	(1,012)	-	-	(1,012)
Administrative and other operating expenses	(2,635)	(128)	12	(2,751)
Segment result	**3,908**	**60**	**-**	**3,968**

21 Segment Analysis (Continued)

In millions of RR	Retail banking	Insurance operations	Eliminations	Total
Nine Months ended 30 September 2015				
External revenues:				
Interest income	27,289	30	-	27,319
Insurance premiums earned	-	868	-	868
Gain from sale of impaired loans	20	-	-	20
Fee and commission income	3,358	-	(217)	3,141
Other operating income	122	13	(2)	133
Total revenues	**30,789**	**911**	**(219)**	**31,481**
Interest expense	(9,403)	-	-	(9,403)
Expenses on deposit insurance	(180)	-	-	(180)
Provision for loan impairment	(11,544)	-	-	(11,544)
Customer acquisition expense	(2,202)	(413)	217	(2,398)
Insurance claims incurred	-	(261)	-	(261)
Fee and commission expense	(1,049)	-	-	(1,049)
Net losses from operations with foreign currencies	(206)	-	-	(206)
Administrative and other operating expenses	(4,921)	(215)	2	(5,134)
Segment result	**1,284**	**22**	**-**	**1,306**

In millions of RR	Retail banking	Insurance operations	Eliminations	Total
Three Months ended 30 September 2015				
External revenues:				
Interest income	9,567	17	-	9,584
Insurance premiums earned	-	307	-	307
Gain from sale of impaired loans	14	-	-	14
Fee and commission income	1,306	-	(70)	1,236
Other operating income	86	9	(1)	94
Total revenues	**10,973**	**333**	**(71)**	**11,235**
Interest expense	(3,210)	-	-	(3,210)
Expenses on deposit insurance	(72)	-	-	(72)
Provision for loan impairment	(3,576)	-	-	(3,576)
Customer acquisition expenses	(806)	(145)	70	(881)
Insurance claims incurred	-	(121)	-	(121)
Fee and commission expense	(420)	-	-	(420)
Net losses from operations with foreign currencies	(112)	-	-	(112)
Administrative and other expenses	(1,754)	(74)	1	(1,827)
Segment result	**1,023**	**(7)**	**-**	**1,016**

21 Segment Analysis (Continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Total revenues for reportable segments	42,623	15,173	31,700	11,306
Intercompany transactions	(217)	(74)	(219)	(71)
Total consolidated revenues	**42,406**	**15,099**	**31,481**	**11,235**

Total consolidated revenues comprise interest income, income from insurance operations, gain from sale of impaired loans, fee and commission income, net gains from operations with foreign currencies and other operating income.

In millions of RR	Nine-Months Period Ended 30 September 2016	Three-Months Period Ended 30 September 2016	Nine-Months Period Ended 30 September 2015	Three-Months Period Ended 30 September 2015
Total reportable segment result	9,730	3,968	1,306	1,016
Profit before tax	**9,730**	**3,968**	**1,306**	**1,016**

In millions of RR	30 September 2016	31 December 2015
Total reportable segment assets	164,678	140,037
Intercompany balances	(501)	(385)
Total consolidated assets	**164,177**	**139,652**

In millions of RR	30 September 2016	31 December 2015
Total reportable segment liabilities	136,529	117,091
Intercompany balances	(501)	(385)
Total consolidated liabilities	**136,028**	**116,706**

22 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the CBRF, (ii) for the Group to comply with the financial covenants set by the terms of securities issued; (iii) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity as shown in the consolidated condensed interim statement of financial position. The amount of capital that the Group managed as of 30 September 2016 was RR 28,149 million (31 December 2015: RR 22,946 million). Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

22 Management of Capital (Continued)

Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level of 8%. Based on the report submitted to CBRF the Bank's statutory capital ratio is higher than the prescribed minimum level as of 30 September 2016.

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: international regulatory standards for more resilient banks and banking systems (hereinafter "Basel III"). The amount of total capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III as at 30 September 2016 was RR 30,343 million (31 December 2015: RR 28,102 million), the amount of Tier 1 capital as at 30 September 2016 was RR 26,473 million (31 December 2015: RR 21,528 million). Total capital adequacy ratio and Tier 1 capital adequacy ratio were 17.37% and 15.16% respectively (31 December 2015: 18.25% and 13.98% respectively). The Group and the Bank have complied with all externally imposed capital requirements throughout nine-months period ended 30 September 2016 and 2015.

23 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material unprovided losses will be incurred in respect of claims.

Tax contingencies. 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 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 incompliant counterparties. Fiscal periods remain open to review by the 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.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. 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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes for temporary differences that arise from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

23 Contingencies and Commitments (Continued)

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. As at 30 September 2016 no material tax risks were identified (2015: same).

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

In millions of RR	**30 September 2016**	**31 December 2015**
Not later than 1 year	371	660
Total operating lease commitments	**371**	**660**

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 30 September 2016 and 31 December 2015.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of credit card loans. 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, if the unused amounts were to be drawn down. Most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In millions of RR	**30 September 2016**	**31 December 2015**
Unused limits on credit card loans	71,773	50,830

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons. Also the Group has a right to increase or decrease a credit card limit at any time without prior notice. Credit related commitments are denominated in RR. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero.

23 Contingencies and Commitments (Continued)

Mandatory cash balances with the CBRF of RR 1,123 million (31 December 2015: RR 675 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

24 Financial Derivatives

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	30 September 2016		31 December 2015	
In millions of RR	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	9,671	-	20,084	28
- USD payable on settlement (-)	-	(2)	-	(3,314)
- RR payable on settlement (-)	(4,904)	(1)	(8,739)	(36)
- RR receivable on settlement (-)	-	4	-	3,545
- EUR receivable on settlement (+)	7	-	-	8
- EUR payable on settlement (-)	(1,807)	(1)	-	(239)
- GBP receivable on settlement (+)	3	-	-	-
Net fair value of foreign exchange forwards and swaps	**2,970**	**-**	**11,345**	**(8)**

Included in financial derivatives held by the Group as at 30 September 2016 is one outstanding swap contract with positive fair value of RR 1,501 million, which includes reference to the default of JSC VTB Bank, JSC Gazprom or the Russian Federation (31 December 2015: RR 1,857 million). There is also one other outstanding swap contract with total positive fair value of RR 1,469 million which include reference to the default of the Bank (31 December 2015: three other outstanding swap contracts with total positive fair value RR 9,488 million).

Where there is a reference in the swap contract to default of the entity or the country the swap contract would be cancelled and all of the rights and obligations are terminated in the event of an actual default of this entity or the country.

25 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are 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 its 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.

25 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements

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

	30 September 2016				31 December 2015			
In millions of RR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Financial derivatives	-	2,970	-	2,970	-	11,345	-	11,345
Investment securities available for sale	33,597	-	-	33,597	15,936	-	-	15,936
Repurchase receivables	-	-	-	-	2,344	-	-	2,344
Total assets recurring fair value measurements	**33,597**	**2,970**	**-**	**36,567**	**18,280**	**11,345**	**-**	**29,625**

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 30 September 2016 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Foreign exchange swaps	2,970	Discounted cash flows adjusted for counterparty credit risk.	Russian rouble curve. USD Dollar Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**2,970**		

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the period ended 30 September 2016 (2015: none).

Level 2 trading and hedging derivatives comprise foreign exchange forwards and swaps. The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

25 Fair Value of Financial Instruments (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:

	30 September 2016				31 December 2015			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	39	-	-	39	35	-	-	35
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	5,163	-	5,163	-	5,315	-	5,315
- Placements with other banks with original maturities of less than three months	-	7,898	-	7,898	-	8,339	-	8,339
Mandatory cash balances with the CBRF	-	1,123	-	1,123	-	675	-	675
Due from other banks	-	445	-	445	-	725	-	726
Loans and advances to customers	-	-	98,856	98,856	-	-	82,067	82,067
Guarantee deposits with payment systems	-	-	3,042	3,042	-	-	3,377	3,377
Other financial assets								
Settlement of operations with plastic cards receivable	-	2,576	-	2,576	-	3,355	-	3,355
Trade and other receivables	-	-	348	348	-	-	127	127
Other financial assets	-	-	866	897	-	-	17	17
Total financial assets carried at amortised cost	**39**	**17,205**	**103,112**	**120,387**	**35**	**18,409**	**85,588**	**104,033**

25 Fair Value of Financial Instruments (Continued)

	30 September 2016				31 December 2015			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	4,231	-	4,231	-	6,382	-	6,392
Customer accounts								
Legal entities								
-Current/settlement accounts of corporate entities	-	2,127	-	2,127	-	518	-	518
-Term deposits of corporate entities	-	472	-	393	-	375	-	375
Individuals								
-Current/settlement accounts of individuals	-	34,346	-	34,346	-	24,506	-	24,506
-Term deposits of individuals	-	76,043	-	73,732	-	65,919	-	63,944
Debt securities in issue								
RR Bonds issued on domestic market	3,126	-	-	3,071	28	-	-	28
ECP	-	-	-	-	1,894	-	-	1,877
Subordinated debt	14,692	-	-	12,901	15,378	-	-	14,609
Other financial liabilities								
Settlement of operations with plastic cards	-	797	-	797	-	622	-	622
Trade payables	-	-	814	814	-	-	638	638
Other financial liabilities	-	-	12	12	-	-	36	36
Total financial liabilities carried at amortised cost	**17,818**	**118,016**	**826**	**132,424**	**17,300**	**98,322**	**674**	**113,545**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from OJSC Moscow Exchange MICEX-RTS and Irish Stock Exchange, where the Group’s debt securities are listed and traded (2015: OJSC Moscow Exchange MICEX-RTS and Irish Stock Exchange).

25 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 30 September 2016 and 31 December 2015 depend on currency:

In % p.a.	30 September 2016	31 December 2015
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	10.2	10.5
Loans and advances to customers	48.3	51.7
Investment securities available for sale	10.8	13.5
Repurchase receivables	-	6.4
Liabilities		
Due to banks	11.4	9.4
Customer accounts	9.2	11.9
Debt securities in issue	10.9	10.6
Subordinated debt	6.4	11.8

26 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 outstanding balances with related parties were as follows:

	30 September 2016		31 December 2015	
In millions of RR	Key management personnel	Other related parties	Key management personnel	Other related parties
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 31.9% (2015: 24.7%))	14	-	3	-
Other financial assets	-	884	-	-
Other non-financial assets	-	315	-	568
LIABILITIES				
Customer accounts (contractual interest rate: 5.35% p.a. (2015: 8.01% p.a.))	650	467	789	497
Other non-financial liabilities	544	-	41	-
EQUITY				
Share-based payment reserve				
- Employee share option plan	-	-	537	-
- Equity long-term incentive plan	-	-	77	-
- Management long-term incentive programme	310	-	-	-

Other related parties in the tables above are represented by entities which are under control of the Group's ultimate controlling party Oleg Tinkov.

Other non-financial assets represent a prepayment made under the sponsorship contract with the Tinkoff Cycling Team ("Team"), the related expense is included in customer acquisition expense. The Team is owned by the Group's ultimate controlling party.

26 Related Party Transactions (Continued)

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

In millions of RR	Nine- months ended 30 September 2016		Three-months ended 30 September 2016		Nine- months ended 30 September 2015		Three-months ended 30 September 2015	
	Key management personnel	**Other related parties**	**Key management personnel**	**Other related parties**	**Key management personnel**	**Other related parties**	**Key management personnel**	**Other related parties**
Interest income	2	22	1	10	-	-	-	-
Interest expense	(47)	(26)	(13)	(9)	(42)	(119)	(10)	(31)
Customer acquisition expense	-	(909)	-	(318)	-	(709)	-	(254)
Unrealised foreign exchange translation losses less gains	-	66	-	9	-	(184)	-	(229)

Key management compensation is presented below:

In millions of RR	**Nine-months ended 30 September 2016**	**Three-months ended 30 September 2016**	**Nine-months ended 30 September 2015**	**Three-months ended 30 September 2015**
Short-term benefits:				
- Salaries	351	116	204	71
- Short-term bonuses	457	218	103	93
Long-term benefits:				
- Management long-term incentive programme	409	156	-	-
- Equity long-term incentive plan	41	-	12	4
- Employee share option plan	-	-	66	12
Total	**1,258**	**490**	**385**	**180**

***Management long-term incentive programme*.** On 31 March 2016 the Group introduced MLTIP as both a long-term incentive and retention tool for the management of the Group. The maximum share capital attributable to the plan was 4.1% of issued share capital at 31 March 2016.

The employees cannot own or exercise their shareholder rights over GDRs within MLTIP directly. Employees are entitled to the dividends, if any.

The total number of GDRs attributable to the Management according to MLTIP is 7,504 thousand.

The fair value as at recognition date of the equity-settled share-based payments (31 March 2016) is determined on the basis of a market quote.

The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates at 14 April 2016 and each subsequent 31 March each year until 2020.

26 Related Party Transactions (Continued)

Employee share option plan. In May 2011 the Group introduced ESOP as a long-term incentive and retention tool for the key management of the Bank. The number of shares in issue for ESOP purposes was 3,383 thousand. The liquidity event when vested shares could be sold by the key management was the earliest of the IPO, change of control or 1 January 2016.

On 1 June 2016 all conditions to the third and final vesting in ESOP were fully satisfied and ESOP has satisfied its delivery commitment. Accumulated share based payment reserve has been transferred to Retained earnings.

Equity long-term incentive plan. In January 2011 the Group also introduced a long-term incentive plan (Equity LTIP) for the management of the Bank. The senior and middle management, not participating in the ESOP, was entitled to cash payment calculated under their individual packages defined as a percentage of shares as at the date of the plan introduction. The liquidity event was the earliest of the IPO or change of control.

In July 2013, management of the Bank and the shareholders agreed to settle the existing cash-settled share-based compensation plan for USD 1 and to introduce a new equity-settled share-based compensation plan.

At the date of modification the full carrying amount of the liability was transferred to equity as this represents settlement provided by the employees for the equity instruments granted to them.

As at 14 April 2016 after first vesting date of MLTIP, Equity LTIP was cancelled and accelerated expenses have been accrued. Full amount of Share-based payment reserve accumulated has been transferred to Retained earnings.

27 Events after the End of the Reporting Period

In October and November 2016 the Group acquired additional property in the office building for own use for RR 178 million including VAT.

On 29 November 2016 the Board of Directors declared a dividend of USD 0.211 per share/per GDR with a total amount allocated for dividend payment of around USD 38.5 million.