

**Public Joint Stock Company
“The Ural Bank for Reconstruction and Development”**

**Consolidated Condensed Interim
Financial Statements**

30 June 2016

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Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of financial position

No	Notes	30 June 2016 (unaudited)	31 December 2015	
<i>in thousands of Russian Roubles</i>				
I	ASSETS			
1	Cash and cash equivalents	4	21 613 579	49 035 483
2	Mandatory cash balances with the Bank of Russia		1 835 057	1 583 269
3	Other securities at fair value through profit or loss	5	45 866 091	51 539 054
4	Securities available-for-sale	6	-	10 000
5	Investment securities held to maturity	7	27 421 927	33 738 981
6	Due from other banks	8	2 164 561	6 524 750
7	Loans and advances to customers	9	146 200 659	145 256 113
8	Finance lease receivables	10	1 531 109	1 818 904
9	Goodwill		162 147	162 122
10	Property and equipment	11	8 487 889	5 566 782
11	Intangible assets	12	288 518	256 030
12	Investment property	13	742 082	5 841 056
13	Advances to real estate developers	14	1 164 935	1 448 581
14	Receivables under commission and sale and purchase agreements of commodities and equipment	15	18 342 363	16 996 256
15	Current income tax asset		591 387	457 404
16	Deferred tax asset		472 643	655 728
17	Other assets	16	26 465 322	12 076 207
18	Assets held for sale	17	1 441 651	782 418
TOTAL ASSETS			304 791 920	333 749 138
II	LIABILITIES			
19	Due to other banks	19	58 548 074	96 952 302
20	Customer accounts	20	200 844 162	189 554 871
21	Debt securities in issue	21	11 736 858	12 709 747
22	Current income tax liability		6 359	12 127
23	Deferred tax liability		1 383 705	1 422 438
24	Other liabilities	22	3 613 998	2 357 191
25	Other borrowed funds	23	12 513 542	16 057 138
TOTAL LIABILITIES			288 646 698	319 065 814
III	EQUITY			
26	Share capital	24	3 634 812	3 634 812
27	Share premium	24	1 581 956	1 581 956
28	Additional capital	24	3 423 503	3 423 503
29	Revaluation reserve for property and equipment		918 648	1 078 872
30	Cumulative translation reserve		(120 697)	(94 822)
31	Retained earnings		6 707 000	5 059 003
TOTAL EQUITY			16 145 222	14 683 324
TOTAL LIABILITIES AND EQUITY			304 791 920	333 749 138

These consolidated condensed interim financial statements were approved for issue and signed on behalf of the Board of Directors on 29 August 2016.



Solovyev A.U.
President

Sirazov M.R.
Chief Accountant

Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of profit or loss

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Notes	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	Three- month period ended 30 June 2016	Three- month period ended 30 June 2015
Interest income	26	14 336 797	14 277 275	7 041 824	6 791 849
Interest expense	26	(12 804 092)	(15 225 963)	(6 117 155)	(7 937 066)
Fee and commission income	27	1 747 854	1 835 939	1 004 691	1 123 934
Fee and commission expense	27	(377 363)	(291 945)	(203 408)	(155 650)
Net gains/(losses) arising from other securities at fair value through profit or loss		1 000 359	914 474	(82 239)	359 889
Net gains/(losses) arising from securities available-for-sale		-	-	32 419	(4 120)
Trade profit		1 199 182	-	639 470	-
Profit from disposal of subsidiaries	34	762 340	-	-	-
Net gains arising from trading in foreign currencies		6 533 663	7 736 584	1 870 168	5 081 413
Net gains arising from operations with precious metals		26 606	6 068	10 089	11 307
Foreign exchange translation (losses)/gains		(2 770 593)	2 549 007	(846 608)	1 034 676
Rental income		22 657	6 712	19 170	4 757
Loss from investment property		(3 306)	(4 118)	(2 414)	(4 056)
(Loss)/income from assignment of loans		(30 704)	(213 511)	13 501	(213 526)
Other operating income		563 611	50 204	543 239	73 212
Net operating income		10 207 011	11 640 726	3 922 747	6 166 619
Administrative and other expenses		(4 079 069)	(3 265 219)	(2 056 018)	(1 748 977)
(Provision for)/recovery of the allowance for impairment:					
- Loans and advances to customers	9	(4 060 724)	(6 848 814)	(1 676 599)	(2 336 647)
- Finance lease receivables	10	1 574	(38 292)	4 241	(40 684)
- Investment securities held to maturity	7	6 863	-	333	-
- Advances to real estate developers	14	(216 609)	-	-	-
Profit before tax		1 859 046	1 488 401	194 704	2 040 311
Income tax expense		(371 273)	(302 264)	(40 070)	(407 054)
Profit for the period		1 487 773	1 186 137	154 634	1 633 257



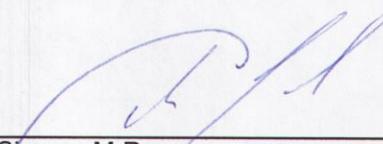
Solovyev A.U.
President

Sirazov M.R.
Chief Accountant

Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of comprehensive income

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	Three- month period ended 30 June 2016	Three- month period ended 30 June 2015
Profit for the period	1 487 773	1 186 137	154 634	1 633 257
Other comprehensive loss net of deferred income tax				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation effect	(25 875)	(6 273)	(14 628)	(28 996)
Other comprehensive loss net of deferred income tax	(25 875)	(6 273)	(14 628)	(28 996)
Total comprehensive income	1 461 898	1 179 864	140 006	1 604 261




 Sirazov M.R.
 Chief Accountant

Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of changes in equity

	Notes	Share capital	Share premium	Additional capital	Revaluation reserve for property and equipment	Cumulative translation reserve	Retained earnings	Total equity
<i>in thousands of Russian Roubles</i>								
Balance as at 1 January 2015		3 634 812	1 581 956	3 423 503	1 207 532	(100 169)	2 454 565	12 202 199
Other comprehensive (loss)/income net of deferred income tax								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Foreign currency translation effect (unaudited)		-	-	-	-	(6 273)	-	(6 273)
<i>Items that will not be reclassified to profit or loss:</i>								
Realised revaluation reserve for property and equipment (unaudited)		-	-	-	15 517	-	(15 517)	-
Other comprehensive (loss)/income net of deferred income tax (unaudited)		-	-	-	15 517	(6 273)	(15 517)	(6 273)
Profit for the period (unaudited)		-	-	-	-	-	1 186 137	1 186 137
Total comprehensive income/(loss) (unaudited)		-	-	-	15 517	(6 273)	1 170 620	1 179 864
Balance as at 30 June 2015 (unaudited)		3 634 812	1 581 956	3 423 503	1 223 049	(106 442)	3 625 185	13 382 063

Notes on pages 10-58 form an integral part of these consolidated condensed interim financial statements.

**Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of changes in equity**

<i>in thousands of Russian Roubles</i>	Notes	Share capital	Share premium	Additional capital	Revaluation reserve for property and equipment	Cumulative translation reserve	Retained earnings	Total equity
Balance as at 1 January 2016		3 634 812	1 581 956	3 423 503	1 078 872	(94 822)	5 059 003	14 683 324
Other comprehensive (loss)/income net of deferred income tax								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Foreign currency translation effect (unaudited)		-	-	-	-	(25 875)	-	(25 875)
<i>Items that will not be reclassified to profit or loss:</i>								
Property and equipment: - realised revaluation reserve for property and equipment (unaudited)		-	-	-	(160 224)	-	160 224	-
Other comprehensive (loss)/income net of deferred income tax (unaudited)		-	-	-	(160 224)	(25 875)	160 224	(25 875)
Profit for the period (unaudited)		-	-	-	-	-	1 487 773	1 487 773
Total comprehensive (loss)/income (unaudited)		-	-	-	(160 224)	(25 875)	1 647 997	1 461 898
Balance as at 30 June 2016 (unaudited)		3 634 812	1 581 956	3 423 503	918 648	(120 697)	6 707 000	16 145 222




 Sirazov M.R.
 Chief Accountant

Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of cash flows

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Notes	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015
Cash flows from operating activities			
Interest received		14 650 911	12 912 695
Interest paid		(13 067 862)	(13 088 160)
Fees and commissions received		1 826 003	1 894 416
Fees and commissions paid		(399 293)	(316 769)
Net (losses incurred)/gains received from other securities at fair value through profit or loss		(918 463)	680 835
Net gains received from other securities		16 044	-
Net (losses incurred)/gains received from trading in foreign currencies		(4 649 341)	8 239 532
Net gains received from operations with precious metals		47 078	1 658
Net gains from commodity trading		1 199 182	-
Administrative and other expenses paid		(3 937 737)	(2 671 174)
Income tax paid		(360 201)	(272 084)
Proceeds from assignment of loans		77 596	44 948
Other operating income received		781 461	72 419
Cash flows (used in)/provided by operating activities before changes in operating assets and liabilities		(4 734 622)	7 498 316
(Increase)/decrease in operating assets			
Mandatory cash balances with the Bank of Russia		(162 971)	(371 162)
Other securities at fair value through profit or loss		7 849 146	(1 744 307)
Securities available-for-sale		10 000	-
Due from other banks		15 696 796	(9 524 476)
Loans and advances to customers		(632 253)	(2 154 803)
Finance lease receivables		272 383	(269 996)
Advances to real estate developers		348 256	(251 352)
Other assets		(870 051)	(12 492 875)
Receivables under commission and sale and purchase agreements of commodities and equipment		(1 346 107)	(340 122)
Assets held for sale		(594 729)	30 476
Increase/(decrease) in operating liabilities			
Due to other banks		(47 909 191)	34 236 725
Customer accounts		3 093 024	26 302 890
Promissory notes and deposit certificates in issue (included in debt securities in issue)		1 343 363	(7 206 767)
Other liabilities		2 523 001	806 242
Net cash flows (used in)/provided by operating activities		(25 113 955)	34 518 789
Cash flows from investing activities			
Purchase of investment securities held to maturity		(21 060 550)	(46 524 761)
Proceeds from redemption of investment securities held to maturity		21 137 342	3 020 609
Proceeds from acquisition of subsidiary		929 096	-
Proceeds from disposal of subsidiaries		6 146 881	-
Acquisition of property and equipment		(3 007 197)	(154 388)
Proceeds from disposal of property and equipment		592	22 157
Acquisition of investment property		(352 629)	(5 043)
Proceeds from disposal of investment property		134	24 516
Acquisition of intangible assets		(70 765)	(29 787)
Net cash flows provided by/(used in) investing activities		3 722 904	(43 646 697)

Public Joint Stock Company "The Ural Bank for Reconstruction and Development"
Consolidated condensed interim statement of cash flows

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Notes	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015
Cash flows from financing activities			
Dividends paid		-	(301)
Proceeds from bonds issued on domestic market (included in debt securities in issue)		3 000	1 549 583
Redemption/repurchase of bonds issued on domestic market (included in debt securities in issue)		(1 696 689)	(2 233 015)
Repayment of subordinated loans (included in other borrowed funds)		(3 356 250)	-
Repayment of syndicated loans (included in other borrowed funds)		(219 946)	(174 647)
Net cash flows used in financing activities		(5 269 885)	(858 380)
Effect of exchange rate changes on cash and cash equivalents		(760 968)	618 115
Net decrease in cash and cash equivalents		(27 421 904)	(9 368 173)
Cash and cash equivalents at the beginning of the reporting period		49 035 483	27 951 963
Cash and cash equivalents at the end of the reporting period	4	21 613 579	18 583 790



Sirazov M.R.
Chief Accountant

1 Introduction

These consolidated condensed interim financial statements of Public Joint Stock Company “The Ural Bank for Reconstruction and Development” (the Bank) and its subsidiaries, structured entities and mutual investment funds (together referred to as the Group) for the six-month period ended 30 June 2016 are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a public joint-stock company set up in accordance with regulations of the Russian Federation.

Due to the coming into force from 1 September 2014 of the Federal law No. 99-FZ *On modification of chapter 4 part one of the Civil code of the Russian Federation and on expiry of separate provisions of acts of the Russian Federation dated 5 May 2014*, the name of the Bank was changed. From 24 February 2015 a new full trade name of the Bank is Public Joint Stock Company “The Ural Bank for Reconstruction and Development” (short trade name is UBRD, PJSC). The previous full trade name is Joint Stock Company “The Ural Bank of Reconstruction and Development” (short trade name of UBRD, JSC).

Principal activity. The Bank’s principal business activity is commercial and retail banking transactions within the Russian Federation. The Bank operates under a general banking license issued by the Central Bank of the Russian Federation (the Bank of Russia) on 16 August 2012. Due to the change of the Bank’s trade name the license was renewed on 6 February 2015. The Bank is a member of the state deposit insurance system, which was introduced by the Federal Law No.177-FZ *On deposits of individuals insurance in Russian Federation* as at 23 December 2003 (as amended on 13 July 2015). The State Deposit Insurance System guarantees repayment of 100% of individual deposits up to RUB 1 400 thousand per individual in case of the withdrawal of a license of a bank or Bank of Russia imposed moratorium on payments.

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

As at 30 June 2016 and 31 December 2015 the ultimate controlling parties of the Bank are Mr. I.A. Altushkin, Mr. V.V. Pechenko, Mr. A.V. Semkin, Mr. S.V. Skubakov and Mrs. I.N. Gayvoronskaya.

As at 30 June 2016 the Bank has 13 (31 December 2015: 13) branches and 154 (31 December 2015: 154) additional and operational offices in the Russian Federation.

Registered address and place of business. The Bank’s registered address and place of business is 620014, 67, Sakko i Vancetti St., Yekaterinburg, Russian Federation.

Presentation currency. These consolidated condensed interim financial statements are presented in thousands of Russian Roubles (RUB thousand).

2 Operating environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this country. The Government continues implementation of economic reforms and development of its legal, tax and regulatory legislation. Current actions of the Government are focused on modernization of the Russian economy, aimed at increasing productivity and product quality, as well as increasing the share of industries producing high-tech products and services. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The stability of the Russian economy in the future is dependent significantly upon these reforms and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In the first six-month period of 2016 the pace of economic growth continued to slow down along with a decreasing consumer demand and capital investments. Russian economy is also adapting to sanctions and low oil prices. First half of 2016 saw a variety of trends in exchange rate dynamics. The weakening of the Russian national currency in relation to the main world currencies observed in January 2016, followed by its strengthening in mid-February 2016 stemmed from oil prices recovery and was supported by moderately tight monetary policy of the Bank of Russia. In the first half of 2016 the Bank of Russia continues to carry out policy within the floating exchange rate regime. Given restricted access of Russian companies and banks to international capital markets, the Bank of Russia has also provided the credit institutions with the foreign currency for the purpose of stability in foreign exchange market as well as in banking sector. The key rate of 11% was left unchanged till June 2016 as despite certain stabilisation in finance and commodity markets, inflationary risks, driven by developments in the oil market, high inflationary expectations and some uncertainties surrounding budget configuration, were high. In June 2016 due to decrease in inflationary risks the key rate was lowered to 10.5%. In the first half of 2016 the

reserve requirement ratio for liabilities in foreign currency was increased by the Bank of Russia.

2 Operating environment (continued)

According to the Ministry of Economic Development of the Russian Federation in the first half of 2016 banking sector assets decreased by 4.2%, decline experienced by retail lending market was 1.0 %, and by corporate lending market – 6.2%. The amount of deposits from individuals decreased by 0.7%, and from legal entities - by 7.2%.

There is still uncertainty about the future growth of the Russian economy and the ability of the Group and its counterparties to raise new borrowings at reasonable rates, which in turn can affect the financial position, results of operations and business prospects. As the Russian economy is sensitive to the negative trends on the global markets, there is still a risk of increased volatility on the Russian financial markets. Despite this, management believes that in the current situation they have taken all necessary measures to support the sustainability and growth of the business. The consolidated condensed interim financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and financial position of the Group. The future business environment may differ from management’s assessment.

3 Accounting policies, critical accounting estimates and judgements

Basis of preparation. These consolidated condensed interim financial statements for the six-month period ended 30 June 2016 are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015.

The principal accounting policies and methods of computation applied in the preparation of these consolidated condensed interim financial statements as well as estimates and judgements used in applying these policies are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015, except for income tax measurement.

A new standard required for the Group’s reporting periods beginning on 1 January 2018 and not adopted early, is published:

IFRS 9 *Financial Instruments*, published in July 2014, is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

Income tax measurement. Income tax expense is recognised in these consolidated condensed interim financial statements based on management’s best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4 Cash and cash equivalents

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Balances with the Bank of Russia (other than mandatory cash balances)	7 596 646	12 485 516
Agreements for purchase and re-sale of the securities to other banks with original maturities of less than three months	4 968 947	6 586 842
Cash on hand	4 522 708	5 609 988
Correspondent accounts and overnight placements with banks:		
- other countries	2 948 253	2 940 758
- Russian Federation	158 854	13 184 448
Placements with other banks with original maturities of less than three months	956 228	6 802 802
Settlement accounts with trading systems	461 943	1 425 129
Total	21 613 579	49 035 483

Public Joint Stock Company “The Ural Bank for Reconstruction and Development”
Notes to the consolidated condensed interim financial statements – 30 June 2016

4 Cash and cash equivalents (continued)

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months are placed with large Russian and OECD banks with ratings from “not rated” to “A-” (31 December 2015: ratings from “not rated” to “A-”). The ratings are defined according to the criteria accepted by the international rating agency Standard & Poor's or equivalent ratings of agencies of Fitch and Moody's.

Geographical, currency and maturity analyses of cash and cash equivalents are disclosed in Note 29.

5 Other securities at fair value through profit or loss

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Corporate eurobonds	44 811 106	50 460 455
Corporate bonds	912 213	944 138
Russian government bonds	142 772	134 461
Total debt securities	45 866 091	51 539 054

The Group irrevocably classified these securities, which are not a part of the trading portfolio, as securities at fair value through profit or loss. These securities meet the requirements for classification as carried at fair value through profit or loss due to the fact that management evaluates results from these investments based on their fair value in accordance with a documented strategy.

Analysis by credit quality of other securities at fair value through profit or loss outstanding at 30 June 2016 is as follows:

<i>(Unaudited) in thousands of Russian Roubles</i>	Corporate eurobonds	Corporate bonds	Russian government bonds	Total
- Rated from BBB- to BBB+	16 725 102	912 213	142 772	17 780 087
- Rated from BB- to BB+	28 086 004	-	-	28 086 004
Total	44 811 106	912 213	142 772	45 866 091

Analysis by credit quality of other securities at fair value through profit or loss outstanding at 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	Corporate eurobonds	Corporate bonds	Russian government bonds	Total
- Rated from BBB- to BBB+	19 434 675	944 138	134 461	20 513 274
- Rated from BB- to BB+	31 025 780	-	-	31 025 780
Total	50 460 455	944 138	134 461	51 539 054

The ratings given in the table above are defined according to the criteria accepted by the international rating agency Standard & Poor's or equivalent ratings of agencies of Fitch and Moody's.

The table below shows carrying amount of other securities at fair value through profit or loss pledged under sale and repurchase agreements as at 30 June 2016 and 31 December 2015 (see Note 18).

Public Joint Stock Company “The Ural Bank for Reconstruction and Development”
Notes to the consolidated condensed interim financial statements – 30 June 2016

5 Other securities at fair value through profit or loss (continued)

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Corporate eurobonds	44 811 106	47 061 536
Corporate bonds	912 213	944 138
Total	45 723 319	48 005 674

Geographical, currency and maturity analyses of other securities at fair value through profit and loss are disclosed in Note 29.

6 Securities available-for-sale

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Corporate shares	-	10 000
Total	-	10 000

As at 31 December 2015 corporate shares are represented by shares of the JSC VUZ-Bank (see Notes 33 and 34).

Analysis by credit quality of securities available-for-sale at 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	31 December 2015
- Not rated	10 000
Total	10 000

Securities available-for-sale are not pledged under sale and repurchase agreements as at 30 June 2016 and 31 December 2015.

Geographical, currency and maturity analyses of securities available-for-sale are disclosed in Note 29.

7 Investment securities held to maturity

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Corporate bonds	15 927 241	23 183 935
Russian government bonds	10 184 361	10 145 260
Municipal bonds	1 765 848	872 172
Total	27 877 450	34 201 367
Allowance for impairment	(455 523)	(462 386)
Total	27 421 927	33 738 981

Public Joint Stock Company “The Ural Bank for Reconstruction and Development”
Notes to the consolidated condensed interim financial statements – 30 June 2016

7 Investment securities held to maturity (continued)

Movements in the allowance for impairment for investment securities held to maturity are as follows:

<i>in thousands of Russian Roubles</i>	2016	2015
Allowance for impairment as at 1 January	462 386	-
Recovery of provision (unaudited)	(6 863)	-
Allowance for impairment as at 30 June (unaudited)	455 523	-

Analysis by credit quality of investment securities held to maturity before allowance for impairment outstanding at 30 June 2016 is as follows:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Corporate bonds	Russian government bonds	Municipal bonds	Total
- Rated from BBB- to BBB+	6 923 497	10 184 361	-	17 107 858
- Rated from BB- to BB+	6 402 787	-	1 765 848	8 168 635
- Rated from B- to B+	2 078 871	-	-	2 078 871
- Not rated	66 563	-	-	66 563
Total	15 471 718	10 184 361	1 765 848	27 421 927

Analysis by credit quality of other securities held to maturity before allowance for impairment outstanding at 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	Corporate bonds	Russian government bonds	Municipal bonds	Total
- Rated from BBB- to BBB+	12 034 370	10 145 260	63 082	22 242 712
- Rated from BB- to BB+	7 523 731	-	809 090	8 332 821
- Rated from B- to B+	3 058 387	-	-	3 058 387
- Not rated	105 061	-	-	105 061
Total	22 721 549	10 145 260	872 172	33 738 981

The ratings given in the table above are defined according to the criteria accepted by the international rating agency Standard & Poor's or equivalent ratings of agencies of Fitch and Moody's.

The table below shows carrying amount of investment securities held to maturity pledged under sale and repurchase agreements as at 30 June 2016 and 31 December 2015 (see Note 18).

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Corporate bonds	11 043 903	21 062 695
Russian government bonds	9 584 028	9 860 924
Municipal bonds	-	872 173
Total	20 627 931	31 795 792

Geographical, currency and maturity analyses of investment securities held to maturity are disclosed in Note 29.

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8 Due from other banks

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Other allocated funds	1 941 505	1 082 649
Short-term placements with other banks with original maturities of more than three months	227 636	5 446 681
Allowance for impairment	(4 580)	(4 580)
Total	2 164 561	6 524 750

At 30 June 2016 and 31 December 2015 due from other banks are represented by the current term deposits and promissory notes of other banks with face value in Russian roubles placed in the Russian Federation. Other allocated funds are represented by individual clearing collateral for operations in currency and stock markets.

An analysis by credit quality of due from other banks (before allowance for impairment) as at 30 June 2016 is as follows:

<i>(Unaudited) in thousands of Russian Roubles</i>	Short-term placements with other banks with original maturities of more than three months	Other allocated funds	Total
- Rated from A- to A+	151 615	-	151 615
- Rated from BBB- to BBB+	-	1 941 505	1 941 505
- Rated from BB- to BB+	25 703	-	25 703
- Rated from B- to B+	45 738	-	45 738
- Not rated	4 580	-	4 580
Total due from other banks before allowance for impairment	227 636	1 941 505	2 169 141

An analysis by credit quality of due from other banks (before allowance for impairment) as at 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	Short-term placements with other banks with original maturities of more than three months	Other allocated funds	Total
- Rated from A- to A+	491 164	-	491 164
- Rated from BBB- to BBB+	4 534 367	1 082 649	5 617 016
- Rated from B- to B+	416 570	-	416 570
- Not rated	4 580	-	4 580
Total due from other banks before allowance for impairment	5 446 681	1 082 649	6 529 330

The ratings given in the table above are defined according to the criteria accepted by the international rating agency Standard & Poor's or equivalent ratings of agencies of Fitch and Moody's.

Due from other banks are not collateralised.

Geographical, currency and maturity analyses of due from other banks are disclosed in Note 29.

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9 Loans and advances to customers

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Loans to legal entities		
- Related parties	9 401 901	11 225 299
- Corporate loans	84 047 420	85 698 705
- Small and medium-sized businesses	3 647 498	4 863 160
- Loans of JSC VUZ-bank	7 306 391	-
Total loans to legal entities	104 403 210	101 787 164
Loans to individuals		
- Express loans	15 432 804	16 238 408
- Loans to employees participating in payroll projects	7 378 942	7 410 184
- Unsecured consumer loans	24 862 489	28 784 535
- Collateralised consumer loans	3 460 208	3 223 481
- Loans of JSC VUZ-bank	2 153 420	-
Total loans to individuals	53 287 863	55 656 608
Total loans and advances to customers before allowance for impairment	157 691 073	157 443 772
Allowance for impairment	(11 490 414)	(12 187 659)
Total	146 200 659	145 256 113

Information concerning the loans and advances to customers transferred without derecognition is represented in Note 18.

Movements in the allowance for impairment for loans to legal entities during six-month period ended 30 June 2016 are as follows:

<i>in thousands of Russian Roubles</i>	Related parties	Corporate loans	Small and medium-sized businesses	Total
Allowance for impairment as at 1 January 2016	36 791	608 511	1 203 776	1 849 078
(Recovery)/charge of provision (unaudited)	(210)	67 518	134 914	202 222
Write offs	-	-	(497 507)	(497 507)
Allowance for impairment as at 30 June 2016 (unaudited)	36 581	676 029	841 183	1 553 793

Movements in the allowance for impairment for loans to legal entities during three-month period ended 30 June 2016 are as follows:

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9 Loans and advances to customers (continued)

	Related parties	Corporate loans	Small and medium-sized businesses	Total
<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>				
Allowance for impairment as at 31 March 2016	39 974	675 159	1 271 738	1 986 871
(Recovery)/charge of provision	(3 393)	870	66 952	64 429
Write offs	-	-	(497 507)	(497 507)
Allowance for impairment as at 30 June 2016	36 581	676 029	841 183	1 553 793

Movements in the allowance for impairment for loans to individuals during six-month period ended 30 June 2016 are as follows:

	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total
<i>in thousands of Russian Roubles</i>					
Allowance for impairment as at 1 January 2016	5 457 758	326 338	4 469 381	85 104	10 338 581
Charge of provision (unaudited)	2 341 838	119 312	1 169 472	227 880	3 858 502
Write offs (unaudited)	(1 777 483)	(156 107)	(2 321 629)	(5 243)	(4 260 462)
Allowance for impairment as at 30 June 2016 (unaudited)	6 022 113	289 543	3 317 224	307 741	9 936 621

Movements in the allowance for impairment for loans to individuals during three-month period ended 30 June 2016 are as follows:

	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total
<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>					
Allowance for impairment as at 31 March 2016	6 067 086	345 773	4 155 493	93 892	10 662 244
Charge of provision	980 589	27 325	385 762	218 494	1 612 170
Write offs	(1 025 562)	(83 555)	(1 224 031)	(4 645)	(2 337 793)
Allowance for impairment as at 30 June 2016	6 022 113	289 543	3 317 224	307 741	9 936 621

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9 Loans and advances to customers (continued)

Movements in the allowance for impairment for loans to legal entities during six-month period ended 30 June 2015 are as follows:

	Related parties	Corporate loans	Small and medium-sized businesses	Total
<i>in thousands of Russian Roubles</i>				
Allowance for impairment as at 1 January 2015	29 255	723 614	1 258 564	2 011 433
(Recovery)/charge of provision (unaudited)	(1 401)	79 617	285 678	363 894
Write offs (unaudited)	-	(126 111)	(393 092)	(519 203)
Allowance for impairment as at 30 June 2015 (unaudited)	27 854	677 120	1 151 150	1 856 124

Movements in the allowance for impairment for loans to legal entities during three-month period ended 30 June 2015 are as follows:

	Related parties	Corporate loans	Small and medium-sized businesses	Total
<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>				
Allowance for impairment as at 31 March 2015	26 675	683 419	1 282 193	1 992 287
Charge of provision	1 179	43 986	186 696	231 861
Write offs	-	(50 285)	(317 739)	(368 024)
Allowance for impairment as at 30 June 2015	27 854	677 120	1 151 150	1 856 124

Movements in the allowance for impairment for loans to individuals during six-month period ended 30 June 2015 are as follows:

	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total
<i>in thousands of Russian Roubles</i>					
Allowance for impairment as at 1 January 2015	4 773 593	257 373	5 904 890	1 168 532	12 104 388
Charge of provision (unaudited)	2 751 369	185 722	2 976 547	571 282	6 484 920
Write offs (unaudited)	(2 032 065)	(134 832)	(2 554 692)	(99 365)	(4 820 954)
Allowance for impairment as at 30 June 2015 (unaudited)	5 492 897	308 263	6 326 745	1 640 449	13 768 354

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9 Loans and advances to customers (continued)

Movements in the allowance for impairment for loans to individuals during three-month period ended 30 June 2015 are as follows:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total
Allowance for impairment as at 31 March 2015	5 208 569	305 392	6 758 155	1 415 355	13 687 471
Charge of provision	1 031 195	61 988	786 509	225 094	2 104 786
Write offs	(746 867)	(59 117)	(1 217 919)	-	(2 023 903)
Allowance for impairment as at 30 June 2015	5 492 897	308 263	6 326 745	1 640 449	13 768 354

The loan portfolio structure by economic sectors as at 30 June 2016 and 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)		31 December 2015	
	Amount	%	Amount	%
Individuals	51 134 443	32.4	55 656 608	35.4
Trade	37 377 352	23.7	50 061 875	31.8
Metallurgy and metals trade	26 017 928	16.5	23 087 660	14.7
Services	11 019 639	7.0	9 957 147	6.3
Manufacturing	10 902 460	6.9	8 708 800	5.5
Loans of JSC VUZ-Bank	9 459 811	6.0	-	-
Construction	5 592 394	3.5	4 426 709	2.8
Other	6 187 046	4.0	5 544 973	3.5
Total loans and advances to customers before allowance for impairment	157 691 073	100.0	157 443 772	100.0

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9 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 30 June 2016 is as follows:

<i>(Unaudited)</i> <i>in thousands of Russian</i> <i>Roubles</i>	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collatera- lised consumer loans	Loans of JSC VUZ- Bank	Total loans to individuals
Loans to individuals						
Current and not overdue:	5 786 212	6 694 184	18 566 207	3 268 798	1 771 479	36 086 880
- with credit history of less than 90 days	936 888	857 221	1 207 016	494 111	356 271	3 851 507
- with credit history of more than 90 days	4 849 324	5 836 963	17 359 191	2 774 687	1 415 208	32 235 373
overdue:	9 646 592	684 758	6 296 282	191 410	381 941	17 200 983
- loans overdue less than 30 days	1 266 917	226 607	955 267	52 758	95 510	2 597 059
- loans overdue 31 to 90 days	2 806 880	101 521	781 123	41 944	62 171	3 793 639
- loans overdue 91 to 210 days	3 141 485	140 428	1 742 956	23 171	98 564	5 146 604
- loans overdue 211 to 360 days	1 571 325	158 516	1 557 338	10 816	86 428	3 384 423
- loans overdue over 360 days	859 985	57 686	1 259 598	62 721	39 268	2 279 258
Total loans to individuals before allowance for impairment	15 432 804	7 378 942	24 862 489	3 460 208	2 153 420	53 287 863
Allowance for impairment	(6 022 113)	(289 543)	(3 317 224)	(92 018)	(215 723)	(9 936 621)
Total	9 410 691	7 089 399	21 545 265	3 368 190	1 937 697	43 351 242
Allowance for impairment to gross loans, %	39.02	3.92	13.34	2.66	10.02	18.65

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9 Loans and advances to customers (continued)

<i>(Unaudited)</i> <i>in thousands of Russian</i> <i>Roubles</i>	Related parties	Corporate loans	Small and medium-sized businesses	Loans of JSC VUZ-Bank	Total loans to legal entities
Loans to legal entities					
Current and individually not impaired	9 401 901	83 409 058	1 510 856	7 280 923	101 602 738
overdue:	-	638 362	2 136 642	25 468	2 800 472
- loans overdue less than 30 days	-	-	156 924	14 862	171 786
- loans overdue 31 to 90 days	-	-	135 466	10 606	146 072
- loans overdue 91 to 180 days	-	-	226 472	-	226 472
- loans overdue 181 to 360 days	-	18 612	353 011	-	371 623
- loans overdue over 360 days	-	619 750	1 264 769	-	1 884 519
Total loans to legal entities before allowance for impairment	9 401 901	84 047 420	3 647 498	7 306 391	104 403 210
Allowance for impairment	(36 581)	(667 437)	(810 821)	(38 954)	(1 553 793)
Total	9 365 320	83 379 983	2 836 677	7 267 437	102 849 417
Allowance for impairment to gross loans, %	0.39	0.79	22.23	0.53	1.49

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9 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2015 is as follows:

	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total loans to individuals
<i>in thousands of Russian Roubles</i>					
Loans to individuals					
Current and not overdue:	7 419 722	6 737 844	20 752 371	3 056 839	37 966 776
- with credit history of less than 90 days	2 903 267	728 408	1 846 630	1 556 336	7 034 641
- with credit history of more than 90 days	4 516 455	6 009 436	18 905 741	1 500 503	30 932 135
overdue:	8 818 686	672 340	8 032 164	166 642	17 689 832
- loans overdue less than 30 days	879 196	173 156	887 866	68 486	2 008 704
- loans overdue 31 to 90 days	2 643 995	119 704	1 226 009	12 098	4 001 806
- loans overdue 91 to 210 days	2 200 388	144 199	1 818 354	21 857	4 184 798
- loans overdue 211 to 360 days	2 579 355	185 425	3 229 726	4 221	5 998 727
- loans overdue over 360 days	515 752	49 856	870 209	59 980	1 495 797
Total loans to individuals before allowance for impairment	16 238 408	7 410 184	28 784 535	3 223 481	55 656 608
Allowance for impairment	(5 457 758)	(326 338)	(4 469 381)	(85 104)	(10 338 581)
Total	10 780 650	7 083 846	24 315 154	3 138 377	45 318 027
Allowance for impairment to gross loans, %	33.61	4.40	15.53	2.64	18.58

	Related parties	Corporate loans	Small and medium- sized businesses	Total loans to legal entities
<i>in thousands of Russian Roubles</i>				
Loans to legal entities				
Current and individually not impaired	11 225 299	84 981 740	2 241 010	98 448 049
overdue:	-	716 965	2 622 150	3 339 115
- loans overdue less than 30 days	-	55 991	174 601	230 592
- loans overdue 31 to 90 days	-	-	183 179	183 179
- loans overdue 91 to 180 days	-	-	236 355	236 355
- loans overdue 181 to 360 days	-	59 641	847 602	907 243
- loans overdue over 360 days	-	601 333	1 180 413	1 781 746
Total loans to legal entities before allowance for impairment	11 225 299	85 698 705	4 863 160	101 787 164
Allowance for impairment	(36 791)	(608 511)	(1 203 776)	(1 849 078)
Total	11 188 508	85 090 194	3 659 384	99 938 086
Allowance for impairment to gross loans, %	0.33	0.71	24.75	1.82

9 Loans and advances to customers (continued)

The loans to individuals are mostly represented by express loans and unsecured consumer loans. Express loans are loans issued to individuals at points-of-sale with minimum credit needs. Unsecured consumer loans are issued to individuals in banking offices after a scoring review. Management structures the credit analysis procedures with the aim to minimise the credit risk on unsecured consumer loans. Differences in credit quality of these products are reflected in higher interest rates on express loans.

The Group assesses the loans to individuals as current and not impaired if there is no overdue amount as at the reporting date, and no evidence that individuals will not be able to meet their obligations to repay of the loans in full and on time.

The Group assesses the credit quality of current and not impaired corporate loans by analysing the following factors:

- there are no delays in repayment of principal and interest due to the financial insolvency of the borrower
- financial statements and other financial information of the borrowers are submitted to the Group timely and in accordance with the terms of the loan agreements, and that information is transparent and allows analysis of the financial position of the borrower
- the borrower is not sued for defaults on loans granted by other credit institutions
- the loan is secured by liquid collateral, the fair value of which covers the outstanding loan amount.

Geographical, currency and maturity analyses of loans and advances to customers are disclosed in Note 29. Information on related party transactions is disclosed in Note 35.

10 Finance lease receivables

Finance lease receivables as at 30 June 2016 of RUB 406 649 thousand (31 December 2015: RUB 567 674 thousand), RUB 1 621 245 thousand (31 December 2015: RUB 1 900 356 thousand), and RUB 78 755 thousand (31 December 2015: RUB 76 161 thousand) are represented by leases of motor vehicles, equipment and premises, respectively.

Finance lease payments receivable (gross investment in the leases) and their present values at 30 June 2016 and 31 December 2015 are as follows:

<i>in thousands of Russian Roubles</i>	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Finance lease payments receivable at 30 June 2016 (unaudited)	722 229	1 369 125	15 295	2 106 649
Unearned finance income (unaudited)	(51 571)	(491 048)	(8 463)	(551 082)
Allowance for impairment (unaudited)	(17 203)	(6 397)	(858)	(24 458)
Present value as at 30 June 2016 (unaudited)	653 455	871 680	5 974	1 531 109
Finance lease payments receivable at 31 December 2015	858 164	1 612 556	73 471	2 544 191
Unearned finance income	(64 495)	(589 010)	(43 756)	(697 261)
Allowance for impairment	(18 239)	(9 026)	(761)	(28 026)
Present value as at 31 December 2015	775 430	1 014 520	28 954	1 818 904

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10 Finance lease receivables (continued)

Movements in the allowance for impairment of finance lease receivables during six-month period ended 30 June is as follows:

<i>in thousands of Russian Roubles</i>	2016	2015
Allowance for impairment as at 1 January	28 026	13 814
(Recovery)/charge of provision (unaudited)	(1 574)	38 292
Write offs (unaudited)	(1 994)	(43 793)
Allowance for impairment as at 30 June (unaudited)	24 458	8 313

Movements in the allowance for impairment of finance lease receivables during three-month period ended 30 June is as follows:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	2016	2015
Allowance for impairment as at 31 March	28 699	9 669
(Recovery)/charge of provision	(4 241)	40 684
Write offs	-	(42 040)
Allowance for impairment as at 30 June 2016	24 458	8 313

Analysis by credit quality of finance lease receivables outstanding as at 30 June 2016 and 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Not overdue finance lease receivables	1 415 334	1 721 850
Overdue finance lease receivables:	140 233	125 080
- overdue less than 30 days	44 626	11 889
- overdue 31-90 days	26 413	40 369
- overdue 91-210 days	15 722	19 733
- overdue 211-360 days	13 622	7 605
- overdue more than 360 days	39 850	45 484
Total finance lease payments receivable before allowance for impairment	1 555 567	1 846 930
Allowance for impairment	(24 458)	(28 026)
Total	1 531 109	1 818 904

Geographical, currency and maturity analyses of finance lease receivables are disclosed in Note 29.

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11 Property and equipment

	Notes	Land and premises	Office and computer equipment	Construction in progress	Total
<i>in thousands of Russian Roubles</i>					
Cost or valuation as at 1 January 2015		4 260 745	2 836 851	67 832	7 165 428
Accumulated depreciation		(259 107)	(1 133 353)	-	(1 392 460)
Carrying amount as at 1 January 2015		4 001 638	1 703 498	67 832	5 772 968
Additions		21 961	50 707	25 090	97 758
Transfers		5 874	53 784	(59 658)	-
Disposals – cost		(5 265)	(64 760)	-	(70 025)
Disposals - accumulated depreciation		275	44 300	-	44 575
Depreciation charge		(65 652)	(200 352)	-	(266 004)
Carrying amount as at 30 June 2015 (unaudited)		3 958 831	1 587 177	33 264	5 579 272
Cost or valuation as at 30 June 2015 (unaudited)		4 283 314	2 876 582	33 264	7 193 160
Accumulated depreciation (unaudited)		(324 483)	(1 289 405)	-	(1 613 888)
Carrying amount as at 30 June 2015 (unaudited)		3 958 831	1 587 177	33 264	5 579 272
Cost or valuation as at 1 January 2016		3 944 788	3 032 660	35 380	7 012 828
Accumulated depreciation		(39 840)	(1 406 206)	-	(1 446 046)
Carrying amount as at 1 January 2016		3 904 948	1 626 454	35 380	5 566 782
Additions		639 814	220 370	2 275 212	3 135 396
Transfers		2 091	30 936	(33 027)	-
Transfer to «Investment property»	13	(5 972)	-	-	(5 972)
Disposals – cost		(10 615)	(29 673)	(589)	(40 877)
Disposals - accumulated depreciation		760	24 795	-	25 555
Depreciation charge		(81 385)	(111 610)	-	(192 995)
Carrying amount as at 30 June 2016 (unaudited)		4 449 641	1 761 272	2 276 976	8 487 889
Cost or valuation as at 30 June 2016 (unaudited)		4 570 048	3 254 293	2 276 976	10 101 317
Accumulated depreciation (unaudited)		(120 407)	(1 493 021)	-	(1 613 428)
Carrying amount as at 30 June 2016 (unaudited)		4 449 641	1 761 272	2 276 976	8 487 889

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12 Intangible assets

<i>in thousands of Russian Roubles</i>	Software licenses
Cost as at 1 January 2015	439 199
Accumulated depreciation	(165 874)
Carrying amount as at 1 January 2015	273 325
Additions	29 787
Disposals – cost	(12 863)
Disposals - accumulated depreciation	12 863
Depreciation charge	(37 343)
Carrying amount as at 30 June 2015 (unaudited)	265 769
Cost as at 30 June 2015 (unaudited)	456 123
Accumulated depreciation (unaudited)	(190 354)
Carrying amount as at 30 June 2015 (unaudited)	265 769
Cost as at 1 January 2016	462 760
Accumulated depreciation	(206 730)
Carrying amount as at 1 January 2016	256 030
Additions	71 141
Disposals – cost	(6 711)
Disposals - accumulated depreciation	6 711
Depreciation charge	(38 653)
Carrying amount as at 30 June 2016 (unaudited)	288 518
Cost as at 30 June 2016 (unaudited)	527 190
Accumulated depreciation (unaudited)	(238 672)
Carrying amount as at 30 June 2016 (unaudited)	288 518

Additions to intangible assets represent capitalised software and license costs related to a centralised operational banking system which is used as a basis for decision making and control of financial and operating activities at all management levels of the Group.

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13 Investment property

<i>in thousands of Russian Roubles</i>	Land and premises
Cost as at 1 January 2015	6 075 246
Accumulated depreciation	(269 814)
Carrying amount as at 1 January 2015	5 805 432
Additions	5 043
Disposals – cost	(15 656)
Disposals - accumulated depreciation	2 214
Depreciation charge	(46 768)
Carrying amount as at 30 June 2015 (unaudited)	5 750 265
Cost as at 30 June 2015 (unaudited)	6 064 633
Accumulated depreciation (unaudited)	(314 368)
Carrying amount as at 30 June 2015 (unaudited)	5 750 265
Cost as at 1 January 2016	6 203 069
Accumulated depreciation	(362 013)
Carrying amount as at 1 January 2016	5 841 056
Transfer from «Property and equipment»	5 972
Additions	352 629
Disposals – cost	(5 801 300)
Disposals - accumulated depreciation	361 414
Depreciation charge	(17 689)
Carrying amount as at 30 June 2016 (unaudited)	742 082
Cost as at 30 June 2016 (unaudited)	760 370
Accumulated depreciation (unaudited)	(18 288)
Carrying amount as at 30 June 2016 (unaudited)	742 082

Information about the investment property of RUB 5 451 004 thousand transferred without derecognition as at 31 December 2015 is presented in Note 18.

Disposal of investment property for the six-month period ended 30 June 2016 relates to sale of subsidiaries (see Note 34).

14 Advances to real estate developers

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Advances to real estate developers	1 381 544	1 448 582
Allowance for impairment	(216 609)	-
Total	1 164 935	1 448 582

Advances to real estate developers represent investments in investment contracts for construction of apartment buildings, business centres, hotels and other properties in Moscow, Yekaterinburg and Sochi. Upon completion of construction the Group is contractually entitled to receive the real estate property. The Group generally intends to sell the majority of these investments close to completion stage. The Group receives income from the amounts advanced to developers at imputed rates of interest. The income is received in the legal form of penalties payable by the developers for breaches of various terms of the contracts, which is recognised as interest income.

These investments are secured by the underlying real estate. Management of the Group believes that the fair value of collateral is at least equal to the carrying amount of each investment contract at the reporting date.

Geographical, currency and maturity analyses of advances to real estate developers are disclosed in Note 29.

15 Receivables under commission and sale and purchase agreements of commodities and equipment

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Receivables under sale and purchase agreements of commodities and equipment	10 936 038	6 272 591
Receivables under commission agreements	7 406 325	10 723 665
Total	18 342 363	16 996 256

As at 30 June 2016 receivables under commission agreements are non-overdue unsecured receivables for transferred commodities with maturity of less than 1 year (31 December 2015: maturity less than 1 year).

As at 30 June 2016 the amount of RUB 10 807 071 thousand included in “Receivables under sale and purchase agreements of commodities and equipment” is non-overdue unsecured receivables for transferred metallurgical and oil products with maturity of “From 3 to 12 months” (31 December 2015: RUB 6 159 205 thousand is non-overdue unsecured receivables for transferred metallurgical and oil products with on “Demand and less than 1 month” maturity). Sale and purchase agreements are made with foreign companies that are world traders.

Geographical, currency and maturity analyses of receivables under commission and sale and purchase agreements of commodities and equipment are disclosed in Note 29.

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16 Other assets

<i>in thousands of Russian Roubles</i>	Notes	30 June 2016 (unaudited)	31 December 2015
Foreign currency forward contracts	32	21 967 101	9 199 689
Receivables from operations with securities, precious metals and foreign currencies		1 105 746	115 240
Settlements on cash and other operations		333 698	205 882
Credit and debit cards receivables		150 197	282 515
Investments in non-consolidated subsidiaries		124 820	125 000
Foreign currency options	32	12 709	1 573
Precious metals forward contracts	32	100	839
Settlements with Deposit Insurance Agency on insurance payments to depositors of other banks		-	10 725
Other		773	776
Total other financial assets		23 695 144	9 942 239
Prepayments for administrative services		1 226 581	1 242 970
Prepaid taxes other than income tax		740 326	159 375
Prepayments for construction in progress		93 166	49 273
Precious metals		45 097	43 321
Deferred expenses		13 137	7 573
Equipment purchased for finance lease		2 346	2 346
Other		649 525	629 110
Total other non-financial assets		2 770 178	2 133 968
Total		26 465 322	12 076 207

Geographical, currency and maturity analyses of other assets are disclosed in Note 29. The Information on related party transactions is disclosed in Note 35.

17 Assets held for sale

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Land and premises	749 657	743 171
Motor vehicles	26 196	24 694
Other property	665 798	14 553
Total	1 441 651	782 418

The property acquired as a result of transactions on settlement agreements and pledge agreements is recognised in assets held for sale.

18 Transfer of financial and non-financial assets

The financial and non-financial assets transferred without derecognition as at 30 June 2016 are shown in the table below:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Other securities at fair value through profit of loss	Investment securities held to maturity	Loans and advances to customers
Balance value of assets	50 692 266	20 627 931	92 802
Balance value of related liabilities	40 860 487	15 883 412	102 833

The financial and non-financial assets transferred without derecognition as at 31 December, 2015 are shown in the table below:

<i>in thousands of Russian Roubles</i>	Other securities at fair value through profit of loss	Investment securities held to maturity	Loans and advances to customers	Investment property
Balance value of assets	54 592 516	31 795 792	10 070 580	5 451 004
Balance value of related liabilities	46 782 346	30 250 919	10 505 309	6 563 527

Securities

The Group has transactions to sell securities under sale and repurchase as well as purchase and resale agreements.

The securities sold under sale and repurchase agreements are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties even in the case of absence of default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognised them. These securities are presented as “pledged under sale and repurchase agreements” in Notes 5, 7 and 9. The Group recognises a financial liability for cash received within due to other banks (see Note 19). As at 30 June 2016 financial liabilities under second part of the sale and repurchase agreements amount to RUB 56 743 899 thousand (31 December 2015: RUB 77 033 265 thousand), including financial liabilities with the Bank of Russia of RUB 6 237 272 thousand (31 December 2015: RUB 52 391 253 thousand).

These transactions are conducted under generally accepted lending terms, as well as under the requirements determined by exchanges where the Group acts as intermediary.

Loans and advances to customers

During six-month period ended 30 June 2016 the Group sold under assignment agreements loans from “Express loans”, “Loans to employees participating in payroll projects” and “Unsecured consumer loans” portfolios and received cash.

These transactions do not satisfy derecognition criteria according to IFRS as the Group retained substantially all the risks and rewards of ownership of the transferred assets. The assignee has the right to demand repayment of the loan in case loan overdue over 1 day / 29 days depending on the terms of the assignment agreement.

Respectively, the Group continues to recognise these loans in the consolidated condensed interim statement of financial position until the expiration of the loan/assignment agreement. For the received cash, the Group recognises financial liabilities within the due to other banks (see Note 19). As at 30 June 2016 the balance value of the loans sold without derecognition before allowance for impairment amounts to RUB 92 802 thousand (31 December 2015: RUB 10 070 580 thousand, RUB 8 461 770 thousand of those are transferred to JSC VUZ-Bank), the balance value of the corresponding liabilities recognised within due to other banks – RUB 102 833 thousand (31 December 2015: RUB 10 505 309 thousand, RUB 8 462 104 thousand of those are with JSC VUZ-Bank). As at 30 June 2016 loans sold to VUZ-Bank are not accounted for by the Group as transferred without derecognition due to control gained by the Group over JSC VUZ-Bank in the first quarter 2016 (see Note 33).

18 Transfer of financial and non-financial assets (continued)

Investment property

In December 2015 the Group sold investment property with the balance value of RUB 5 451 004 thousand as at 31 December 2015 and at the same time signed the forward contract for repurchase of this property. These transactions do not satisfy derecognition criteria according to IFRS as the Group retained substantially all the risks and rewards of ownership of the transferred assets. Respectively, the Group continues to recognise these assets in the statement of financial position within investment property and recognises financial liabilities for the cash received from sale of these assets in customer accounts as other funds. Balance value of the recognised liabilities as at 31 December 2015 amounts to RUB 6 563 527 thousand. See Note 22.

As at 8 February 2016 the forward contract has been executed by the Group, and the property has been repurchased. The Group has also sold its investments in CUIF “Antey”, CUIF “NIKS”, and CUIF “UBRR-Nedvizhimost”, on the balance of which the property is accounted for, resulting in write-off of this property from the balance of the Group (see Note 33).

19 Due to other banks

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Sale and repurchase agreements on securities	56 743 899	77 033 265
Short-term deposits	1 606 506	8 267 124
Correspondent accounts and overnight placements	94 836	1 146 604
Other funds	102 833	10 505 309
Total	58 548 074	96 952 302

Information concerning obligations under sale and repurchase agreements on securities, as well as concerning the other funds is disclosed in Note 18.

Geographical, currency and maturity analyses of due to other banks are disclosed in Note 29.

20 Customer accounts

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
State and public organisations		
- Current/settlement accounts	14 615	8 684
- Other funds	3 503 289	-
Other legal entities		
- Current/settlement accounts	12 262 019	9 348 989
- Term deposits	27 982 189	32 114 761
- Other funds	-	6 563 527
Individuals		
- Current/demand accounts	7 327 628	6 872 209
- Term deposits	149 754 422	134 646 701
Total	200 844 162	189 554 871

State and public organisations exclude government owned profit oriented businesses.

Information concerning the other funds is disclosed in Note 18.

Geographical, currency and maturity analyses of customer accounts are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

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21 Debt securities in issue

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Loan participation notes	4 341 178	4 918 443
Bonds issued on the domestic market	3 190 867	4 921 105
Deposit certificates	2 344 048	855 365
Promissory notes	1 860 765	2 014 834
Total	11 736 858	12 709 747

The following table provides information on the bonds issued on the domestic market:

	UBRD, PJSC	
Issuer Series	BO-5	BO-8
Issue, thousand roubles	2 000 000	3 000 000
Nominal value, roubles	1 000	1 000
Date of issue	April 2013	September 2013
Maturity date	April 2020	September 2016
Interest rate of the first two coupons, % p.a.	11.15	10.75
Interest rate of other coupons, % p.a.	determined by the issuer	determined by the issuer
Quantity of coupon periods	14	6
Coupon period	182 days	6 months
Date of offer	19.10.2016	-

In April 2016 and 2015 the Group repaid bonds of the BO-05 series submitted to the offer. As at 30 June 2016 the nominal value of the repaid bonds is RUB 1 722 830 thousand (31 December 2015: RUB 26 141 thousand).

In March 2015 the Group repaid bonds of the BO-08 series submitted to the offer. As at 31 December 2015 the nominal value of the repaid bonds is RUB 182 540 thousand.

On 27 June 2013 the Group issued loan participation notes in the amount of USD 68 million for the period of 5.5 years at a fixed interest rate of 12% p. a. The issuer is the structured entity UBRD Capital Limited. As at 30 June 2016 these loan participation notes are stated at amortised cost of RUB 4 341 178 thousand (31 December 2015: RUB 4 918 443 thousand).

Geographical, currency and maturity analyses of debt securities in issue are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

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22 Other liabilities

<i>in thousands of Russian Roubles</i>	Notes	30 June 2016 (unaudited)	31 December 2015
Foreign currency forward contracts	32	1 608 298	768 709
Trade payables		587 248	611 709
Payables on mandatory insurance of deposits		145 549	137 200
Settlements on plastic cards		4 027	3 540
Precious metals forward contracts	32	34	125
Other		225 282	130 215
Total other financial liabilities		2 570 438	1 651 498
Advance payments under sale agreements		410 618	410 618
Taxes other than income tax payable		309 612	220 952
Settlements with staff		266 639	187
Provision for financial guarantee agreements		52 741	66 775
Advance payments under lease agreements		-	1 474
Other		3 950	5 687
Total other non-financial liabilities		1 043 560	705 693
Total		3 613 998	2 357 191

Geographical, currency and maturity analyses of other financial liabilities are disclosed in Note 29. The information on transactions with related parties is disclosed in Note 35.

23 Other borrowed funds

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Subordinated loans	9 364 698	14 390 079
Loan from SC DIA	1 881 932	-
Syndicated loans	1 266 912	1 667 059
Total	12 513 542	16 057 138

Loan from SC DIA is a loan granted to JSC VUZ-Bank (see Note 34) in the amount of RUB 5 700 000 thousand with annual rate of 0.51% and maturity as at 16 October 2025. This loan was accounted for at amortised cost with effective annual rate of 13.7%. The effect from fair value measurement of the loan of RUB 3 898 409 thousand was accounted for in estimation of identifiable net assets of JSC VUZ-Bank at the date of acquisition.

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23 Other borrowed funds (continued)

The following table provides information about subordinated loans as at 30 June 2016 and 31 December 2015:

Amount of the loan in USD	25 000 000	40 000 000	30 000 000	20 000 000	30 000 000	50 000 000
Issue date	31.12.2014	20.06.2014	30.12.2013	28.02.2013	27.12.2012	21.12.2007
Maturity	6 years	10 years				
Lender	XANGBO GLOBAL MARKETS PTE LTD	The Royal Bank of Scotland				
Interest rate as at 30 June 2016, % p.a.	10.25	10.25	8.25	8.25	8.25	-
Interest rate as at 31 December 2015, % p.a.	10.25	10.25	8.25	8.25	8.25	10.03
Carrying value as at 30 June 2016 (in thousands of Russian Roubles)	1 606 531	2 578 676	1 927 823	1 321 570	1 930 098	-
Carrying value as at 31 December 2015 (in thousands of Russian Roubles)	1 822 149	2 925 266	2 187 028	1 499 270	2 189 138	3 767 228

In the event of the Bank’s liquidation the creditors under these subordinated loans would be the last ones entitled to receive repayment.

In April 2016 the Group has made premature repayment of subordinated loan from the Royal Bank of Scotland in the amount of USD 50 million.

In April 2014 the Group attracted a syndicated loan in the amount of USD 33.8 million for 5 years. The loan was granted by AKA Export Finance Bank and Commerzbank at the contract interest rate which is a cumulative rate of six-month’s LIBOR and the margin equal to 2% p.a.

Geographical, currency and maturity analyses of other borrowed funds are disclosed in Note 29.

24 Share capital, share premium and additional capital

<i>in thousands of Russian Roubles</i>	Number of outstanding shares	Ordinary shares
At 1 January 2015	1 001 454 334	3 634 812
At 31 December 2015	1 001 454 334	3 634 812
At 30 June 2016 (unaudited)	1 001 454 334	3 634 812

Share capital contributions made before 1 January 2003, are adjusted by RUB 630 449 thousand according to changes in general purchasing power of the Russian Rouble as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies*.

As at 30 June 2016 and 31 December 2015 all outstanding shares were authorised, issued and fully paid in.

As at 30 June 2016 all ordinary shares have a nominal value of RUB 3 per share (31 December 2015: RUB 3 per share). Each share carries one vote.

Share premium is the amount by which the contributions to share capital exceeded the nominal value of the shares issued.

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24 Share capital, share premium and additional capital (continued)

As at 30 June 2016 additional capital amounts to RUB 3 423 503 thousand (31 December 2015: RUB 3 423 503 thousand).

25 Dividends

In accordance with the legislation of the Russian Federation, the Bank distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of the statutory accounting reports. The reserves under Russian Accounting Rules at 30 June 2016 are RUB 10 574 576 thousand (31 December 2015: RUB 8 411 799 thousand).

26 Interest income and expense

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	Three-month period ended 30 June 2016	Three-month period ended 30 June 2015
Interest income				
Loans and advances to customers	10 176 127	10 902 723	5 176 768	4 965 009
Other securities at fair value through profit or loss	1 650 004	911 347	741 491	384 676
Investment securities held to maturity	1 489 040	2 222 861	805 768	1 338 194
Due from other banks	513 444	67 910	224 328	21 644
Correspondent accounts with other banks	333 798	45 934	1 934	18 456
Finance lease receivables	143 532	126 500	67 513	63 870
Advances to real estate developers	30 852	-	24 022	-
Total	14 336 797	14 277 275	7 041 824	6 791 849
Interest expense				
Term deposits of individuals	7 409 928	8 008 199	3 718 856	4 570 796
Sale and repurchase agreements	1 632 464	2 650 282	689 924	1 370 323
Term placements of legal entities	1 524 296	1 612 444	762 107	717 577
Debt securities in issue	731 309	910 718	337 032	383 330
Subordinated loans	584 683	542 075	234 875	247 056
Term placements of other banks	359 210	636 038	147 975	282 873
Other attracted funds from banks	294 442	442 006	63 012	158 311
Current/settlement accounts	136 535	384 263	82 550	187 440
Syndicated loans	128 350	28 047	80 309	13 036
Correspondent accounts of other banks	2 875	11 891	515	6 324
Total	12 804 092	15 225 963	6 117 155	7 937 066
Net interest income/(expense)	1 532 705	(948 688)	924 669	(1 145 217)

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27 Fee and commission income and expense

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	Three-month period ended 30 June 2016	Three-month period ended 30 June 2015
Fee and commission income				
Settlement transactions	669 498	342 142	402 787	206 125
Transactions with plastic cards and cheques	401 530	350 758	214 268	181 372
Trade finance transactions	142 292	198 696	59 958	89 749
Client service packages	130 342	674 740	91 532	460 870
Guarantees issued	110 547	62 620	51 924	31 890
Cash transactions	56 645	42 435	35 022	26 650
Cash collection	13 198	12 156	8 140	7 363
Transactions with securities	1 961	1 348	1 099	538
Other	221 841	151 044	139 961	119 377
Total	1 747 854	1 835 939	1 004 691	1 123 934
Fee and commission expense				
Transactions with plastic cards and cheques	259 114	178 825	133 729	96 687
Settlement transactions	41 445	27 213	25 757	15 486
Cash collection	34 546	35 318	21 203	20 574
Transactions with securities	15 464	3 651	5 955	3 038
Trade finance transactions	12 702	33 256	10 602	11 656
Currency transactions	12 138	11 698	5 673	6 754
Transactions with precious metals	1 749	1 948	319	1 434
Other	205	36	170	21
Total	377 363	291 945	203 408	155 650
Net fee and commission income	1 370 491	1 543 994	801 283	968 284

Fee and commission income included in line “Client service packages” is a commission for insurance services, granting access to the system of remote banking and other services.

28 Segment analysis

The Group has four reportable segments, which are represented by separate business units. The business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Assets and Liabilities Management Committee reviews internal management reports on each business unit on at least a twice a month basis, analyses and monitors the efficiency and quality of performance, and insures coordination of business units in liquidity and profit management. The following summary describes the operations in each of the reportable segments.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative financial instruments.
- Financial markets – representing financial instrument trading, loans and deposits in the interbank market, dealing in foreign exchange, precious metals and derivative financial instruments.
- Global markets – representing documentary operations and operations on attracting funds on international markets, such as eurobonds and Euro commercial papers.

Information regarding the results of each reportable segment is presented below. Performance is measured based on segment profit before income tax as included in the internal management reports based on the accounting data received in accordance with the Russian Accounting Rules (with adjustment of certain entries by economic substance) reviewed by the Assets and Liabilities Management Committee.

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28 Segment analysis (continued)

Segment profit is used to measure its performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

Segment information for the reportable segments as at and for the six-month period ended 30 June 2016 is set out below.

<i>in thousands of Russian Roubles</i>	Retail banking	Corporate banking	Financial markets	Global markets	Total
Six-month period ended 30 June 2016 (unaudited)					
Interest income from external operations	3 789 470	4 303 523	3 814 266	997 946	12 905 205
Interest expense	(7 121 114)	(2 111 697)	(2 286 428)	-	(11 519 239)
Gains/(losses) from transactions with other segments	5 904 871	(1 357 586)	(989 135)	-	3 558 150
Fee and commission income/(expense)	951 449	627 350	(21 836)	(10 802)	1 546 161
Gain from transactions with securities	-	-	2 687 148	-	2 687 148
Gain from transactions with foreign currencies and precious metals	117 550	30 485	4 224 363	-	4 372 398
Other operating income/(expense)	45 859	16 068	(299)	-	61 628
Administrative and other expenses	(1 484 484)	(562 437)	(17 921)	(6 203)	(2 071 045)
Profit before tax	2 203 601	945 706	7 410 158	980 941	11 540 406
30 June 2016 (unaudited)					
Segment assets	51 092 346	112 082 439	73 522 318	26 475 141	263 172 244
Segment liabilities	146 228 936	47 183 778	71 535 695	16 488 485	281 436 894

Segment information for the reportable segments as at 31 December 2015 and for the six-month period ended 30 June 2015 is set out below.

<i>in thousands of Russian Roubles</i>	Retail banking	Corporate banking	Financial markets	Global markets	Total
Six-month period ended 30 June 2015 (unaudited)					
Interest income from external operations	4 614 169	3 712 487	3 787 799	1 874 304	13 988 759
Interest expense	(7 977 378)	(2 493 150)	(3 630 370)	(651 154)	(14 752 052)
Gains/(losses) from transactions with other segments	5 487 526	(1 918 461)	1 190 210	-	4 759 275
Fee and commission income/(expense)	1 071 904	411 629	(14 029)	(1 830)	1 467 674
Gain from transactions with securities	-	-	2 534 647	-	2 534 647
Gain from transactions with foreign currencies and precious metals	89 670	102 344	9 560 634	-	9 752 648
Other operating income	108 034	31 730	2	-	139 766
Administrative and other expenses	(1 208 319)	(702 663)	(20 986)	(6 513)	(1 938 481)
Profit/(loss) before tax	2 185 606	(856 084)	13 407 907	1 214 807	15 952 236

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28 Segment analysis (continued)

<i>in thousands of Russian Roubles</i>	Retail banking	Corporate banking	Financial markets	Global markets	Total
31 December 2015					
Segment assets	56 380 722	104 464 049	79 279 272	39 671 117	279 795 160
Segment liabilities	137 447 449	51 973 316	82 259 284	16 558 097	288 238 146

In the tables above, administrative and other expenses are allocated between the segments based on the percentage of the number of employees attributable to each segment. Property and equipment are not allocated between segments in management accounting. Income and expenses from transactions with other segments represent income and expenses from lending and borrowing between segments and is calculated by using a transfer rate determined by management. Pricing in transactions between segments are carried out on an arm's length.

Reconciliation of reportable segment profit or loss for the six-month periods ended 30 June 2016 and 30 June 2015 is as follows:

<i>(Unaudited) in thousands of Russian Roubles</i>	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015
Segment profit before tax	11 540 406	15 952 236
Allowance for impairment of loans and advances to customers per management accounts	(3 992 854)	(6 721 700)
Elimination of revenues on transactions with other segments	(3 558 150)	(4 759 275)
Unallocated administrative and other expenses	(1 607 519)	(1 565 063)
Other revenues	92 040	32 863
IFRS accounting policy adjustments:		
- securities at fair value	(1 593 165)	(1 708 602)
- interest income on loans and advances to customers	(375 577)	367 341
- elimination of (profit)/loss from transactions with subsidiaries, structured entities and mutual funds	(7 564)	229 989
- assignment of loans	1 872 729	(187 668)
- allowance for impairment of assets	(829 113)	(165 406)
- administrative and other expenses on accrual basis	(501 159)	161 081
- securities at amortised cost	236 336	114 080
- depreciation and financial result from disposal of property and equipment, investment property, intangible assets and other property	260 363	(107 420)
- profit/(loss) of subsidiaries, structured entities and mutual funds from transactions with third parties	383 621	(87 687)
- other adjustments	(61 348)	(66 368)
Consolidated profit before tax	1 859 046	1 488 401

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28 Segment analysis (continued)

Reconciliation of reportable segment assets and liabilities as at 30 June 2016 and 31 December 2015 is as follows:

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Segment assets	263 172 244	279 795 160
Unallocated assets	48 521 614	40 913 927
Allowance for impairment of loans and advances to customers per management accounts	(16 353 428)	(18 137 288)
Deviation of average balances from balances at the period end	(3 342 298)	7 437 281
IFRS accounting policy adjustments:		
- assets of subsidiaries, structured entities and mutual funds from transactions with third parties	59 062 255	38 697 667
- elimination of balances with subsidiaries, structured entities and mutual funds	(51 510 443)	(29 543 221)
- allowance for impairment of assets	3 554 433	5 454 637
- loans and advances to customers transferred without derecognition	(194 908)	9 931 157
- securities at fair value	3 461 837	3 128 647
- securities at amortised cost	(644 980)	(219 807)
- revaluation of property and equipment, depreciation of property and equipment, investment property and intangible assets	(745 921)	(1 258 295)
- assets write-off against allowance for impairment	(1 548 833)	(1 854 725)
- administrative and other expenses on accrual basis	(974 089)	(868 005)
- interest income on loans and advances to customers	393 208	697 832
- intangible assets capitalisation	372 569	395 587
- deferred tax asset and current income tax asset	(207 649)	(254 766)
- goodwill	162 146	162 122
- derivatives at fair value	71 284	37 717
- finance lease receivables at amortised cost	13 576	(32 967)
- netting of assets and liabilities arising from derivative financial instruments	1 606 976	208 123
- other adjustments	(77 673)	(941 645)
Consolidated assets	304 791 920	333 749 138
Segment liabilities	281 436 894	288 238 146
Unallocated liabilities	1 416 728	1 008 373
Deviation of average balances from balances at the period end	(2 494 699)	10 360 211
IFRS accounting policy adjustments:		
- elimination of balances with subsidiaries, structured entities and mutual funds	(14 525 906)	(10 798 143)
- liabilities of subsidiaries, structured entities and mutual funds from transactions with third parties	24 660 635	13 705 103
- liabilities for repurchase of loans and advances to customers transferred without derecognition	92 771	10 505 309
- liabilities for repurchase of investment property transferred without derecognition	-	6 374 752
- deferred tax liability and current income tax liability	439 661	(95 849)
- administrative and other expenses on accrual basis	301 997	178 354
- debt securities in issue at amortised cost	(7 513)	(11 573)
- derivatives at fair value	2 631	6 808
- other borrowed funds at amortised cost	(3 800 052)	4 818
- netting of assets and liabilities arising from derivative financial instruments	1 606 976	208 123
- other adjustments	(483 425)	(618 618)
Consolidated liabilities	288 646 698	319 065 814

Adjustments for deviation of average assets and liabilities balances from balances at the period ends caused by analysing average balances in management accounts for II quarter 2016 and for IV quarter 2015.

28 Segment analysis (continued)

Geographical segments. The Group operates in the Russian Federation and foreign countries. Segment information for the main geographical segments is set out below as at 30 June 2016 and 31 December 2015 and for the six-month periods ended 30 June 2016 and 30 June 2015.

<i>in thousands of Russian Roubles</i>	Russia	Other countries	Total
30 June 2016 (unaudited)			
Segment assets	160 765 948	102 406 296	263 172 244
Credit related commitments	14 060 268	656 857	14 717 125
Six-month period ended 30 June 2016 (unaudited)			
External revenues	9 844 157	4 668 837	14 512 994
31 December 2015			
Segment assets	170 830 514	108 964 646	279 795 160
Credit related commitments	10 979 505	70 374	11 049 879
Six-month period ended 30 June 2015 (unaudited)			
External revenues	13 371 952	2 224 247	15 596 199

In presenting geographical information the allocation of external revenues and assets as well as credit related commitments is based on the geographical location of counterparties. Cash on hand, precious metals, property and equipment and capital expenditure are allocated based on the country in which they are physically held.

29 Financial risk management, corporate governance and internal control

Risk management is a cornerstone of the Bank’s activity and is an essential element of operating activities of the Group. Risk management is carried out in relation to financial risks (credit, market, currency, other price risks, interest rate risk, geographical and liquidity risk) and non-financial (operational, legal, strategic risks, risk of loss of business reputation and regulatory risk). The specified risks are the main (significant) risks which the Group faces in the course of implementation of its activity. The system of the reporting on significant risks and the Group’s equity (capital) is developed in the Group. The main purpose of financial risk management is identification of risk limits and further ensuring compliance with the set limits. Non-financial risk management has to provide appropriate compliance with internal regulations and procedures for minimisation of the specified risks.

Policies and procedures for financial risk management, corporate governance structure as well as internal control policies and procedures are consistent with those applied and disclosed in the consolidated financial statements of the Group for the year ended 31 December 2015.

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29 Financial risk management, corporate governance and internal control (continued)

Currency risk. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises exposure to foreign currency exchange rate risk at 30 June 2016.

<i>in thousands of Russian Roubles</i>	RUB	USD	Euro	Precious metals	Other	Total
Assets						
Cash and cash equivalents	15 315 371	5 574 591	652 180	-	71 437	21 613 579
Mandatory cash balances with the Bank of Russia	1 835 057	-	-	-	-	1 835 057
Other securities at fair value through profit or loss	1 054 985	44 811 106	-	-	-	45 866 091
Investment securities held to maturity	27 421 927	-	-	-	-	27 421 927
Due from other banks	1 987 244	177 317	-	-	-	2 164 561
Loans and advances to customers	106 164 351	39 786 654	249 654	-	-	146 200 659
Finance lease receivables	1 531 109	-	-	-	-	1 531 109
Advances to real estate developers	1 164 935	-	-	-	-	1 164 935
Receivables under commission and sale and purchase agreements of commodities and equipment	10 936 038	7 406 325	-	-	-	18 342 363
Other financial assets	539 082	1 175 862	281	-	9	1 715 234
Total monetary assets	167 950 099	98 931 855	902 115	-	71 446	267 855 515
Liabilities						
Due to other banks	18 097 305	40 309 583	141 186	-	-	58 548 074
Customer accounts	183 872 065	12 028 473	4 609 743	285 856	48 025	200 844 162
Debt securities in issue	7 321 752	4 401 231	13 875	-	-	11 736 858
Other borrowed funds	1 881 932	10 631 610	-	-	-	12 513 542
Other financial liabilities	901 529	60 577	-	-	-	962 106
Total monetary liabilities	212 074 583	67 431 474	4 764 804	285 856	48 025	284 604 742
Net position	(44 124 484)	31 500 381	(3 862 689)	(285 856)	23 421	(16 749 227)
Derivative financial instruments	46 488 988	(27 874 860)	1 536 609	241 493	(20 652)	20 371 578
Net position including derivative instruments	2 364 504	3 625 521	(2 326 080)	(44 363)	2 769	3 622 351

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29 Financial risk management, corporate governance and internal control (continued)

The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2015.

<i>in thousands of Russian Roubles</i>	RUB	USD	Euro	Precious metals	Other	Total
Assets						
Cash and cash equivalents	36 514 399	11 485 929	967 296	-	67 859	49 035 483
Mandatory cash balances with the Bank of Russia	1 583 269	-	-	-	-	1 583 269
Other securities at fair value through profit or loss	1 078 599	50 460 455	-	-	-	51 539 054
Securities available-for-sale	10 000	-	-	-	-	10 000
Investment securities held to maturity	33 738 981	-	-	-	-	33 738 981
Due from other banks	1 499 219	5 025 531	-	-	-	6 524 750
Loans and advances to customers	90 129 651	54 066 911	1 059 551	-	-	145 256 113
Finance lease receivables	1 818 904	-	-	-	-	1 818 904
Advances to real estate developers	1 448 581	-	-	-	-	1 448 581
Receivables under commission and sale and purchase agreements of commodities and equipment	113 386	16 882 870	-	-	-	16 996 256
Other financial assets	720 981	17 824	1 322	-	11	740 138
Total monetary assets	168 655 970	137 939 520	2 028 169	-	67 870	308 691 529
Liabilities						
Due to other banks	49 490 927	46 761 920	699 452	-	3	96 952 302
Customer accounts	162 509 301	21 411 934	5 290 318	275 251	68 067	189 554 871
Debt securities in issue	7 477 609	5 228 712	3 426	-	-	12 709 747
Other borrowed funds	-	16 057 138	-	-	-	16 057 138
Other financial liabilities	664 177	218 482	5	-	-	882 664
Total monetary liabilities	220 142 014	89 678 186	5 993 201	275 251	68 070	316 156 722
Net position	(51 486 044)	48 261 334	(3 965 032)	(275 251)	(200)	(7 465 193)
Derivative financial instruments	49 058 193	(44 837 208)	3 988 844	221 278	2 160	8 433 267
Net position including derivative instruments	(2 427 851)	3 424 126	23 812	(53 973)	1 960	968 074

Derivatives in each column represent the fair value at the reporting date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

29 Financial risk management, corporate governance and internal control (continued)

Geographical risk concentrations. The geographical concentration of assets and liabilities at 30 June 2016 is set out below.

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Russia	Other countries	Total
Assets			
Cash and cash equivalents	17 709 097	3 904 482	21 613 579
Mandatory cash balances with the Bank of Russia	1 835 057	-	1 835 057
Other securities at fair value through profit or loss	45 866 091	-	45 866 091
Investment securities held to maturity	27 421 927	-	27 421 927
Due from other banks	1 987 244	177 317	2 164 561
Loans and advances to customers	85 879 235	60 321 424	146 200 659
Finance lease receivables	1 531 109	-	1 531 109
Advances to real estate developers	1 164 935	-	1 164 935
Receivables under commission and sale and purchase agreements of commodities and equipment	128 967	18 213 396	18 342 363
Other financial assets	3 905 467	19 789 677	23 695 144
Total financial assets	187 429 129	102 406 296	289 835 425
Total non-financial assets	14 833 332	123 163	14 956 495
Total	202 262 461	102 529 459	304 791 920
Liabilities			
Due to other banks	58 266 252	281 822	58 548 074
Customer accounts	200 193 070	651 092	200 844 162
Debt securities in issue	7 395 680	4 341 178	11 736 858
Other borrowed funds	1 881 931	10 631 611	12 513 542
Other financial liabilities	410 490	2 159 948	2 570 438
Total financial liabilities	268 147 423	18 065 651	286 213 074
Total non-financial liabilities	2 023 006	410 618	2 433 624
Total	270 170 429	18 476 269	288 646 698
Net position	(67 907 968)	84 053 190	16 145 222
Credit related commitments	14 060 268	656 857	14 717 125

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29 Financial risk management, corporate governance and internal control (continued)

The geographical concentration of assets and liabilities at 31 December 2015 is set out below.

<i>in thousands of Russian Roubles</i>	Russia	Other countries	Total
Assets			
Cash and cash equivalents	39 291 923	9 743 560	49 035 483
Mandatory cash balances with the Bank of Russia	1 583 269	-	1 583 269
Other securities at fair value through profit or loss	51 539 054	-	51 539 054
Securities available-for-sale	10 000	-	10 000
Investment securities held to maturity	33 738 981	-	33 738 981
Due from other banks	1 499 219	5 025 531	6 524 750
Loans and advances to customers	76 620 477	68 635 636	145 256 113
Finance lease receivables	1 818 904	-	1 818 904
Advances to real estate developers	1 448 581	-	1 448 581
Receivables under commission and sale and purchase agreements of commodities and equipment	113 386	16 882 870	16 996 256
Other financial assets	1 265 190	8 677 049	9 942 239
Total financial assets	208 928 984	108 964 646	317 893 630
Total non-financial assets	15 732 345	123 163	15 855 508
Total	224 661 329	109 087 809	333 749 138
Liabilities			
Due to other banks	96 525 690	426 612	96 952 302
Customer accounts	181 548 516	8 006 355	189 554 871
Debt securities in issue	7 791 304	4 918 443	12 709 747
Other borrowed funds	-	16 057 138	16 057 138
Other financial liabilities	1 088 475	563 023	1 651 498
Total financial liabilities	286 953 985	29 971 571	316 925 556
Total non-financial liabilities	1 729 640	410 618	2 140 258
Total	288 683 625	30 382 189	319 065 814
Net position	(64 022 296)	78 705 620	14 683 324
Credit related commitments	10 979 505	70 374	11 049 879

Assets, liabilities and credit related commitments are based mainly on the country in which the counterparty is located. Cash on hand, precious metals and property and equipment are allocated based on the country in which they are physically held. Securities are allocated based on the country in which the issuer is located.

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

29 Financial risk management, corporate governance and internal control (continued)

The Group maintains liquidity management when the bond portfolio, composed of liquid securities of issuers which have high credit quality, is used as an instrument for regulation of cash liquidity gaps and can be converted into cash within 1 month. Therefore other securities at fair value through profit or loss as well as securities available-for-sale as at 30 June 2016 and 31 December 2015 are classified as on “Demand and less than 1 month” in the tables below. The fair value of securities which are classified in this category with maturity of more than 12 months amounts to RUB 34 642 815 thousand (31 December 2015: RUB 51 338 466 thousand).

Management expects that contractual maturity dates of term deposits from individuals are not representative for analysis of liquidity position, as based on analysis of internal statistics, 80% of agreements are prolonged and based on past experience this ratio has never gone lower. Accordingly, 80% of term deposits from individuals, included in “Customer accounts”, in categories “On demand and less than 1 month”, “From 1 to 3 month”, “From 3 to 12 months” and “From 1 to 3 years” are classified in the category “Over 3 years” to present more accurately expected cash flows. However in accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most cases the accrued interest.

The table below shows analysis of term deposits from individuals as at 30 June 2016 and 31 December 2015 on the basis of possible contractual maturity.

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
On demand and less than 1 month	11 340 551	11 937 637
From 1 to 3 months	19 323 631	12 184 766
From 3 to 12 months	55 050 882	49 772 475
From 1 to 3 years	9 486 800	2 539 882
Over 3 years	54 552 558	58 211 941
Total	149 754 422	134 646 701

The Group uses investment securities held to maturity for cash management purposes. The Bank acquires only securities that meet the requirements of the Lombard list of the Bank of Russia, because of this the Group may raise cash using their securities through repurchase operations. As at 30 June 2016 investment securities held to maturity amounted to RUB 20 627 931 thousand (31 December 2015: RUB 31 795 792 thousand) were sold under agreements to repurchase, but the Group retains substantially all the risks and rewards related to these securities, and therefore has not derecognised them (see Note 7). Management believes that the contract terms of sale and repurchase agreements are not meaningful for liquidity analysis, because after termination of these agreements new agreements on the pledge of these securities will be concluded. Consequently the Group includes direct sale and repurchase agreements as a long-term source of funding. Expected maturity terms of underlying borrowing transactions are presented in accordance with relevant maturity of securities held to maturity, which are pledged under direct sale and repurchase agreements. The table below shows analysis of amounts of due to other banks as at 30 June 2016 and 31 December 2015 by contractual maturity.

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
On demand and less than 1 month	57 067 835	64 467 536
From 1 to 3 month	93 572	3 098 873
From 3 to 12 months	764 872	16 858 091
From 1 to 3 years	621 795	7 800 427
Over 3 years	-	4 727 375
Total	58 548 074	96 952 302

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29 Financial risk management, corporate governance and internal control (continued)

The following table shows financial assets and liabilities by remaining contractual maturity dates as at 30 June 2016

<i>(Unaudited)</i> <i>in thousands of</i> <i>Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Assets						
Cash and cash equivalents	11 142 489	10 471 090	-	-	-	21 613 579
Mandatory cash balances with the Bank of Russia	313 158	69 227	173 313	83 102	1 196 257	1 835 057
Other securities at fair value through profit or loss	45 866 091	-	-	-	-	45 866 091
Investment securities held to maturity	522 095	1 623 348	923 047	7 593 370	16 760 067	27 421 927
Due from other banks	1 941 505	-	177 317	-	45 739	2 164 561
Loans and advances to customers	11 928 793	12 015 245	53 041 367	30 507 469	38 707 785	146 200 659
Finance lease receivables	96 742	125 311	430 639	606 073	272 344	1 531 109
Advances to real estate developers	43 590	18 300	447 138	655 907	-	1 164 935
Receivables under commission and sale and purchase agreements of commodities and equipment	2 197 718	2 515 883	13 534 939	56 317	37 506	18 342 363
Other financial assets	1 714 815	645 664	9 366 021	3 311 630	8 657 014	23 695 144
Total financial assets	75 766 996	27 484 068	78 093 781	42 813 868	65 676 712	289 835 425
Liabilities						
Due to other banks	40 557 687	1 706 791	1 184 024	3 944 640	11 154 932	58 548 074
Customer accounts	34 274 649	7 576 812	18 968 864	9 095 425	130 928 412	200 844 162
Debt securities in issue	1 426 862	3 512 627	2 623 763	3 986 215	187 391	11 736 858
Other borrowed funds	-	60 273	1 237 871	4 809 774	6 405 624	12 513 542
Other financial liabilities	409 510	-	96 039	1 594 587	470 302	2 570 438
Total financial liabilities	76 668 708	12 856 503	24 110 561	23 430 641	149 146 661	286 213 074
Net liquidity gap as at 30 June 2016	(901 712)	14 627 565	53 983 220	19 383 227	(83 469 949)	3 622 351
Cumulative liquidity gap as at 30 June 2016	(901 712)	13 725 853	67 709 073	87 092 300	3 622 351	

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29 Financial risk management, corporate governance and internal control (continued)

The following table shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2015.

<i>in thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Assets						
Cash and cash equivalents	42 471 824	6 563 659	-	-	-	49 035 483
Mandatory cash balances with the Bank of Russia	215 879	121 949	151 513	83 946	1 009 982	1 583 269
Other securities at fair value through profit or loss	51 539 054	-	-	-	-	51 539 054
Securities available-for-sale	10 000	-	-	-	-	10 000
Investment securities held to maturity	-	3 336 761	6 568 715	5 156 482	18 677 023	33 738 981
Due from other banks	1 082 649	-	5 025 531	-	416 570	6 524 750
Loans and advances to customers	7 692 250	12 747 069	58 071 903	34 378 818	32 366 073	145 256 113
Finance lease receivables	104 866	141 482	529 085	701 714	341 757	1 818 904
Advances to real estate developers	43 590	18 300	432 961	953 730	-	1 448 581
Receivables under commission and sale and purchase agreements of commodities and equipment	6 159 205	-	10 723 665	-	113 386	16 996 256
Other financial assets	2 131 802	10 725	562 456	1 892 025	5 345 231	9 942 239
Total financial assets	111 451 119	22 939 945	82 065 829	43 166 715	58 270 022	317 893 630
Liabilities						
Due to other banks	34 226 154	6 638 387	22 104 369	12 229 640	21 753 752	96 952 302
Customer accounts	25 845 817	14 600 152	18 139 743	10 050 326	120 918 833	189 554 871
Debt securities in issue	1 373 674	599 477	4 493 122	4 860 052	1 383 422	12 709 747
Other borrowed funds	-	184 361	1 617 154	7 667 193	6 588 430	16 057 138
Other financial liabilities	1 088 599	-	-	-	562 899	1 651 498
Total financial liabilities	62 534 244	22 022 377	46 354 388	34 807 211	151 207 336	316 925 556
Net liquidity gap as at 31 December 2015	48 916 875	917 568	35 711 441	8 359 504	(92 937 314)	968 074
Cumulative liquidity gap as at 31 December 2015	48 916 875	49 834 443	85 545 884	93 905 388	968 074	

Management believes 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 transactions are often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

29 Financial risk management, corporate governance and internal control (continued)

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 and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers' 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.

30 Capital management

The Group's objectives when managing capital are (i) to comply with capital requirements set by the Bank of Russia, (ii) to safeguard the Group's ability to continue as a going concern, and (iii) to obtain return on capital on a long term basis.

Compliance with capital adequacy ratio is set by the Bank of Russia.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Since 1 January 2014 the Group calculates amounts of capital in accordance with Provision of the Bank of Russia dated 28 December 2012 No.395-P *On methodology of calculation of own funds (capital) of the credit organisations (Basel III)*.

The following table shows the minimum level of capital adequacy ratio of the Group as at 30 June 2016 and 31 December 2015:

<i>percentage</i>	30 June 2016	31 December 2015
Base capital adequacy ratio N20.1	4.50	5.00
Main capital adequacy ratio N20.2	6.00	6.00
Own funds (capital) adequacy ratio N20.0	8.00	10.00

The following table shows the calculation of capital adequacy of the Group based on requirements set by the Bank of Russia as at 30 June 2016 and 31 December 2015:

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Base capital	14 755 827	14 603 632
Main capital	14 755 827	14 603 632
Additional capital	12 960 761	12 429 949
Own funds (capital)	27 716 588	27 033 581
Risk weighted assets for N20.1	282 224 321	229 812 540
Risk weighted assets for N20.2	282 009 684	229 807 824
Risk weighted assets for N20.0	281 880 615	229 893 219
Ratio N20.1, %	5.23	6.35
Ratio N20.2, %	5.23	6.35
Ratio N20.0, %	9.83	11.76

At 30 June 2016 N20.2 capital adequacy ratio of the Group is below minimum level due to acquisition of JSC VUZ-Bank as subsidiary that, being under financial rehabilitation procedure (see Notes 33 and 34), had a negative effect over the capital of the Group. According to the financial rehabilitation plan, compliance to minimum level of main capital adequacy ratio should be in the 10th year since the plan start.

The Group maintains capital adequacy at level appropriate to the nature and volume of its operations. Mandatory ratios in accordance with the Bank of Russia requirements are calculated and controlled by the management on a daily basis.

30 Capital management (continued)

The Group submits on monthly basis as at 1 date of each month data of mandatory ratios calculation to territorial office of the Bank of Russia in the prescribed form.

In case values of capital adequacy ratios become close to set limits set by the Bank of Russia and Group's internal policy this information is communicated to the management of the Group. The Group is in compliance with the statutory capital ratios as at December 2015.

31 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated condensed interim financial statements.

Tax legislation. The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position of the Group, if the authorities were successful in enforcing their interpretations, could be significant.

From 1 January 2012 the new transfer pricing legislation came into force, which significantly changed the transfer pricing rules, bringing them closer to the principles of the OECD. This also creates additional uncertainty due to the practical application of tax laws in some cases.

New transfer pricing rules require taxpayers to provide documentation of controlled transactions and defines new principles and tools for additional taxes and interest, if prices in controlled transactions differ from the market.

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

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

31 Contingencies and commitments (continued)

Outstanding credit related commitments as at 30 June 2016 and 31 December 2015 are as follows:

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Guarantees issued	7 345 398	5 410 548
Commitments to extend credit	6 465 989	4 678 590
Unused limits on overdraft loans	905 738	950 638
Import letters of credit	-	10 103
Total	14 717 125	11 049 879

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

Credit related commitments as at 30 June 2016 and 31 December 2015 are denominated in the following currencies:

<i>in thousands of Russian Roubles</i>	30 June 2016 (unaudited)	31 December 2015
Russian Roubles	13 397 725	10 624 777
USD	1 285 463	387 755
Euro	33 937	37 347
Total	14 717 125	11 049 879

Funds management and trust activities. The Group provides trust services to individuals, trusts, retirement benefit plans and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the consolidated condensed interim statement of financial position. The Group is not exposed to any credit risk relating to such placements as it does not guarantee these investments.

Custody activities. The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated condensed interim statement of financial position.

32 Financial derivatives

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values of currencies receivable or payable under foreign exchange forward contracts entered into by the Group as at 30 June 2016 and 31 December 2015. The table reflects gross positions before the netting of any counterparty positions and covers the contracts with settlement dates after the respective reporting date.

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32 Financial derivatives (continued)

	30 June 2016 (unaudited)		31 December 2015	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<i>in thousands of Russian Roubles</i>				
Foreign currency forward contracts: fair values, at the reporting date, of				
- USD receivable on settlement	16 015 984	5 463 372	5 234 091	2 041 007
- USD payable on settlement	(45 949 597)	(3 175 901)	(47 470 908)	(4 422 407)
- Euro receivable on settlement	3 696 878	4 930 345	557 880	3 921 102
- Euro payable on settlement	(7 090 614)	-	(482 168)	(7 970)
- RUB receivable on settlement	64 060 550	18 149	56 631 738	91 627
- RUB payable on settlement	(8 744 588)	(8 845 123)	(5 270 944)	(2 394 228)
- Other currencies receivable on settlement	430	860	-	2 160
- Other currencies payable on settlement	(21 942)	-	-	-
Net fair value of foreign currency forward contracts	21 967 101	(1 608 298)	9 199 689	(768 709)
Precious metals forward contracts: fair values, at the reporting date, of				
- USD receivable on settlement	-	-	-	190 035
- USD payable on settlement	(187 744)	(53 683)	(410 599)	-
- Precious metals receivable on settlement	187 844	53 649	411 438	-
- Precious metals payable on settlement	-	-	-	(190 160)
Net fair value of precious metals forward contracts	100	(34)	839	(125)
Foreign currency options: fair values, at the reporting date	12 709	-	1 573	-

Geographical, currency and maturity analyses of financial derivatives are disclosed in Note 29. Information on related party transactions is disclosed in Note 35.

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33 Group companies

As at 30 June 2016 the Group has the following main consolidated subsidiaries, structured entities and mutual funds:

The name	Country of incorporation	Principal activity	Share, %
Subsidiary			
UBRD Finance Limited	Ireland	issue of debt securities	100.00
JSC VUZ-Bank	Russian Federation	banking	99.99
Structured entities			
LLC “UBRiR-Finance”	Russian Federation	management of securities	-
LLC “UBRiR-leasing”	Russian Federation	leasing company	-
LLC “Fininvest K”	Russian Federation	ownership of property and equipment of the Group	-
Sebright Finance Limited	United Kingdom	ownership of property and equipment of the Group	-
LLC “Invest Techno”	Russian Federation	ownership of property and equipment of the Group	-
UBRD Capital Limited	Ireland	issue of debt securities	-

As at 31 December 2015 the Group has the following main consolidated subsidiaries, structured entities and mutual funds:

The name	Country of incorporation	Principal activity	Share, %
Subsidiary			
UBRD Finance Limited	Ireland	issue of debt securities	100.00
Structured entities			
LLC “UBRiR-Finance”	Russian Federation	management of securities	-
LLC “UBRiR-leasing”	Russian Federation	leasing company	-
LLC “Fininvest K”	Russian Federation	ownership of property and equipment of the Group	-
Sebright Finance Limited	United Kingdom	ownership of property and equipment of the Group	-
LLC “Invest Techno”	Russian Federation	ownership of property and equipment of the Group	-
UBRD Capital Limited	Ireland	issue of debt securities	-
Mutual funds			
Closed unit investment fund “Invest-Ural Kommercheskaya nedvizhimost”	Russian Federation	ownership of property and equipment of the Group	-
Closed unit investment fund “UBRR - Nedvizhimost”	Russian Federation	ownership of items of investment property of the Group	-
Closed unit investment fund “Antey”	Russian Federation	ownership of items of investment property of the Group	-
Closed unit investment fund “NIKS”	Russian Federation	ownership of items of investment property of the Group	-

33 Group companies (continued)

As at 31 December 2015 closed unit investment fund "Invest-Ural Kommercheskaya nedvizhimost" is owned by the structured entity of the Group LLC "UBRiR-Finance".

As at 30 June 2016 the financial statements of CJSC "Stozhok", LLC UK "Invest-Ural", OUIF "Aktivnye investitsii", OUIF "Alternativniy protsent", OUIF "Bazovye otrasli", OUIF "Lombardniy spisok", OUIF "Mobilniy capital" were not included in the consolidated condensed interim financial statements due to immateriality of assets and liabilities of these entities.

As at 31 December 2015 the financial statements of CJSC "Stozhok", LLC "Uralstroyinvestservice" and LLC UK "Invest-Ural", OUIF "Aktivnye investitsii", OUIF "Alternativniy protsent", OUIF "Bazovye otrasli", OUIF "Lombardniy spisok", OUIF "Mobilniy capital" were not included in the consolidated financial statements due to immateriality of assets and liabilities of these entities.

As at 31 December 2015 all mutual funds are under the control of LLC UK "Invest-Ural".

For the six-month period ended 30 June 2016 the changes in the Group structure were as following:

- As at 8 February 2016 the Group has lost its control over CUIF "Antey", CUIF "NIKS" and CUIF UBRR-Nedvizhimost" due to disposal of investments in these companies (see Note 33);
- As at 11 February 2016 the Group has gained control over JSC VUZ-Bank (see Note 33). Since 1 July 2016 a new full trade name is Joint Stock Company "VUZ-Bank" (short trade name is JSC VUZ-Bank). Previous full trade name is Open Joint Stock Company "VUZ-Bank" (short trade name is OJSC VUZ-Bank). The change in name is made for compliance with the Federal law No. 99-FZ *On modification of chapter 4 part one of the Civil code of the Russian Federation and on expire of separate provisions of acts of the Russian Federation* dated 5 May 2014;
- As at 20 June CUIF "Invest-Ural Kommercheskaya nedvizhimost" was excluded from the group due to termination of activity of the company (see Note 34).

34 Business combination and disposal of subsidiaries

Business combination

From October 2015, the Group has been involved in activities aimed at rehabilitation of JSC VUZ-Bank (the rehabilitated bank). Bank rehabilitation constitutes a procedure, the main purpose of which is the economic and financial recovery of a credit and financial institution (bank). Relying on the analysis of the financial standing of the rehabilitated bank, the state corporation Deposit Insurance Agency (SC DIA), together with the Bank of Russia, developed a Participation Plan for SC DIA to prevent the bankruptcy thereof. The Participation Plan was adopted by the Management Board of SC DIA and approved by the Banking Supervision Committee of the Bank of Russia in August 2015.

During the implementation of the Participation Plan in 2015, the following activities were carried out:

- On August 12, 2015, by order of the Bank of Russia, a temporary administration to manage the rehabilitated bank was introduced for a period of 6 months, the functions of which were assigned to SC DIA;
- On August 14, 2015, JSCB RUSSIAN CAPITAL (PJSC) granted a loan to the rehabilitated bank in the amount of RUB 1 900 000 thousand with maturity period of up to 1 year and interest rate of 6.01% per annum;
- On October 20, 2015, the rehabilitated bank repaid the above loan ahead of schedule;
- On September 15, 2015, pursuant to Part 4, Article 25.1 of Federal Law No. 395-1 dated December 2, 1990 On Banks and Banking Activity, the obligations of the rehabilitated bank under all Subordinated Loan (Deposit, Credit) Agreements that had been entered into before August 12, 2015 were terminated;
- On October 6, 2015, the temporary administration to manage the rehabilitated bank decided to necessarily reduce the size of the authorized capital up to one rouble and issue additional shares amounting to RUB 10 000 thousand;
- On October 16, 2015, SC DIA granted a loan to the rehabilitated bank in the amount of RUB 5 700 000 thousand for a period of 10 years with rate of 0.51% per annum;

34 Business combination and disposal of subsidiaries (continued)

- On November 23, 2015, the Bank of Russia registered an additional issue of ordinary registered shares of JSC VUZ-Bank in the amount of 220 billion pieces, with total nominal value of 10,000 thousand roubles;
- On November 25, 2015, the Group purchased 99.99% of the shares of the rehabilitated bank.

Pursuant to Federal Law No. 127-FZ dated October 26, 2002 On Insolvency (Bankruptcy), the following shall be suspended for the period of operation of the temporary administration to manage the bank: the powers of the bank's governing bodies related to the decision-making on matters falling within their competence, as specified by the federal laws and the bank's constituent documents, as well as the rights of the bank's founders (members) associated with the equity holding.

Considering that on 31 December 2015, the rehabilitated bank was managed by the temporary administration and the Group had no possibility to maintain control, the investments into the rehabilitated bank were recorded in the line “Securities available-for-sale”.

On February 11, 2016, in connection with the implementation of all planned activities, the Bank of Russia decided to cease the activities of the temporary administration. Therefore, the Group acquired control over the rehabilitated bank on February 11, 2016. The General Meeting of Shareholders of the rehabilitated bank, held on the same day, approved the composition of the new Board of Directors, which further formed the Management Board of JSC VUZ-Bank.

The purpose of business combination is a synergetic effect from cooperation of the Group with the rehabilitated bank. The Group aims to retain personnel, client base and all best practices of the rehabilitated bank related to products, technologies and client service. The Group strategy implies advantageous offers for the clients and retaining personnel of the rehabilitated bank.

JSC VUZ-Bank carries out its activities since 1991. Its registered address is: 620014, 31b, Malysheva Street-11, Bankovsky side street, Yekaterinburg, Russian Federation. The bank offers a wide range of services to retail and corporate clients, including SME. The bank is a member of the following professional financial unions: the Ural Banking Union, the Southern Urals Chamber of Commerce and Industry, the Chamber of Commerce and Industry of the Russian Federation, the Association of Russian Banks. JSC VUZ-Bank is also an associate member of Visa International Service Association and an affiliate member of MasterCard International Incorporated, and a member of the state deposit insurance system.

The fair value of purchase consideration transferred as at the date of acquisition is as following:

(Unaudited)
in thousands of Russian Roubles

Cash paid	10 000
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The initial accounting for business combination has not been finished by the end of this reporting period. The amounts presented in the tables below are preliminary and may be subject to change, as in accordance with IFRS 3 Business Combination the measurement period shall not exceed one year from the date on which the acquirer obtains control over the subsidiary.

The information on fair values of assets and liabilities recognized at the date of acquisition is as following:

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34 Business combination and disposal of subsidiaries (continued)

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	11 February 2016
Cash and cash equivalents	939 096
Mandatory cash balances with the Bank of Russia	88 817
Due from other banks	11 473 527
Loans and advances to customers	11 729 589
Property and equipment	122 706
Intangible assets	376
Other assets	2 017 135
Assets held for sale	5 165
Total assets	26 376 411
Due to other banks	15 126 894
Customer accounts	9 271 043
Debt securities in issue	9 030
Other liabilities	154 621
Other borrowed funds	1 804 848
Total liabilities	26 366 436
Total fair value of identifiable net assets	9 975

Preliminary estimation of goodwill at the date of acquisition is as following:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	11 February 2016
Fair value of purchase consideration transferred	10 000
Fair value of identifiable net assets	9 975
Goodwill from acquisition	25

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	11 February 2016
Fair value of purchase consideration transferred	(10 000)
Less cash and cash equivalents in acquired subsidiary	939 096
Cash inflow on subsidiary acquisition (included in cash flows provided by investing activities)	929 096

Contract value of due from other banks before allowance for impairment is RUB 15 806 133 thousand. The best estimation of the amount of contractual cash flows, that are not expected to be received at the date of acquisition, is RUB 4 332 606 thousand.

Contract value of loans and advances to customers before allowance for impairment is RUB 14 356 389 thousand. The best estimation of the amount of contractual cash flows, that are not expected to be received at the date of acquisition, is RUB 2 626 800 thousand.

The results of JSC VUZ-bank since the date of acquisition included in these consolidated condensed interim financial statements were as following: net interest income of RUB 25 952 thousand, non-interest income of RUB 131 466 thousand, profit before tax of RUB 12 822 thousand.

Disposal of subsidiaries

As at 8 February 2016 the Group has lost its control over CUIF "Antey", CUIF "NIKS" and CUIF UBRR-Nedvizhimost" due to disposal of investments in these companies.

Public Joint Stock Company “The Ural Bank for Reconstruction and Development”
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34 Business combination and disposal of subsidiaries (continued)

The information on assets and liabilities of subsidiaries at the date of disposal is as following:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	8 February 2016
Cash and cash equivalents	115 063
Investment property	5 439 765
Other assets	36 690
Total assets	5 591 518
Other liabilities	91 914
Total liabilities	91 914
Total net assets	5 499 604

The table below shows purchase consideration received on disposal:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Fair value
Disposal consideration	6 261 944
Less cash and cash equivalents in disposed subsidiaries	(115 063)
Cash inflow on disposal (included in cash flows provided by investing activities)	6 146 881

Profit of the Group from disposal of subsidiaries, included in the consolidated condensed interim statement of profit or loss, is RUB 762 340 thousand.

As at 20 June CUIF “Invest-Ural Kommercheskaya nedvizhimost” was excluded from the group due to termination of activity of the company.

The information on assets of the aforesaid company at the date of disposal is as following:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	20 June 2016
Cash and cash equivalents	934 422
Total assets	934 422
Total net assets	934 422

The table below provides information on consideration from CUIF “Invest-Ural Kommercheskaya nedvizhimost” disposal:

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34 Business combination and disposal of subsidiaries (continued)

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Fair value
Disposal consideration	934 422
Less cash and cash equivalents in disposed subsidiaries	(934 422)
Cash inflow on disposal (included in cash flows provided by investing activities)	-

Financial result from the operation of subsidiary disposal recognised in the consolidated condensed interim statement of profit or loss is zero.

35 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.

At 30 June 2016 the outstanding balances with related parties are as follows:

<i>(Unaudited)</i> <i>in thousands of Russian Roubles</i>	Shareholders	Companies under common control	Other related parties
Gross amount of loans and advances to customers (contractual interest rates: 5.4%-18%)	255 870	10 342 293	24 571
Allowance for impairment of loans and advances to customers	(780)	(36 581)	(75)
Other assets	-	33 466	20
Customer accounts (contractual interest rates: 0%-16.5%)	256 564	627 458	85 215
Debt securities in issue (contractual interest rate: 10%)	20 312	-	-
Other liabilities	-	-	5

At 31 December 2015 the outstanding balances with related parties are as follows:

<i>in thousands of Russian Roubles</i>	Shareholders	Companies under common control	Other related parties
Gross amount of loans and advances to customers (contractual interest rates: 10%-18%)	249 859	11 225 299	28 892
Allowance for impairment of loans and advances to customers	(1 266)	(36 791)	(146)
Other assets	-	7 651 328	105
Customer accounts (contractual interest rates: 0%-16.5%)	263 110	2 100 893	101 489
Precious metals forward contracts	-	144	-
Other liabilities	-	627	-

At 31 December 2015 the other commitments with related parties are as follows:

<i>in thousands of Russian Roubles</i>	Shareholders	Companies under common control	Other related parties
Guarantees issued by the Group	-	8 250	-

35 Related party transactions (continued)

Other related parties are represented by seven members of the Management Board and five members of the Board of Directors of the Bank. In the six-month period ended 30 June 2016 the remuneration of management comprises salaries, discretionary bonuses and other short-term benefits amounting to RUB 43 806 thousand (six-month period ended 30 June 2015: RUB 53 850 thousand). Social security costs for the six-month period ended 30 June 2016 amount to RUB 7 495 thousand (six-month period ended 30 June 2015: RUB 8 865 thousand) of the total remuneration of the Group's management.

In the three-month period ended 30 June 2016 the remuneration of management comprises salaries, discretionary bonuses and other short-term benefits amounting to RUB 22 285 thousand (three-month period ended 30 June 2015: RUB 34 351 thousand). Social security costs for the three-month period ended 30 June 2016 amount to RUB 3 410 thousand (three-month period ended 30 June 2015: RUB 5 187 thousand) of the total remuneration of the Group's management.



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President

Sirazov M.R.
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