

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

**Consolidated Interim Condensed  
Financial Information  
for the nine-month period ended  
30 September 2017  
(unaudited)**

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**PJSC “Asian-Pacific Bank”**  
*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the nine-month period ended 30 September 2017*

	Notes	Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)	Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)
Interest income		10 142 774	12 844 123
Interest expense		(5 049 231)	(7 168 191)
<b>Net interest income</b>		<b>5 093 543</b>	<b>5 675 932</b>
Deposit insurance expenses		(932 470)	(236 469)
<b>Net interest income after deposit insurance expenses</b>		<b>4 161 073</b>	<b>5 439 463</b>
Fee and commission income		2 467 396	2 573 926
Fee and commission expense		(334 374)	(375 638)
<b>Net fee and commission income</b>		<b>2 133 022</b>	<b>2 198 288</b>
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		152 541	606 105
Loss from equity-accounted investee		(16 416)	-
Net foreign exchange gain		335 057	296 115
Net gain on operations with precious metals		164 552	119 190
Other operating income		654 198	1 063 306
<b>Operating income</b>		<b>7 584 027</b>	<b>9 722 467</b>
Impairment losses	4	(1 417 226)	(2 715 593)
Personnel expenses		(2 715 011)	(2 848 055)
Other general administrative expenses		(3 401 355)	(1 906 958)
<b>Profit before income tax</b>		<b>50 435</b>	<b>2 251 861</b>
Income tax expense		(17 436)	(519 042)
<b>Profit for the period</b>		<b>35 699</b>	<b>1 732 819</b>
<b>Other comprehensive income, net of income tax</b>			
<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		354 214	770 569
- Net change in fair value transferred to profit and loss		(174 254)	(635 097)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>179 960</i>	<i>135 472</i>
<b>Other comprehensive income for the period, net of income tax</b>		<b>179 960</b>	<b>135 472</b>
<b>Total comprehensive income for the period</b>		<b>215 659</b>	<b>1 868 291</b>
<b>Profit for the period attributable to:</b>			

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 Profit or Loss and Other Comprehensive Income*  
*for the nine-month period ended 30 September 2017*

Notes	Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)	Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)
-Bank's shareholders	35 699	1 771 019
-non-controlling interest	-	(38 200)
	<b>35 699</b>	<b>1 732 819</b>
<b>Total comprehensive income for the period attributable to:</b>		
-Bank's shareholders	215 659	1 906 491
-non-controlling interest	-	(38 200)
	<b>215 659</b>	<b>1 868 291</b>


The consolidated interim condensed financial information was approved by the Management Board on 29 November 2017.



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






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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 30 September 2017**

	Notes	30 September 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
<b>ASSETS</b>			
Cash and cash equivalents		11 483 098	11 358 076
Obligatory reserves with the Central Bank of the Russian Federation		698 273	808 276
Financial instruments at fair value through profit or loss		56 854	105 132
Available-for-sale financial assets <i>including assets pledged under repurchase agreements</i>		13 611 801	17 661 490
Due from banks		3 625 751	3 704 985
Amounts receivable under reverse repurchase agreements		733 749	-
Loans to customers	5	60 351 715	68 988 405
Net investments in finance leases	6	1 454 433	1 289 913
Investments in associates	7	105 402	121 818
Held-to-maturity investments <i>including assets pledged under repurchase agreements</i>		3 582 385	3 631 980
Deferred tax asset		1 356 593	2 586 706
Property, equipment, intangible assets and investment property		405 264	394 576
Other assets		7 052 692	6 636 115
<b>Total assets</b>		<b>107 003 232</b>	<b>119 629 221</b>
<b>LIABILITIES</b>			
Derivative financial instruments		338 107	182 650
Deposits and balances from banks		1 623 752	2 344 943
Amounts payable under repurchase agreements		1 204 240	3 706 180
Current accounts and deposits from customers	8	82 168 845	90 353 494
Debt securities issued	9	1 381 392	1 956 248
Subordinated borrowings	10	4 285 761	4 488 287
Other liabilities		1 608 210	2 420 153
<b>Total liabilities</b>		<b>92 610 307</b>	<b>105 451 955</b>
<b>EQUITY</b>			
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		273 937	93 977
Revaluation surplus for buildings		1 857 392	1 866 378
Retained earnings		7 707 750	7 663 065
<b>Total equity</b>		<b>14 392 925</b>	<b>14 177 266</b>
<b>Total liabilities and equity</b>		<b>107 003 232</b>	<b>119 629 221</b>

  
 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.

**PJSC “Asian-Pacific Bank”**  
*Consolidated Interim Condensed Statement of Cash Flows for the nine-month period ended*  
*30 September 2017*

	Notes	Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)	Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest receipts		9 863 541	12 146 194
Interest payments		(5 626 218)	(7 841 654)
Fee and commission receipts		2 448 391	2 530 162
Fee and commission payments		(322 094)	(375 638)
Net receipts from financial instruments at fair value through profit or loss and available-for-sale financial instruments		268 565	606 105
Net payments from foreign exchange		498 834	(179 104)
Other income receipts		645 968	1 062 139
Net receipts from operations with precious metals		156 151	134 126
Personnel and general administrative expenses payments		(6 812 235)	(4 680 529)
<b>(Increase) decrease in operating assets</b>			
Obligatory reserves with the CBR		110 003	(214 143)
Financial instruments at fair value through profit or loss		-	378 718
Available-for-sale financial assets		4 146 940	2 271 464
Due from banks		(8 079)	(5 702 509)
Amounts receivable under reverse repurchase agreements		(733 749)	5 841 666
Loans to customers		7 411 201	(2 796 808)
Net investments in finance leases		(141 156)	191 814
Other assets		1 049 604	(2 820 423)
<b>Increase (decrease) in operating liabilities</b>			
Deposits and balances from banks		(698 528)	(352 523)
Amounts payable under repurchase agreements		(2 495 859)	(2 298 772)
Current accounts and deposits from customers		(7 668 966)	630 172
Promissory notes		(126 070)	47 021
Other liabilities		(646 730)	1 377 849
<b>Net cash flows from operating activities before income tax paid</b>		<b>1 309 517</b>	<b>(44 672)</b>
Income tax paid		(60 935)	(46 290)
<b>Net cash flows from operating activities</b>		<b>1 248 582</b>	<b>(90 962)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net repayments of held-to-maturity investments		4 199	2 416 272
Net purchases of property and equipment and intangible assets		(746 188)	(1 403 186)
Acquisition of the subsidiary		-	1 296 631
<b>Net cash flows from investing activities</b>		<b>(741 988)</b>	<b>2 309 717</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net payments of bonds		(437 702)	(2 020 123)
<b>Net cash flows from financing activities</b>		<b>(437 702)</b>	<b>(2 020 123)</b>

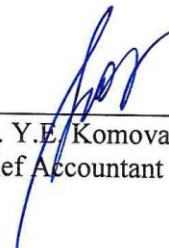
The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

**PJSC "Asian-Pacific Bank"**  
*Consolidated Interim Condensed Statement of Cash Flows for the nine-month period ended*  
 30 September 2017

<b>Net increase in cash and cash equivalents</b>	<b>68 891</b>	<b>198 632</b>
Effect of changes in exchange rates on cash and cash equivalents	56 131	(649 011)
Cash and cash equivalents as at the beginning of the period	11 358 076	17 333 745
<b>Cash and cash equivalents as at the end of the period</b>	<b>11 483 098</b>	<b>16 883 366</b>



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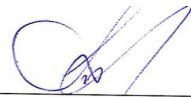
Ms. Y.E. Komova  
 Chief Accountant

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	Non- controlling interest	Total equity
<b>Balance as at 1 January 2016</b>	585 414	(10 307)	1 778 739	2 200 000	1 321	1 614 979	9 725 694	15 895 840	-	15 895 840
<b>Total comprehensive income for the period (unaudited)</b>										
Profit for the period (unaudited)	-	-	-	-	-	-	1 771 019	1 771 019	(38 200)	1 732 819
<b>Other comprehensive income, net of income tax (unaudited)</b>										
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 192 642 thousand (unaudited)	-	-	-	-	770 569	-	-	770 569	-	770 569
Net change in fair value of available-for-sale financial assets, transferred in profit and loss, net of deferred tax of RUB 158 774 thousand (unaudited)	-	-	-	-	(635 097)	-	-	(635 097)	-	(635 097)
Transfer of revaluation surplus on disposal of buildings previously revalued, net of deferred tax of RUB 2 827 thousand (unaudited)	-	-	-	-	-	(11 308)	11 308	-	-	-
<b>Total comprehensive income for the period, net of income tax (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135 472</b>	<b>(11 308)</b>	<b>1 782 327</b>	<b>1 906 491</b>	<b>(38 200)</b>	<b>1 868 291</b>
<b>Transactions with owners, recorded directly in equity</b>										
Acquisition of the subsidiaries (unaudited)	-	-	-	-	-	-	976 324	976 324	159 267	1 135 591
<b>Total transactions with owners (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>976 324</b>	<b>976 324</b>	<b>159 267</b>	<b>1 135 291</b>
<b>Balance as at 30 September 2016 (unaudited)</b>	<b>585 414</b>	<b>(10 307)</b>	<b>1 778 739</b>	<b>2 200 000</b>	<b>136 793</b>	<b>1 603 671</b>	<b>12 484 345</b>	<b>18 778 655</b>	<b>121 067</b>	<b>18 899 722</b>

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	Non-controlling interest	Total equity
<b>Balance as at 1 January 2017</b>	585 414	(10 307)	1 778 739	2 200 000	93 977	1 866 378	7 663 065	14 177 266	-	14 177 266
<b>Total comprehensive income for the period (unaudited)</b>										
Loss for the period (unaudited)	-	-	-	-	-	-	35 699	35 699	-	35 699
<b>Other comprehensive income, net of income tax (unaudited)</b>								-		
1Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 88 553 thousand (unaudited)	-	-	-	-	354 214	-	-	354 214	-	354 214
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 43 563 thousand (unaudited)	-	-	-	-	(174 254)	-	-	(174 254)	-	(174 254)
Transfer of revaluation surplus on disposal of buildings, revalued before, net of deferred tax of RUB 2 247 thousand (unaudited)	-	-	-	-	-	(8 986)	8 986	-	-	-
<b>Total comprehensive income for the period, net of income tax (unaudited)</b>	-	-	-	-	179 960	(8 986)	44 685	215 659	-	215 659
<b>Balance as at 30 September 2017 (unaudited)</b>	585 414	(10 307)	1 778 739	2 200 000	273 937	1 857 392	7 707 750	14 392 925	-	14 392 925

  
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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 200 (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 181 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 30 September 2017, the following shareholders held the issued shares of PJSC “Asian-Pacific Bank”:

<b>Shareholder</b>	<b>30 September 2017, % (unaudited)</b>	<b>31 December 2016, %</b>
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
SHELMER HOLDING LTD (British Virgin Islands)	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
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

\* *Treasury shares*

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership, %	
			30 September 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**

	<b>Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)</b>	<b>Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)</b>
Loans to customers	1 387 869	2 629 103
Net investments in finance leases	(23 364)	(3 728)
Available-for-sale financial assets	(28 281)	106 390
Due from banks	77 510	-
Credit related commitments	(43 670)	-
Other assets	47 162	(16 172)
	<b>1 417 226</b>	<b>2 715 593</b>

## 5 Loans to customers

	<b>30 September 2017</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2016</b> <b>RUB'000</b>
<b>Loans to corporate customers</b>	<b>31 526 024</b>	<b>36 597 723</b>
<b>Loans to retail customers</b>		
Consumer loans	42 099 980	43 750 998
Mortgage loans	4 976 721	5 722 920
<b>Total loans to retail customers</b>	<b>47 076 701</b>	<b>49 473 918</b>
<b>Gross loans to customers</b>	<b>78 602 725</b>	<b>86 071 641</b>
Impairment allowance	(18 251 010)	(17 083 236)
<b>Net loans to customers</b>	<b>60 351 715</b>	<b>68 988 405</b>

Movements in the loans to customers impairment allowance for the nine-month period ended 30 September 2017 are as follows:

	<b>Total</b> <b>RUB'000</b> <b>(unaudited)</b>
<b>Balance at the beginning of the period</b>	<b>17 083 236</b>
Net charge	1 387 869
Write-offs	(220 095)
<b>Balance at the end of the period</b>	<b>18 251 010</b>

Movements in the loans to customers impairment allowance for the nine-month period ended 30 September 2016 are as follows:

	<b>Total</b> <b>RUB'000</b> <b>(unaudited)</b>
<b>Balance at the beginning of the period</b>	<b>19 097 355</b>
Net charge	2 629 103
Impairment allowance addition on business combination	2 601 328
Write-offs	(4 530 357)
<b>Balance at the end of the period</b>	<b>19 797 429</b>

## 6 Net investments in finance leases

Net investments in finance leases comprise:

	<b>30 September 2017</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2016</b> <b>RUB'000</b>
Gross investments in finance leases	2 196 001	1 960 108
Less unearned finance lease income	(505 880)	(411 143)
	<b>1 690 121</b>	<b>1 548 965</b>
Less allowance for impairment	(235 688)	(259 052)
<b>Net investments in finance leases</b>	<b>1 454 433</b>	<b>1 289 913</b>

Movements in the impairment allowance are as follows:

	<b>Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)</b>	<b>Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)</b>
<b>Balance at the beginning of the period</b>	259 052	261 511
Net charge	(23 364)	(3 728)
Write-offs	-	(2 562)
<b>Balance at the end of the period</b>	<b>235 688</b>	<b>255 221</b>

## 7 Investments in associates and other investments

Associates and other investments comprise the following:

<b>Name</b>	<b>Country of incorporation</b>	<b>Main activity</b>	<b>Ownership %</b>		<b>30 September 2017 Carrying value RUB'000 (unaudited)</b>	<b>31 December 2016 Carrying value RUB'000</b>
			<b>30 September 2017 RUB'000 (unaudited)</b>	<b>31 December 2016 RUB'000</b>		
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%	105 402	121 818
Impairment allowance					(2 300 000)	(2 300 000)
					<b>105 402</b>	<b>121 818</b>

The following table summarises the financial information of CUIF “Celena” as at 30 September 2017 and for the nine months, ended 30 September 2017, and reconciliation of carrying amount of the Group’s interest in associate:

	<b>30 September 2017 RUB'000 (unaudited)</b>
Total assets	262 847
Total liabilities	(5 703)
Net assets	257 144
<b>Group’s share of net assets (40.99%)</b>	<b>105 402</b>
	<b>Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)</b>
Net loss for the year	(16 416)
Total comprehensive loss for the year	<b>(16 416)</b>

## 8 Current accounts and deposits from customers

	<b>30 September 2017</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2016</b> <b>RUB'000</b>
Current accounts and demand deposits		
- Retail	6 433 305	4 699 685
- Corporate	13 067 875	12 958 449
Term deposits		
- Retail	59 130 020	65 927 678
- Corporate	3 537 645	6 767 682
	<b>82 168 845</b>	<b>90 353 494</b>

## 9 Debt securities issued

	<b>30 September 2017</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2016</b> <b>RUB'000</b>
Bonds	1 351 561	1 800 347
Promissory notes	29 831	155 901
	<b>1 381 392</b>	<b>1 956 248</b>

Bonds as at 30 September 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.

## 10 Subordinated borrowings

	<b>30 September 2017</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2016</b> <b>RUB'000</b>
Subordinated loan	4 285 761	4 488 287
	<b>4 285 761</b>	<b>4 488 287</b>

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 30 September 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 30 September 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.

## 11 Related party transactions

### (a) Control relationships

The Group’s parent company is LLC “PPFIN Region” (Russian Federation). As at 30 September 2017 and 31 December 2016, the ultimate beneficial collective owners of the Group were Mr. Andrey Vdovin (the owner of 19.724% as at 30 September 2017 and 22.528% as at 31 December 2016), Mr. Alexey Maslovsky (the owner of 19.724% as at 30 September 2017 and 22.528% as at 31 December 2016), Mr. Peter Hambro (the owner of 19.724% as at 30 September 2017 and 22.528% as at 31 December 2016).

### (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 nine-month period ended 30 September is as follows:

	Nine-Month Period Ended 30 September 2017 RUB’000 (unaudited)	Nine-Month Period Ended 30 September 2016 RUB’000 (unaudited)
Short term benefits to the members of the Board of Directors and the Management Board	96 155	109 761
	<b>96 155</b>	<b>109 761</b>

The outstanding balances and average effective interest rates as at 30 September 2017 and 31 December 2016 for transactions with the members of the Board of Directors and the Management Board are as follows:

	30 September 2017 RUB’000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2016 RUB’000	Average effective interest rate, %
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	41 755	14.29%	1 008 302	18.17%
Other assets	38	-	1 724	-
<b>LIABILITIES</b>				
Current accounts and deposits from customers	12 739	6.27%	9 418	3.80%
<b>Commitments</b>				
Credit commitments	-	-	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 nine-month period ended 30 September are as follows:

	<b>Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)</b>	<b>Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)</b>
<b>Consolidated interim condensed statement of profit or loss and other comprehensive income</b>		
Interest income	15 569	143 087
Interest expense	(139)	(4 956)
Impairment recovery (loss)	155	(2 940)

**(c) Transactions with shareholders**

The outstanding balances and average effective interest rates as at 30 September 2017 and 31 December 2016 for transactions with shareholders owning more than 10% of share capital and the ultimate beneficial collective owners of the Group are as follows:

	<b>30 September 2017 RUB'000 (unaudited)</b>	<b>Average effective interest rate, % (unaudited)</b>	<b>31 December 2016 RUB'000</b>	<b>Average effective interest rate, %</b>
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	4 825 601	13.25%	4 165 028	12.04%
Other assets	2 012	-	-	-
<b>LIABILITIES</b>				
Current accounts and deposits	1 276	1.39%	195	-
Other liabilities	33	-	-	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with shareholders and the ultimate beneficial collective owners of the Group for the nine-month period ended 30 September are as follows:

	<b>Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)</b>	<b>Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)</b>
<b>Consolidated interim condensed statement of profit or loss and other comprehensive income</b>		
Interest income	162 906	577 166
Impairment loss (recovery)	(574 290)	56 496

**(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 30 September 2017 and 31 December 2016 for transactions with other related parties are as follows:

	<b>30 September 2017 RUB'000 (unaudited)</b>	<b>Average effective interest rate, % (unaudited)</b>	<b>31 December 2016 RUB'000</b>	<b>Average effective interest rate, %</b>
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Available-for-sale financial assets	-	-	1 970 803	-
Loans to customers	4 765	16.30%	4 520	17.74%
Investments in associates	105 402	-	121 818	-
Other assets	101 287	-	74 383	-
<b>LIABILITIES</b>				
Deposits and balances from banks	-	-	21 857	0.03%
Current accounts and deposits from customers	20 405	-	43 672	-
Other liabilities	2 122	-	1 417	-
<b>Commitments</b>				
Undrawn loan commitments and overdraft	5 100	-	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 nine-month period ended 30 September are as follows:

	<b>Nine-Month Period Ended 30 September 2017 RUB'000 (unaudited)</b>	<b>Nine-Month Period Ended 30 September 2016 RUB'000 (unaudited)</b>
<b>Consolidated interim condensed statement of profit or loss and other comprehensive income</b>		
Interest income	347	464 848
Interest expense	(350)	(49 257)
Commission income	84 412	133 987
Loss from equity-accounted investee	(16 416)	-
Impairment recovery	-	394

## **12 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 30 September 2017 approximates their carrying value except for the following financial instruments:

<b>RUB'000 (unaudited)</b>	<b>Balance value</b>	<b>Fair value</b>
Loans to customers	60 351 715	60 188 265
Held-to-maturity investments	3 582 385	3 613 477
Deposits and balances from banks	1 623 752	1 581 353
Current accounts and deposits from customers	82 168 845	82 205 142
Debt securities issued	1 381 392	1 362 102

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

<b>RUB'000</b>	<b>Balance value</b>	<b>Fair value</b>
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 30 September 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:

<b>RUB '000 (unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial instruments at fair value through profit or loss				
- Derivative assets	-	56 854	-	56 854
- Derivative liabilities	-	(338 107)	-	(338 107)
Available-for-sale financial assets	12 322 998	-	-	12 322 998

Unquoted investments available-for-sale are stated at cost. As at 30 September 2017, unquoted investments available-for-sale amount to RUB 1 288 803 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:

**PJSC “Asian-Pacific Bank”**  
*Notes to, and forming part of, the consolidated interim condensed financial information  
for the nine-month period ended 30 September 2017*

<b>RUB '000</b>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
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.