TCS Group Holding PLC

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

30 June 2017

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Report on review of Consolidated Condensed 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 June 30, 2017 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, consolidated condensed interim statement of changes in equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed 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
Certified Public Accountants and Registered Auditors

28 August 2017
Limassol
Cyprus

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TCS Group Holding PLC
Consolidated Condensed Interim Statement of Financial Position

In millions of RR	**Note**	**30 June 2017 (Unaudited)**	**31 December 2016**
ASSETS			
Cash and cash equivalents	6	27,014	16,197
Mandatory cash balances with the CBRF		1,464	1,218
Due from other banks		358	347
Loans and advances to customers	7	121,163	102,912
Financial derivatives	24	2,589	2,718
Investment securities available for sale	8	45,973	33,286
Current income tax assets		796	702
Guarantee deposits with payment systems		3,277	2,924
Tangible fixed assets		5,064	4,656
Intangible assets		2,098	1,820
Other financial assets		4,148	7,343
Other non-financial assets		1,379	1,248
TOTAL ASSETS		**215,323**	**175,371**
LIABILITIES			
Due to banks	9	484	489
Customer accounts	10	140,192	124,556
Debt securities in issue	11	8,043	2,986
Current income tax liabilities		204	24
Deferred income tax liabilities		235	785
Subordinated debt	12	23,235	11,514
Insurance provisions		1,059	767
Other financial liabilities		2,980	3,112
Other non-financial liabilities		2,983	1,620
TOTAL LIABILITIES		**179,415**	**145,853**
EQUITY			
Share capital	13	188	188
Share premium	13	8,623	8,623
Treasury shares	13	(1,587)	(1,473)
Share-based payment reserve	26	901	704
Retained earnings		26,886	20,885
Revaluation reserve		897	591
TOTAL EQUITY		**35,908**	**29,518**
TOTAL LIABILITIES AND EQUITY		**215,323**	**175,371**

Approved for issue and signed on behalf of the Board of Directors on 28 August 2017.

Constantinos Economides
Chairman of the Board,
Director

Mary Trimithiotou
Director

In millions of RR	Note	Unaudited Six months ended 30 June 2017	Three months ended 30 June 2017	Six months ended 30 June 2016	Three months ended 30 June 2016
Interest income	14	27,279	14,310	22,573	11,648
Interest expense	14	(5,850)	(2,933)	(6,878)	(3,371)
Expenses on deposits insurance	14	(292)	(151)	(188)	(97)
Net margin		**21,137**	**11,226**	**15,507**	**8,180**
Provision for loan impairment	7	(4,398)	(2,021)	(4,543)	(2,085)
Net margin after provision for loan impairment		**16,739**	**9,205**	**10,964**	**6,095**
Fee and commission income	15	6,093	3,382	3,782	1,995
Fee and commission expense	15	(2,167)	(1,194)	(1,320)	(699)
Customer acquisition expense	16	(4,312)	(2,392)	(3,099)	(1,653)
Net (losses)/gains from operations with foreign currencies		(113)	(39)	63	(3)
Net gains from investment securities available for sale		127	81	16	31
Gain from sale of impaired loans		10	1	20	7
Insurance premiums earned		852	464	639	326
Insurance claims incurred		(232)	(111)	(335)	(191)
Administrative and other operating expenses	17	(7,013)	(3,652)	(5,102)	(2,721)
Net losses from repurchase of subordinated loan	12	(565)	(565)	-	-
Other operating income		476	315	134	92
Profit before tax		**9,895**	**5,495**	**5,762**	**3,279**
Income tax expense	18	(2,304)	(1,276)	(1,340)	(746)
Profit for the period		**7,591**	**4,219**	**4,422**	**2,533**
Other comprehensive income:					
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		409	250	559	389
- Net gains reclassified to profit or loss upon disposal or impairment, net of tax		(103)	(66)	(9)	(21)
Other comprehensive income for the period, net of tax		**306**	**184**	**550**	**368**
Total comprehensive income for the period		**7,897**	**4,403**	**4,972**	**2,901**
Earnings per share for profit attributable to the owners of the Company, basic (in RR per share)		**43.07**	**23.85**	**25.50**	**14.61**
Earnings per share for profit attributable to the owners of the Company, diluted (in RR per share)		**42.41**	**23.47**	**25.34**	**14.45**

In millions of RR	Note	Share capital	Share premium	Share-based payment reserve	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2016		**188**	**8,623**	**614**	**133**	**(328)**	**13,716**	**22,946**
Profit for the six months ended 30 June 2016 (Unaudited)		-	-	-	-	-	4,422	4,422
Other comprehensive income:								
Investment securities available for sale and Repurchase receivables		-	-	-	550	-	-	550
Total comprehensive income for the six months ended 30 June 2016 (Unaudited)		**-**	**-**	**-**	**550**	**-**	**4,422**	**4,972**
GDRs buy-back	13	-	-	-	-	(1,246)	-	(1,246)
Share-based payment reserve	13, 26	-	-	(443)	-	101	663	321
Dividends	19	-	-	-	-	-	(2,016)	(2,016)
Balance at 30 June 2016 (Unaudited)		**188**	**8,623**	**171**	**683**	**(1,473)**	**16,785**	**24,977**
Balance at 1 January 2017		**188**	**8,623**	**704**	**591**	**(1,473)**	**20,885**	**29,518**
Profit for the six months ended 30 June 2017 (Unaudited)		-	-	-	-	-	7,591	7,591
Other comprehensive income:								
Investment securities available for sale and Repurchase receivables		-	-	-	306	-	-	306
Total comprehensive income for the six months ended 30 June 2017 (Unaudited)		**-**	**-**	**-**	**306**	**-**	**7,591**	**7,897**
GDRs buy-back	13	-	-	-	-	(397)	-	(397)
Share-based payment reserve	13,26	-	-	197	-	283	172	652
Dividends	19	-	-	-	-	-	(1,762)	(1,762)
Balance at 30 June 2017 (Unaudited)		**188**	**8,623**	**901**	**897**	**(1,587)**	**26,886**	**35,908**

		Unaudited	
In millions of RR	**Note**	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**
Cash flows from operating activities			
Interest received		27,376	20,874
Interest paid		(5,521)	(6,644)
Expenses on deposits insurance paid		(276)	(169)
Customers acquisition expenses paid		(2,633)	(1,754)
Cash received from trading in foreign currencies		(174)	6,852
Cash received from insurance operations		766	517
Cash received from sale of impaired loans	7	15	30
Fees and commissions received		6,093	3,550
Fees and commissions paid		(2,468)	(1,087)
Other operating income received		543	87
Administrative and other operating expenses paid		(2,700)	(2,649)
Income tax paid		(2,857)	(379)
Cash flows from operating activities before changes in operating assets and liabilities		**18,164**	**19,228**
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(246)	(198)
Net (increase)/decrease in due from banks		(12)	116
Net increase in loans and advances to customers		(22,314)	(14,303)
Net increase in guarantee deposits with payment systems		(401)	(109)
Net decrease in other financial assets		3,138	478
Net increase in other non-financial assets		(352)	(723)
Net decrease in due to banks		(5)	(1,996)
Net increase in customer accounts		12,277	11,687
Net (decrease)/increase in other financial liabilities		(1,055)	648
Net increase in other non-financial liabilities		34	-
Net cash from operating activities		**9,228**	**14,828**
Cash flows used in investing activities			
Acquisition of tangible fixed assets		(426)	(1,228)
Acquisition of intangible assets		(511)	(270)
Acquisition of investments available for sale		(20,890)	(13,802)
Proceeds from sale and redemption of investments available for sale		8,778	4,008
Net cash used in investing activities		**(13,049)**	**(11,292)**
Cash flows used in financing activities			
Proceeds from perpetual loan participation notes	12	17,109	-
Perpetual loan participation notes issued costs		(237)	
Proceeds from debt securities in issue	11	5,000	3,000
Repayment of debt securities in issue		-	(2,028)
Repayment of subordinated debt		(5,890)	(259)
GDR's buy-back		-	(1,246)
Dividends paid	19	(1,766)	(1,958)
Net cash from/(used in) financing activities		**14,216**	**(2,491)**
Effect of exchange rate changes on cash and cash equivalents		422	(492)
Net increase in cash and cash equivalents		**10,817**	**553**
Cash and cash equivalents at the beginning of the period	6	**16,197**	**13,689**
Cash and cash equivalents at the end of the period	6	**27,014**	**14,242**

1 Introduction

This consolidated condensed interim financial information for the six months ended 30 June 2017 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, Berengaria 25, 5th floor, Limassol, Cyprus.

At 30 June 2017 and 31 December 2016 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 June 2017 and 31 December 2016 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 June 2017 and 31 December 2016 the entities holding either Class A or Class B shares of the Company were:

	Class of shares	30 June 2017	31 December 2016	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	41.78%	41.45%	United Kingdom
Rousse Nominees Limited	Class A	2.88%	2.88%	Guernsey
Vostok Emerging Finance Ltd	Class A	3.16%	3.49%	Bermuda
Altruco Trustees Limited	Class A	1.73%	1.73%	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 awarded under the share-based payment plan (ESOP) only (Note 26).

As at 30 June 2017 and 31 December 2016 the beneficial owner of Tadek Holding & Finance S.A., Tasos Invest & Finance Inc., Vizer Limited, Maitland Commercial Inc and Norman Legal S.A. was entrepreneur Mr. Oleg Tinkov and the beneficial owner of Rousse Nominees Limited was Baring Vostok Private Equity Fund IV, L.P.

As at 30 June 2017 and 31 December 2016 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.

The Group owns 100% of shares and has 100% of voting rights of each of the following subsidiaries as at 30 June 2017 and 31 December 2016 except for TCS Finance DAC and Tinkoff Long-Term Incentive Plan Employee Benefit Trust ("EBT") (see below).

1 Introduction (Continued)

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 company “T-Finans” provides micro-finance services.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in 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 Phoenix is a debt collection agency.

Tinkoff Software DC provides software development services to the Group.

Tinkoff Mobile is a mobile virtual network operator set up to provide mobile services.

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

Principal activity. The Group’s principal business activities are retail banking and insurance operations within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation (“CBRF”) on 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 No. 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 office address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, 3036, 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). Following high volatility in natural resources prices in 2014-2015 which resulted also in high volatility of exchange rates and interest rates, the rouble exchange rate and interest rates in 2016 and 2017 have been substantially more stable and at rates substantially lower than their peaks of 2014-2015. However, the Russian economy has continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals. 2016 and 2017 have seen lower inflation in addition to lower interest rates. 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 significantly differ from actual results.

2 Operating Environment of the Group (Continued)

Management determined loan impairment provisions using the “incurred loss” model required by the applicable accounting standards. These standards 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 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 2016 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 2016.

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.

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 2016, became effective for the Group from 1 January 2017. The Group considers that these standards do not have a significant impact on its financial statements. At 30 June 2017 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 59.0855 (31 December 2016: USD 1 = RR 60.6569). The average rate of exchange was USD 1= RR 57.9862 for the six months ended 30 June 2017 (six months ended 30 June 2016: USD 1= RR 70.2727).

Changes in presentation. In the second half of 2016 the management of the Group made a detailed review of the components that make up interest income and identified two types of commissions (credit protection 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 results in a more reliable and relevant presentation of the financial information and is more consistent with the market practice of 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 of the Group made a detailed review of the components that make up commission expense and using improved technical reports identified the part of payment systems commission expense which has more characteristics of being an effective interest rate rather than commission expense. As a result the reclassification was made between Fee and commission expense, Interest expense and Interest income as detailed in the table below.

The management also reviewed its approach to the classification of foreign currency exchange transaction fees, which represent a commission for foreign exchange transactions of the Group's clients. They concluded it was appropriate to reclassify this from Net (losses)/gains from operations with foreign currencies to Fee and commission income.

3 Significant Accounting Policies (Continued)

The effect of reclassifications on amounts in the consolidated condensed interim statement of profit or loss and other comprehensive income for the six-and three-months periods ended 30 June 2016 was as follows:

	Unaudited		
In millions of RR	**As originally presented**	**Reclassification**	**As reclassified**
Six months ended 30 June 2016:			
Interest income	24,611	(2,038)	22,573
Interest expense	(6,767)	(111)	(6,878)
Net gains from operations with foreign currencies	268	(205)	63
Fee and commission income	1,619	2,163	3,782
Fee and commission expense	(1,511)	191	(1,320)
Three months ended 30 June 2016:			
Interest income	12,763	(1,115)	11,648
Interest expense	(3,319)	(52)	(3,371)
Net gains/(losses) from operations with foreign currencies	98	(101)	(3)
Fee and commission income	824	1,171	1,995
Fee and commission expense	(796)	97	(699)

The effect of reclassifications on amounts in the consolidated condensed statement of cash flows was as follows:

	Unaudited		
In millions of RR	**As originally presented**	**Reclassification**	**As reclassified**
Six months ended 30 June 2016:			
Interest received	22,912	(2,038)	20,874
Interest paid	(6,533)	(111)	(6,644)
Cash received from trading in foreign currencies	7,057	(205)	6,852
Fee and commissions received	1,387	2,163	3,550
Fee and commission paid	(1,278)	191	(1,087)

The amounts of Net gains from investment securities available for sale were reallocated from Other operating income to a separate line.

	Unaudited		
In millions of RR	**As originally presented**	**Reclassification**	**As reclassified**
Six months ended 30 June 2016:			
Net gains from investment securities available for sale	-	16	16
Other operating income	150	(16)	134
Three months ended 30 June 2016:			
Net gains from investment securities available for sale	-	31	31
Other operating income	123	(31)	92

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised 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 recognised 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. 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 sampling of historical data. As at 30 June 2017 the positive effect of the above adjustment on the provision for loan impairment is approximately RR 565 million (31 December 2016: RR 492 million). To the extent that the incurred losses as at 30 June 2017 resulting from future cash flows vary by 1.0% (31 December 2016: 1.0%) from the calculated estimate, the profit would be approximately RR 1,395 million (31 December 2016: RR 1,204 million) higher or lower.

Perpetual subordinated bonds. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion) represented by the funds received from investors less issuance costs. Subsequent measurement of this instrument is consistent with the accounting policy for debt securities in issue. Interest expense on the instrument is calculated using the effective interest rate method and recognised in profit or loss for the period. In the event that an interest payment on the instrument is cancelled, the reversal of accrued interest payable is made through equity, as any cancelled interest payments are not liable to be paid in the future. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. The Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the perpetual subordinated bond instrument in its entirety as a liability on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer. If the Group purchases its own subordinated bonds issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in interest expense.

The Group has invested in perpetual subordinated bonds issued by third parties. The Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the investments in perpetual subordinated bonds as investments in debt securities on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer. The investments in the instruments were classified as investments in securities available-for-sale. Investments in these instruments are carried at fair value. Interest income is accrued using the effective interest method and recognised in profit or loss for the period.

5 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements for the year ended 31 December 2016, the new standards that have been issued and are relevant for the Group's annual accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted are set out below.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021 subject to endorsement by the EU). IFRS 17 will replace IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will recognise the loss immediately. The Group is currently assessing the impact of the adoption of this standard on the Group's financial statements

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019 subject to endorsement by EU). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its financial statements.

The Group is continuing to work on the development of implementation and the adoption of IFRS 9 "Financial instruments". This includes the development of new models that are still in the process of being tested and re-calibrated. The implementation of this standard as at 1 January 2018 is expected to have a significant impact on the Group's equity. The implementation of this standard will have no immediate impact on statutory regulatory capital requirements.

6 Cash and Cash Equivalents

In millions of RR	**30 June 2017 (Unaudited)**	**31 December 2016**
Cash on hand	39	26
Cash balances with the CBRF (other than mandatory reserve deposits)	6,306	6,178
Placements with other banks and organizations with original maturities of less than three months	20,669	9,993
Total Cash and Cash Equivalents	**27,014**	**16,197**

6 Cash and Cash Equivalents (Continued)

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 17,579 million as at 30 June 2017 (31 December 2016: RR 6,187 million). Cash and cash equivalents are neither impaired nor past due. Maturity risk analysis of cash and cash equivalents is disclosed in Note 22. 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 June 2017 (Unaudited)**	**31 December 2016**
Loans to individuals:		
Credit card loans	126,874	110,440
Instalment loans	6,051	6,554
Cash loans	4,615	2,160
POS loans	1,945	1,281
Total loans and advances to customers before impairment	**139,485**	**120,435**
Less: Provision for loan impairment	(18,322)	(17,523)
Total loans and advances to customers	**121,163**	**102,912**

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 program 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 program "POS loans" (KupiVKredit). This program 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 June 2017 (Unaudited)**	**31 December 2016**
Credit card limits		
Up to 20 RR thousand	536,719	454,610
20-40 RR thousand	408,030	351,823
40-60 RR thousand	340,158	291,083
60-80 RR thousand	311,227	273,350
80-100 RR thousand	250,182	210,229
100-120 RR thousand	212,034	185,614
120-140 RR thousand	338,121	311,466
140-200 RR thousand	129,908	97,218
More than 200 RR thousand	48,978	40,042
Total cards	**2,575,357**	**2,215,435**

Table above only includes credit cards less than 180 days overdue.

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment for the six months ended 30 June 2017 are as follows:

In millions of RR	As at 31 December 2016	Sales of impaired loans	Amounts written-off during the period	Provision for impairment during the period	As at 30 June 2017 (Unaudited)
Loans to individuals:					
Credit card loans	13,558	(240)	(3,091)	4,657	14,884
Instalment loans	3,418	(15)	(960)	646	3,089
Cash loans	429	(11)	(67)	(106)	245
POS loans	118	(20)	(36)	42	104
Total provision for loan impairment	**17,523**	**(286)**	**(4,154)**	**5,239**	**18,322**

Movements in the provision for loan impairment for the three months ended 30 June 2017 are as follows:

In millions of RR	As at 31 March 2017	Sales of impaired loans	Amounts written-off during the period	Provision for impairment during the period	As at 30 June 2017 (Unaudited)
Loans to individuals:					
Credit card loans	14,144	(35)	(1,514)	2,289	14,884
Instalment loans	3,283	(1)	(514)	321	3,089
Cash loans	395	-	(38)	(112)	245
POS loans	100	-	(21)	25	104
Total provision for loan impairment	**17,922**	**(36)**	**(2,087)**	**2,523**	**18,322**

The provision for impairment during six months ended 30 June 2017 presented in the tables above differs from the amount presented in consolidated condensed interim statement of profit or loss and other comprehensive income for the period due to RR 841 million (three months ended 30 June 2017: RR 502 million), recovery of amounts previously written off as uncollectible. The amount of the recovery received during the period was credited directly to the provisions line in consolidated condensed interim statement of profit or loss and other comprehensive income.

Movements in the provision for loan impairment for the six months ended 30 June 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 June 2016 (Unaudited)
Loans to individuals:					
Credit card loans	14,487	(495)	(4,266)	3,884	13,610
Instalment loans	4,093	(28)	(1,069)	966	3,962
Cash loans	272	(2)	(138)	64	196
POS loans	162	(3)	(113)	40	86
Total provision for loan impairment	**19,014**	**(528)**	**(5,586)**	**4,954**	**17,854**

7 Loans and Advances to Customers (Continued)

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

In millions of RR	**As at 31 March 2016**	**Sales of impaired loans**	**Amounts written-off during the period**	**Provision for impairment during the period**	**As at 30 June 2016 (Unaudited)**
Loans to individuals:					
Credit card loans	13,383	(340)	(1,306)	1,873	13,610
Instalment loans	4,194	(21)	(579)	368	3,962
Cash loans	221	-	(56)	31	196
POS loans	112	(3)	(38)	15	86
Total provision for loan impairment	**17,910**	**(364)**	**(1,979)**	**2,287**	**17,854**

The provision for impairment during six months ended 30 June 2016 presented in the tables above differs from the amount presented in consolidated condensed interim statement of profit or loss and other comprehensive income for the period due to RR 411 million (three months ended 30 June 2016: RR 202 million), recovery of amounts previously written off as uncollectible. The amount of the recovery received during the period was credited directly to the provisions line in consolidated condensed interim statement of profit or loss and other comprehensive income.

During six months ended 30 June 2017 the Group sold impaired loans to third parties (external debt collection agencies) with a gross amount of RR 294 million (six months ended 30 June 2016: RR 536 million) and provision for impairment of RR 286 million (six months ended 30 June 2016: RR 528 million). The difference between the carrying amount of these loans and the consideration received was recognised in profit or loss as a gain from the sale of impaired loans in the amount of RR 10 million for the six months ended 30 June 2017 (six months ended 30 June 2016: RR 20 million).

During three months ended 30 June 2017 the Group sold impaired loans to third parties (external debt collection agencies) with a gross amount of RR 39 million (three months ended 30 June 2016: RR 373 million) and provision for impairment of RR 36 million (three months ended 30 June 2016: RR 364 million). The difference between the carrying amount of these loans and the consideration received was recognised in profit or loss as a gain from the sale of impaired loans in the amount of RR 1 million for the three months ended 30 June 2017 (three months ended 30 June 2016: RR 7 million).

Analysis of loans by credit quality is as follows:

	30 June 2017 (Unaudited)				**31 December 2016**			
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	4,497	-	1,177	499	3,370	-	1,144	191
Loans collectively assessed for impairment (gross):								
- non-overdue	104,235	4,082	3,180	1,331	91,519	4,423	794	963
- less than 30 days overdue	3,561	435	69	31	2,517	453	27	23
- 30 to 90 days overdue	2,845	372	46	20	2,255	373	25	22
- 90 to 180 days overdue	2,300	334	31	19	1,901	395	30	25
- 180 to 360 days overdue	1,518	666	46	38	2,367	868	84	52
- over 360 days overdue	197	162	66	7	469	42	56	5
- loans in courts	7,721	-	-	-	6,042	-	-	-
Less: Provision for loan impairment	(14,884)	(3,089)	(245)	(104)	(13,558)	(3,418)	(429)	(118)
Total loans	**111,990**	**2,962**	**4,370**	**1,841**	**96,882**	**3,136**	**1,731**	**1,163**

7 Loans and Advances to Customers (Continued)

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 22 for the maturity risk analysis of loans and advances to customers. 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 June 2017 (Unaudited)**	**31 December 2016**
Corporate bonds	39,734	31,333
Russian government bonds	3,305	1,252
Perpetual corporate bonds	2,432	-
Municipal bonds	502	701
Total investment securities available for sale	**45,973**	**33,286**

Movements in investment securities available for sale during six months ended 30 June 2017 are as follows:

In millions of RR	**2017**
Carrying amount at 1 January	33,286
Purchases	20,890
Redemption of investment securities available for sale	(3,275)
Disposal of investment securities available for sale	(5,503)
Interest income accrued on investment securities available for sale	1,374
Interest received	(1,356)
Reclassification from investment securities available for sale to Repurchase receivables	(51)
Reclassification from Repurchase receivables to investment securities available for sale	50
Foreign exchange gain on investment securities available for sale in foreign currency	47
Revaluation through other comprehensive income	511
Carrying amount at 30 June (Unaudited)	**45,973**

Movements in investment securities available for sale during three months ended 30 June 2017 are as follows:

In millions of RR	**2017**
Carrying amount at 31 March (Unaudited)	32,440
Purchases	17,474
Redemption of investment securities available for sale	(1,925)
Disposal of investment securities available for sale	(3,230)
Interest income accrued on investment securities available for sale	715
Interest received	(618)
Reclassification from Repurchase receivables to investment securities available for sale	50
Foreign exchange gain on investment securities available for sale in foreign currency	755
Revaluation through other comprehensive income	312
Carrying amount at 30 June (Unaudited)	**45,973**

8 Investment Securities Available for Sale (Continued)

Movements in investment securities available for sale during six months ended 30 June 2016 are as follows:

In millions of RR	**2016**
Carrying amount at 1 January	15,936
Purchases	13,802
Redemption of investment securities available for sale	(2,038)
Disposal of investment securities available for sale	(1,971)
Interest income accrued on investment securities available for sale	994
Interest received	(845)
Reclassification from Repurchase receivables to investment securities available for sale	2,344
Foreign exchange loss on investment securities available for sale in foreign currency	(1,126)
Revaluation through other comprehensive income	699
Carrying amount at 30 June (Unaudited)	**27,795**

Movements in investment securities available for sale during three months ended 30 June 2016 are as follows:

In millions of RR	**2016**
Carrying amount at 31 March (Unaudited)	19,633
Purchases	8,244
Redemption of investment securities available for sale	(390)
Disposal of investment securities available for sale	(1,583)
Interest income accrued on investment securities available for sale	561
Interest received	(541)
Reclassification from Repurchase receivables to investment securities available for sale	2,050
Foreign exchange loss on investment securities available for sale in foreign currency	(665)
Revaluation through other comprehensive income	486
Carrying amount at 30 June (Unaudited)	**27,795**

9 Due to Banks

In millions of RR	**30 June 2017 (Unaudited)**	**31 December 2016**
Correspondent accounts and placements of other banks	484	489
Total due to banks	**484**	**489**

Maturity risk analysis of due to banks is disclosed in Note 22. Refer to Note 25 for the disclosure of the fair value of due to banks.

10 Customer Accounts

In millions of RR	**30 June 2017 (Unaudited)**	**31 December 2016**
Legal entities		
- Current/demand accounts	12,128	5,441
- Term deposits	438	368
Individuals		
- Current/demand accounts	55,877	46,729
- Term deposits	71,749	72,018
Total Customer Accounts	**140,192**	**124,556**

10 Customer Accounts (Continued)

Current/demand accounts are mainly represented by accounts of individual entrepreneurs and small to medium businesses.

Maturity risk analysis of customer accounts is disclosed in Note 22. 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 June 2017 (Unaudited)	31 December 2016
RR denominated bonds issued in April 2017	22 April 2022	5,056	-
RR denominated bonds issued in June 2016	24 June 2021	2,987	2,986
Total Debt Securities in Issue		**8,043**	**2,986**

On 28 April 2017 the Bank issued RR denominated bonds with a nominal value of RR 5,000 million at 9.65% coupon rate maturing on 22 April 2022.

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

All bonds issued by the Bank are traded on OJSC Moscow Exchange. Maturity risk analysis of debt securities in issue is disclosed in Note 22. Refer to Note 25 for the disclosure of the fair value of debt securities in issue.

12 Subordinated Debt

As at 30 June 2017 the carrying value of the subordinated debt was RR 23,235 million (31 December 2016: RR 11,514 million).

On 15 June 2017 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million with zero premium. The notes have no stated maturity, the Group has a right to repay the notes at its discretion starting from 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

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.

During the three months ended 30 June 2017 the Bank repurchased USD 93 million outstanding principal amount at an average purchase price 110.62% of the bonds nominal value.

The net losses from repurchase of subordinated bonds in the amount of RR 565 million are recognised in the Consolidated condensed interim statement of profit or loss and other comprehensive income.

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.

All subordinated debt is traded on the Global Exchange Market and Main Securities Market of the Irish Stock Exchange. Maturity risk analysis of subordinated debt is disclosed in Note 22. 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 2016	**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 31 December 2016	**190,479,500**	**182,638,825**	**188**	**8,623**	**(1,473)**	**7,338**
GDRs buy-back	-	-	-	-	(397)	(397)
GDRs transferred under MLTIP	-	-	-	-	283	283
At 30 June 2017 (Unaudited)	**190,479,500**	**182,638,825**	**188**	**8,623**	**(1,587)**	**7,224**

During the six months ended 30 June 2017 the Group repurchased 602,148 GDRs at market price for RR 397 million.

During the year ended 31 December 2016 the Group repurchased 5,659,853 GDRs at market price for RR 1,246 million.

As at 30 June 2017 and 31 December 2016 treasury shares represent GDRs of the Group repurchased from the market for the purposes of MLTIP. Refer to Note 26.

14 Net Margin

	Unaudited			
In millions of RR	**Six Months Ended 30 June 2017**	**Three Months Ended 30 June 2017**	**Six Months Ended 30 June 2016**	**Three Months Ended 30 June 2016**
Interest income				
Loans and advances to customers, including:				
Credit card loans	24,617	12,933	20,136	10,403
Cash loans	419	240	338	164
Instalment loans	360	121	453	219
POS loans	329	172	198	101
Investment securities available for sale and Repurchase receivables	1,374	715	994	561
Placements with other banks	162	118	442	191
Other interest income	18	11	12	9
Total Interest Income	**27,279**	**14,310**	**22,573**	**11,648**
Interest expense				
Customer accounts, including:				
Individuals	4,631	2,263	5,426	2,669
Legal entities	145	72	45	26
Subordinated debt	808	420	999	464
RR denominated bonds	259	173	1	-
Due to banks	7	5	284	153
Euro-Commercial Paper	-	-	123	59
Total Interest Expense	**5,850**	**2,933**	**6,878**	**3,371**
Expenses on deposit insurance	292	151	188	97
Net margin	**21,137**	**11,226**	**15,507**	**8,180**

15 Fee and Commission Income and Expense

	Unaudited			
In millions of RR	Six Months Ended 30 June 2017	Three Months Ended 30 June 2017	Six Months Ended 30 June 2016	Three Months Ended 30 June 2016
Fee and commission income				
Credit protection fee	2,155	1,118	1,631	889
Merchant acquiring commission	931	516	642	321
Legal entities current accounts fee	785	488	9	8
Interchange fee	674	378	359	179
SMS fee	588	312	396	220
Foreign currency exchange transactions fee	399	230	205	101
Card to card commission	202	119	77	39
Cash withdrawal fee	192	113	83	47
Placement fee	75	39	48	26
Court fees reimbursement	-	-	232	115
Other fees receivable	92	69	100	50
Total fee and commission income	**6,093**	**3,382**	**3,782**	**1,995**

Credit protection fee income represents fee for providing credit insurance to borrowers of the Group.

Legal entities current accounts fee represents fee for services to individual entrepreneurs and small to medium businesses.

SMS fee income includes fee for sms notification to borrowers of the Group which amounted to RR 455 million for the six months and RR 239 million for the three months ended 30 June 2017 (RR 327 million for the six months and RR 181 million for the three months ended 30 June 2016).

	Unaudited			
In millions of RR	Six Months Ended 30 June 2017	Three Months Ended 30 June 2017	Six Months Ended 30 June 2016	Three Months Ended 30 June 2016
Fee and commission expense				
Payment systems	1,835	1,002	1,067	560
Service fees	298	171	227	126
Banking and other fees	34	21	26	13
Total fee and commission expense	**2,167**	**1,194**	**1,320**	**699**

Payment systems fees represent fees for MasterCard and Visa services. Service fees represent fees for statement printing, mailing services and sms services.

16 Customer Acquisition Expenses

	Unaudited			
In millions of RR	Six Months Ended 30 June 2017	Three Months Ended 30 June 2017	Six Months Ended 30 June 2016	Three Months Ended 30 June 2016
Staff costs	2,077	1,116	1,259	639
Marketing and advertising	1,959	1,133	1,653	914
Credit bureaux	154	84	121	65
Telecommunication expenses	107	58	66	35
Other	15	1	-	-
Total customer acquisition expenses	**4,312**	**2,392**	**3,099**	**1,653**

16 Customer Acquisition Expenses (Continued)

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.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state pension fund in the amount of RR 403 million for the six months and RR 225 million for the three months ended 30 June 2017 (RR 252 million for the six months and RR 132 million for the three months ended 30 June 2016).

17 Administrative and Other Operating Expenses

	Unaudited			
In millions of RR	**Six Months Ended 30 June 2017**	**Three Months Ended 30 June 2017**	**Six Months Ended 30 June 2016**	**Three Months Ended 30 June 2016**
Staff costs	5,045	2,566	3,340	1,776
Taxes other than income tax	705	433	604	333
Information services	200	104	169	91
Operating lease expense for premises and equipment	195	98	295	145
Amortization of intangible assets	187	96	116	61
Depreciation of fixed assets	173	94	114	58
Communication services	140	67	176	80
Stationery	93	51	51	28
Professional services	74	40	54	27
Security expenses	62	29	54	27
Collection expenses	35	20	13	7
Other administrative expenses	104	54	116	88
Total administrative and other operating expenses	**7,013**	**3,652**	**5,102**	**2,721**

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

	Unaudited			
In millions of RR	**Six Months Ended 30 June 2017**	**Three Months Ended 30 June 2017**	**Six Months Ended 30 June 2016**	**Three Months Ended 30 June 2016**
Statutory social contribution to the state pension fund	714	380	490	240
Share-based remuneration	652	190	321	206

18 Income Taxes

Income tax expense comprises the following:

	Unaudited			
In millions of RR	**Six Months Ended 30 June 2017**	**Three Months Ended 30 June 2017**	**Six Months Ended 30 June 2016**	**Three Months Ended 30 June 2016**
Current tax	2,967	1,332	2,349	2,094
Deferred tax	(663)	(56)	(1,009)	(1,348)
Income tax expense	**2,304**	**1,276**	**1,340**	**746**

19 Dividends

In millions of RR	**2017**
Dividends payable as at 1 January	**167**
Dividends declared during the period	1,762
Dividends paid during the period	(1,766)
Dividends paid under MLTIP after vesting date (31 March 2017)	(29)
Foreign exchange loss on dividends payable	51
Dividends payable as at 30 June (unaudited)	**185**
Dividends per share declared during the period (in RR)	9.65
Dividends per share declared during the period (in USD)	0.17
Dividends per share paid during the period (in RR)	9.99
Dividends per share paid during the period (in USD)	0.17

On 29 May 2017 the Board of Directors of the Company declared a dividend of RR 9.65 (USD 0.17) per share/per GDR amounting to RR 1,762 million (USD 31.05 million) payable on or as soon as practicable following 19 June 2017. Dividends were declared and paid in USD.

Dividends payable at 30 June 2017 in the amount of RR 185 million are related to treasury shares acquired under MLTIP and included in other non-financial liabilities.

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 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 customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans, legal entities accounts and brokerage services.
- Insurance operations **–** representing insurance services provided to individuals.

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 a different type of business.

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.

20 Segment Analysis (Continued)

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments as at 30 June 2017 is set out below:

	Unaudited			
In millions of RR	**Retail banking**	**Insurance operations**	**Eliminations**	**Total**
Cash and cash equivalents	26,564	1,125	(675)	27,014
Mandatory cash balances with the CBRF	1,464	-	-	1,464
Due from other banks	-	358	-	358
Loans and advances to customers	121,163	-	-	121,163
Financial derivatives	2,589	-	-	2,589
Investment securities available for sale	45,973	-	-	45,973
Current income tax assets	784	12	-	796
Guarantee deposits with payment systems	3,277	-	-	3,277
Tangible fixed assets	5,061	3	-	5,064
Intangible assets	1,802	296	-	2,098
Other financial assets	3,987	186	(25)	4,148
Other non-financial assets	1,071	359	(51)	1,379
Total reportable segment assets	**213,735**	**2,339**	**(751)**	**215,323**
Due to banks	484	-	-	484
Customer accounts	140,867	-	(675)	140,192
Debt securities in issue	8,043	-	-	8,043
Current income tax liabilities	204	-	-	204
Deferred income tax liabilities	197	38	-	235
Subordinated debt	23,235	-	-	23,235
Insurance provisions	-	1,059	-	1,059
Other financial liabilities	2,896	109	(25)	2,980
Other non-financial liabilities	3,014	20	(51)	2,983
Total reportable segment liabilities	**178,940**	**1,226**	**(751)**	**179,415**

Segment information for the reportable segments for the year ended 31 December 2016 is set out below:

In millions of RR	**Retail banking**	**Insurance operations**	**Eliminations**	**Total**
Cash and cash equivalents	15,903	777	(483)	16,197
Mandatory cash balances with the CBRF	1,218	-	-	1,218
Due from other banks	-	347	-	347
Loans and advances to customers	102,912	-	-	102,912
Financial derivatives	2,718	-	-	2,718
Investment securities available for sale	33,286	-	-	33,286
Current income tax assets	681	21	-	702
Guarantee deposits with payment systems	2,924	-	-	2,924
Tangible fixed assets	4,653	3	-	4,656
Intangible assets	1,510	310	-	1,820
Other financial assets	7,163	180	-	7,343
Other non-financial assets	1,094	229	(75)	1,248
Total reportable segment assets	**174,062**	**1,867**	**(558)**	**175,371**
Due to banks	489	-	-	489
Customer accounts	125,039	-	(483)	124,556
Debt securities in issue	2,986	-	-	2,986
Current income tax liabilities	24	-	-	24
Deferred income tax liabilities	765	20	-	785
Subordinated debt	11,514	-	-	11,514
Insurance provisions	-	767	-	767
Other financial liabilities	3,047	65	-	3,112
Other non-financial liabilities	1,671	24	(75)	1,620
Total reportable segment liabilities	**145,535**	**876**	**(558)**	**145,853**

20 Segment Analysis (Continued)

Segment information for the reportable segments for six and three months ended 30 June 2017 is set out below:

	Unaudited			
In millions of RR	**Retail banking**	**Insurance operations**	**Eliminations**	**Total**
Six months ended 30 June 2017				
External revenues:				
Interest income	27,245	50	(16)	27,279
Insurance premiums earned	-	852	-	852
Gain from sale of impaired loans	10	-	-	10
Fee and commission income	6,234	-	(141)	6,093
Net gains from investment securities available for sale	127	-	-	127
Other operating income	454	24	(2)	476
Total revenues	**34,070**	**926**	**(159)**	**34,837**
Interest expense	(5,866)	-	16	(5,850)
Expenses on deposit insurance	(292)	-	-	(292)
Provision for loan impairment	(4,398)	-	-	(4,398)
Customer acquisition expense	(4,204)	(249)	141	(4,312)
Insurance claims incurred	-	(232)	-	(232)
Fee and commission expense	(2,167)	-	-	(2,167)
Net losses from operations with foreign currencies	(110)	(3)	-	(113)
Net losses from repurchase of subordinated loan	(565)	-	-	(565)
Administrative and other operating expenses	(6,726)	(289)	2	(7,013)
Segment result	**9,742**	**153**	**-**	**9,895**
Three months ended 30 June 2017				
External revenues:				
Interest income	14,291	26	(7)	14,310
Insurance premiums earned	-	464	-	464
Gain from sale of impaired loans	1	-	-	1
Fee and commission income	3,456	-	(74)	3,382
Net gains from investment securities available for sale	81	-	-	81
Other operating income	292	24	(1)	315
Total revenues	**18,121**	**514**	**(82)**	**18,553**
Interest expense	(2,940)	-	7	(2,933)
Expenses on deposit insurance	(151)	-	-	(151)
Provision for loan impairment	(2,021)	-	-	(2,021)
Customer acquisition expense	(2,337)	(129)	74	(2,392)
Insurance claims incurred	-	(111)	-	(111)
Fee and commission expense	(1,194)	-	-	(1,194)
Net (losses)/gains from operations with foreign currencies	(44)	5	-	(39)
Net losses from repurchase of subordinated loan	(565)	-	-	(565)
Administrative and other operating expenses	(3,506)	(147)	1	(3,652)
Segment result	**5,363**	**132**	**-**	**5,495**

20 Segment Analysis (Continued)

Segment information for the reportable segments for six and three months ended 30 June 2016 is set out below:

	Unaudited			
In millions of RR	**Retail banking**	**Insurance operations**	**Eliminations**	**Total**
Six Months ended 30 June 2016:				
External revenues:				
Interest income	22,535	46	(8)	22,573
Insurance premiums earned	-	639	-	639
Gain from sale of impaired loans	20	-	-	20
Fee and commission income	3,911	-	(129)	3,782
Net gains from operations with foreign currencies	63	-	-	63
Net gains from investment securities available for sale	16	-	-	16
Other operating income	133	15	(14)	134
Total revenues	**26,678**	**700**	**(151)**	**27,227**
Interest expense	(6,886)	-	8	(6,878)
Expenses on deposit insurance	(188)	-	-	(188)
Provision for loan impairment	(4,543)	-	-	(4,543)
Customer acquisition expense	(2,969)	(259)	129	(3,099)
Insurance claims incurred	-	(335)	-	(335)
Fee and commission expense	(1,320)	-	-	(1,320)
Administrative and other operating expenses	(4,884)	(232)	14	(5,102)
Segment result	**5,888**	**(126)**	**-**	**5,762**
Three months ended 30 June 2016:				
External revenues:				
Interest income	11,626	22	-	11,648
Insurance premiums earned	-	326	-	326
Gain from sale of impaired loans	7	-	-	7
Fee and commission income	2,059	-	(64)	1,995
Net gains from investment securities available for sale	31	-	-	31
Other operating income	93	10	(11)	92
Total revenues	**13,816**	**358**	**(75)**	**14,099**
Interest expense	(3,371)	-	-	(3,371)
Expenses on deposit insurance	(97)	-	-	(97)
Provision for loan impairment	(2,085)	-	-	(2,085)
Customer acquisition expense	(1,592)	(125)	64	(1,653)
Insurance claims incurred	-	(191)	-	(191)
Fee and commission expense	(699)	-	-	(699)
Net losses from operations with foreign currencies	(3)	-	-	(3)
Administrative and other operating expenses	(2,605)	(127)	11	(2,721)
Segment result	**3,364**	**(85)**	**-**	**3,279**

20 Segment Analysis (Continued)

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

	Unaudited			
In millions of RR	Six Months Ended 30 June 2017	Three Months Ended 30 June 2017	Six Months Ended 30 June 2016	Three Months Ended 30 June 2016
Total revenues for reportable segments	34,996	18,635	27,378	14,174
Intercompany transactions	(159)	(82)	(151)	(75)
Total consolidated revenues	**34,837**	**18,553**	**27,227**	**14,099**

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.

	Unaudited			
In millions of RR	Six Months Ended 30 June 2017	Three Months Ended 30 June 2017	Six Months Ended 30 June 2016	Three Months Ended 30 June 2016
Total reportable segment result	9,895	5,495	5,762	3,279
Profit before tax	**9,895**	**5,495**	**5,762**	**3,279**

In millions of RR	30 June 2017 (Unaudited)	31 December 2016
Total reportable segment assets	216,074	175,929
Intercompany balances	(751)	(558)
Total consolidated assets	**215,323**	**175,371**
Total reportable segment liabilities	180,166	146,411
Intercompany balances	(751)	(558)
Total consolidated liabilities	**179,415**	**145,853**

21 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the minimal capital requirements set by the CBRF, (ii) for the Group to comply with the financial covenants set by the terms of securities issued, and (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 June 2017 was RR 35,908 million (31 December 2016: RR 29,518 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.

The amount of regulatory capital of Tinkoff Bank calculated in accordance with the methodology set by CBRF as at 30 June 2017 was RR 35,003 million, and the equity capital adequacy ratio (N1.0) was 11.96% (31 December 2016: RR 27,639 million and 11.13%).

21 Management of Capital (Continued)

Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 30 June 2017 (31 December 2016: 8%). Perpetual subordinated debt issued by the Group in June 2017 (Note 12) was included in Tier 1 capital of the Bank on 1 August 2017.

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 June 2017 was RR 52,212 million (31 December 2016: RR 30,577 million), the amount of Tier 1 capital as at 30 June 2017 was 51,359 million (31 December 2016: RR 27,698 million). Total capital adequacy ratio and Tier 1 capital adequacy ratio were 25.06% and 24.65% respectively (31 December 2016: 16.34% and 14.81% respectively). The Group and the Bank have complied with all externally imposed capital requirements throughout six months ended 30 June 2017 and year ended 31 December 2016.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout six months ended 30 June 2017 and year ended 31 December 2016.

22 Maturity Analysis

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 30 June 2017 is presented in the table below.

	Unaudited					
In millions of RR	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Total**
Assets						
Cash and cash equivalents	27,014	-	-	-	-	27,014
Mandatory cash balances with the CBRF	742	64	89	245	324	1,464
Due from other banks	-	235	100	-	23	358
Loans and advances to customers	21,642	32,379	29,936	25,781	11,425	121,163
Financial derivatives	-	-	-	2,589	-	2,589
Investment securities available for sale	45,973	-	-	-	-	45,973
Guarantee deposits with payment systems	585	876	810	697	309	3,277
Other financial assets	4,148	-	-	-	-	4,148
Total financial assets	**100,104**	**33,554**	**30,935**	**29,312**	**12,081**	**205,986**
Liabilities						
Due to banks	484	-	-	-	-	484
Customer accounts	71,004	6,115	8,557	23,481	31,035	140,192
Debt securities in issue	-	-	-	-	8,043	8,043
Subordinated debt	-	-	177	5,576	17,482	23,235
Insurance provisions	69	176	165	37	71	518
Other financial liabilities	2,980	-	-	-	-	2,980
Total financial liabilities	**74,537**	**6,291**	**8,899**	**29,094**	**56,631**	**175,452**
Net liquidity gap at 30 June 2017	**25,567**	**27,263**	**22,036**	**218**	**(44,550)**	**30,534**
Cumulative liquidity gap at 30 June 2017	**25,567**	**52,830**	**74,866**	**75,084**	**30,534**	**-**

Provision for unearned premiums in the amount of RR 541 million is not included in the insurance provisions stated above.

22 Maturity Analysis (Continued)

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2016 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Assets						
Cash and cash equivalents	16,086	111	-	-	-	16,197
Mandatory cash balances with the CBRF	561	88	78	123	368	1,218
Due from other banks	244	3	100	-	-	347
Loans and advances to customers	19,697	28,805	25,643	20,726	8,041	102,912
Financial derivatives	5	-	-	-	2,713	2,718
Investment securities available for sale	33,286	-	-	-	-	33,286
Guarantee deposits with payment systems	559	819	729	589	228	2,924
Other financial assets	7,343	-	-	-	-	7,343
Total financial assets	**77,781**	**29,826**	**26,550**	**21,438**	**11,350**	**166,945**
Liabilities						
Due to banks	489	-	-	-	-	489
Customer accounts	57,438	8,957	8,009	12,568	37,584	124,556
Debt securities in issue	-	-	-	-	2,986	2,986
Subordinated debt	-	-	113	-	11,401	11,514
Insurance provisions	64	126	128	107	42	467
Other financial liabilities	3,112	-	-	-	-	3,112
Total financial liabilities	**61,103**	**9,083**	**8,250**	**12,675**	**52,013**	**143,124**
Net liquidity gap at 31 December 2016	**16,678**	**20,743**	**18,300**	**8,763**	**(40,663)**	**23,821**
Cumulative liquidity gap at 31 December 2016	**16,678**	**37,421**	**55,721**	**64,484**	**23,821**	**-**

Provision for unearned premiums in the amount of RR 300 million is not included in the insurance provisions stated above.

All the Investment securities available for sale are classified within demand and less than one month as they are easy repoable in CBR or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month.

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

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.

23 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group are 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 current 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. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. 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. 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). The 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. 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.

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 June 2017 (Unaudited)**	**31 December 2016**
Not later than 1 year	330	374
Total operating lease commitments	**330**	**374**

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 June 2017 and 31 December 2016.

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. Commitments to extend credit represent unused portions of authorizations 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 limits and related commitments are as follows:

In millions of RR	**30 June 2017 (Unaudited)**	**31 December 2016**
Unused limits on credit card loans	63,382	54,498

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.

Mandatory cash balances with the CBRF of RR 1,464 million (31 December 2016: RR 1,218 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 June 2017 (Unaudited)		**31 December 2016**	
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 (+)	5,818	-	6,049	35
- USD payable on settlement (-)	-	(2)	(118)	-
- RR payable on settlement (-)	(3,237)	-	(3,116)	(56)
- RR receivable on settlement (+)	-	21	406	-
- EUR receivable on settlement (+)	7	-	-	19
- EUR payable on settlement (-)	-	(16)	(503)	-
- GBP receivable on settlement (+)	1	-	-	2
- GBP payable on settlement (-)	-	(3)	-	-
Net fair value of foreign exchange forwards and swaps	**2,589**	**-**	**2,718**	**-**

Included in financial derivatives held by the Group as at 30 June 2017 is one outstanding swap contract with positive fair value of RR 1,301 million (31 December 2016: RR 1,365 million), which includes reference to the default of JSC VTB Bank, JSC Gazprom or the Russian Federation.

There is also one other outstanding swap contract with total positive fair value of RR 1,288 million which includes reference to the default of the Bank (31 December 2016: RR 1,348 million).

24 Financial Derivatives (Continued)

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.

(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 June 2017 (Unaudited)				**31 December 2016**			
In millions of RR	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Financial derivatives	-	2,589	-	2,589	-	2,718	-	2,718
Investment securities available for sale	45,973	-	-	45,973	33,286	-	-	33,286
Total assets recurring fair value measurements	**45,973**	**2,589**	**-**	**48,562**	**33,286**	**2,718**	**-**	**36,004**

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 30 June 2017 are as follows:

In millions of RR	**Fair value**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
Foreign exchange swaps	2,589	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
Foreign exchange forwards	-	Application of forward market quotes as of the date of valuation	Bloomberg forward quotes
Total recurring fair value measurements at level 2 (Unaudited)	**2,589**		

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the period ended 30 June 2017 (2016: 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:

In millions of RR	30 June 2017 (Unaudited) Level 1	Level 2	Level 3	Carrying value	31 December 2016 Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	39	-	-	39	26	-	-	26
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	6,306	-	6,306	-	6,178	-	6,178
- Placements with other banks with original maturities of less than three months	-	20,669	-	20,669	-	9,993	-	9,993
Mandatory cash balances with the CBRF	-	1,464	-	1,464	-	1,218	-	1,218
Due from other banks	-	358	-	358	-	347	-	347
Loans and advances to customers	-	-	121,163	121,163	-	-	102,912	102,912
Guarantee deposits with payment systems	-	-	3,277	3,277	-	-	2,924	2,924
Other financial assets								
Settlement of operations with plastic cards receivable	-	3,545	-	3,545	-	6,679	-	6,679
Trade and other receivables	-	414	-	414	-	350	-	350
Other financial assets	-	189	-	189	-	314	-	314
Total financial assets carried at amortised cost	**39**	**32,945**	**124,440**	**157,424**	**26**	**25,079**	**105,836**	**130,941**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	484	-	484	-	489	-	489
Customer accounts								
Legal entities								
-Current/settlement accounts of corporate entities	-	12,128	-	12,128	-	5,441	-	5,441
-Term deposits of corporate entities	-	536	-	438	-	473	-	368
Individuals								
-Current/settlement accounts of individuals	-	55,877	-	55,877	-	46,729	-	46,729
-Term deposits of individuals	-	73,607	-	71,749	-	74,904	-	72,018
Debt securities in issue								
RR Bonds issued on domestic market	8,187	-	-	8,043	3,052	-	-	2,986
Subordinated debt	24,540	-	-	23,235	13,695	-	-	11,514
Other financial liabilities								
Settlement of operations with plastic cards	-	938	-	938	-	2,031	-	2,031
Trade payables	-	1,954	-	1,954	-	1,052	-	1,052
Other financial liabilities	-	88	-	88	-	29	-	29
Total financial liabilities carried at amortised cost	**32,727**	**145,612**	**-**	**174,934**	**16,747**	**131,148**	**-**	**142,657**

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.

25 Fair Value of Financial Instruments (Continued)

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 (2016: OJSC Moscow Exchange MICEX-RTS and Irish Stock Exchange).

Weighted average discount rates used in determining fair value as of 30 June 2017 and 31 December 2016 depend on currency:

In % p.a.	**30 June 2017 (Unaudited)**	**31 December 2016**
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	7.7	9.3
Loans and advances to customers	46.0	48.3
Investment securities available for sale	6.5	10.3
Liabilities		
Due to banks	0.0	0.0
Customer accounts	6.2	7.7
Debt securities in issue	8.8	10.1
Subordinated debt	7.1	5.2

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 June 2017 (Unaudited)		**31 December 2016**	
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: 32.22% (2016: 24%))	21	-	20	-
Other financial assets	-	-	-	132
TOTAL ASSETS	**21**	**-**	**20**	**132**
LIABILITIES				
Customer accounts (contractual interest rate: 2.9 – 10% p.a. (2016: 8.01% p.a.))	1,210	516	938	459
Other non-financial liabilities	579	-	367	-
TOTAL LIABILITIES	**1,789**	**516**	**1,305**	**459**
EQUITY				
Share-based payment reserve				
- Management long-term incentive program	801	-	636	-
TOTAL EQUITY	**801**	**-**	**636**	**-**

26 Related Party Transactions (Continued)

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

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

	Unaudited							
	Six Months Ended 30 June 2017		Three Months Ended 30 June 2017		Six Months Ended 30 June 2016		Three Months Ended 30 June 2016	
In millions of RR	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	1	-	1	(5)	1	12	1	9
Interest expense	(50)	(18)	(30)	(9)	(34)	(17)	(19)	(8)
Customer acquisition expense	-	-	-	-	-	(591)	-	(314)
Unrealised foreign exchange translation gains less losses	-	(1)	-	(30)	-	57	-	35

Customer acquisition expense represents a payment made under the sponsorship contract with the Tinkoff Cycling Team ("Team"). The Team was owned by the Group's ultimate controlling party. As at 31 December 2016 the sponsorship contract had expired.

Key management compensation is presented below:

	Unaudited			
In millions of RR	Six Months Ended 30 June 2017	Three Months Ended 30 June 2017	Six Months Ended 30 June 2016	Three Months Ended 30 June 2016
Short-term benefits:				
- Salaries	255	121	235	113
- Short-term bonuses	424	220	239	142
Long-term benefits:				
- Management long-term incentive program	580	169	253	153
- Equity long-term incentive plan	-	-	41	37
Total	**1,259**	**510**	**768**	**445**

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

On 8 February 2017 the Group granted shares to new participants in MLTIP and also granted additional shares to certain existing participants which resulted in an increase in total shares granted under MLTIP to 5.27% of issued share capital of the Group. For the purpose of the financial statements the grant date for newly added rewards is considered to be 8 February 2017, implementation date is by 31 March 2017.

The total number of GDRs attributable to the Management according to MLTIP is 9,628 thousand as at 30 June 2017 (31 December 2016: 7,504 thousand).

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

The fair value as at recognition date of the equity-settled share-based payments (31 March 2016 and 8 February 2017) is determined on the basis of a market quote.

26 Related Party Transactions (Continued)

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 until 2022 for participants joining in 2016 and 2023 for participants joining in 2017.

***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. 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 was then 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 not participating in ESOP. 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 was then transferred to Retained earnings.

27 Events after the End of the Reporting Period

On 28 August 2017 the Board of Directors declared a dividend of USD 0.20 per share/per GDR with a total amount allocated for dividend payment of around USD 36.5 million.