



# *CENTER-INVEST BANK GROUP*

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

31 March 2018

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	Note	31 March 2018	31 December 2017 (adjustments to IFRS 9)	31 December 2017	31 March 2017
<i>In thousands of Russian Roubles</i>					
<b>ASSETS</b>					
Cash and cash equivalents		8 091 761	8 369 737	8 369 737	9 511 226
Mandatory cash balances with the Central Bank of the Russian Federation		674 302	662 931	662 931	615 355
Due from other banks		6 103 479	8 607 390	8 607 390	2 110 780
Loans to customers and finance lease receivables	6	81 565 738	79 744 625	80 146 601	75 233 880
Investment in associate		325 993	305 468	305 468	329 260
Investment properties		422 971	422 971	422 971	2 609 073
Premises, equipment and intangible assets		2 792 369	2 807 326	2 807 326	2 755 242
Other financial assets		738 626	701 569	701 569	716 030
Other assets		558 622	592 509	592 509	397 409
<b>TOTAL ASSETS</b>		<b>101 273 861</b>	<b>102 214 526</b>	<b>102 616 502</b>	<b>94 278 255</b>
<b>LIABILITIES</b>					
Due to other banks		-	-	-	128 571
Customer accounts	7	85 781 938	87 217 936	87 217 936	78 518 325
Debt securities in issue	8	1 226 411	1 062 172	1 062 172	230 215
Borrowings from international financial institutions		1 022 496	996 297	996 297	-
Other financial liabilities		175 797	103 889	103 889	108 469
Other liabilities		367 493	402 811	275 139	207 448
Subordinated debt		-	-	-	2 912 903
Deferred income tax liability		143 465	214 619	320 549	186 890
<b>TOTAL LIABILITIES</b>		<b>88 717 600</b>	<b>89 997 724</b>	<b>89 975 982</b>	<b>82 292 821</b>
<b>EQUITY</b>					
Share capital		1 326 277	1 326 277	1 326 277	1 326 277
Share premium		2 078 860	2 078 860	2 078 860	2 078 860
Revaluation reserve for land and premises		1 306 152	1 306 152	1 306 152	1 353 140
Retained earnings		7 844 972	7 505 513	7 929 231	7 227 157
<b>TOTAL EQUITY</b>		<b>12 556 261</b>	<b>12 216 802</b>	<b>12 640 520</b>	<b>11 985 434</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>101 273 861</b>	<b>102 214 526</b>	<b>102 616 502</b>	<b>94 278 255</b>

29 May 2018

  
S. Yu. Smirnov  
Chairman of the Executive Board



  
T.I. Ivanova  
Chief Accountant

**Consolidated Statement of Profit and Loss and Other Comprehensive Income – 31 March 2018 (Unaudited)**

	Note	Three months ended 31 March 2018	Three months ended 31 March 2017	2017
<i>In thousands of Russian Roubles</i>				
Interest income	9	2 784 685	2 771 429	11 398 295
Interest expense	9	(1 278 840)	(1 474 877)	(5 495 092)
Contributions to the state deposit insurance scheme	9	(111 223)	(82 530)	(340 502)
<b>Net interest income</b>		<b>1 394 622</b>	<b>1 214 022</b>	<b>5 562 701</b>
Provision for impairment of loans to customers and finance lease receivables	6	(592 074)	(215 422)	(1 177 078)
Impairment allowance for loan commitments		7 454	-	-
<b>Net interest income after impairment provision</b>		<b>810 002</b>	<b>998 600</b>	<b>4 385 623</b>
Fee and commission expense		316 617	303 776	1 366 588
Gains less losses from operations with foreign currencies		(82 524)	(91 654)	(430 866)
Foreign exchange translation (losses less gains)/gains less losses		14 130	11 616	62 650
Gains less losses / (losses less gains) from spot currency transactions and other conversion operations on the interbank market		(5 735)	(7 747)	8 310
Other provisions and expenses		14 328	9 953	31 217
Result from disposal of investment property		(33 660)	(69 691)	(257 660)
Other operating income		-	-	(405 915)
Other operating income		11 584	23 766	59 684
Administrative and other operating expenses		(623 721)	(575 036)	(2 945 275)
Share of result of associate		20 526	13 850	(9 941)
<b>Profit before tax</b>		<b>441 547</b>	<b>617 433</b>	<b>1 864 415</b>
Income tax expense		(102 088)	(143 232)	(438 843)
<b>Profit for the period</b>		<b>339 459</b>	<b>474 201</b>	<b>1 425 572</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>339 459</b>	<b>474 201</b>	<b>1 425 572</b>

**Consolidated Statement of Cash Flow – 31 March 2018 (Unaudited)**

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
<b>Cash flows from operating activities</b>		
Interest received	2 740 374	2 653 286
Interest paid	(1 148 586)	(1 417 925)
Contributions to the state deposit insurance scheme	(88 487)	(322 671)
Fees and commissions received	314 302	302 027
Fees and commissions paid	(72 147)	(81 479)
Gains less losses from trading in foreign currencies	14 130	11 616
Gains less losses from spot currency transactions and other conversion operations on the interbank market	13 954	9 862
Receipts from assignment of rights of claim on loans and advances to customers	74 799	62 111
Repayment of debt written off	10 770	7 926
Other operating income received	11 559	23 742
Staff costs paid	(438 545)	(441 949)
Operating expenses paid	(159 286)	(174 286)
Income tax paid	(137 608)	(951)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>1 135 229</b>	<b>631 309</b>
<b>Change in operating assets and liabilities</b>		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(11 371)	(3 749)
Net change in due from other banks	2 501 000	3 900 000
Net change in loans to customers and finance lease receivables	(2 535 785)	(2 059 536)
Net change in other financial and other assets	(28 203)	(97 167)
Net change in due to other banks	-	(161 868)
Net change in customer accounts	(1 545 995)	(1 716 613)
Net change in promissory notes issued	119 501	(181 969)
Net change in other financial and other liabilities	50 506	43 877
<b>Net cash (used in) / from operating activities</b>	<b>(315 118)</b>	<b>354 284</b>
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment	(12 432)	(22 696)
Proceeds from disposal of premises and equipment	-	25
Acquisition of intangible assets	(9 903)	(2 339)
<b>Net cash used in investing activities</b>	<b>(22 335)</b>	<b>(25 010)</b>
<b>Cash flows from financing activities</b>		
Issue of bonds	52 980	-
Repurchase and repayment of bonds	(10 955)	-
Repayment of borrowings from international financial institutions	-	(179 860)
<b>Net cash from/( used in) financing activities</b>	<b>42 025</b>	<b>(179 860)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>17 452</b>	<b>(267 869)</b>
<b>Net outflow of cash and cash equivalents</b>	<b>(277 976)</b>	<b>(118 455)</b>
Cash and cash equivalents at the beginning of the year	8 369 737	9 629 681
<b>Cash and cash equivalents at the end of the year</b>	<b>8 091 761</b>	<b>9 511 226</b>

**Consolidated Statement of Changes in Equity – 31 March 2018 (Unaudited)**

	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	TOTAL EQUITY
<i>In thousands of Russian Roubles</i>					
<b>Balance at 1 January 2017</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 353 140</b>	<b>6 752 956</b>	<b>11 511 233</b>
Profit for three months ended 31 March 2017	-	-	-	474 201	474 201
<b>Total comprehensive income for three months ended 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474 201</b>	<b>474 201</b>
Dividends declared and paid:					
- ordinary shares	-	-	-	-	-
- preference shares	-	-	-	-	-
Transfer of revaluation surplus on premises to retained earnings	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 353 140</b>	<b>7 227 157</b>	<b>11 985 434</b>
<b>Balance at 1 January 2018</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 306 152</b>	<b>7 929 231</b>	<b>12 640 520</b>
Effect of initial application of IFRS 9	-	-	-	(423 718)	(423 718)
<b>Restated balance at 1 January 2018</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 306 152</b>	<b>7 505 513</b>	<b>12 216 802</b>
Profit for three months ended 31 March 2018	-	-	-	339 459	339 459
<b>Total comprehensive income for three months ended 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>339 459</b>	<b>339 459</b>
Dividends declared and paid:					
- ordinary shares	-	-	-	-	-
- preference shares	-	-	-	-	-
Transfer of revaluation surplus on premises to retained earnings	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 306 152</b>	<b>7 844 972</b>	<b>12 556 261</b>



## 1. Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the three months ended 31 March 2018 Public Joint-Stock Company Commercial Bank «Center-invest» (the “Bank”) and its 100% subsidiary LLC Center-Leasing (the “Group”).

This consolidated condensed interim financial information has not been reviewed or audited.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares.

**Principal activity.** The Group's principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 31 March 2018 the Bank has four (31 December 2017: four, 31 March 2017: three) branches within the Russian Federation. Additionally, the Bank has representative office in Moscow and 114 (31 December 2017: 115, 31 March 2017: 117) sub-branches in the in the Rostov and Volgograd Regions, Moscow, Nizhny Novgorod, Stavropol and Krasnodar Regions.

**Registered address and place of business.** The Bank's registered address is: 62 Sokolova street, Rostov-on-the-Don, Russian Federation, 344000.

The average number of the Group's employees during three months ended 31 March 2018 was 1 482 (2017: 1 461, three months ended 31 March 2017: 1 454).

**Presentation currency.** These consolidated financial statements are presented in thousands of Russian Roubles (“RR thousands”), unless otherwise stated.

## 2. Operating Environment of the Group

**Russian Federation.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 29). The Russian economy was growing in 2017 after overcoming the economic recession of 2015 and 2016. The economy adopted to deterioration of the economic situation in the oil and gas market and the effect of international sectoral sanctions introduced against Russia. GDP dynamics reverted to a positive zone.

In 2017, international rating agencies improved their outlook for sovereign credit ratings of the Russian Federation: from Moody's “stable” to Standard & Poor's “positive” and Fitch Ratings “positive”. In January 2018, Moody's improved their outlook for sovereign credit rating of the Russian Federation from “stable” to “positive”, keeping the rating at Ba1 level. In February 2018, Standard & Poor's increased Russia's sovereign credit rating from speculative BB+ to investment BBB- with “stable” outlook. In respect of the Bank, in April 2017, Moody's rating agency increased the long-term ratings of deposits in local and foreign currency from Ba3 to B1 with a stable outlook. At the same time, Moody's increased the basic credit assessment (BCA) level of the Bank from b1 to ba3 and confirmed the stable outlook for short-term deposit ratings in local and foreign currency.

The Bank operates primarily in the South of Russia. Due to a diversified by industry economic structure, the South of Russia demonstrates more dynamic and stable development trends than most other Russian regions. The growth rate demonstrated by the main industry of the region, agriculture, significantly exceeds Russia's average level. Stable growth is attributable to natural and climatic factors, well developed infrastructure, the structure of economy diversified by activity and characterised by high share of small and medium enterprises. The management believes that these developments improve competitive advantages of the South of Russia.

Management determined loan impairment provisions using the “incurred loss” model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

### 3. Summary of Significant Accounting Policies

**Basis of preparation.** This condensed consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2017. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group’s consolidated financial statements for the year ended 31 December 2017, became effective for the Group from 1 January 2018. They have not significantly affected this consolidated condensed interim financial information of the Group. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated.

**Financial assets – classification and subsequent measurement – measurement categories.** The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- 1) the Group’s business model for managing the asset; and
- 2) the cash flow characteristics of the asset.

**Financial assets – classification and subsequent measurement – business model.** The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is:

- i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”); or
- ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”);
- iii) if neither of i) and ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets’ performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business model for its financial assets.

**Financial assets – classification and subsequent measurement – cash flow characteristics.** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.



In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Group considers if the contractual cash flows continue to be consistent with a basic lending arrangement (in assessing whether the modification is substantial).

**Financial assets – reclassification.** Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

**Financial assets – impairment – credit loss allowance for ECL.** The Group assesses on a forward-looking basis the ECL for debt instruments measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects:

- 1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- 2) the time value of money; and
- 3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees (where those component can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The Group applies a “three stage” model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

- 1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months (12 month ECL).
- 2) If the Group identifies a SICR since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis (lifetime ECL). Refer to Note 4 for a description of how the Group determines when a SICR has occurred.
- 3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Refer to Note 4 for a description of how the Group defines credit-impaired assets and default.

For financial assets that are purchased or originated credit-impaired, the ECL is always measured as a lifetime ECL.

**Financial assets – write-off.** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due in full however there is no reasonable expectation of full recovery.

**Financial liabilities – classification and subsequent measurement – measurement categories.** Financial liabilities are classified as subsequently measured at AC, except for:

- financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for

trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition;

- financial guarantee contracts and loan commitments.

**Interim period tax measurement.** Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

**Foreign currency translation.** Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each company's functional currency at year-end official exchange rates of the CBRF are recognised in the consolidated statement of profit and loss and other comprehensive income.

At 31 March 2018 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 57,2649 and EURO 1 = RR 70,5618 (31 December 2017: USD 1 = RR 57,6002, EURO 1 = RR 68,8668; 31 March 2017: USD 1 = RR 56.3779 and EURO 1 = RR 60.595).

#### 4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**ECL measurement.** Calculation and measurement of ECLs is an area of significant judgement, and implies methodology, models and data inputs. The following components of ECL calculation have the major impact on credit loss allowance for ECLs: default definition, SICR, PD, EAD, LGD, macromodels and scenario analysis for credit impaired loans. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

A 10% increase or decrease in actual credit loss experience compared to the ECL estimates calculated at 31 March 2018 would result in an increase or decrease in credit loss allowances of RR 679 012 thousand (31 December 2017: RR 630 547 thousand; 31 March 2017 r.: RR 563 881 thousand).

**SICR.** In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the expected life of a financial instrument at the reporting date with the risk of default at the date of initial recognition. IFRS 9 requires an assessment of relative increases in credit risk rather than the identification of a specific level of credit risk at the reporting date. In this assessment, the Group considers a range of indicators: including behavioural indicators based on historical information as well as reasonable and supportable forward looking information available without undue cost and effort. The most significant judgments include: identifying behavioural indicators of increases in credit risk prior to delinquency and incorporating appropriate forward looking information into the assessment, either at an individual instrument, or on a portfolio level.

**Determining business model and applying SPPI test.** In determining the appropriate measurement category for debt financial instruments, the Group applies two assessments: the business model assessment for managing the assets and the SPPI test based on contractual cash flows characteristics on initial recognition. The business model assessment is determined on a certain level of aggregation and the Group was required to apply judgement to determine the level at which business model condition is applied.

When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, may also be consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both

individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio.

For the “hold to collect and sell” business model, selling of financial assets is integral to achieving the business model’s objective, such as: managing liquidity needs, achieving a particular interest yield, or matching the duration of the financial assets to the duration of the liabilities that are funding those assets.

FVTPL business model is the residual category and it also includes those financial assets, which are managed with the objective of realising cash flows solely through the sale. For this business model, the collection of contractual cash flow is incidental.

**Revaluation of premises and investment properties.** Given the absence of a highly liquid market for non-residential premises and land in Rostov, the Rostov Region and other regions of the South of Russia, the Group and the independent appraiser have used professional judgements on comparability of the existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of premises had increased (decreased) by 10%, the carrying value of land and premises within premises and equipment recorded in the balance sheet would have increased (decreased) by RR 232 607 thousand (31 December 2017: RR 233 571 thousand; 31 March 2017: RR 234 602 thousand), respectively. If the price per hectare of land had increased (decreased) by 5%, the total value of investment properties in the balance sheet would have increased (decreased) by RR 2 648 thousand (31 December 2017: RR 2 648 thousand; 31 March 2017: RR 89 028 thousand), respectively.

**Impairment of investments in associate.** The Group management considered impairment of its investment in the associate (Note 10), a heat and power enterprise of heat systems Teploenergo (TEPTS), taking into consideration the valuation by an independent appraiser and discussions of the value with potential investors in this industry. As a result of the analysis, the Group management concluded that no impairment of carrying value of this investment was required. This conclusion largely depends on the correct assessment of 1) further growth of tariffs for services of TEPTS, 2) further solvency of clients of TEPTS, 3) discount rate applied to future cash flows, 4) well proven practice of TEPTS of including payment shortages into the future year tariffs. These parameters largely depend on the macroeconomic situation and the level of governmental regulation in the Russian Federation. Refer to Note 2. The Group set up a provision for non-performing receivables of TEPTS, which the management believes adequate.

**Tax legislation.** Russian tax, currency and customs legislation is subject to varying interpretations.

## 5. Adoption of New or Revised Standards and Interpretations

**Adoption of IFRS 9.** The Group has adopted IFRS 9, *Financial Instruments*, with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities at the date of initial application in the opening retained earnings of the current period.

The impact of the IFRS 9 adoption on the Group is disclosed below.

	Measurement category		Carrying value per IAS 39 (closing balance at 31 December 2017)	Effect		Carrying value per IFRS 9 (opening balance at 1 January 2018)
	IAS 39	IFRS 9		Remeasurement	Reclassification	
<i>In thousands of Russian Roubles</i>						
<b>Cash and cash equivalents</b>	L&R	AC	8 369 737	-	-	8 369 737
<b>Mandatory cash balances with the Central Bank of Russian Federation</b>	L&R	AC	662 931	-	-	662 931
<b>Due from other banks</b>	L&R	AC	8 607 390	-	-	8 607 390
Loans to customers and finance lease receivables	L&R	AC	80 146 601	(401 976)	-	79 744 625
Loans to customers and finance lease receivables	L&R	FVTPL (mandatory)	-	-	-	-
<b>Total loans and advances to customers</b>			80 146 601	(401 976)	-	79 744 625
Other financial assets	L&R	AC	695 572	-	-	695 572
Other financial assets	FVTPL	FVTPL (mandatory)	5 997	-	-	5 997
<b>Total other financial assets</b>			701 569	-	-	701 569
<b>Total financial assets</b>			98 488 228	(401 976)	-	98 086 252
<b>Impairment allowance for loan commitments</b>			-	(127 672)	-	(127 672)

At 31 December 2017, all of the Group's financial liabilities except for foreign exchange spot contracts (FESC) were carried at AC. Starting from 1 January 2018 the Group's financial liabilities except for FESC continued to be classified at AC. The FESC were reclassified from FVTPL measurement category under IAS 39 to FVTPL (mandatory) measurement category under IFRS 9. There were no other changes in the measurement of financial liabilities.

The below disclosure provides reconciliation of the carrying amounts of financial instruments by classes from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018 as well as describes the reasons for such reclassifications:

**(a) Cash and cash equivalents**

All classes of cash and cash equivalents were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9 at the transition date. Due to insignificance of ECLs for cash and cash equivalents balances the Group did not recognise credit loss allowance for such balances at 1 January 2018 and subsequently.

**(b) Due from other banks balances**

All classes of due from other banks balances were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with at the transition date. Due to insignificance of ECLs for due from other banks balances the Group did not recognise credit loss allowance for such balances at 1 January 2018 and subsequently.

**(c) Loans and advances to customers**

New classification requirements of IFRS 9 led to changes in classification of loans and advances to customers as follows:

<i>In thousands of Russian Roubles</i>	Carrying value per IAS 39 (opening balance at 31 December 2017)	Remeasurement ECL	Carrying value per IFRS 9 (closing balance at 1 January 2018)
Loans to small and medium size enterprises (SME loans)	26 067 530	(188 398)	25 879 132
Loans to individuals – mortgage loans	25 988 393	(64 529)	25 923 864
Loans to individuals – consumer loans and car loans	20 603 488	7 427	20 610 915
Corporate loans	7 254 309	(156 056)	7 098 253
Finance lease receivables (lease)	232 881	(420)	232 461
<b>Total loans to customers and finance lease receivables</b>	<b>80 146 601</b>	<b>(401 976)</b>	<b>79 744 625</b>

**(d) Other financial assets**

All classes other financial assets balances except for other securities at fair value through profit or loss were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with at the transition date. Due to insignificance of ECLs for other financial assets balances the Group did not recognise credit loss allowance for such balances at 1 January 2018 and subsequently.

**Adoption of IFRS 15.** The Group has adopted IFRS 15, *Revenue from Contracts with Customers*, with the date of initial application of 1 January 2018, which did not result in any material impact on the Group

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

## 6. Loans to customers and finance lease receivables

<i>In thousands of Russian Roubles</i>	31 March 2018	31 December 2017	31 March 2017
Loans to small and medium size enterprises (SME loans)	29 669 935	27 909 532	28 231 344
Loans to individuals – mortgage loans	28 447 416	27 035 643	21 081 047
Loans to individuals – consumer loans and car loans	22 474 848	22 828 714	22 130 766
Corporate loans	7 547 096	8 042 611	9 151 828
Finance lease receivables (lease)	216 562	233 591	277 707
<b>Total loans to customers and finance lease receivables before provision for impairment</b>	<b>88 355 857</b>	<b>86 050 091</b>	<b>80 872 692</b>
Less provision for impairment of loans to customers and finance lease receivables (provision for impairment – IAS 39)	-	(5 903 490)	(5 638 812)
Less credit loss allowance (IFRS 9)	(6 790 119)	(6 305 466)	-
<b>Total loans to customers and finance lease receivables (IAS 39)</b>	<b>-</b>	<b>80 146 601</b>	<b>75 233 880</b>
<b>Total loans to customers and finance lease receivables (IFRS 9)</b>	<b>81 565 738</b>	<b>79 744 625</b>	<b>-</b>

Movements in the credit loss allowance / provision for loan impairment are as follow:

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2018	Three months ended 31 March 2017	2017
<b>Credit loss allowance / Provision for loan impairment as at 1 January</b>	<b>6 305 466</b>	<b>5 433 829</b>	<b>5 433 829</b>
Provision for impairment during the period	595 390	223 635	1 227 470
Recovery of provision on reassigned rights of claim	(110 737)	(18 652)	(353 541)
Amounts written off during the period as uncollectible	-	-	(404 268)
<b>Credit loss allowance / Provision for loan impairment as at End of period</b>	<b>6 790 119</b>	<b>5 638 812</b>	<b>5 903 490</b>
Recovery of amounts previously written off as uncollectible	10 770	7 926	58 673

The provision for impairment differs from the amount presented in consolidated statement of other comprehensive income, due to recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

The information on the assigned rights of the loan and financial lease claims are as follow:

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2018	Three months ended 31 March 2017	2017
The balance of the assigned rights of claim on loans to customers and finance lease	185 512	80 763	827 788
Recovery of provision on reassigned rights of claim	(110 737)	(18 652)	(353 541)
Price of assignment	74 775	62 111	474 247
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>-</b>
Assigned rights of claim previously written off balance sheet	-	-	3 071
Price of assignment	-	-	2 515
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>2 515</b>



Net result of the assignment of loans previously written off as uncollectible was recorded in the consolidated statement of profit and loss within other operating income. No right of recourse is provided for assignment agreements.

Economic sector risk concentrations within the loan portfolio are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2018		31 December 2017		31 March 2017	
	CyMMA	%	CyMMA	%	CyMMA	%
Individuals (total), incl.	50 922 264	57.7	49 864 357	57.9	43 211 813	53.4
<i>mortgage loans</i>	28 447 416	32.2	27 035 643	31.4	21 081 047	26.1
<i>consumer loans</i>	20 642 017	23.4	20 835 112	24.2	19 801 664	24.4
<i>car loans</i>	1 832 831	2.1	1 993 602	2.3	2 329 102	2.9
Trade	10 822 260	12.2	10 487 269	12.2	11 467 291	14.2
Agriculture	10 572 486	12.0	9 086 365	10.6	10 479 183	13.0
Manufacturing	7 013 358	7.9	6 963 539	8.1	7 527 388	9.3
Transport	3 988 936	4.5	4 314 986	5.0	2 939 520	3.6
Construction	1 813 442	2.1	1 719 918	2.0	1 659 316	2.1
Other	3 223 111	3.6	3 613 657	4.2	3 588 181	4.4
<b>Total loans to customers and finance lease receivables before provision for impairment</b>	<b>88 355 857</b>	<b>100.0</b>	<b>86 050 091</b>	<b>100.0</b>	<b>80 872 692</b>	<b>100.0</b>

As at 31 March 2018, the Group's 10 largest borrowers had aggregate loan balances of RR 8 242 555 thousand, or 9.3% of the loan portfolio before impairment (31 December 2017: RR 8 337 613 thousand, or 9.7%; 31 March 2017: RR 8 419 573 thousand, or 10.4%).

Carrying value of each class of loans and advances to customers approximates their fair value at 31 March 2018, 31 December 2017 and 31 March 2017. Refer to Note 15. Information on related party balances and transactions is disclosed in Note 16.

## 7. Customer Accounts

<i>In thousands of Russian Roubles</i>	31 March 2018	31 December 2017	31 March 2017
<i>State and public organisations</i>			
- Current/settlement accounts	274 322	173 789	132 391
- Term deposits	37 528	15 061	15
<i>Other legal entities</i>			
- Current/settlement accounts	13 068 041	14 419 864	10 733 681
- Term deposits	2 220 326	2 153 598	2 162 337
<i>Individuals</i>			
- Current/demand accounts	6 141 675	6 963 109	5 008 810
- Term deposits	64 040 046	63 492 515	60 481 091
<b>Total customer accounts</b>	<b>85 781 938</b>	<b>87 217 936</b>	<b>78 518 325</b>

At 31 March 2017 the total aggregate balance of 10 largest clients of the Group was RR 2 443 468 thousand or 2.8% of customer accounts (31 December 2017: RR 2 283 121 thousand, or 2.6%; 31 March 2016: RR 2 040 624 thousand or 2.6%).

Carrying value of each class of customer accounts approximates fair value at 31 March 2018, 31 December 2017 and 31 March 2017. Refer to Note 15. Information on related party balances is disclosed in Note 16.

## 8. Debt Securities in Issue

<i>In thousands of Russian Roubles</i>	31 March 2018	31 December 2017	31 March 2017
Bonds	630 787	589 652	110 920
Promissory notes	595 624	472 520	119 295
<b>Total debt securities in issue</b>	<b>1 226 411</b>	<b>1 062 172</b>	<b>230 215</b>

Each bond has par value of RR 1 000 and an embedded put option at par value and exercisable at the moment of coupon income change.

Carrying value of each class of debt securities in issue approximates fair value at 31 March 2018, 31 December 2017 and 31 March 2017. Refer to Note 15.

## 9. Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2018	Three months ended 31 March 2017	2017
<b>Interest income</b>			
Loans and advances to individuals	1 552 107	1 493 597	6 214 633
Loans and advances to enterprises	1 068 883	1 149 474	4 690 243
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	151 787	114 861	442 616
Finance income arising from leasing	11 908	13 497	50 803
<b>Total interest income</b>	<b>2 784 685</b>	<b>2 771 429</b>	<b>11 398 295</b>
<b>Interest expense</b>			
Term deposits and accounts of individuals	1 175 994	1 349 257	5 072 308
Term deposits and accounts of legal entities	52 793	56 112	202 037
Borrowings from international financial institutions, subordinated debt and other banks	26 199	61 045	173 961
Bonds issued	16 298	5 471	34 914
Promissory notes issued	7 556	2 992	11 872
<b>Total interest expense</b>	<b>1 278 840</b>	<b>1 474 877</b>	<b>5 495 092</b>
Contributions to the state deposit insurance scheme	(111 223)	(82 530)	(340 502)
<b>Net interest income</b>	<b>1 394 622</b>	<b>1 214 022</b>	<b>5 562 701</b>

## 10. Dividends

By 31 March 2018, the Bank was not yet declared dividends for 2017 in connection with the holding of the General meeting of shareholders in June 2018. By 31 March 2017, the Bank was not yet declared dividends for 2016 in connection with the holding of the In June 2017, the Bank declared dividends on preference shares with a par value of RR 1 000 – RR 200 per share and on preference shares with a par value of RR 4 – RR 0.8 per share. In June 2017 the Bank declared dividends on ordinary shares – RR 3.3 per share. All dividends were declared and paid in Russian Roubles.

## 11. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the chief operating decision maker (CODM) are performed by the Executive Board of the Bank.

### **Description of products and services from which each reportable segment derives its revenue**

The Group is organised on the basis of the following main business segments:

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, private customers, deposits, investment savings products, custody, credit and debit cards, municipal payments. This segment does not include loans to individuals other than lending through plastic cards.

### **Factors that management used to identify the reportable segments**

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending and leasing. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment - retail banking.

In addition, the Bank's Executive Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

### **Measurement of operating segment profit or loss, assets and liabilities**

The Executive Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- for operating decisions standalone information not adjusted to statutory subsequent events is used;
- income taxes are not allocated to segments;
- loan provisions are recognised based on management judgement and availability of information, rather than based on the model prescribed in IFRS 9;
- income on impaired loans is not recognised;
- commission income related to lending and commission expenses on borrowings is recognised immediately rather than deferred using the effective interest method;
- finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;
- funds are generally reallocated between segments ignoring internal interest rates.

**Information about reportable segment profit or loss, assets and liabilities**

Segment information for the reportable segments for the year ended 31 March 2018 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending</b>	<b>Treasury</b>	<b>Retail banking</b>	<b>Total</b>
<b>Three months ended 31 March 2018</b>				
<i>External revenues:</i>				
Interest income	2 527 840	151 786	22 399	2 702 025
Fee and commission income and other operating income	101 640	168 698	175 477	445 815
<b>Total revenues</b>	<b>2 629 480</b>	<b>320 484</b>	<b>197 876</b>	<b>3 147 840</b>
Interest expense	-	(102 803)	(1 194 173)	(1 296 976)
Provision for impairment	(141 181)	4 268	(507)	(137 420)
Fee and commission expenses and other expenses	(118 704)	(13 789)	(55 781)	(188 274)
<b>Segment result</b>	<b>2 369 595</b>	<b>208 160</b>	<b>(1 052 585)</b>	<b>1 525 170</b>
<b>Total reportable segment assets</b>	<b>80 555 069</b>	<b>6 292 842</b>	<b>-</b>	<b>86 847 911</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(13 384 262)</b>	<b>(74 118 829)</b>	<b>(87 503 091)</b>

Segment information for the reportable segments for the year ended 31 March 2017 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending</b>	<b>Treasury</b>	<b>Retail banking</b>	<b>Total</b>
<b>Three months ended 31 March 2017</b>				
<i>External revenues:</i>				
Interest income	2 468 414	114 862	27 881	2 611 157
Fee and commission income and other operating income	103 697	156 071	159 778	419 546
<b>Total revenues</b>	<b>2 572 111</b>	<b>270 933</b>	<b>187 659</b>	<b>3 030 703</b>
Interest expense	-	(125 524)	(1 368 233)	(1 493 757)
Provision for impairment	(688 518)	4 362	(565)	(684 721)
Fee and commission expenses and other expenses	(21 242)	(19 267)	(47 681)	(88 190)
<b>Segment result</b>	<b>1 862 351</b>	<b>130 504</b>	<b>(1 228 820)</b>	<b>764 035</b>
<b>Total reportable segment assets</b>	<b>74 032 286</b>	<b>2 259 436</b>	<b>-</b>	<b>76 291 722</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(12 706 136)</b>	<b>(68 580 274)</b>	<b>(81 286 410)</b>

Segment information for the reportable segments for the year ended 31 December 2017 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Lending</b>	<b>Treasury</b>	<b>Retail banking</b>	<b>Total</b>
<b>2017</b>				
<i>External revenues:</i>				
Interest income	10 308 132	442 617	105 843	10 856 592
Fee and commission income and other operating income	473 162	756 485	713 180	1 942 827
<b>Total revenues</b>	<b>10 781 294</b>	<b>1 199 102</b>	<b>819 023</b>	<b>12 799 419</b>
Interest expense	-	(419 828)	(5 157 886)	(5 577 714)
Provision for impairment	(962 205)	6 517	(687)	(956 375)
Fee and commission expenses and other expenses	(361 149)	(90 731)	(244 839)	(696 719)
<b>Segment result</b>	<b>9 457 940</b>	<b>695 060</b>	<b>(4 584 389)</b>	<b>5 568 611</b>
<b>Total reportable segment assets</b>	<b>79 246 296</b>	<b>8 826 299</b>	<b>-</b>	<b>88 072 595</b>
<b>Total reportable segment liabilities</b>	<b>-</b>	<b>(14 085 552)</b>	<b>(74 791 705)</b>	<b>(88 877 257)</b>

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

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>	<b>2017</b>
<b>Total revenues for reportable segments</b>	<b>3 147 840</b>	<b>3 030 703</b>	<b>12 799 419</b>
Effective interest method application	(1 738)	(6 854)	6 065
Fair value remeasurement of trading securities portfolio and other financial assets and liabilities recalculation	2 335	1 749	11 629
Recognition of interest income on impaired loans	(2 526)	95 746	193 964
Foreign exchange translation losses less gains	5 735	7 747	(8 310)
Losses less gains from conversion operations on the interbank market	(13 954)	(9 862)	(33 191)
Consolidation effect	23 372	15 901	9 034
Other	(34 048)	(24 543)	(91 393)
<b>Total consolidated revenues</b>	<b>3 127 016</b>	<b>3 110 587</b>	<b>12 887 217</b>

Total consolidated revenues comprise interest income, fee and commission income, gains less losses on transactions with trading securities, foreign currency, income from assignment, repayment of debt earlier written off and other operating income.

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>	<b>2017</b>
<b>Total reportable segment result</b>	<b>1 525 170</b>	<b>764 035</b>	<b>5 568 611</b>
Administrative expenses	(637 492)	(641 630)	(3 479 833)
Effective interest method application	(35 504)	(7 685)	(42 931)
Fair value of trading securities portfolio and other financial assets and liabilities recalculation	2 709	1 840	9 955
Recognition of interest income on impaired loans	5 504	95 746	193 964
Recalculation of provision for impairment	(349 042)	419 626	(70 670)
Consolidation effect	21 419	14 477	(3 865)
Events after the end of the reporting period	(116 218)	(122 112)	(134 222)
Amortisation recalculation	11 295	6 775	31 633
Other	13 706	86 361	(208 227)
<b>Profit before tax</b>	<b>441 547</b>	<b>617 433</b>	<b>1 864 415</b>

<i>In thousands of Russian Roubles</i>	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 December 2017</b>
<b>Total reportable segment assets</b>	<b>86 847 911</b>	<b>76 291 722</b>	<b>88 072 595</b>
Unallocated assets	13 394 130	16 691 616	13 642 075
Recalculation of provision for impairment	(100 308)	255 594	(143 135)
Recognition of interest income on impaired loans	1 209 002	1 124 407	1 198 838
Application of effective interest rate method to fee and commission income	(232 600)	(244 903)	(232 452)
Finance lease adjustments	(29 534)	(48 055)	(36 959)
Consolidation effect	283 965	287 598	253 848
Other	(98 705)	(79 724)	(138 308)
<b>Total consolidated assets</b>	<b>101 273 861</b>	<b>94 278 255</b>	<b>102 616 502</b>

<i>In thousands of Russian Roubles</i>	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 December 2017</b>
<b>Total reportable segment liabilities</b>	<b>87 503 091</b>	<b>81 286 410</b>	<b>88 877 257</b>
Unallocated liabilities	1 378 067	1 153 926	1 263 983
Application of effective interest rate method to fee and commission expenses	(8 883)	(6 054)	(10 029)
Consolidation effect	(154 675)	(141 461)	(155 229)
<b>Total consolidated liabilities</b>	<b>88 717 600</b>	<b>82 292 821</b>	<b>89 975 982</b>

### **Major customers**

The Group does not have customers, revenues from which exceed 10% the total revenues.



## 12. Financial Risk Management

The risk management function within the Group is carried out in respect of the entire range of financial risks faced by the Group in the course of business. The focus is placed on the following risks: credit, market (including currency, equity and interest rate risk), liquidity, operational, business event (including legal, strategic and reputational risks) and system risk. Policies and processes for managing financial risks remain unchanged from those disclosed in annual consolidated financial statements for the year ended 31 December 2017.

**Currency risk.** The currency position of the Group as at 31 March 2018 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russian Roubles</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	6 655 972	646 249	749 739	39 801	8 091 761
Mandatory cash balances with the Central Bank of the Russian Federation	674 302	-	-	-	674 302
Due from other banks	6 103 479	-	-	-	6 103 479
Loans to customers and finance lease receivables	79 414 468	2 150 988	282	-	81 565 738
Other financial assets	732 178	5 299	1 149	-	738 626
<b>Total financial assets</b>	<b>93 580 399</b>	<b>2 802 536</b>	<b>751 170</b>	<b>39 801</b>	<b>97 173 906</b>
Other assets	4 099 955				4 099 955
<b>Total assets</b>	<b>97 680 354</b>	<b>2 802 536</b>	<b>751 170</b>	<b>39 801</b>	<b>101 273 861</b>
<b>Liabilities</b>					
Customer accounts	82 705 027	2 263 940	792 296	20 675	85 781 938
Debt securities in issue	1 176 762	49 649	-	-	1 226 411
Borrowings from international financial institutions	1 022 496	-	-	-	1 022 496
Other financial liabilities	171 408	2 707	82	-	174 197
<b>Total financial liabilities</b>	<b>85 075 693</b>	<b>2 316 296</b>	<b>792 378</b>	<b>20 675</b>	<b>88 205 042</b>
Other liabilities	510 958				510 958
<b>Total liabilities</b>	<b>85 586 651</b>	<b>2 316 296</b>	<b>792 378</b>	<b>20 675</b>	<b>88 716 001</b>
Spot contracts	327 300	(385 270)	49 024	7 346	(1 600)
<b>Net open currency position</b>	<b>12 421 003</b>	<b>100 970</b>	<b>7 816</b>	<b>26 472</b>	<b>12 556 261</b>

The currency position of the Group as at 31 December 2017 (adjustments to IFRS 9) is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russian Roubles</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	6 973 775	564 163	785 682	46 117	8 369 737
Mandatory cash balances with the Central Bank of the Russian Federation	662 931	-	-	-	662 931
Due from other banks	8 607 390	-	-	-	8 607 390
Loans to customers and finance lease receivables	77 115 957	2 628 404	264	-	79 744 625
Other financial assets	696 258	5 238	73	-	701 569
<b>Total financial assets</b>	<b>94 056 311</b>	<b>3 197 805</b>	<b>786 019</b>	<b>46 117</b>	<b>98 086 252</b>
Other assets	4 128 274				4 128 274
<b>Total assets</b>	<b>98 184 585</b>	<b>3 197 805</b>	<b>786 019</b>	<b>46 117</b>	<b>102 214 526</b>
<b>Liabilities</b>					
Customer accounts	84 098 352	2 327 121	776 019	16 444	87 217 936
Debt securities in issue	1 012 233	49 939	-	-	1 062 172
Borrowings from international financial institutions	996 297	-	-	-	996 297
Other financial liabilities	101 078	718	119	-	101 915
<b>Total financial liabilities</b>	<b>86 207 960</b>	<b>2 377 778</b>	<b>776 138</b>	<b>16 444</b>	<b>89 378 320</b>
Other liabilities	617 430				617 430
<b>Total liabilities</b>	<b>86 825 390</b>	<b>2 377 778</b>	<b>776 138</b>	<b>16 444</b>	<b>89 995 750</b>
Spot contracts	741 890	(744 553)	689	-	(1 974)
<b>Net open currency position</b>	<b>12 101 085</b>	<b>75 474</b>	<b>10 570</b>	<b>29 673</b>	<b>12 216 802</b>

The currency position of the Group as at 31 March 2017 is set out below:

<i>In thousands of Russian Roubles</i>	<b>Russian Roubles</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	5 691 777	2 736 391	1 027 926	55 132	9 511 226
Mandatory cash balances with the Central Bank of the Russian Federation	615 355	-	-	-	615 355
Due from other banks	2 101 085	-	9 695	-	2 110 780
Loans to customers and finance lease receivables	72 864 524	2 369 118	238	-	75 233 880
Other financial assets	709 208	6 649	82	-	715 939
<b>Total financial assets</b>	<b>81 981 949</b>	<b>5 112 158</b>	<b>1 037 941</b>	<b>55 132</b>	<b>88 187 180</b>
Other assets	6 090 984				6 090 984
<b>Total assets</b>	<b>88 072 933</b>	<b>5 112 158</b>	<b>1 037 941</b>	<b>55 132</b>	<b>94 278 164</b>
<b>Liabilities</b>					
Due to other banks	128 571	-	-	-	128 571
Customer accounts	75 310 307	2 125 347	1 048 215	34 456	78 518 325
Debt securities in issue	181 335	48 880	-	-	230 215
Other financial liabilities	105 856	2 487	126	-	108 469
Subordinated debt	-	2 912 903	-	-	2 912 903
<b>Total financial liabilities</b>	<b>75 726 069</b>	<b>5 089 617</b>	<b>1 048 341</b>	<b>34 456</b>	<b>81 898 483</b>
Other liabilities	394 338				394 338
<b>Total liabilities</b>	<b>76 120 407</b>	<b>5 089 617</b>	<b>1 048 341</b>	<b>34 456</b>	<b>82 292 821</b>
Spot contracts	(8 487)	(8 515)	17 093	-	91
<b>Net open currency position</b>	<b>11 944 039</b>	<b>14 026</b>	<b>6 693</b>	<b>20 676</b>	<b>11 985 434</b>

**Liquidity risk.** The liquidity position of the Group as at 31 March 2018 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>								
Cash and cash equivalents	8 091 761	-	-	-	-	-	-	8 091 761
Mandatory cash balances with the Central Bank of Russian Federation	674 302	-	-	-	-	-	-	674 302
Due from other banks	6 103 479	-	-	-	-	-	-	6 103 479
Loans and advances to customers and finance lease receivables	2 257 587	3 376 448	5 840 186	15 365 554	34 180 196	20 545 767	-	81 565 738
Investment in associate	-	-	-	-	-	-	325 993	325 993
Investment properties	-	-	-	-	296 149	-	126 822	422 971
Premises, equipment and intangible assets	-	-	-	-	-	-	2 792 369	2 792 369
Other financial assets	429 833	37 630	2 303	128 467	134 396	-	5 997	738 626
Other assets	8 380	21 101	5 365	199 918	323 858	-	-	558 622
<b>Total assets</b>	<b>17 565 342</b>	<b>3 435 179</b>	<b>5 847 854</b>	<b>15 693 939</b>	<b>34 934 599</b>	<b>20 545 767</b>	<b>3 251 181</b>	<b>101 273 861</b>
<b>Liabilities</b>								
Customer accounts	9 570 557	6 458 916	11 211 416	24 394 148	34 146 901	-	-	85 781 938
Debt securities in issue	784 010	325 554	77 723	39 124	-	-	-	1 226 411
Borrowings from international financial institutions	-	229 886	-	200 000	592 610	-	-	1 022 496
Other financial liabilities	143 312	2 798	2 349	19 766	7 572	-	-	175 797
Other liabilities	-	-	-	-	-	-	143 465	143 465
Deferred income tax liability	66 435	129 357	2 456	98 525	70 720	-	-	367 493
<b>Total liabilities</b>	<b>10 564 314</b>	<b>7 146 511</b>	<b>11 293 944</b>	<b>24 751 563</b>	<b>34 817 803</b>	<b>-</b>	<b>143 465</b>	<b>88 717 600</b>
<b>Net liquidity gap</b>	<b>7 001 028</b>	<b>(3 711 332)</b>	<b>(5 446 090)</b>	<b>(9 057 624)</b>	<b>116 796</b>	<b>20 545 767</b>	<b>3 107 716</b>	<b>12 556 261</b>
<b>Cumulative liquidity gap</b>	<b>7 001 028</b>	<b>3 289 696</b>	<b>(2 156 394)</b>	<b>(11 214 018)</b>	<b>(11 097 222)</b>	<b>9 448 545</b>	<b>12 556 261</b>	

The above analysis is based on expected maturities. Therefore, a part of customer accounts was categorised as later maturities because diversification of customer accounts by size and type of balances and constant inflow of new balances shows that customer accounts represent a long-term and stable source of finance. The expected negative gap in the table above is planned to be covered by continuous attracting of customer accounts. The Bank also has opened credit lines with the Bank of Russia that can be used in case of the need.

The liquidity position of the Group as at 31 December 2017 (adjustments to IFRS – IFRS 9) is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>								
Cash and cash equivalents	8 369 737	-	-	-	-	-	-	8 369 737
Mandatory cash balances with the Central Bank of Russian Federation	662 931	-	-	-	-	-	-	662 931
Due from other banks	8 607 390	-	-	-	-	-	-	8 607 390
Loans and advances to customers and finance lease receivables	1 912 167	4 289 536	5 096 705	13 759 611	34 532 741	20 153 865	-	79 744 625
Investment in associate	-	-	-	-	-	-	305 468	305 468
Investment properties	-	-	-	-	296 149	-	126 822	422 971
Premises, equipment and intangible assets	-	-	-	-	-	-	2 807 326	2 807 326
Other financial assets	184 742	74 090	3 957	122 190	310 593	-	5 997	701 569
Other assets	16 923	26 782	9 148	246 148	293 508	-	-	592 509
<b>Total assets</b>	<b>19 753 890</b>	<b>4 390 408</b>	<b>5 109 810</b>	<b>14 127 949</b>	<b>35 432 991</b>	<b>20 153 865</b>	<b>3 245 613</b>	<b>102 214 526</b>
<b>Liabilities</b>								
Customer accounts	10 596 655	2 795 815	8 094 917	23 248 142	42 482 407	-	-	87 217 936
Debt securities in issue	756 336	55 553	214 952	35 331	-	-	-	1 062 172
Borrowings from international financial institutions	-	-	204 511	200 000	591 786	-	-	996 297
Other financial liabilities	65 140	10 246	2 035	7 614	18 854	-	-	103 889
Other liabilities	86 812	142 743	4 185	110 746	58 325	-	-	402 811
Deferred income tax liability	-	-	-	-	-	-	214 619	214 619
<b>Total liabilities</b>	<b>11 504 943</b>	<b>3 004 357</b>	<b>8 520 600</b>	<b>23 601 833</b>	<b>43 151 372</b>	<b>-</b>	<b>214 619</b>	<b>89 997 724</b>
<b>Net liquidity gap</b>	<b>8 248 947</b>	<b>1 386 051</b>	<b>(3 410 790)</b>	<b>(9 473 884)</b>	<b>(7 718 381)</b>	<b>20 153 865</b>	<b>3 030 994</b>	<b>12 216 802</b>
<b>Cumulative liquidity gap</b>	<b>8 248 947</b>	<b>9 634 998</b>	<b>6 224 208</b>	<b>(3 249 676)</b>	<b>(10 968 057)</b>	<b>9 185 808</b>	<b>12 216 802</b>	

The liquidity position of the Group as at 31 March 2017 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>								
Cash and cash equivalents	9 511 226	-	-	-	-	-	-	9 511 226
Mandatory cash balances with the Central Bank of Russian Federation	615 355	-	-	-	-	-	-	615 355
Due from other banks	2 101 085	-	9 695	-	-	-	-	2 110 780
Loans and advances to customers and finance lease receivables	2 765 079	3 405 489	6 477 634	14 119 719	33 096 779	15 369 180	-	75 233 880
Investment in associate	-	-	-	-	-	-	329 260	329 260
Investment properties	-	-	-	-	2 482 251	-	126 822	2 609 073
Premises, equipment and intangible assets	-	-	-	-	-	-	2 755 242	2 755 242
Other financial assets	415 767	130 160	1 187	99 097	63 822	-	5 997	716 030
Other assets	130 475	23 798	8 225	48 756	186 155	-	-	397 409
<b>Total assets</b>	<b>15 538 987</b>	<b>3 559 447</b>	<b>6 496 741</b>	<b>14 267 572</b>	<b>35 829 007</b>	<b>15 369 180</b>	<b>3 217 321</b>	<b>94 278 255</b>
<b>Liabilities</b>								
Due to other banks	41 674	46 675	-	-	-	40 222	-	128 571
Customer accounts	4 539 875	2 027 741	1 730 757	5 366 191	64 853 761	-	-	78 518 325
Debt securities in issue	3 918	6 945	193 728	25 624	-	-	-	230 215
Subordinated debt	1 786 040	-	-	-	1 126 863	-	-	2 912 903
Other financial liabilities	61 408	7 322	5 716	15 555	18 468	-	-	108 469
Other liabilities	-	-	-	-	-	-	186 890	186 890
Deferred income tax liability	161 765	4 331	113	14 726	26 513	-	-	207 448
<b>Total liabilities</b>	<b>6 594 680</b>	<b>2 093 014</b>	<b>1 930 314</b>	<b>5 422 096</b>	<b>66 025 605</b>	<b>40 222</b>	<b>186 890</b>	<b>82 292 821</b>
<b>Net liquidity gap</b>	<b>8 944 307</b>	<b>1 466 433</b>	<b>4 566 427</b>	<b>8 845 476</b>	<b>(30 196 598)</b>	<b>15 328 958</b>	<b>3 030 431</b>	<b>11 985 434</b>
<b>Cumulative liquidity gap</b>	<b>8 944 307</b>	<b>10 410 740</b>	<b>14 977 167</b>	<b>23 822 643</b>	<b>(6 373 955)</b>	<b>8 955 003</b>	<b>11 985 434</b>	



### 13. Analysis of Risk-based Capital

The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	31 March 2018	31 December 2017 (IFRS 9)	31 December 2017	31 March 2017
<i>Tier 1 capital</i>				
Share capital	1 326 277	1 326 277	1 326 277	1 326 277
Share premium	2 078 860	2 078 860	2 078 860	2 078 860
Retained Earnings	7 844 972	7 505 513	7 929 231	7 227 157
<b>Total tier 1 capital</b>	<b>11 250 109</b>	<b>10 910 650</b>	<b>11 334 368</b>	<b>10 632 294</b>
<i>Tier 2 capital</i>				
Revaluation reserve for premises and equipment	1 306 152	1 306 152	1 306 152	1 353 140
Subordinated debt	-	-	-	869 159
<b>Total tier 2 capital</b>	<b>1 306 152</b>	<b>1 306 152</b>	<b>1 306 152</b>	<b>2 222 299</b>
<b>Total capital</b>	<b>12 556 261</b>	<b>12 216 802</b>	<b>12 640 520</b>	<b>12 854 593</b>
<b>Risk-Weighted Assets</b>	<b>75 148 914</b>	<b>74 975 969</b>	<b>75 345 679</b>	<b>75 136 830</b>
Capital Adequacy Ratio	16,7%	16,3%	16,8%	17,1%

### 14. Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group may be received. At 31 March 2018, the Group was engaged in litigation proceedings in relation to claims from borrowers and leases. A provision of RR 13 158 thousand (31 December 2017: 10 657 thousand; 31 March 2017: 10 806 thousand) has been made as internal professional advice has indicated that it is likely that a liability will eventuate.

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2018	31 December 2017	31 March 2017
<b>Guarantees issued total, including:</b>	<b>2 047 428</b>	<b>2 991 667</b>	<b>2 500 817</b>
- Russian rubles	1 907 627	2 811 237	2 278 201
- US dollars	116 115	161 147	212 921
- Euro	23 686	19 283	9 695

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 31 023 thousand at 31 March 2017 (31 December 2017: 33 358 thousand; 31 March 2017: 43 538 thousand).

The Group has loan commitments of RR 7 247 197 thousand (31 December 2017: 7 227 302 thousand; 31 March 2017: 6 559 923 thousand). All undrawn credit facilities can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

**Assets pledged and restricted.** The Group had assets pledged as collateral with the following carrying value::

<i>In thousands of Russian Roubles</i>	31 March 2018		31 December 2017		31 March 2017	
	Asset pledged	Related liability	Asset pledged	Related liability	Asset pledged	Related liability
Loans and advances to customers	-	-	-	-	382 688	128 563

At 31 March 2018 due from other banks balances in the amount of RR 98 496 thousand (31 December 2017: RR 99 072 thousand, 31 March 2017: RR 91 193 thousand) are placed as a cover for international payment cards transactions. Also, mandatory cash balances with the CB RF in the amount of RR 674 302 thousand (31 December 2017: RR 662 931 thousand, 31 March 2017: RR 615 355 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

**Compliance with covenants.** The Group is subject to certain covenants relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a claim on early repayment of the loan. At 31 March 2018 and 31 December 2017, the Group was in compliance with all covenants. At 31 March 2017 Group did not comply with covenants with regard to the open credit risk ratio (impaired loans and advances to customers less provision to the Group's capital). The issue was subsequently settled with creditors without penalties.

## 15. Fair Value

Fair value measurements are analysed by level in the fair value hierarchy as follows: (1) Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) Level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (3) Level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies professional judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

### (a) Recurring fair value measurements

Recurring fair value measurements are those that the other IFRS require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2018			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>				
<b>Financial assets</b>				
<b>Other financial assets</b>				
Other securities at fair value through profit or loss	-	-	5 997	5 997
<b>Non-financial assets</b>				
- Investment in associate	-	-	325 993	325 993
- Investment properties (Note 4)	-	-	422 971	422 971
- Premises and land (Note 4)	-	-	2 326 064	2 326 064
<b>Total assets recurring fair value measurements</b>	-	-	<b>3 081 025</b>	<b>3 081 025</b>
<b>Liabilities at fair value</b>				
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
- Foreign exchange spot contracts	-	1 600	-	1 600
<b>Total liabilities recurring fair value measurements</b>	-	<b>1 600</b>	-	<b>1 600</b>

In thousands of Russian Roubles	31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>				
<b>Financial assets</b>				
<b>Other financial assets</b>				
Other securities at fair value through profit or loss	-	-	5 997	5 997
<b>Non-financial assets</b>				
- Investment in associate	-	-	305 468	305 468
- Investment properties (Note 4)	-	-	422 971	422 971
- Premises and land (Note 4)	-	-	2 335 712	2 335 712
<b>Total assets recurring fair value measurements</b>	-	-	<b>3 070 148</b>	<b>3 070 148</b>
<b>Liabilities at fair value</b>				
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
- Foreign exchange spot contracts	-	1 974	-	1 974
<b>Total liabilities recurring fair value measurements</b>	-	<b>1 974</b>	-	<b>1 974</b>

In thousands of Russian Roubles	31 March 2017			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE</b>				
<b>FINANCIAL ASSETS</b>				
<b>Other financial assets</b>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
- Foreign exchange spot contracts	-	91	-	91
<b>NON-FINANCIAL ASSETS</b>				
- Investment in associate	-	-	329 260	329 260
- Investment properties (Note 4)	-	-	2 609 073	2 609 073
- Premises and land (Note 4)	-	-	2 346 023	2 346 023
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	-	<b>91</b>	<b>5 290 353</b>	<b>5 290 444</b>

**(b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows::

In thousands of Russian Roubles	31 March 2018			
	Level 1	Level 2	Level 3	Carrying amount
<b>Financial assets</b>				
Cash and cash equivalents	4 391 935	3 699 826	-	8 091 761
Mandatory cash balances with the Central Bank of Russian Federation	-	674 302	-	674 302
Due from other banks	-	6 103 479	-	6 103 479
Loans and advances to customers and finance lease receivables	-	-	83 532 733	81 565 738
- Loans to small and medium businesses	-	-	27 224 781	27 255 480
- Corporate loans	-	-	6 601 450	6 629 919
- Loans to individuals – consumer and car loans	-	-	20 618 882	20 177 731
- Mortgage loans	-	-	28 872 307	27 288 188
- Finance lease receivables	-	-	215 313	214 420
Other financial assets	-	-	732 629	732 629
<b>TOTAL</b>	<b>4 391 935</b>	<b>10 477 607</b>	<b>84 265 362</b>	<b>97 167 909</b>

<i>In thousands of Russian Roubles</i>	31 December 2017 (IRFS 9)			Carrying amount
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and cash equivalents	3 724 781	4 644 956	-	8 369 737
Mandatory cash balances with the Central Bank of Russian Federation	-	662 931	-	662 931
Due from other banks	-	8 607 390	-	8 607 390
Loans and advances to customers and finance lease receivables	-	-	82 065 999	79 744 625
- Loans to small and medium businesses	-	-	25 903 089	25 879 132
- Corporate loans	-	-	7 099 347	7 098 253
- Loans to individuals – consumer and car loans	-	-	21 048 990	20 610 915
- Mortgage loans	-	-	27 781 653	25 923 864
- Finance lease receivables	-	-	232 920	232 461
Other financial assets	-	-	728 707	728 707
<b>TOTAL</b>	<b>3 724 781</b>	<b>13 915 277</b>	<b>82 794 706</b>	<b>98 113 390</b>

<i>In thousands of Russian Roubles</i>	31 March 2017			Carrying amount
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and cash equivalents	3 911 395	5 599 831	-	9 511 226
Mandatory cash balances with the Central Bank of Russian Federation	-	615 355	-	615 355
Due from other banks	-	2 110 780	-	2 110 780
Loans and advances to customers and finance lease receivables	-	-	75 562 010	75 233 880
- Loans to small and medium businesses	-	-	26 211 796	26 361 967
- Corporate loans	-	-	8 315 066	8 325 267
- Loans to individuals – consumer and car loans	-	-	20 539 998	19 969 285
- Mortgage loans	-	-	20 217 582	20 301 548
- Finance lease receivables	-	-	277 568	275 813
Other financial assets	-	-	709 942	709 942
<b>TOTAL</b>	<b>3 911 395</b>	<b>8 325 966</b>	<b>76 271 952</b>	<b>88 181 183</b>

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

<i>In thousands of Russian Roubles</i>	31 March 2018			Carrying amount
	Level 1	Level 2	Level 3	
<b>Financial liabilities</b>				
Customer accounts	-	-	85 781 938	85 781 938
Debt securities in issue	631 290	-	595 624	1 226 411
- Promissory notes	-	-	595 624	595 624
- Bonds issued on domestic market	631 290	-	-	630 787
Borrowings from international financial institutions	-	-	1 022 496	1 022 496
Other financial liabilities	-	-	174 197	174 197
<b>TOTAL</b>	<b>631 290</b>	<b>-</b>	<b>87 574 255</b>	<b>88 205 042</b>

<i>In thousands of Russian Roubles</i>	31 December 2017			Carrying amount
	Level 1	Level 2	Level 3	
<b>Financial liabilities</b>				
Customer accounts	-	-	87 217 936	87 217 936
Debt securities in issue	590 145	-	472 520	1 062 172
- <i>Promissory notes</i>	-	-	472 520	472 520
- <i>Bonds issued on domestic market</i>	590 145	-	-	589 652
Borrowings from international financial institutions	-	-	996 297	996 297
Other financial liabilities	-	-	101 915	101 915
<b>TOTAL</b>	<b>590 145</b>	<b>-</b>	<b>88 788 668</b>	<b>89 378 320</b>

<i>In thousands of Russian Roubles</i>	31 March 2017			Carrying amount
	Level 1	Level 2	Level 3	
<b>Financial liabilities</b>				
Due to other banks	-	-	128 571	128 571
Customer accounts	-	-	78 518 325	78 518 325
Debt securities in issue	108 830	-	119 295	230 215
- <i>Promissory notes</i>	-	-	119 295	119 295
- <i>Bonds issued on domestic market</i>	108 830	-	-	110 920
Subordinated debt	-	-	2 912 903	2 912 903
Other financial liabilities	-	-	108 469	108 469
<b>TOTAL</b>	<b>108 830</b>	<b>-</b>	<b>81 787 563</b>	<b>81 898 483</b>

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

<i>In thousands of Russian Roubles</i>	31 March 2018	31 December 2017	31 March 2017
<b>RR</b>			
<i>Loans and advances to customers</i>			
Loans to small and medium entities	10,2 – 14,0%	10,1 – 13,0%	12,7 – 14,8%
Corporate loans	11,0 – 12,5%	10,5 – 11,9%	12,1 – 14,7%
Loans to individuals – consumer loans	13,2 – 13,7%	13,7 – 13,9%	14,1 – 15,0%
Loans to individuals – car loans	11,2 – 13,8%	10,5 – 13,7%	12,2 – 15,0%
Loans to individuals - mortgage loans	9,7 – 9,8%	10,0%	11,0 – 12,3%
<i>Finance lease receivables</i>	16,6 – 18,9%	16,1 - 22,6%	15,9 - 23,1%
<i>Customer accounts</i>			
Term deposits of individuals	2,0 – 9,75%	2,0 – 10,0%	2,0 – 11,0%
Term deposits of enterprises	3,0 – 7,7%	3,5 – 7,8%	4,0 – 11,2%
<i>Borrowings from international financial institutions</i>	10,2%	10,2%	-
<b>Currency</b>			
<i>Loans and advances to customers</i>			
Corporate loans and loans to SME	4,0%	4,0 – 7,7%	4,0 – 7,3%
Loans to individuals – consumer loans	4,0%	4,0%	10,0%
Mortgage loans	9,0%	4,0%	9,0%
<i>Customer accounts</i>			
Term deposits of individuals	0,05 – 1,7%	0,1 – 1,7%	0,1 – 2,5%
<i>Subordinated debt</i>	-	-	7,4%

Current rates on the Group's liabilities approximate market rates as they relate to short-term instruments or instruments with floating rates. The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

## 16. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The consolidated financial statements of the Group include the following significant transactions and balances with related parties::

<i>In thousands of Russian Roubles</i>	31 March 2018		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	144 530	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.5% – 13.2%)	-	62 056	6 699
Customer accounts (contractual interest rate: 0.01% – 8.3%)	-	2 458	75 445

<i>In thousands of Russian Roubles</i>	31 March 2017		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	356 621	-	-
Gross amount of loans and advances to customers (contractual interest rate: 10.0% – 13.5%)	-	111 945	9 996
Customer accounts (contractual interest rate: 0.1% – 11.0%)	-	4 561	63 939
Subordinated loans (contractual interest rate: 7.4%)	2 912 903	-	-

<i>In thousands of Russian Roubles</i>	31 December 2017		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	172 099	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.5% – 13.5%)	-	78 408	6 064
Customer accounts (contractual interest rate: 0.01% – 8.3%)	-	4 508	73 353

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2018		
	Significant shareholders	Associate	Management and Board of Directors
Interest income	-	2 258	152
Interest expense	-	-	(1 050)
Fee and commission income	-	1 117	7
Administrative expenses excluding management remuneration	-	-	(739)

<i>In thousands of Russian Roubles</i>	Three months ended 31 March 2017		
	Significant shareholders	Associate	Management and Board of Directors
Interest income	-	4 172	187
Interest expense	(54 174)	-	(923)
Fee and commission income	-	333	4
Administrative expenses excluding management remuneration	-	-	(876)



	2017		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	12 798	631
Interest expense	(109 395)	-	(3 852)
Fee and commission income	-	1 117	17
Administrative expenses excluding management remuneration	-	-	(4 310)

Major shareholders mean shareholders holding over five percent of the Bank's voting shares. The major shareholders of the Bank are as follows:

Shareholder	31 March 2018		31 December 2017		31 March 2017	
	Equity share, %	Voting rights, %	Equity share, %	Voting rights, %	Equity share, %	Voting rights, %
European Bank for Reconstruction and Development	17,82	19,74	17,82	19,74	22,80	25,25
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	14,57	16,14	14,57	16,14	18,65	20,65
Vasiliy Vasilievich Vysokov	11,10	12,30	11,10	12,30	11,10	12,30
Tatiana Nikolaevna Vysokova	10,96	12,13	10,96	12,13	10,96	12,13
ResponsAbility Participations AG, ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	9,05	10,03	9,05	10,03	-	-
Erste Bank	9,09	9,01	9,09	9,01	9,09	9,01
Firebird Funds	8,22	9,11	8,22	9,11	8,22	9,11
Rekha Holdings Limited	6,77	7,49	6,77	7,49	6,77	7,49

Key management compensation is presented below:

	Three months ended 31 March 2018		Three months ended 31 March 2017		2017	
	Expense	Accrued liability	Expense	Accrued liability	Expense	Accrued liability
<i>In thousands of Russian Roubles</i>						
<i>Short-term benefits:</i>						
- Salaries	5 433	-	7 194	-	33 106	-
- Short-term and other bonuses	172	-	104	-	58 316	-
<i>Long-term bonus scheme</i>	663	28 537	481	20 691	7 664	27 874
<b>Total</b>	<b>6 268</b>	<b>28 537</b>	<b>7 779</b>	<b>20 691</b>	<b>99 086</b>	<b>27 874</b>

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

As at 31 March 2018, 31 December 2017 and 31 March 2017 the Board of Directors consisted of 7 persons, the Group's Executive Board consisted of 5 persons.

## 17. Events after the End of the Reporting Period

In April 2018, based on the results of the Bank of Russia audit conducted in 2017 and completed in January 2018, the Bank received an order on additional provision for possible loan losses, which was executed in April 2018. The provision created did not have a significant impact on the Bank's performance.