

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

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

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


	Notes	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
Interest income		6 570 718	8 533 298
Interest expense		(3 464 689)	(4 900 066)
Net interest income		3 106 029	3 633 232
Deposit insurance expenses		(423 839)	(143 349)
Net interest income after deposit insurance expenses		2 682 190	3 489 883
Fee and commission income		1 471 779	1 567 153
Fee and commission expense		(196 243)	(234 240)
Net fee and commission income		1 275 536	1 332 913
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		338 683	441 731
Loss from equity-accounted investee		(13 565)	-
Net foreign exchange gain		169 691	265 348
Net gain on operations with precious metals		121 675	41 638
Other operating income		479 684	603 579
Operating income		5 053 894	6 175 092
Impairment losses	4	(1 275 937)	(1 960 390)
Personnel expenses		(1 742 157)	(1 811 171)
Other general administrative expenses		(1 480 861)	(1 066 620)
Profit before income tax		554 939	1 336 911
Income tax benefit (expense)		53 494	(288 247)
Profit for the period		608 433	1 048 664
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		80 110	655 472
- Net change in fair value transferred to profit and loss		(127 746)	(493 126)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>(47 636)</i>	<i>162 346</i>
Other comprehensive income for the period, net of income tax		(47 636)	162 346
Total comprehensive income for the period		560 797	1 211 010
Profit (loss) for the period attributable to:			

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 six-month period ended 30 June 2017

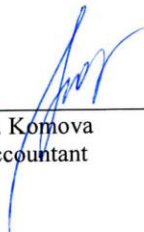
	Notes	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
-Bank's shareholders		608 433	1 052 880
-non-controlling interest		-	(4 216)
		608 433	1 048 664
Total comprehensive income (loss) for the period attributable to:			
-Bank's shareholders		560 797	1 215 226
-non-controlling interest		-	(4 216)
		560 797	1 211 010

The consolidated interim condensed financial information was approved by the Management Board on 29 August 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 30 June 2017

	Notes	30 June 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
ASSETS			
Cash and cash equivalents		11 038 384	11 358 076
Obligatory reserves with the Central Bank of the Russian Federation		683 723	808 276
Financial instruments at fair value through profit or loss		164 017	105 132
Available-for-sale financial assets		14 444 080	17 661 490
<i>including assets pledged under repurchase agreements</i>		934 674	1 386 954
Due from banks		3 957 187	3 704 985
Amounts receivable under reverse repurchase agreements		631 079	-
Loans to customers	5	64 041 271	68 988 405
Net investments in finance leases	6	1 290 775	1 289 913
Investments in associates	7	108 253	121 818
Held-to-maturity investments		3 570 067	3 631 980
<i>including assets pledged under repurchase agreements</i>		1 026 255	2 586 706
Deferred tax asset		511 993	394 576
Property, equipment, intangible assets and investment property		6 974 916	6 636 115
Other assets		4 132 372	4 928 455
Total assets		111 548 117	119 629 221
LIABILITIES			
Derivative financial instruments		109 336	182 650
Deposits and balances from banks		1 280 481	2 344 943
Amounts payable under repurchase agreements		1 704 793	3 706 180
Current accounts and deposits from customers	8	86 206 661	90 353 494
Debt securities issued	9	1 578 076	1 956 248
Subordinated borrowings	10	4 373 077	4 488 287
Other liabilities		1 557 630	2 420 153
Total liabilities		96 810 054	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		46 341	93 977
Revaluation surplus for buildings		1 856 944	1 866 378
Retained earnings		8 280 932	7 663 065
Total equity		14 738 063	14 177 266
Total liabilities and equity		111 548 117	119 629 221

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Acting Chairman of the Management Board



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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 six-month period ended 30 June 2017

	Notes	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		6 341 412	8 439 191
Interest payments		(4 134 412)	(5 698 644)
Fee and commission receipts		1 470 356	1 533 689
Fee and commission payments		(195 614)	(233 009)
Net receipts from financial instruments at fair value through profit or loss and available-for-sale financial instruments		454 697	442 495
Net payments from foreign exchange		(79 343)	(75 866)
Other income receipts		479 312	602 820
Net receipts from operations with precious metals		118 232	41 638
Personnel and general administrative expenses payments		(2 399 408)	(2 613 493)
(Increase) decrease in operating assets			
Obligatory reserves with the CBR		124 553	(15 753)
Financial instruments at fair value through profit or loss		-	313 724
Available-for-sale financial assets		2 992 017	4 945 460
Due from banks		(4 930)	274 176
Amounts receivable under reverse repurchase agreements		(631 079)	5 760 784
Loans to customers		3 676 198	(5 289 322)
Net investments in finance leases		7 112	72 458
Other assets		758 906	(1 232 047)
Increase (decrease) in operating liabilities			
Deposits and balances from banks		(1 044 452)	(93 281)
Amounts payable under repurchase agreements		(1 995 291)	(3 220 746)
Current accounts and deposits from customers		(3 516 350)	(2 716 673)
Promissory notes		(67 864)	225 221
Other liabilities		(1 843 474)	261 170
Net cash flows from operating activities before income tax paid		510 546	1 723 992
Income tax paid		(40 165)	(31 143)
Net cash flows from operating activities		470 381	1 692 849
CASH FLOWS FROM INVESTING ACTIVITIES			
Net repayments of held-to-maturity investments		4 944	2 323 983
Net purchases of property and equipment and intangible assets		(548 765)	(709 788)
Acquisition of the subsidiary		-	11 897
Net cash flows from investing activities		(543 821)	1 626 092
CASH FLOWS FROM FINANCING ACTIVITIES			
Net payments of bonds		(304 636)	(1 894 301)
Net cash flows from financing activities		(304 636)	(1 894 301)

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.

Net (decrease) increase in cash and cash equivalents	(378 076)	1 424 640
Effect of changes in exchange rates on cash and cash equivalents	58 379	(616 618)
Cash and cash equivalents as at the beginning of the period	11 358 076	17 333 745
Cash and cash equivalents as at the end of the period	11 038 379	18 141 767

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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
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	-	15 895 840
Total comprehensive income for the period (unaudited)										
Profit for the period (unaudited)	-	-	-	-	-	-	1 052 880	1 052 880	(4 216)	1 048 664
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 163 868 thousand (unaudited)	-	-	-	-	655 472	-	-	655 472	-	655 472
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 123 282 thousand (unaudited)	-	-	-	-	(493 126)	-	-	(493 126)	-	(493 126)
Transfer of revaluation surplus on disposal of buildings previously revalued, net of deferred tax of RUB 2 244 thousand (unaudited)	-	-	-	-	-	(8 975)	8 975	-	-	-
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	162 346	(8 975)	1 061 855	1 215 226	(4 216)	1 211 010
Transactions with owners, recorded directly in equity										
Acquisition of the subsidiaries (unaudited)	-	-	-	-	-	-	-	-	159 269	159 269
Total transactions with owners (unaudited)									159 269	159 269
Balance as at 30 June 2016 (unaudited)	585 414	(10 307)	1 778 739	2 200 000	163 667	1 606 004	10 787 549	17 111 066	155 053	17 266 119

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
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	-	14 177 266
Total comprehensive income for the period (unaudited)										
Profit for the period (unaudited)	-	-	-	-	-	-	608 433	608 433	-	608 433
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 20 028 thousand (unaudited)	-	-	-	-	80 110	-	-	80 110	-	80 110
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 31 937 thousand (unaudited)	-	-	-	-	(127 746)	-	-	(127 746)	-	(127 746)
Transfer of revaluation surplus on disposal of buildings, revalued before, net of deferred tax of RUB 2 359 thousand (unaudited)	-	-	-	-	-	(9 434)	9 434	-	-	-
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	(47 636)	(9 434)	617 867	560 797	-	560 797
Balance as at 30 June 2017 (unaudited)	585 414	(10 307)	1 778 739	2 200 000	46 341	1 856 944	8 280 932	14 738 063	-	14 738 063

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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 June 2017, the following shareholders held the issued shares of PJSC “Asian-Pacific Bank”:

Shareholder	30 June 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, %	
			30 June 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

	Six-Month Period Ended 30 June 2017 RUB’000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB’000 (unaudited)
Loans to customers	1 507 422	1 930 322
Net investments in finance leases	(7 974)	9 122
Available-for-sale financial assets	16 016	6 796
Due from banks	(248 294)	-
Credit related commitments	(43 670)	-
Other assets	52 437	14 150
	1 275 937	1 960 390

5 Loans to customers

	30 June 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Loans to corporate customers	34 578 475	36 597 723
Loans to retail customers		
Consumer loans	42 655 148	43 750 998
Mortgage loans	5 241 337	5 722 920
Total loans to retail customers	47 896 485	49 473 918
Gross loans to customers	82 474 960	86 071 641
Impairment allowance	(18 433 689)	(17 083 236)
Net loans to customers	64 041 271	68 988 405

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

	Total RUB'000 (unaudited)
Balance at the beginning of the period	17 083 236
Net charge	1 507 422
Write-offs	(156 969)
Balance at the end of the period	18 433 689

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

	Total RUB'000 (unaudited)
Balance at the beginning of the period	19 097 355
Net charge	1 930 322
Write-offs	(4 489 195)
Balance at the end of the period	16 538 482

6 Net investments in finance leases

Net investments in finance leases comprise:

	30 June 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Gross investments in finance leases	1 940 362	1 960 108
Less unearned finance lease income	(398 728)	(411 143)
	1 541 634	1 548 965
Less allowance for impairment	(250 859)	(259 052)
Net investments in finance leases	1 290 775	1 289 913

Movements in the impairment allowance are as follows:

	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
Balance at the beginning of the period	259 052	261 511
Net charge	(7 974)	9 122
Write-offs	(219)	-
Balance at the end of the period	250 859	270 633

7 Investments in associates and other investments

Associates and other investments comprise the following:

Name	Country of incorporation	Main activity	Ownership %		30 June 2017 Carrying value RUB'000 (unaudited)	31 December 2016 Carrying value RUB'000
			30 June 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%	108 253	121 818
Impairment allowance					(2 300 000)	(2 300 000)
					108 253	121 818

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

	30 June 2017 RUB'000 (unaudited)
Total assets	268 899
Total liabilities	(4 799)
Net assets	264 100
Group’s share of net assets (40.99%)	108 253
	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)
Net loss for the year	(13 565)
Total comprehensive loss for the year	(13 565)

8 Current accounts and deposits from customers

	30 June 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Current accounts and demand deposits		
- Retail	5 763 650	4 699 685
- Corporate	9 702 956	12 958 449
Term deposits		
- Retail	64 606 390	65 927 678
- Corporate	6 133 665	6 767 682
	86 206 661	90 353 494

9 Debt securities issued

	30 June 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Bonds	1 490 039	1 800 347
Promissory notes	88 037	155 901
	1 578 076	1 956 248

Bonds as at 30 June 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

	30 June 2017 RUB'000 (unaudited)	31 December 2016 RUB'000
Subordinated loan	4 373 077	4 488 287
	4 373 077	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 30 June 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 June 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 June 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 six-month period ended 30 June is as follows:

	Six-Month Period Ended 30 June 2017 RUB’000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB’000 (unaudited)
Short term benefits to the members of the Board of Directors and the Management Board	71 078	63 740
	71 078	63 740

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

	30 June 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	583 093	18.37%	1 008 302	18.17%
Other assets	1 409	-	1 724	-
LIABILITIES				
Current accounts and deposits from customers	28 652	6.49%	9 418	3.80%
Other liabilities	-	-	-	-
Commitments				
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 six-month period ended 30 June are as follows:

	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	41 265	15 688
Interest expense	(70)	(2 722)
Impairment recovery	(392 091)	215

(c) Transactions with shareholders

The outstanding balances and average effective interest rates as at 30 June 2017 and 31 December 2016 for transactions with shareholders owning more than 10% of share capital are as follows:

	30 June 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	4 349 662	12.04%	4 165 028	12.04%
LIABILITIES				
Current accounts and deposits	81	-	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 six-month period ended 30 June are as follows:

	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	109 007	385 888
Impairment recovery	58	19 630

(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.

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

The outstanding balances and average effective interest rates as at 30 June 2017 and 31 December 2016 for transactions with other related parties are as follows:

	30 June 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	-	-	-	-
Available-for-sale financial assets	1 582 331	-	1 970 803	-
Loans to customers	7 832	16.30%	4 520	17.74%
Investments in associates	108 253	-	121 818	-
Other assets	125 573	-	74 383	-
LIABILITIES				
Derivative financial instruments	-	-	-	-
Deposits and balances from banks	-	-	21 857	0.03%
Current accounts and deposits from customers	46 735	-	43 672	-
Other liabilities	2 346	-	1 417	-
Commitments				
Undrawn loan commitments and overdraft	2 000	-	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 six-month period ended 30 June are as follows:

	Six-Month Period Ended 30 June 2017 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	815	422 311
Interest expense	(350)	(28 594)
Commission income	46 616	133 093
Loss from equity-accounted investee	(13 565)	-
Impairment recovery	-	100

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 June 2017 approximates their carrying value except for the following financial instruments:

RUB'000 (unaudited)	Balance value	Fair value
Loans to customers	64 041 271	63 870 056
Held-to-maturity investments	3 570 067	3 605 591
Deposits and balances from banks	1 280 481	1 228 954
Current accounts and deposits from customers	86 206 661	86 209 714
Debt securities issued	1 578 076	1 587 752

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 30 June 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	-	164 017	-	164 017
- Derivative liabilities	-	(109 336)	-	(109 336)
Available-for-sale financial assets	14 444 080	-	-	14 444 080

Unquoted investments available-for-sale are stated at cost. As at 30 June 2017, unquoted investments available-for-sale amount to RUB 1 247 699 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 six-month period ended 30 June 2017*

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.