

“Asian-Pacific Bank”
(Public joint stock company)

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

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PJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2017

	Notes	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB'000 (unaudited)
Interest income		3 344 312	4 436 091
Interest expense		(1 764 419)	(2 603 674)
Net interest income		1 579 893	1 832 417
Deposit insurance expenses		-	(69 832)
Net interest income after deposit insurance expenses		1 579 893	1 762 585
Fee and commission income		594 585	681 822
Fee and commission expense		(80 465)	(96 132)
Net fee and commission income		514 120	585 690
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		23 900	281 930
Loss from equity-accounted investee		(8 968)	-
Net foreign exchange gain		52 217	253 748
Net gain on operations with precious metals		58 457	13 938
Other operating income		176 707	332 806
Operating income		2 396 326	3 230 697
Impairment losses	4	(738 956)	(1 194 968)
Personnel expenses		(816 189)	(898 698)
Other general administrative expenses		(429 219)	(514 305)
Profit before income tax		411 962	622 726
Income tax benefit (expense)		14 240	(142 441)
Profit for the period		426 202	480 285
Other comprehensive income, net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Revaluation reserve for available-for-sale financial assets			
- Net change in fair value		110 454	380 168
- Net change in fair value transferred to profit and loss		(44 117)	(230 291)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>66 337</i>	<i>149 877</i>
Other comprehensive income for the period, net of income tax		66 337	149 877
Total comprehensive income for the period		492 539	630 162

The consolidated interim condensed financial information was approved by the Management Board on 30 May 2017.



 Mr. D.N. Makarov
 Acting Chairman of the Management Board





 Ms. Y.E. Komova
 Chief Accountant

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

PJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Financial Position as at 31 March 2017

	Notes	31 March 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
ASSETS			
Cash and cash equivalents		10 489 492	11 358 076
Obligatory reserves with the Central Bank of the Russian Federation		707 259	808 276
Financial instruments at fair value through profit or loss		73 464	105 132
Available-for-sale financial assets		17 985 398	17 661 490
<i>including assets pledged under repurchase agreements</i>		300 016	1 386 954
Due from banks		3 841 866	3 704 985
Amounts receivable under reverse repurchase agreements		198 275	-
Loans to customers	5	64 641 962	68 988 405
Net investments in finance leases	6	1 232 946	1 289 913
Investments in associates	7	112 850	121 818
Held-to-maturity investments		3 591 957	3 631 980
<i>including assets pledged under repurchase agreements</i>		738 533	2 586 706
Deferred tax asset		408 575	394 576
Property, equipment, intangible assets and investment property		7 116 072	6 636 115
Other assets		4 186 321	4 928 455
Total assets		114 586 437	119 629 221
LIABILITIES			
Derivative financial instruments		220 408	182 650
Deposits and balances from banks		1 910 497	2 344 943
Amounts payable under repurchase agreements		989 316	3 706 180
Current accounts and deposits from customers	8	88 839 705	90 353 494
Debt securities issued	9	1 723 355	1 956 248
Subordinated borrowings	10	4 160 823	4 488 287
Other liabilities		2 072 528	2 420 153
Total liabilities		99 916 632	105 451 955
EQUITY			
Share capital		585 414	585 414
Treasury shares		(10 307)	(10 307)
Share premium		1 778 739	1 778 739
Additional capital		2 200 000	2 200 000
Revaluation reserve for available-for-sale financial assets		160 314	93 977
Revaluation surplus for buildings		1 866 378	1 866 378
Retained earnings		8 089 267	7 663 065
Total equity		14 669 805	14 177 266
Total liabilities and equity		114 586 437	119 629 221

Mr. D.N. Makarov
Acting Chairman of the Management Board



Ms. Y.E. Komova
Chief Accountant

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

Notes	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	3 226 379	4 102 910
Interest payments	(1 808 699)	(2 943 822)
Fee and commission receipts	599 339	696 127
Fee and commission payments	(80 414)	(96 132)
Net receipts from financial instruments at fair value through profit or loss and available-for-sale financial instruments	139 924	281 930
Net payments from foreign exchange	(14 487)	(474 697)
Other income receipts	176 335	332 806
Net receipts from operations with precious metals	55 014	13 938
General administrative expenses payments	(1 285 150)	(1 418 491)
(Increase) decrease in operating assets		
Obligatory reserves with the CBR	101 017	(20 709)
Financial instruments at fair value through profit or loss	-	403 413
Available-for-sale financial assets	(554 618)	4 310 582
Due from banks	637	134 347
Amounts receivable under reverse repurchase agreements	(198 275)	7 003 348
Loans to customers	3 210 745	(1 600 584)
Net investments in finance leases	55 866	137 234
Other assets	665 631	(596 062)
Increase (decrease) in operating liabilities		
Deposits and balances from banks	(333 374)	186 365
Amounts payable under repurchase agreements	(2 704 111)	1 146 979
Current accounts and deposits from customers	(949 091)	(10 985 693)
Promissory notes	(65 155)	(136 218)
Other liabilities	(164 000)	101 686
Net cash flows from operating activities before income tax paid	73 513	579 257
Income tax paid	(6 864)	(7 136)
Net cash flows from operating activities	66 649	572 121
CASH FLOWS FROM INVESTING ACTIVITIES		
Net repayments of held-to-maturity investments	15 002	1 937 940
Net purchases of property and equipment and intangible assets	(563 826)	(392 871)
Net cash flows from investing activities	(548 824)	1 545 069
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments of bonds	(160 945)	(1 725 178)
Net cash flows from financing activities	(160 945)	(1 725 178)

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

RUB'000	Share capital	Treasury shares	Share premium	Additional capital	Revaluation reserve for available-for- sale financial assets	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2016	585 414	(10 307)	1 778 739	2 200 000	1 321	1 614 979	9 725 694	15 895 840
Total comprehensive income for the period (unaudited)								
Profit for the period (unaudited)	-	-	-	-	-	-	480 285	480 285
Other comprehensive income, net of income tax (unaudited)								
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 95 042 thousand (unaudited)	-	-	-	-	380 168	-	-	380 168
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 57 573 thousand (unaudited)	-	-	-	-	(230 291)	-	-	(230 291)
Transfer of revaluation surplus on disposal of buildings previously revalued, net of deferred tax of RUB 1 035 thousand (unaudited)	-	-	-	-	-	(4 139)	4 139	-
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	149 877	(4 139)	484 424	630 162
Balance as at 31 March 2016 (unaudited)	585 414	(10 307)	1 778 739	2 200 000	151 198	1 610 840	10 210 118	16 526 002

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

RUB'000	Share capital	Treasury shares	Share premium	Additional capital	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2017	585 414	(10 307)	1 778 739	2 200 000	93 977	1 866 378	7 663 065	14 177 266
Total comprehensive income for the period (unaudited)								
Profit for the period (unaudited)	-	-	-	-	-	-	426 202	426 202
Other comprehensive income, net of income tax (unaudited)								
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 27 614 thousand (unaudited)	-	-	-	-	110 454	-	-	110 454
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 11 029 thousand (unaudited)	-	-	-	-	(44 117)	-	-	(44 117)
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	66 337	-	426 202	492 539
Balance as at 31 March 2017 (unaudited)	585 414	(10 307)	1 778 739	2 200 000	160 314	1 866 378	8 089 267	14 669 805


 Mr. D.N. Makarov
 Acting Chairman of the Management Board




 Ms. Y.E. Komova
 Chief Accountant

1 Background

Organisation and operations

This consolidated interim condensed financial information includes the financial information of PJSC “Asian-Pacific Bank” (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint stock company in 1992 under the name Amurpromstroybank as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint stock company to an open joint stock company and renamed to Asian-Pacific Bank by decision of the shareholders. On 7 May 2010 LLC “PPFIN Region”, being a common majority shareholder for OJSC “Asian-Pacific Bank”, OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”, merged the operations of these entities and therefore granted full control over OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” to OJSC “Asian-Pacific Bank”. In July 2015 the Bank was reorganised from an open joint stock company to a public joint stock company.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the CBR). The Bank has a general banking license, and is a member of the state deposit insurance system in the Russian Federation.

The Bank has 201 (31 December 2016: 209) offices from which it conducts business throughout the Russian Federation including a head office, 5 regional branches, 13 additional office and 182 operational offices. The legal address of the head office is 225, Amurskaya Street, Blagoveschensk, 675000. The majority of the assets and liabilities are located in the Russian Federation.

As at 31 March 2017, the following shareholders held the issued shares of PJSC “Asian-Pacific Bank”:

Shareholder	31 March 2017, % (unaudited)	31 December 2016, %
LLC “PPFIN Region” (Russian Federation)	59.17	59.17
East Capital Financials Fund AB (Sweden)	17.91	17.91
TECHSUN ENTERPRISES LIMITED (Cyprus)	8.41	8.41
International Financial Corporation (USA)	6.71	6.71
EPIC VISION LTD (Marshall Islands)	2.64	2.64
LLC “Expo-Leasing” (a 100% owned subsidiary of the Bank)	1.76*	1.76*
Others	3.40	3.40
Total	100.00	100.00

* *Treasury shares*

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership, %	
			31 March 2017, (unaudited)	31 December 2016
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	100%
CJSC “Mortgage agent APB”	Russian Federation	Mortgage agent	see below	see below
CJSC “Mortgage agent APB 2”	Russian Federation	Mortgage agent	see below	see below
LLC “Specialized financial company APB 2”	Russian Federation	Asset-backed securitisation	see below	see below
CUIF “Celena”	Russian Federation	Unit investment fund	40.99%	40.99%
PJSC “M2M Private Bank”	Russian Federation	Banking	100%*	100%*
LLC “Katerina Park”	Russian Federation	Hotel industry	100%*	100%*
LLC “Pride M”	Russian Federation	Freight services	100%*	100%*

* The Bank does not actually control these companies due to withdrawal of license from PJSC “M2M Private Bank”.

On 1 October 2010 100% of the shares of LLC “Expo-Leasing” were acquired by the Bank.

LLC “Expo-Leasing” was registered in 2002 in Russia. Its head office is in Moscow. It has 6 branches (31 December 2016: 10 branches), comprising a head office and 5 separate offices.

CJSC “Mortgage agent APB”, CJSC “Mortgage agent APB 2” and LLC “Specialized financial company APB 2” (“MA APB”, “MA APB 2” and “LLC SFC APB 2”) are structured entities established to ensure asset-backed securitisation (refer to note 9). These entities are not owned by the Group. Control arises through the predetermination of the entities’ activities, having rights to obtain the majority of benefits of the structured entities, and retaining the majority of the residual risks related to the entities. All bonds in the amount of RUB 1 390 000 thousand, issued by LLC SFC APB 2, were repurchased by the Bank.

On 4 May 2016 51,58% of the shares of CUIF “Celena” were received by the Bank as a result of non-performance of REPO agreement with PJSC “BaikalBank”. CUIF “Celena” was registered in 2010 in Russia. Management company of CUIF “Celena” as at reporting date is LLC “Management company “Finance Trade Asset Management”, it received the licence for investment mutual fund management in 2008. On 30 December 2016, CUIF “Celena” issued 58 533 additional investment units totaling RUB 64 140 thousand which resulted in the decrease of the Bank’s share down to 40.99%.

On 8 July 2016, the Group acquired 100% control over PJSC M2M “Private Bank”, previously controlled by the ultimate beneficial owners of the Group. In 2015 the Group in accordance with the PJSC “M2M Private Bank” share purchase agreement terms paid for 100% of shares amounting to RUB 2 300 000 thousand. The Group received 25% of shares on 27 October 2015 and 75% of shares on 8 July 2016 from LLC “Prosop Invest”. PJSC “M2M Private Bank” was registered in 1990 in the Russian Federation as Limited Liability Partnership “Moscow Innovation Commercial Bank of Economic Cooperation MICBEC”, in 1999 it was reorganised into Limited Liability Company “National Development Bank”, in 2001 – into Open Joint Stock Company “National Development Bank”, which in 2007 was renamed as Open Joint Stock Company “M2M Private Bank”. In 2015 the Bank’s name was brought in accordance with the Russian law and changed into PJSC “M2M Private Bank”. The Bank has been operating on the basis of the banking license issued by CBR in 2012. PJSC “M2M Private Bank” held 100% interest in the share capitals of LLC “Katerina Park” (starting from 21 December 2015) and LLC “Pride M” (starting from 10 June 2016). On 9 December 2016, the Group lost control over PJSC “M2M Private Bank” and its subsidiaries due to withdrawal of its banking license and imposing of temporary administration. Investments in PJSC “M2M Private Bank” are included in

“Investments in associates and other investments”.

Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets risks of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

Risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Group’s operations. The major (significant) risks faced by the Group are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

The Group’s policy and procedures of risk management comply with the policy and procedures described and applied in the consolidated financial statements of the Group for the year ended 31 December 2016.

There were not significant changes to major risk positions of the Group in comparison to the disclosed in the consolidated financial statements of the Group for the year ended 31 December 2016.

2 Basis of preparation of the consolidated interim condensed financial information

Statement of compliance

The accompanying consolidated interim condensed financial information is prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. As a result, it does not include all of the information required for full consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2016, as these consolidated interim condensed financial information provides an update of previously reported consolidated financial statements.

Basis of measurement

The consolidated interim condensed financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale financial assets are stated at fair value, and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of this consolidated interim condensed financial information.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated interim condensed financial information in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments, estimates and assumptions that affect the application of accounting policies made by management for the preparation of this consolidated interim condensed financial information were the same as for complete consolidated financial statements as at 31 December 2016 and for the year ended 31 December 2016.

3 Significant accounting policies

The accounting policies applied by the Group in the preparation of this consolidated interim condensed financial information are consistent with those applied by the Group in the consolidated financial statements as at 31 December 2016 and for the year ended 31 December 2016.

Certain amendments to IFRS became effective from 1 January 2017 and have been adopted by the Group since that date. These changes do not have a significant effect on the Group’s consolidated interim condensed financial information.

4 Impairment losses

	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB'000 (unaudited)
Loans to customers	901 242	1 160 314
Net investments in finance leases	1 101	11 668
Available-for-sale financial assets	(3 239)	6 797
Due from banks	(136 761)	-
Credit related commitments	(43 670)	-
Other assets	20 283	16 189
	738 956	1 194 968

5 Loans to customers

	31 March 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Loans to corporate customers	34 617 154	36 597 723
Loans to retail customers		
Consumer loans	42 486 038	43 750 998
Mortgage loans	5 465 399	5 722 920
Total loans to retail customers	47 951 437	49 473 918
Gross loans to customers	82 568 591	86 071 641
Impairment allowance	(17 926 629)	(17 083 236)
Net loans to customers	64 641 962	68 988 405

Movements in the loans to customers impairment allowance for the three-month period ended 31 March 2017 are as follows:

	Total RUB'000 (unaudited)
Balance at the beginning of the period	17 083 236
Net charge	901 242
Write-offs	(57 849)
Balance at the end of the period	17 926 629

Movements in the loans to customers impairment allowance for the three-month period ended 31 March 2016 are as follows:

	Total RUB'000 (unaudited)
Balance at the beginning of the period	19 097 355
Net charge	1 160 314
Write-offs	(1 671 555)
Balance at the end of the period	18 586 114

6 Net investments in finance leases

Net investments in finance leases comprise:

	31 March 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Gross investments in finance leases	1 871 852	1 960 108
Less unearned finance lease income	(378 972)	(411 143)
	1 492 880	1 548 965
Less allowance for impairment	(259 934)	(259 052)
Net investments in finance leases	1 232 946	1 289 913

Movements in the impairment allowance are as follows:

	Three-Month Period Ended 31 March 2017 RUB’000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB’000 (unaudited)
Balance at the beginning of the period	259 052	261 511
Net charge	1 101	11 668
Write-offs	(219)	-
Balance at the end of the period	259 934	273 179

7 Investments in associates and other investments

Associates and other investments comprise the following:

Name	Country of incorporation	Main activity	Ownership %		31 March 2017 Carrying value RUB’000 (unaudited)	31 December 2016 Carrying value RUB’000
			31 March 2017 RUB’000 (unaudited)	31 December 2016 RUB’000		
PJSC “M2M Private Bank”	Russian Federation	Banking	100%	100%	2 300 000	2 300 000
CUIF “Celena”	Russian Federation	Unit investment fund	40.99%	40.99%	112 850	121 818
Impairment allowance					(2 300 000)	(2 300 000)
					112 850	121 818

The following table summarises the financial information of CUIF “Celena” as at 31 March 2017 and for the three months, ended 31 March 2017, and reconciliation of carrying amount of the Group’s interest in associate:

	31 March 2017 RUB’000 (unaudited)
Total assets	287 514
Total liabilities	(12 199)
Net assets	275 315
Group’s share of net assets (40.99%)	112 850
	Three-Month Period Ended 31 March 2017 RUB’000 (unaudited)
Net loss for the year	(8 968)
Total comprehensive loss for the year	(8 968)

8 Current accounts and deposits from customers

	31 March 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Current accounts and demand deposits		
- Retail	4 867 548	4 699 685
- Corporate	12 129 579	12 958 449
Term deposits		
- Retail	66 663 548	65 927 678
- Corporate	5 179 030	6 767 682
	88 839 705	90 353 494

8 Debt securities issued

	31 March 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Bonds	1 632 609	1 800 347
Promissory notes	90 746	155 901
	1 723 355	1 956 248

Bonds as at 31 March 2017 are presented by 2 issues made by MA APB and MA APB 2.

In December 2012, the Group issued RUB 1 521 863 thousand of mortgage backed securities with a coupon rate of 8.75% and maturity date not later than 26 April 2045 with partially repayments each quarter.

In February 2014, the Group issued RUB 2 553 000 thousand of mortgage backed securities with a coupon rate of 9% and maturity date not later than 1 October 2046 with partially repayments each quarter.

9 Subordinated borrowings

	31 March 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Subordinated loan	4 160 823	4 488 287
	4 160 823	4 488 287

On 21 November 2012 the Bank attracted a subordinated loan in the amount of USD 30 million from one of the Bank's shareholders - IFC. The loan with interest rate of 12.92% as at 31 March 2017 mature by tranches until 16 December 2019.

According to the terms of the agreement the Group is subject to a debt covenant stating that at the end of each quarter the Group should comply with a number of financial and non-financial covenants. As at 31 December 2014 and later the Group breached financial covenants that led to the increase of interest rate on the agreement in 2015 year. Subordinated debt is not payable on demand as at 31 March 2017 and 31 December 2016.

On 10 July 2014, the Group issued subordinated Loan Participation Notes in the amount of USD 42 million for 5.5 years with interest rate of 11.00% through SCI Finance B.V., partially consolidated structured entity incorporated in the Netherlands. This entity was partially consolidated because portion of the entity is a deemed separate entity which is in substance “ring-fenced” from the rest of the entity, and the Group has control over deemed separate entity. The Group consolidated only those assets and returns related to the issue of Loan Participation Notes.

10 Related party transactions

(a) Control relationships

The Group’s parent company is LLC “PPFIN Region” (Russian Federation). As at 31 March 2017 and 31 December 2016, the ultimate beneficial collective owners of the Group were Mr. Andrey Vdovin (the owner of 22.528%), Mr. Alexey Maslovsky (the owner of 22.528%), Mr. Peter Hambro (the owner of 22.528%).

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration to the members of the Board of Directors and the Management Board included in personnel expenses for the three-month period ended 31 March is as follows:

	Three-Month Period Ended 31 March 2017 RUB’000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB’000 (unaudited)
Short term benefits to the members of the Board of Directors and the Management Board	47 767	32 151
	47 767	32 151

The outstanding balances and average effective interest rates as at 31 March 2017 and 31 December 2016 for transactions with the members of the Board of Directors and the Management Board are as follows:

	31 March 2017 RUB’000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2016 RUB’000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	858 954	18.40%	1 008 302	18.17%
Other assets	3 673	-	1 724	-
LIABILITIES				
Current accounts and deposits from customers	6 524	5.27%	9 418	3.80%
Other liabilities	-	-	-	-
Commitments				
Credit commitments	900	-	1 100	-

Other amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with the members of the Board of Directors and the Management Board for the three-month period ended 31 March are as follows:

	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	35 230	7 894
Interest expense	(26)	(1 072)
Impairment recovery	3 843	114

(c) Transactions with shareholders

The outstanding balances and average effective interest rates as at 31 March 2017 and 31 December 2016 for transactions with shareholders owning more than 10% of share capital are as follows:

	31 March 2017 RUB'000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2016 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	4 252 889	12.04%	4 165 028	12.04%
LIABILITIES				
Current accounts and deposits	88	-	195	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with shareholders for the three-month period ended 31 March are as follows:

	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	13 290	127 708
Impairment recovery	157	57 477

(d) Transactions with other related parties

Other related parties are represented by companies controlled by management, shareholders and the ultimate beneficial collective owners of the Group.

The outstanding balances and average effective interest rates as at 31 March 2017 and 31 December 2016 for transactions with other related parties are as follows:

	31 March 2017 RUB'000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2016 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Derivative financial instruments	319	-	-	-
Available-for-sale financial assets	1 943 744	-	1 970 803	-
Loans to customers	3 760	17.74%	4 520	17.74%
Investments in associates	112 850	-	121 818	-
Other assets	57 432	-	74 383	-
LIABILITIES				
Derivative financial instruments	255	-	-	-
Deposits and balances from banks	27 016	0.00%	21 857	0.03%
Current accounts and deposits from customers	42 479	-	43 672	-
Other liabilities	1 891	-	1 417	-
Commitments				
Undrawn loan commitments and overdraft	50	-	50	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with other related parties for the three-month period ended 31 March are as follows:

	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2016 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	2 237	8 561
Interest expense	(226)	(14 301)
Commission income	13 907	42 573
Loss from equity-accounted investee	(8 968)	-
Impairment recovery	-	37

11 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair

value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The estimated fair value of all financial instruments as at 31 March 2017 approximates their carrying value except for the following financial instruments:

RUB’000 (unaudited)	Balance value	Fair value
Loans to customers	64 641 962	64 301 716
Held-to-maturity investments	3 591 957	3 620 308
Deposits and balances from banks	1 910 497	1 907 418
Current accounts and deposits from customers	88 839 705	88 848 308
Debt securities issued	1 723 355	1 720 004

The estimated fair value of all financial instruments as at 31 December 2016 approximates their carrying value except for the following financial instruments:

RUB’000	Balance value	Fair value
Loans to customers	68 988 405	69 309 678
Held-to-maturity investments	3 631 980	3 657 009
Deposits and balances from banks	2 344 943	2 275 258
Current accounts and deposits from customers	90 353 494	90 447 851
Debt securities issued	1 956 248	1 951 646

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group has a control framework with respect to the measurement of fair values. This framework includes a Market Risks Department function, which reports directly to the Deputy Chairman of the Management Board, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing

- re-performance of model valuations
- analysis and investigation of significant daily valuation movements.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Market Risks Department assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet IFRS requirements. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The table below analyses financial instruments measured at fair value as at 31 March 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

RUB '000 (unaudited)	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Derivative assets	-	73 464	-	73 464
- Derivative liabilities	-	(220 408)	-	(220 408)
Available-for-sale financial assets	15 636 852	-	1 114 998	16 751 850

Unquoted investments available-for-sale are stated at cost. As at 31 March 2017, unquoted investments available-for-sale amount to RUB 1 233 548 thousand. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

The table below analyses financial instruments measured at fair value as at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

RUB '000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Derivative assets	-	105 132	-	105 132
- Derivative liabilities	-	(182 650)	-	(182 650)
Available-for-sale financial assets	15 393 161	-	1 012 347	16 405 508

Unquoted investments available for sale are recorded at cost. As at 31 December 2016, the cost of unquoted available-for-sale investments is RUB 1 255 982 thousand. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

Fair value of all other financial instruments not measured at fair value categorised in level 3.