



**PJSC BEST EFFORTS BANK**

Financial Statements for the year ended 31 December 2017

## CONTENTS

AUDITOR'S REPORT on the Financial Statements of Best Efforts Bank (Public Joint Stock Company) for FY 2017 .....	3
AUDITOR'S REPORT .....	4
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR FY 2017 .....	9
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 .....	10
CASH FLOW STATEMENT FOR FY 2017.....	11
STATEMENT OF CHANGES IN EQUITY FOR FY 2017 .....	12
1. NOTES TO THE FINANCIAL STATEMENTS ENDED 31 DECEMBER 2017 .....	13
2. BASIS OF PREPARATION.....	15
3. SIGNIFICANT ACCOUNTING POLICIES .....	15
4. INTEREST INCOME AND EXPENSE .....	30
5. FEE AND COMMISSION INCOME .....	30
6. FEE AND COMMISSION EXPENSE.....	30
7. NET GAINS FROM TRADING IN FOREIGN CURRENCIES.....	30
8. IMPAIRMENT PROVISION .....	31
9. OTHER GENERAL AND ADMINISTRATIVE EXPENSE .....	31
10. INCOME TAX EXPENSE.....	31
11. CASH AND CASH EQUIVALENTS .....	32
12. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS .....	33
13. ACCOUNTS RECEIVABLE ON REPO AGREEMENTS .....	33
14. FINANCIAL ASSETS AVAILABLE FOR SALE.....	33
15. CUSTOMER LOANS .....	34
16. ACCOUNTS PAYABLE UNDER REPO AGREEMENTS .....	36
17. CUSTOMER CURRENT ACCOUNTS AND DEPOSITS.....	36
18. OTHER LIABILITIES .....	37
19. SHARE CAPITAL.....	37
20. RISK MANAGEMENT .....	38
21. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY .....	48
22. CREDIT RELATED COMMITMENTS .....	49
23. OPERATING LEASE .....	49
24. CONTINGENT LIABILITIES .....	49
25. RELATED PARTY TRANSACTIONS .....	50
26. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS .....	52
27. DERIVATIVES .....	55
28. EARNINGS PER SHARE .....	55

**AUDITOR'S REPORT**  
**on the Financial Statements of**  
**Best Efforts Bank**  
**(Public Joint Stock Company)**  
**for FY 2017**

**MOSCOW**

**2018**

# AUDITOR'S REPORT

**FOR THE SHAREHOLDERS OF**

**BEST EFFORST BEST**

**(Public Joint Stock Company)**

## Opinion

We have audited the accompanying financial statements of Best Efforts Bank (Public Joint Stock Company) (OGRN 1037700041323, 38 Dolgorukovskaya Street, Building 1, Moscow 127006), comprising the Statement of Financial Position as of 31 December 2017, Profit and Loss Statement, Statement of Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Best Efforts Bank (Public Joint Stock Company) as of 31 December 2017, as well as the financial results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

## Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibility in accordance with these standards is described in the section *Auditor's Responsibility for the Audit of the Financial Statements* of this Report. We are independent of the Auditee in accordance with the Rules for the Independence of Auditors and Audit Organizations and the Code of Professional Ethics of Auditors that comply with the Code of Ethics for Professional Accountants developed by the Council for International Ethical Standards for Professional Accountants and we have fulfilled all other obligations in accordance with these requirements of professional ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are issues that, according to our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements in general and for forming our opinion on these financial statements, and we do not express a separate opinion on these matters.

## OTHER MATTERS

Our opinion on the financial statements does not apply to other matters, and we do not provide a conclusion that in any form ensures reliability of other matters.

In connection with our audit of the financial statements, our responsibility is to review other information and to consider whether there are significant inconsistencies between other matters and the consolidated financial statements or our knowledge obtained during the audit and whether other information contains signs of material misstatement. If, on the basis of our work, we come to the conclusion that such other information contains a material misstatement, we are obliged to report this fact.

PJSC Best Efforts Bank is registered on the site of the US Internal Revenue Service (IRS) in the status of Participating Foreign Financial Institution with the assignment of the Global Intermediary Identification Number GIIN: B57WNA.99999.SL.643.

## Responsibility of Management and Members of the Board of Director of the Audited Entity for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in compliance with the International Financial Reporting Principles and internal controls required to prepare the financial statements that are free from any material misstatement, whether due to fraud or error.

In the preparation of financial statements, Management is responsible for assessing the ability of the entity to continue as a going concern, for appropriate disclosures relating to the going concern, and for reporting on the basis of the going concern assumption, unless the management intends to liquidate the audited entity, terminate its activities or when they lack any other real alternative, except for the liquidation or termination thereof.

Members of the Board of Directors are responsible for overseeing the preparation of the financial statements of the audited entity.

## Auditor's Responsibility for the Audit of Financial Statements

Our goal is to obtain reasonable assurance that the financial statements do not contain any material misstatements, whether due to fraud or error, and in issuing an auditor's report that contains our opinion. Reasonable assurance is a high degree of certainty, but it does not guarantee that an audit conducted in accordance with ISA always reveals material misstatements, if any. Misstatements may result from fraud or error and are considered material, if it can be reasonably assumed that, individually or collectively, they may affect economic decisions of users made on the basis of these annual consolidated financial statements.

As part of the audit conducted in accordance with ISA, we apply professional judgment and maintain professional skepticism throughout the engagement.

In addition, we perform the following procedures:

a) identify and assess the risks of material misstatement of the financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due

to error, since fraudulent actions may include collusion, forgery, intentional omissions, misrepresentation of information or actions bypassing the internal controls;

b) obtain an understanding of the internal controls that is relevant to the audit, with a view to developing audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the efficiency of the auditee's internal control system;

c) evaluate the appropriate nature of the accounting policies applied, the reasonableness of accounting estimates and of the corresponding disclosures prepared by the management of the audited entity;

d) make conclusions on the reasonableness of application of the going concern assumption by the auditee's management; and on the basis of the audit evidence obtained - make the conclusion whether there is a material uncertainty in connection with events or conditions that may give rise to significant doubts about the ability of the audited entity to continue as a going concern. If we conclude that there is material uncertainty, in our auditor's report we should draw attention to the relevant disclosure in the financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained before the date of our auditor's report. However, future events or conditions may lead to the loss of the auditee's ability to continue as a going concern;

e) assess the presentation of the financial statements in general, its structure and content, including disclosures, as well as whether the financial statements present the underlying operations and events in a manner that ensures their adequate understanding;

We exchange information with the members of the Board of Directors of the audited entity, bringing to their attention, among other things, information on the planned scope and timing of the engagement, as well as significant comments on the engagement results, including significant weaknesses in the internal controls that we identify during the engagement.

We also provide to the members of the Board of Directors of the audited entity the statement that we have complied with all relevant ethical requirements for independence and informed these persons of all relations and other issues that can reasonably be considered as issues influencing the independence of an auditor, and, if applicable, of the relevant precautions.

Among issues that we brought to the attention of the members of the Board of Directors of the audited entity, we determined the issues that were the most significant for the audit of the financial statements for the current period and, therefore, they are our key audit matters. We describe these matters in our auditor's report, except in cases where public disclosures about such issues is prohibited by law or regulation, or when, in very rare cases, we come to the conclusion that information about a matter should not be mentioned in the auditor's report, as it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefit from its communication.

**Report of findings from the procedures performed in compliance with the requirements of Article 42 of Federal Law № 395-I *On Banks and Banking Activities* dated 2 December 1990 (as amended and supplemented).**

Management of PJSC Best Efforts Bank is responsible for the Bank's compliance with statutory requirements established by the Bank of Russia, as well as for maintaining internal controls and organizing risk management systems in accordance with the requirements imposed by the Bank of Russia on such systems.

In compliance with Article 42 of Federal Law № 395-I *On Banks and Banking Activities* during our audit of the Bank's annual financial statements for FY 2015 we have audited:

- the Bank's compliance as at 1 January 2018 with the statutory requirements imposed by the Bank of Russia;

- compliance of the Bank's internal controls and risk management systems with the requirements imposed by the Bank of Russia on such systems.

This audit was limited by the procedures that were selected on the basis of our judgment and included inquiries, analyses, inspections of documents, comparisons of the Bank's policies, procedures and methodologies to applicable requirements established by the Bank of Russia, as well as recalculations, reconciliations and comparisons of numerical data and other information.

Our findings from the procedures are reported below:

1) based on our procedures with respect to the Bank's compliance with the statutory requirements imposed by the Bank of Russia we established that:

- the Bank's mandatory ratios as at 1 January 2018 were within the limits established by the bank of Russia.

We have not performed any procedures on the accounting records maintained by the Bank other than those that we considered necessary to enable us to express an opinion as to whether the Bank's annual financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, its financial performance and its cash flows for FY 2017 in compliance with the International Financial Reporting Standards and the requirements of the Russian laws to financial reporting;

2) based on our procedures with respect to compliance of the Bank's internal controls and risk management systems with the requirements of imposed by the Bank of Russia on such systems we found that:

- as at 31 December 2017, the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors, the risk management function was not subordinated to and accountable to divisions accepting the respective risks in accordance with the regulations and recommendation of the Bank of Russia; the heads of the internal audit department and risk management department of the Bank comply with the qualification requirements established by the Bank of Russia;
- the Bank's internal documentation, effective as at 31 December 2017, establishing the procedures and methodologies for identifying and managing the Bank's significant credit, operational, market, interest, legal, liquidity, reputational risks, and for stress testing was approved by the authorized management bodies of the Bank in accordance with the regulations and recommendations of the Bank of Russia;
- as at 31 December 2017, the Bank maintained a system of reporting on its significant credit, operational, market, interest, legal, and reputational risks, as well as on the Bank's capital;
- the frequency and consistency of the reports prepared by the Bank's risk management function and the internal audit department during 2017, which cover the Bank's credit, operational, market, interest, legal, liquidity and reputational risks, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management function and the Internal Audit Department as to their assessment of the efficiency of the Bank's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2017, the Bank's Board of Directors and the executive management of the Bank had the responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios as established by the Bank's internal documentation, as well as the efficiency of risk management procedures applied by the Bank and their consistency.

Our procedures with respect to the Bank's internal controls and risk management systems were performed solely for the purpose of examining whether these controls and systems are in compliance with the requirements imposed by the Bank of Russia on such systems.

**Head of the Credit Institutions Audit Division,  
Audit Department,  
ACG RBS JSC**

acting on the basis of PoA № 12  
dated 9 January 2018  
(qualification certificate № 01-000319 as of 26  
December 2011, duration unlimited)



**E.V. Pelevina**

#### **AUDIT FIRM**

Joint Stock Company Audit-Consulting Group Business Systems Development.

State Registration Number: 1027739153430.

3B Kudrinsky pereulok, building 2, room 3, Moscow 123242, Russian Federation.

Member of the self-regulatory organization of auditors Non-Profit Partnership Auditor Association Sodruchestvo (NP AAS).

Number in the Register of Auditors and Audit Organizations of the Self-Regulatory Organization of Auditors: 112060276977.

**26 April 2018**



## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR FY 2017

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR FY 2017

Year ended 31 December

	Note	2017	2016
Interest income	4	238 931	181 545
Interest expense	4	(75 805)	(122 809)
<b>Net interest income</b>		<b>163 126</b>	<b>58 736</b>
Fee and commission income	5	172 881	168 639
Fee and commission expense	6	(104 609)	(91 588)
<b>Net fee and commission income</b>		<b>68 272</b>	<b>77 051</b>
Net gains from financial assets available for sale		(26 808)	7 980
Net gains from trading in foreign currencies	7	93 475	157 722
Other income		7 908	2 305
<b>Operating income</b>		<b>305 973</b>	<b>303 794</b>
Impairment provisions	8	(19 613)	(27 034)
Other general and administrative expense	9	(191 398)	(161 082)
<b>Profit before income tax</b>		<b>94 962</b>	<b>115 678</b>
Income tax expense	10	(19 006)	(25 740)
<b>Profit for the year</b>		<b>75 956</b>	<b>89 938</b>
<b>Other comprehensive income less income tax</b>			
Financial assets available for sale:			
- Net change in fair value of financial assets available for sale		2 046	31 962
- Net change in fair value of financial assets available for sale transferred to profit or loss		(4 706)	(6 384)
<b>Other comprehensive (loss) profit less income tax</b>		<b>(2 660)</b>	<b>25 578</b>
<b>Total comprehensive income for the year</b>		<b>73 296</b>	<b>115 516</b>
<b>Basic and diluted earnings per ordinary share (in RUB per share)</b>	28	<b>1,34</b>	<b>1,59</b>

The accompanying Notes are an integral part of this Statement of Profit and Loss and Other Comprehensive Income.

These financial statements were approved by the Bank's Management Board on 23 April 2018 and were signed on their behalf by:

I.B. Ionova

Chairman of the Management Board



N.G. Popova

Chief Accountant

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	31 December 2017	31 December 2016
<b>ASSETS</b>			
Cash and cash equivalents	11	1 467 286	1 845 871
Mandatory cash balances with CBRF		38 896	28 636
Due from banks and other financial institutions	12	360 255	210 452
Accounts receivable under repo agreements	13	3 333 491	1 462 841
Positive fair value of derivatives	27	6 273	17 540
Financial assets available for sale:			
- owned by the Bank	14	1 283 374	834 976
- pledged under repo agreements	14	349 658	234 923
Customer loans	15	19 203	14 320
Current income tax receivable		4 405	1 672
Property, plant and equipment		113 849	45 683
Intangible assets		10 891	9 932
Deferred tax asset		17 986	-
Other assets		6 220	6 076
<b>Total assets</b>		<b>7 011 787</b>	<b>4 712 922</b>
<b>LIABILITIES</b>			
Negative fair value of derivative financial instruments	27	1 120	7 409
Due to banks and other financial institutions		1 133	636
Obligations to supply securities		718 993	-
Accounts payable on repo agreements	16	1 517 104	630 458
Customer current accounts and deposits	17	3 398 848	2 772 975
Deferred tax liabilities		-	195
Other liabilities	18	33 452	33 408
<b>Total liabilities</b>		<b>5 670 650</b>	<b>3 445 081</b>
<b>EQUITY</b>			
Share capital	19	702 762	702 762
Additional capital		685 811	685 811
Financial assets available for sale revaluation reserve		(2 448)	212
Accumulated deficit		(44 988)	(120 944)
<b>Total equity</b>		<b>1 341 137</b>	<b>1 267 841</b>
<b>Total liabilities and equity</b>		<b>7 011 787</b>	<b>4 712 922</b>

The accompanying Notes are an integral part of this Statement of Financial Position.

These financial statements were approved by the Bank's Management Board on 23 April 2018 and were signed on their behalf by:

I.B. Ionova

Chairman of the Management Board



N.G. Popova

Chief Accountant

CASH FLOW STATEMENT FOR FY 2017

CASH FLOW STATEMENT FOR FY 2017

	Note	Year ended 31 December	
		2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interests received		240 404	192 986
Interests paid		(65 198)	(131 524)
Fees and commissions received		172 881	168 639
Fees and commissions paid		(104 566)	(91 521)
Net gain on financial assets available for sale		(26 827)	-
Net gain from trading in foreign currencies		(6 308)	489 707
Other income		-	677
Other general and administrative expense and payroll expense paid		(210 681)	(144 993)
<b>(Increase) decrease of operating assets</b>			
Mandatory cash balances with CBRF		(10 260)	(17 027)
Due from banks and other financial institutions		(192 676)	27 240
Accounts receivable under repo agreements		(1 872 097)	(355 741)
Positive fair value of derivative financial instruments		11 267	10 563
Financial assets available for sale		(563 133)	105 065
Customer loans		41 868	27 090
Other assets		18 003	(3 277)
<b>Increase (decrease) of operating liabilities</b>			
Negative fair value of derivative financial instruments		(5 169)	(16 097)
Due to banks and other financial institutions		497	834
Obligations to supply securities		718 993	-
Accounts payable under repo agreements "		887 130	(392 107)
Customer current accounts and deposits		636 722	607 251
Debt liabilities issued		-	(18 464)
Other liabilities		722	13 311
<b>Net cash flow from operating activities before income tax</b>		<b>(328 428)</b>	<b>472 612</b>
Income tax paid		(20 039)	(4 691)
<b>Net cash flow from operating activities</b>		<b>(348 467)</b>	<b>467 921</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(55 572)	(47 199)
<b>Net cash flow from investing activities</b>		<b>(55 572)</b>	<b>(47 199)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>(404 039)</b>	<b>420 722</b>
Effect of fluctuations in exchange rates on cash and cash equivalents		25 454	(418 529)
Cash and cash equivalents as at the year beginning		1 845 871	1 843 678
<b>Cash and cash equivalents as of the year end</b>	11	<b>1 467 286</b>	<b>1 845 871</b>

The accompanying Notes are an integral part of this Cash Flow Statement.

These financial statements were approved by the Bank's Management Board on 23 April 2018 and were signed on their behalf by:

I.B. Ionova

Chairman of the Management Board



N.G. Popova

Chief Accountant

## STATEMENT OF CHANGES IN EQUITY FOR FY 2017

	Share Capital	Additional Capital	Financial assets available for sale revaluation reserve	Retained Earnings (accumulated deficit)	Total
<b>Balance as at 1 January 2016</b>	<b>702 762</b>	<b>685 811</b>	<b>(25 366)</b>	<b>(215 409)</b>	<b>1 147 798</b>
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	89 938	89 938
<b>Other comprehensive income</b>					
Net change in fair value of financial assets available for sale less deferred income tax	-	-	31 962	-	31 962
Net change in fair value of financial assets available for sale transferred to profit or loss less deferred income tax	-	-	(6 384)	-	(6 384)
Total other comprehensive income	-	-	25 578	-	25 578
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>25 578</b>	<b>89 938</b>	<b>115 516</b>
Unclaimed dividends	-	-	-	4 527	4 527
<b>Balance as at 1 January 2017</b>	<b>702 762</b>	<b>685 811</b>	<b>212</b>	<b>(120 944)</b>	<b>1 267 841</b>
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	75 956	75 956
<b>Other comprehensive income</b>					
Net change in fair value of financial assets available for sale less deferred income tax	-	-	2 046	-	2 046
Net change in fair value of financial assets available for sale transferred to profit or loss less deferred income tax	-	-	(4 706)	-	(4 706)
Total other comprehensive loss	-	-	(2 660)	-	(2 660)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(2 660)</b>	<b>75 956</b>	<b>73 296</b>
<b>Balance as at 31 December 2017</b>	<b>702 762</b>	<b>685 811</b>	<b>(2 448)</b>	<b>(44 988)</b>	<b>1 341 137</b>

The accompanying Notes are an integral part of this Statement of Changes in Equity.

These financial statements were approved by the Bank's Management Board on 23 April 2018 and were signed on their behalf by:

I.B. Ionova

Chairman of the Management Board



N.G. Popova

Chief Accountant

## 1 NOTES TO THE FINANCIAL STATEMENTS ENDED 31 DECEMBER 2017

### INTRODUCTION

#### Organizational Structure and Principal Activities

Public Joint Stock Company BEST EFFORTS BANK (hereinafter referred to as "the Bank") was founded by the decision of its shareholders as an open joint stock company on the 3 of October 1990. The Bank is located at 38/1 Dolgorukovskaya str., Moscow 127006. The Bank operates on the basis of license № 435 issued by the Central Bank of the Russian Federation (hereinafter referred to as "CBRF").

As at 1 January 2018, the Bank was controlled by the Non-Commercial Partnership of RTS' Financial Market Development. Non-Commercial Partnership of RTS' Financial Market Development is a membership non-commercial organization founded by legal entities with the purpose of assisting its members in ensuring the effective functioning of financial markets.

The Bank is a member of the Association of the RTS Nonprofit Partnership, The National Association of Stock Market Participants, The Association of Regional Banks of Russia.

RAEX (Expert RA) rating agency upgraded the credit rating of the Bank to the level ruA-. The rating has a stable outlook, which means a high probability of maintaining the rating in the medium term.

PJSC Best Efforts Bank was registered on the website of the US Internal Revenue Service (IRS) in the status of "a Participating Foreign Financial Institution" and was assigned the Global Intermediary Identification Number (GIIN): B57WNA.99999.SL.643.

The US Internal Revenue Service (IRS) has assigned to PJSC Best Efforts Bank the identification number of a qualified intermediary (QI-EIN) 98-0242949. (The IRS is a government agency of the US federal government that collects taxes and monitors compliance with tax legislation.)

In April 2017, the Bank adopted a new version of the Regulation on the Compliance with US legislation on taxation of foreign accounts (FATCA).

In 2017, the Bank timely re-registered the FATCA agreement.

In April 2017, the Bank approved a new version of the *Foreign Accounts Taxation Compliance Act (FATCA)*.

The document contains information on the necessary terms and definitions of the US Foreign Accounts Tax Compliance Act (FATCA) and Federal Law No. 173-FZ of 28 June 2014 *On the Specifics of Financial Transactions with Foreign Citizens and Legal Entities*. The procedures for identifying customers and identification for the purposes of FATCA are described, the procedures for interaction between departments, annual reporting procedures are defined.

In compliance with the FATCA, information on the status of clients under FATCA is filled in by the Bank, the availability of GIIN numbers for clients is reflected. During the year, the Bank's client base is monitored for the purpose of not increasing the number of customers with a negative FATCA status among clients-professional participants of the securities market conducting operations in foreign markets.

In 2017, the Bank conducted staff training on FATCA/CRS issues. Employees of the Bank, responsible for working with clients, are familiar with the current editions of the W-8BEN, W-8BEN-E, W-8IMY tax forms and the specifics of their filing. For the convenience of customers, the tax forms W-8BEN, W-8BEN-E, W-8IMY in the updated version of 2017 are posted on the Bank's website.

The Bank also developed and operates *Criteria for assigning clients of PJSC Best Effors Bank to the category of foreign taxpayers and ways to obtain the necessary information from them*. The new version of the document was adopted in September 2017. The Bank also approved a new version of the *Questionnaire for referring clients to the category of foreign taxpayers*. For the convenience of customers, the text of the Questionnaire is translated into English. These documents are posted on the official website of the Bank in the Internet - <http://besteffortsbank.ru>.

PJSC Best Efforts Bank has the status of a Qualified Intermediary (QI). The Internal Revenue Service (IRS) of assigned PJSC Best Efforts Bank the identification number of a qualified intermediary (QI-EIN) 98-0242949. In 2017, the Bank underwent a planned update of the QI contract.

In June 2017, the Bank approved the *Procedure for Depository Accounting and Provision of Information for the purpose of fulfilling the requirements of the US Tax Code by the depositors of PJSC Best Efforts Bank* when receiving income from securities of US issuers and application forms for clients. This document contains information on the work of the Bank as a qualified intermediary (QI) with the possibility to maintain combined depository accounting, depending on the place of storage of securities and the rules for providing information about the Bank's clients.

The Bank is working to inform clients about its actions to obtain possible tax benefits and the need to provide properly issued documents, including tax forms.

As part of the agreements concluded with the IRS FATCA- and QI-agreements, the Bank annually reports in accordance with the requirements of the US laws.

The Bank participates in the Russian state deposit insurance program since the 26<sup>th</sup> of August 2005.

As at 31 December 2017, the Bank does not have any branches or subsidiaries..

The Bank had one structural unit:

- additional *Central office*: 38/1 Dolgorukovskaya str., Moscow 127006.

All assets and liabilities of the Bank are located in the Russian Federation.

As at 31 December 2017, the Bank's average headcount was 71 employees (31 December 2016: 50 employees).

## Operating Environment

The Banks operations are primarily located in the Russian Federation. Consequently, the Bank is exposed to economic and financial risks at the markets of the Russian Federation, which display characteristics of a developing market. The legal and regulatory framework of the Russian Federation continues to develop, but is subjects to varying interpretations and frequent changes, which together other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

According to the information and analytical material *On the Dynamics of the Development of the Banking Sector of the Russian Federation in December 2017* published on the Bank of Russia website, the main indicators in 2017 show growth. This is evidenced by the revival of both corporate and retail lending, the continued stable growth of household deposits, and balanced funding.

In 2017, the assets of the banking sector grew by 9.0% (for 2016 - by 3.4%); loans to the economy - by 6.2% (in 2016 - a decrease of 0.8%), including loans to non-financial organizations - by 3.7% (in 2016 - a decrease of 1.8%); loans to individuals - by 13.2% (for 2016 the increase was 2.5%).

The volume of overdue debt on the corporate portfolio of credit institutions increased by 3.9%, and on retail portfolio - by 0.4%. The share of overdue loans on non-financial organizations practically stabilized at 6.4%, while for retail loans it decreased from 7.9% to 7.0%.

The claims of credit institutions to the Bank of Russia (on deposits and correspondent accounts) increased by 67.6%; the share of these claims in the assets of the banking sector also increased (from 3.2 to 5.0% during the year). The volume of interbank loans extended to resident banks increased by 14.8%; the portfolio of interbank loans granted to non-residents decreased by 7.7%. Loans to financial institutions - residents (except banks) increased by 32.7%.

In 2017, the portfolio of securities of credit institutions increased by 9.7%, mainly due to 8.4% increase of in investments in debt securities.

There was a positive dynamics in terms of funding: household deposits increased by 10.7% (in 2016 the growth was 11.8%), deposits and funds of organizations on the accounts - by 4.8% (in 2016 their volume decreased by 1.7% %). The portfolio of interbank loans attracted from non-resident banks has decreased by 21.1% since the beginning of 2017. The volume of debt securities issued by banks (bonds, promissory notes and banker's acceptances) increased by 9.0% in 2017. The volume of borrowing from the Bank of Russia declined by 25.7%; at the same time, the volume of deposits and other raised funds of the Federal Treasury tripled.

In 2017, the profit on the banking sector amounted to RUB 790 billion (in 2016 – RUB 930 billion). At the same time, the number of profitable credit organizations prevails: 420 credit organizations showed a profit of RUB 1.6 trillion, whereas 140 of credit institutions showed a loss of RUB 772 billion.

With an adequate assessment of risks by credit institutions, in 2017 the balance of provisions for possible losses increased by 26.9% to RUB 6.9 trillion (3.9% increase was in December). The significant increase in the provisioning is partly due to the fact of a one-time creation of additional provisions for possible losses on distressed assets from banks that are undergoing a financial recovery procedure under the new mechanism using the funds of the Banking Sector Consolidation Fund.

The accompanying financial statements reflect Management's assessment of the possible impact of the current business environment on the operations and financial position of the Bank. The further business environment may differ from Management's assessment.

## 2. BASIS OF PREPARATION

The Bank maintains its accounting records in compliance with the requirements of the effective laws of the Russian Federation. These financial statements have been prepared on the basis of these accounting records with adjustments required to bring them, in all material respects, in line with the IFRS.

### Applied Standards

These financial statements of the Bank are prepared in accordance with the requirements of the International Financial Reporting Standards (hereinafter – "IFRS").

### Basis of Measurement

These financial statements are prepared on a historical cost convention, except financial instruments that are measured at fair value, the changes in which are reflected in profit or loss for the period, and financial assets available for sale that are stated at fair value.

### Functional and Presentation Currency

The functional currency of the Bank is the Russian Ruble. Being the national currency of the Russian Federation it reflects best of all the economic essence of the majority of the Bank's operations and the underlying circumstances relevant to them.

The Russian Ruble is also the presentation currency for these financial statements.

All figures in these financial statements are rounded to the whole thousands of Rubles.

### Accounting Estimates and Judgments

Preparation of financial statements in accordance with IFRS requires Management to make judgments and use estimates and assumptions that influence the applied accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from such estimates.

Estimates and the underlying assumptions are reviewed on the regular basis. Adjustments in estimates are recognized in the reporting period when the relevant estimates are reviewed, and in any subsequent periods that are effected by them.

Note 15 discloses information about the significant uncertainties and critical judgments concerning the application of accounting policies to loan impairment.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies that were applied in the preparation of these financial statements are described below.

## Foreign Currencies

Foreign currency transactions are translated into the Bank's functional currency at the exchange rates that are effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated into the functional currency at the exchange rate that is effective at the reporting date. Profit and loss from operations with monetary assets and liabilities denominated in foreign currency is the difference between the amortized cost in the functional currency as of the beginning of the period adjusted for the amount of interests accrued at the effective interest rate and payments made during the period and amortized cost in the foreign currency translated into the functional currency at the exchange rate that is effective at the end of the reporting period. Exchange differences arising on the translation into foreign currency are recognized in profit or loss, except for the differences arising on translation of equity financial instruments available for sale, or cash flows that qualify for hedging transactions that are recognized in other comprehensive income.

## Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at CBRF on the Nostro accounts, Nostro accounts at other banks, short-term deposits at CBRF and short-term deposits at other banks with maturity of 3 months or less. Mandatory balances with CBRF are not considered to be cash and cash equivalents because of the restrictions of their use.

## Financial Instruments

### *Classification*

Financial instruments at fair value the changes in which are reflected in profit or loss for the period are financial assets and liabilities that are:

- acquired principally for the purpose of selling or repurchasing in the nearest future;
- part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making;
- derivative financial instruments (except for derivative financial instruments that are effective hedging instruments); or
- designated as measured at fair value through profit or loss upon initial recognition.

The Bank may designate financial assets and liabilities as measured at fair value through profit or loss where either:

- the assets and liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or
- the asset or liability contains an embedded derivative financial instrument that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivative financial instruments with positive fair value, as well as options purchased, are reported as assets. All trading derivative financial instruments with negative fair value, as well as options written, are recorded as liabilities.

Management determines the appropriate classification of financial instruments upon initial recognition. Derivative financial instruments and financial instruments classified as measured at fair value through profit or loss are not reclassified out of measured at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of measured at fair value through profit or loss or available for sale categories, if the Bank has an intention and ability to hold it for foreseeable future or until their maturity. Other financial instruments may be reclassified out of measured at fair value through profit or loss or available for sale categories in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to reoccur in the nearest future.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market, other than those that the Bank:

- intends to sell immediately or in the near term;
- upon initial recognition designates as measured at fair value through profit or loss;



- upon initial recognition designates as available for sale; or
- may not recover substantially all of its initial investment, other than because of loan impairment.

*Investment held to maturity* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has an intention and ability to hold until maturity, other than those that:

- the Bank upon initial recognition designates as measured at fair value through profit or loss;
- the Bank designates as available for sale; or
- meet the definition of loans and receivables.

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, investment held to maturity, or financial instruments measured at fair value through profit or loss.

### **Recognition**

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial instruments are accounted for at the settlement date.

### **Measurement**

A financial asset or liability is initially measured at its fair value plus, at the case of a financial asset or liability not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

After initial recognition financial assets, including derivative financial assets that are assets, are measured at their fair values without any deductions of transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables that are measured at amortized cost using the effective interest rate method;
- investments held to maturity that are measured at amortized cost using the effective interest rate method;
- equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

All financial liabilities, other than financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, are measured at amortized cost.

### **Amortized Cost**

Amortized cost of a financial asset or liability is the cost of the assets or liability upon initial recognition net of principle paid adjusted for the amount of accrued amortization the difference between the initially recognized cost and the cost at the settlement date, using the effective interest rate method net of impairment losses.

Premiums and discounts, including initial transaction costs, are included into the carrying amount of the related instrument and are amortized on the basis of the effective interest rate of this instrument.

### **Fair Value Measurement Principle**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if

available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

#### ***Profit or Loss on Remeasurement***

Profit and loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- profit and loss on a financial instrument classified as measured at fair value through profit or loss is recognized in profit or loss;
- profit and loss on a financial asset available for sale is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest income on a financial asset available for sale is recognized when it arises in profit or loss using the effective interest rate

For financial assets and liabilities measured at amortized cost, profit and loss is recognized in profit and loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

#### ***Derecognition***

The Bank derecognizes a financial asset when the contractual rights to receive cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but does not retain the control over the financial asset. Any interest in the transferred financial asset that satisfies the requirements for derecognition owned by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

The Bank enters into transactions whereby it transfers assets recognized in the statement of financial position, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the Bank neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

If in transfer of an asset the Bank retains the control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank also derecognizes and writes off assets that are deemed to be uncollectable.

### ***Repo and Reverse Repo Transactions***

Securities sold in repurchase and reverse repurchase transactions (hereinafter – “REPO agreements”) are accounted for as financing transactions secured by collateral where the securities continue to be recognized in the statement of financial position, and liabilities to counterparties included into accounts payable under REPO agreements are recorded within amounts owed credit institutions or amounts owed to customers, as appropriate. The difference arising from pricing spreads for the underlying securities is considered to be interest expense and is recognized in profit or loss over the period that the related REPO agreement is open using the effective interest rate method.

Securities acquired in repurchase and reverse repurchase transactions are accounted for as due from credit institutions or customer loans, as appropriate. Any related income arising from pricing spreads for the underlying securities is recognized as interest income over the period that the related REPO agreement is open using the effective interest rate method.

If assets acquired under REPO agreements are sold to third parties, the obligation to return securities is recorded as a trading liability and is measured at fair value.

### ***Derivatives***

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and securities, as well as any combination of these instruments.

Derivatives are initially recognized at fair value as of the date of the transaction, and are subsequently remeasured at fair value. All derivative financial instruments are recorded as assets, if their fair value is positive, and as liabilities, if their fair value is negative.

Changes in the fair value of derivative financial instruments are recognized immediately in profit or loss.

Derivatives may be embedded into other contractual agreement (“host contract”). An embedded derivative is separated from the host contract and is accounted for as a separate derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in the fair value recognized in profit or loss. Derivative financial instruments embedded in financial assets and liabilities measured at fair value through profit or loss are not separated from a host contract.

In spite of the fact that the Bank carries out trading transactions with derivative financial instruments with the purpose of hedging risks, these transactions do not satisfy the criteria to be accounted for as hedging transactions.

### ***Offsetting***

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## **Property, Plant and Equipment**

### ***Freehold Assets***

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

### ***Leased Assets***

Lease, which transfers substantially all risks and rewards of ownership to the Bank, is classified as a finance lease. Items of property, plant and equipment acquired as part of finance lease are recognized at the lower of the fair value of the asset and the present value of the minimum lease payment as of the date of the lease start less accumulated depreciation of impairment losses.

### ***Depreciation***

Depreciation is provided to write off the cost on a straight-line basis over the estimated useful life of an asset. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- buildings and permanent improvements	from 10 to 50 years
- furniture and equipment	from 5 to 20 years
- computers and office equipment	from 2 to 5 years

### ***Intangible Assets***

Intangible assets are recognized at historical cost less accumulated depreciation and impairment losses.

Costs attributes to acquisition of licenses for special software and its implementation are capitalized in the cost of the respective intangible asset.

Depreciation is provided to write off the cost on a straight-line basis over the estimated useful life of the asset and is recorded in profit or loss. Intangible assets are of limited and unlimited useful life. Intangible assets of limited useful life are amortized during the term of their beneficial use. Useful lives of intangible assets vary from 3 to 5 years.

### ***Asset Impairment***

At the end of each reporting period, the Bank reviews its financial assets or a group of financial assets for impairment. If there is any evidence of impairment, the Bank assesses the losses from impairment.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of a financial asset (occurrence of losses) and if that event has had an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or provisions, restructuring of a financial asset or a group of financial assets on conditions that the Bank would not otherwise consider, indicators that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of a collateral, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with the defaults in the group.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its historical cost is objective evidence of impairment.

### ***Financial Assets Carried at Amortized Cost***

Financial assets carried at amortized cost consist principally of loans and other receivables. The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that

occurred after the initial recognition of a loan or receivable (occurrence of losses) and if that event has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or provisions, restructuring of a financial asset or a group of financial assets on conditions that the Bank would not otherwise consider, indicators that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of a collateral, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with the defaults in the group.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes a loan into the group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included into the collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related provision for loan impairment. The Bank writes off a loan balance (and any related provisions for impairment losses) when Management determines that the loans are uncollectable and when all necessary steps to collect the loan are completed.

#### ***Financial Assets Carried at Cost***

Financial assets carried at cost include unquoted equity instruments included in investments available-for-sale that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and cannot be reversed.

#### ***Financial Assets Available for Sale***

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that is recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in the provision for impairment related to the time value of money are recognized as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent

recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

### **Non-Financial Assets**

Other nonfinancial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of nonfinancial assets is the greater of their fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

All impairment losses in respect of nonfinancial assets (except for assets recorded at revalued amounts, the impairment loss of which does not exceed the balance of the increase in the value of these items) are recognized in profit or loss. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **Provisions**

Provisions are recognized in the statement of financial position when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

### **Credit-Related Commitments**

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn credit lines, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees issued by the Bank represent an obligation to pay a certain amount to a beneficiary as a compensation of loss, incurred as a result of the debtor's failure to make payment when due in accordance with the terms of the financial instrument.

Such guarantees are initially recognized at fair value less transaction costs and are subsequently measured at the higher of created provision and initial cost less, where applicable, accumulated amortization of commission income, received under the financial guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Loan commitments are not recognized, except for the followings:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- commitments to provide a loan at a below-market interest rate.

## **Share Capital**

Share capital contributed before 1 January 2003 is recognized at the cost adjusted with account of inflation. Charter capital contributed after 1 January 2003 is recognized at the historical cost.

### *Ordinary Shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

### *Preference Shares*

Preference shares that are not subject to repurchase and do not include dividends are classified as equity.

### *Repurchase of Shares*

If the Bank repurchases its own shares, the amount of the consideration paid, including directly attributable costs, is recognized as a decrease in equity.

### *Dividends*

The right of the Bank to declare and pay dividends is regulated by the effective laws of the Russian Federation. Dividends on ordinary shares are accounted for by deduction from the retained earnings when they are declared.

## **Taxation**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with the participant recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for assets and liabilities the initial recognition of which affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Income and Expense Recognition**

Interest income and expense are recognized in profit or loss using the effective interest method.

Fees and commissions are recognized in profit or loss when the corresponding service is provided.

Net income from transaction with financial assets measured at fair value through profit or loss includes profit or loss from sale and change of fair value of such financial assets and liabilities measured at fair value through profit or loss.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

### Segment Reporting

Strategic business lines of the Bank, with separate management procedures, are oriented to different customer groups and existing product specialization.

The Bank's global business line is focused on investment banking and customer service - legal entities related to professional securities market participants, for performing all types of operations in financial and foreign exchange markets, including the interbank market, the purpose of which is to generate profit.

The Bank's divisions are not independent business lines involved in other commercial activities except for banking.

Operations of the Bank and its assets are mainly located in the Russian Federation, and the Bank does not have clients with revenues exceeding 10% of the total revenues.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2017 are consistent with those used in the preparation of the Bank's annual financial statements for the year 2016, except for the application of new amendments to the following standards that came into effect in respect of the financial statements as of 1 January 2017:

#### **Amendments that came into effect in respect of financial statements as of 1 January 2017:**

- **Amendments to IAS 7 *Cash Flow Statement*** form part of the IASB's disclosure initiative and require that the organization disclose information that allows users of financial statements to assess changes in liabilities arising from financial activities, due to cash flows, and changes that are not due to them. When applying these amendments for the first time, organizations are not required to provide comparative information for prior periods. These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is allowed. These amendments did not have an impact on these financial statements.
- **Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*** clarify that an entity should consider whether the tax legislation restricts sources of taxable profits against which it can deduct when restoring such a deductible temporary difference. In addition, the amendments provide guidance on how an entity should determine future taxable profits and describe the circumstances under which taxable profits may provide for the recovery of certain assets in excess of their carrying amount. Organizations should apply these amendments retrospectively. However, with the initial application of the amendments, the change in equity at the beginning of the earliest comparative period may be recognized in retained earnings at the beginning of the period (or as part of another component of equity, respectively) without separating the change between retained earnings and other components of equity at the beginning of the period. Organizations that apply this exemption must disclose this fact. These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is allowed. If the organization applies these amendments for an earlier period, it must disclose this fact. These amendments did not have an impact on these financial statements.
- **Amendments to IFRS 12 *Disclosure of Interest in Other Entities - Clarification of the scope of application of disclosure requirements in IFRS 12***. The amendments clarify that the disclosure requirements in IFRS 12, other than those described in paragraphs B10 to B16, apply to the entity's interest in a subsidiary, a joint venture or an associate (or part of a share in a joint venture or associate), which is classified (or included in the disposal group, which is classified) as held for sale. These amendments did not have an impact on these financial statements.



## **New Standards and Interpretations not yet in Force**

A number of new standards, amendments to standards and interpretations have not yet entered into force as of 31 December 2017 and have not been applied in the preparation of these financial statements. Of these innovations, the following may potentially have an impact on the Bank's financial position and presentation of financial statements. The Bank plans to begin applying these standards, amendments and clarifications from the moment they come into effect.

### **IFRS 9 Financial Instruments**

IFRS 9 becomes effective for annual periods beginning on 1 January 2018 or after this date, with the possibility of their early application. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Bank did not early apply IFRS 9 in its financial statements for the year ended 31 December 2017 and plans to disclose the impact after the completion of the 2018 financial statements.

To date, the assessment of the impact of the new standard has not yet been completed, since not all of the transition work has been completed by the Bank. Thus, the effect of IFRS 9 on the incoming balance of the Bank's equity is not disclosed. The Bank revised and improved accounting and internal control processes, applied a new approach to classification, developed models for calculating expected credit losses. The Bank has developed a procedure for assessing whether the contractual cash flows are solely payments of principal and interest to the outstanding principal amount (the "SPPI criterion").

#### **(i) Classification - financial assets**

IFRS 9 provides a new approach to the classification and measurement of financial assets, reflecting the business model used to manage these assets and the characteristics of the cash flows associated with them.

IFRS 9 contains three main categories of financial asset measurement: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The standard eliminates the category of financial assets that exist in IAS 39: held-to-maturity, loans and receivables and available-for-sale.

#### **Business Model Assessment**

The Bank will evaluate the purpose of the business model in which the asset is held, at the level of the portfolio of financial instruments, since this best reflects the way the business is managed and the way information is communicated to management.

An assessment of whether the contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset when it is initially recognized. "Interest" is defined as a reimbursement for the time value of money, for credit risk in respect of the principal remaining outstanding for a certain period of time, and for other major risks and costs associated with lending (for example, liquidity and administrative costs), and margin of profit.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding portion of the principal, the Bank will review the contractual terms of the financial instrument. This will include an assessment of whether the financial asset contains any contractual condition that can change the time or amount of contractual cash flows so that the financial asset will not satisfy the analyzed requirement.

#### **Impact Assessment**

This standard will affect the classification and measurement of financial assets held to maturity as of 1 January 2018, as follows:

- Loans to banks and customers that are classified as loans and receivables and are measured at amortized cost in accordance with IAS 39 will generally also be measured at amortized cost in accordance with IFRS 9.

- Debt investment securities that are classified as available for sale in accordance with IAS 39 will be measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on the specific circumstances.

#### **(ii) Impairment - Financial Assets, Loan Commitments and Financial Guarantee Contracts**

IFRS 9 replaces the "incurred loss" model used in IAS 39 for a future-oriented model of "expected credit losses". The application of the new impairment model will require significant professional judgments of the Bank as to how changes in economic factors affect expected credit losses, determined by weighting in the likelihood of their occurrence.

A new impairment model is applied to the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- accounts receivable under lease; and
- commitments to extend loans and obligations under financial guarantee contracts (previously the impairment was measured in accordance with IAS 37 *Estimated Liabilities, Contingent Liabilities and Contingent Assets*).

In accordance with IFRS 9 for equity investments, an impairment loss is not recognized.

In accordance with IFRS 9, estimated reserves for expected credit losses should be recognized in the amount equal to either the 12-month expected credit losses or the expected credit losses for the entire period. The expected credit losses for the entire term are expected credit losses that arise from all possible default events throughout the expected life of the financial instrument, whereas the 12-month expected credit losses are part of the expected credit losses that arise from default events that may occur within 12 months after the reporting date.

#### **Default Definition**

In accordance with IFRS 9, a financial asset is classified as a financial asset by the Bank for which an event of default occurred, in the following cases:

- it is unlikely that the borrower's credit obligations to the Bank will be repaid in full without the Bank applying such actions as the implementation of collateral (if any); or
- the debt of the borrower for any of the Bank's significant loan liabilities is overdue by more than 90 days. Overdrafts are considered overdue debts from the moment when the customer violated the recommended limit or he was recommended a limit that is less than the amount of the current outstanding debt.

When assessing the occurrence of an event of default on the obligations of the borrower, the Bank will take into account the following indicators:

- qualitative: for example, violation of restrictive conditions of the contract (covenants);
- quantitative: for example, the status of overdue debt and failure to pay for another obligation of the same issuer; and
- on the basis of data independently developed within the Bank and obtained from external sources.

The initial data in assessing the occurrence of a financial default event and their significance may change over time in order to reflect changes in circumstances.

#### **Significant Increase in Credit Risk**

In accordance with IFRS 9, in determining whether there has been a significant increase in credit risk (i.e. default risk) on a financial instrument since its initial recognition, the Bank will consider reasonable and verifiable

information that is current and available without undue cost or efforts, including both quantitative and qualitative information, as well as analysis based on the Bank's historical experience, expert evaluation of credit quality and forecast information.

The Bank will first identify whether there has been a significant increase in credit risk for a position exposed to credit risk by comparing:

- probability of default for the remainder of the whole period as of the reporting date; and
- probability of default for the remainder of the entire period calculated for this point in time, determined at the initial recognition of a position exposed to credit risk.

**An assessment of the significant increase in credit risk since the initial recognition of a financial instrument requires the determination of the date of initial recognition of the instrument.**

For some renewable credit facilities, such as credit cards and overdrafts, the date of entering into contracts can be very long-standing. The change in the contractual terms of the financial instrument, which is discussed below, may also have an impact on this assessment.

### **Levels of Credit Risk**

The Bank will allocate each position exposed to credit risk between the levels of credit risk based on various data that are determined to predict the risk of default, as well as by applying expert judgment on the loan. The Bank will use these levels of credit risk to identify a significant increase in credit risk in accordance with IFRS 9. Credit risk levels are determined using qualitative and quantitative factors that indicate the risk of default. These factors may vary depending on the nature of the position exposed to credit risk and the type of borrower.

The levels of credit risk are determined and calibrated in such a way that the risk of default increases exponentially as credit risk worsens - for example, the difference in the risk of default between 1 and 2 levels of credit risk is less than the difference between 2 and 3 levels of credit risk.

Each position exposed to credit risk will relate to a certain level of credit risk at the date of initial recognition based on information available to the borrower.

Positions subject to credit risk will be subject to constant monitoring, which may lead to the transfer of the position to a different level of credit risk.

### **Baseline data for estimating expected credit losses**

The main initial data in estimating the expected credit losses will be the time structures of the following variables:

- probability of default (PD);
- amount of loss in case of default – loss given default (LGD); and
- the amount at risk in case of default – exposure at default (EAD).

These indicators will be obtained from internal statistical models and other historical data that are used in models for the calculation of regulatory capital.

### **Impact Assessment**

The most significant impact on the Bank's financial statements in connection with the entry into force of IFRS 9 is expected to be related to the new impairment requirements.

The application of a new impairment model in accordance with IFRS 9 will lead to an increase in impairment losses, as well as to greater volatility.

### (iii) Transitional Provisions

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Bank will take advantage of the exemption, allowing not to recalculate comparative data for previous periods in terms of changes in the classification and evaluation (including depreciation) of financial instruments. The differences between the previous carrying amount of the instruments and their carrying amounts in accordance with IFRS 9 will generally be recognized in retained earnings and equity reserves as at 1 January 2018.

The following assessments should be made based on the facts and circumstances existing at the date of initial application:

- Definition of a business model in which a financial asset is held.
- Determination at the discretion of the Bank and cancellation of the previously made determination of certain financial assets and financial liabilities into the category of fair value through profit or loss.
- Determination, at the discretion of the Bank, of certain investments in equity instruments that are not held for trading into the category measured at fair value through other comprehensive income.
- In respect of a financial liability classified as at fair value through profit or loss, the Bank determines whether the effect of changes in credit risk on this financial liability, as part of other comprehensive income, will result in the occurrence or increase of an accounting discrepancy that will affect the amount of profit or loss.

If a debt investment security has a low credit risk as of 1 January 2018, the Bank determines that there has been no significant increase in the credit risk for the asset since the initial recognition.

**IFRS 15 Revenue from Contracts with Customers** was issued in May 2014 and provides for a five-step model that will apply to revenue from contracts with customers. Under IFRS 15, revenue is recognized in an amount reflecting the reimbursement that the organization expects to receive in return for the transfer of goods or services to the buyer. The new revenue standard will replace all existing IFRS requirements for revenue recognition. A full retrospective application or modified retrospective application will be required for annual periods beginning on or after 1 January 2018. The bank does not intend to apply this standard ahead of schedule. The Bank is in the process of assessing the possible impact of IFRS 15 on its financial statements.

**IFRS 16 Lease** was issued in January 2016 and replaces IAS 17 *Lease*, Clarification of IFRIC 4, *Determination of the Existence of Lease Characteristics in the Agreement*, Clarification of the SIC 15 *Operating Leases - Incentives* and Clarification of the SIC 27 *Determining the Nature of Transactions that have a Legal Form of Lease*. IFRS 16 establishes principles for the recognition, assessment, presentation and disclosure of lease information and requires that tenants record all leases using a unified accounting model in the balance sheet, similar to the accounting treatment provided for in IAS 17 for finance leases. The standard provides for two exemptions from recognition for tenants - for leasing assets with low cost (for example, personal computers) and short-term leases (i.e. leases with a period of not more than 12 months). IFRS 16 becomes effective for annual periods beginning on or after 1 January 2019. Early adoption of the standard is permitted provided that IFRS 15 *Revenue from Contracts with Customers* will also be applied. The bank does not intend to apply this on its financial statements.

**The following new standards or amendments to standards are not expected to have a significant impact on the Bank's financial statements.**

**Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions.** The IASB issued amendments to IFRS 2 *Share-Based Payments*, which addresses three main aspects: the impact of the conditions for transfer of rights to valuation of share-based payment transactions; the classification of share-based payment transactions with a net settlement condition for tax liabilities withheld at the source; accounting for changes in the conditions of a share-based payment transaction, as a result of which an operation ceases to be classified as a cash settlement transaction and begins to be classified as an equity account. When adopting amendments, organizations are not required to recalculate information for prior periods, but retrospective

application is permissible subject to the application of amendments to all three aspects and other criteria. Amendments are effective for annual periods beginning on or after 1 January 2018. Early application is allowed. The bank does not intend to apply this standard ahead of schedule.

**Clarification of IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.** The clarification explains that the date of the transaction for the purpose of determining the exchange rate to be used in the initial recognition of the relevant asset, expense or income (or part thereof) upon the derecognition of a non-monetary asset or a non-monetary obligation arising from the commission or receipt of advance payment is the date, to which the organization initially recognizes a non-monetary asset or a non-monetary liability arising from the commission or receipt of a provisional payment. In the case of several transactions of making or receiving prepayment, the organization must determine the date of the transaction for each payment or receipt of advance payment. Organizations can apply this explanation retrospectively. Alternatively, the organization may apply clarification prospectively for all assets, expenses and revenues within the scope of the clarification initially recognized on or after that date:

- (i) the beginning of the reporting period in which the organization applies this clarification for the first time; or
- (ii) the beginning of the previous reporting period presented as comparative information in the financial statements of the reporting period in which the organization applies this clarification for the first time.

The amendment becomes effective for annual periods beginning on or after 1 January 2018. Early application is allowed provided this fact is disclosed. The bank does not intend to apply this standard ahead of schedule.

**Clarification of IFRIC 23 *Uncertainty over Income Tax Treatments*.** The clarification deals with the accounting for income tax when there is uncertainty in tax interpretations, which affects the application of IAS 12. The clarification does not apply to taxes or fees that are not within the scope of IAS 12, nor does it contain specific requirements, relating to interest and penalties associated with uncertain tax interpretations. In particular, the clarification addresses the following issues:

- whether the organization considers indefinite tax interpretations separately;
- assumptions that the organization makes with regard to the verification of tax interpretations by tax authorities;
- how the organization determines the taxable profit (tax loss), the tax base, unused tax losses, unused tax benefits and tax rates;
- how the organization considers changes in facts and circumstances.

The organization must decide whether to consider each vague tax interpretation separately or together with one or more other undefined tax interpretations. It is necessary to use an approach that will allow to predict the result of uncertainty resolution with more accuracy. The amendment becomes effective for annual periods beginning on or after 1 January 2019. Certain exemptions are allowed upon transition.

**4. INTEREST INCOME AND EXPENSE**

	<u>2017</u>	<u>2016</u>
<b>Interest income</b>		
Financial assets available for sale	110 831	111 788
Accounts receivable under repo agreements	125 475	47 696
Cash and cash equivalents	-	17 548
Customer loans	2 625	4 513
	<u>238 931</u>	<u>181 545</u>

<b>Interest expense</b>		
Current accounts and deposits from customers	(46 488)	(76 296)
Accounts payable under repo agreements	(29 317)	(45 113)
Certificates of deposit and promissory notes	-	(1 400)
	<u>(75 805)</u>	<u>(122 809)</u>

**5. FEE AND COMMISSION INCOME**

	<u>2017</u>	<u>2016</u>
Brokerage	127 347	156 189
Market maker services	36 925	4 723
Accounts maintenance and servicing	3 033	3 459
Bank guarantees issued	-	880
Other	5 576	3 388
	<u>172 881</u>	<u>168 639</u>

**6. FEE AND COMMISSION EXPENSE**

	<u>2017</u>	<u>2016</u>
Brokerage	(94 100)	(71 654)
Trading in foreign currencies	(8 536)	(13 187)
Settlements	(794)	(1 869)
Other	(1 179)	(4 878)
	<u>(104 609)</u>	<u>(91 588)</u>

**7. NET GAINS FROM TRADING IN FOREIGN CURRENCIES**

	<u>2017</u>	<u>2016</u>
Gains(losses) from spot transactions and derivatives	15 730	79 241
(Losses) gains from revaluation of financial assets and liabilities	84 053	(342 116)
Gains(losses) from foreign exchange transactions	(6 308)	420 597
	<u>93 475</u>	<u>157 722</u>

### 8. IMPAIRMENT PROVISION

	<u>2017</u>	<u>2016</u>
Due from banks and other financial institutions (Note 12)	(23 249)	(20 868)
Loans issued to customers (Note 15)	762	(1 512)
Other assets	2 874	(4 654)
	<u>(19 613)</u>	<u>(27 034)</u>

### 9. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	<u>2017</u>	<u>2016</u>
Payroll	101 285	88 455
Payroll taxes and social contributions	23 482	19 108
Taxes other than income tax	21 165	12 949
Other	21 134	10 514
Information and telecommunication services	7 624	6 026
Depreciation and amortization	6 116	5 864
Operating lease	3 815	3 969
Technical maintenance of PP&E	3 575	10 649
Inventory costs write off	1 932	2 594
Professional services	788	514
Security	226	226
Insurance	256	214
	<u>191 398</u>	<u>161 082</u>

### 10. INCOME TAX EXPENSE

	<u>2017</u>	<u>2016</u>
Current income tax expense	22 772	25 545
Changes in deferred tax liabilities due to temporary differences and changes in estimated provision	(3 766)	195
Total income tax expense	<u>19 006</u>	<u>25 740</u>

In 2017, the applicable income tax rate for current and deferred tax in the Russian Federation is 20% (2016: 20%).

#### Calculation of the Effective Tax Rate

	<u>2017</u>	%	<u>2016</u>	%
Profit (loss) before tax	94 962		115 678	
Income tax calculated using the effective interest rate	(18 992)	-20,0	(23 136)	-20,0
Costs not decreasing taxable profit	(280)	-0,3	(339)	-0,3
Income taxed at a lower rate	1 213	1,2	1 520	1,3
Changes in unrecognized deferred tax asset	(947)	-1,7	(3 785)	-3,3
	<u>(19 006)</u>		<u>(25 740)</u>	

**Income Tax Assets and Liabilities**

Temporary differences between the carrying amounts of assets and liabilities recognized in the financial statements and the amounts used for the calculation of the tax base result in deferred tax assets as of 31 December 2017 and 31 December 2016.

Deferred tax benefits can be received only if the Bank will receive income against which unused tax loss can be offset, and if there will be no changes in the Russian laws that will impede the Bank from using these tax benefits in future periods. Deferred tax assets are not reflected in the financial statements because of the uncertainty that they can be received.

As at 31 December 2017, the tax effect of temporary differences mainly consists of a deferred tax asset recognized for tax loss. There are no other significant temporary differences as at 31 December 2017.

The tax effects of temporary differences as at 31 December 2016 can be summarized as follows.

	Balance as at 1 January 2016	Recognized in profit or loss	Recognized in other comprehensive income a	Balance as at 31 December 2016
Due from banks and other financial institutions	-	4 260	-	4 260
Positive fair value of derivative financial instruments	(2 002)	(1 506)	-	(3 508)
Financial assets available for sale	625	3 290	(6 395)	(2 480)
Customer loans	117	(1)	-	116
Property, plant and equipment	-	(1 607)	-	(1 607)
Other assets	403	803	-	1 206
Negative fair value of derivative financial instruments	3 219	(1 737)	-	1 482
Other liabilities	195	141	-	336
Unrecognized deferred tax asset	(2 557)	(3 785)	6 342	-
	-	(142)	(53)	(195)

**11. CASH AND CASH EQUIVALENTS**

	31 December 2017	31 December 2016
Cash	50 197	36 687
Nostro accounts at CBRF	509 857	252 827
Nostro accounts at other banks and financial institutions	907 232	1 556 357
	<b>1 467 286</b>	<b>1 845 871</b>

Cash and cash equivalents are neither impaired nor past due.

As at 31 December 2017, the Bank has two contracting parties (31 December 2016: two contracting parties) which hold over 10% of capital. As at 31 December 2017, the total balances of these contracting parties were RUB 947 849 thousand (31 December 2016: RUB 1 799 102 thousand).



**12. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>31 December 2017</u>	<u>31 December 2016</u>
Broker's account	362 287	202 010
Funds for transactions on the exchange	40 077	27 306
Loans and deposits	2 008	2 004
<b>Due from banks and other financial institutions before the deduction of the provision for impairment</b>	<b>404 372</b>	<b>231 320</b>
Provision for impairment	(44 117)	(20 868)
	<u>360 255</u>	<u>210 452</u>

**13. ACCOUNTS RECEIVABLE ON REPO AGREEMENTS**

As at 31 December 2017, accounts receivable on repo agreements of RUB 3 333 491 thousand were secured by debt and equity securities for RUB 3 680 773 thousand (31 December 2016: the outstanding amounts on repo agreements RUB 1 462 841 thousand) were secured by debt and equity securities for RUB 1 498 279 thousand).

**14. FINANCIAL ASSETS AVAILABLE FOR SALE**

	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>Freehold</b>		
<b>Debt instruments and other fixed income instruments</b>		
- <b>Bonds of the Government of the Russian Federation</b>		
- Bonds of the Bank of Russia	567 446	0
- Bonds of the Government of the Russian Federation	278	19 699
<b>Total bonds of the Government of the Russian Federation</b>	<b>567 724</b>	<b>19 699</b>
- <b>Corporate bonds</b>		
rated from BBB- to BBB+	271 588	20 101
rated from BB- to BB+	265 665	477 489
rated below B+	130 578	209 801
<b>Total corporate bonds</b>	<b>667 831</b>	<b>707 391</b>
<b>Equity instruments</b>		
- Corporate shares	47 819	107 886
<b>Total equity instruments</b>	<b>47 819</b>	<b>107 886</b>
	<u>1 283 374</u>	<u>834 976</u>
<b>Pledged under repo agreements</b>		
- <b>Bonds of the Government of the Russian Federation</b>		
- Bonds of the Government of the Russian Federation	349 658	228 464
<b>Total bonds of the Government of the Russian Federation</b>	<b>349 658</b>	<b>228 464</b>
<b>Equity instruments</b>		
- Corporate shares	-	6 459
<b>Total equity instruments</b>	<b>-</b>	<b>6 459</b>
	<u>349 658</u>	<u>234 923</u>

Financial assets available for sale are neither past due nor impaired.

**15. CUSTOMER LOANS**

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Loans to retail customers</b>		
Consumer loans	20 253	16 132
<b>Total loans to retail customers</b>	<b>20 253</b>	<b>16 132</b>
<b>Gross customer loans</b>	<b>20 253</b>	<b>16 132</b>
Provision for impairment	(1 050)	(1 812)
<b>Customer loans less provision for impairment</b>	<b>19 203</b>	<b>14 320</b>

The analysis of changes in provisions for impairment of customer loans for 2017 and 2016 is given in the table below:

	<b>2017</b>	<b>2016</b>
Provision for impairment as at the beginning of the year	1 812	300
Net provision for impairment	(762)	1 512
Customer loans write off	-	-
<b>Provision for impairment as at the end of the year</b>	<b>1 050</b>	<b>1 812</b>

**Credit Quality of Customer Loans**

The following table provides information on the credit quality of customer loans as at 31 December 2017:

	<b>Loans before deduction of impairment provision</b>	<b>Provision for impairment</b>	<b>Loans after deduction of impairment provision</b>	<b>Provision for impairment vs loans before deduction of impairment provision (%)</b>
<b>Retail loans</b>				
<b>Consumer loans</b>				
Loans without individual indicators of impairment	20 253	(1 050)	19 203	5,18
<b>Total retail loans</b>	<b>20 253</b>	<b>(1 050)</b>	<b>19 203</b>	<b>5,18</b>
<b>Total customer loans</b>	<b>20 253</b>	<b>(1 050)</b>	<b>19 203</b>	<b>5,18</b>

The following table provides information on the credit quality of customer loans as at 31 December 2016:

	<b>Loans before deduction of impairment provision</b>	<b>Provision for impairment</b>	<b>Loans after deduction of impairment provision</b>	<b>Provision for impairment vs loans before deduction of impairment provision (%)</b>
<b>Retail loans</b>				
<b>Consumer loans</b>				
Loans without individual indicators of impairment	16 132	(1 812)	14 320	11,23
<b>Total retail loans</b>	<b>16 132</b>	<b>(1 812)</b>	<b>14 320</b>	<b>11,23</b>
<b>Total customer loans</b>	<b>16 132</b>	<b>(1 812)</b>	<b>14 320</b>	<b>11,23</b>

Key assumptions and judgments used to assess loan impairment

### Corporate Loans

Impairment of a loan takes place as a result of one or several events that happen after initial recognition of the loan and influence the estimated future cash flows from the loan that can be reliably measured. For loans that do not have individual indicators of impairment, there is no objective evidence of impairment that can be related directly to them.

Objective evidence of impairment of loans issued to legal entities include:

- overdue payments under loan agreements;
- significant deterioration of the borrower's financial position;
- deterioration of economic situation, negative changes in the markets where the borrower operates;
- restructuring of a loan on conditions that the Bank would not otherwise consider.

The Bank assess the amount of provision for impairment of loans issued to legal entities on the basis of its past loss experience for such types of loans.

As at 31 December 2017 and 31 December 2016, there were no corporate loans.

### Retail Loans

The Bank assess the amount of provision for impairment of retail loans on the basis of its past loss experience for such types of loans.

Significant assumptions used by Management in assessing the amount of provision for impairment of retail loans includes an assumption that as at 31 December 2017 the annual level of the actually incurred losses was 5.18% (31 December 2016: 11.23%). Changes in these estimates may affect the amount of the loan impairment provision.

### Collateral Analysis

As at 31 December 2017, there were no corporate loans.

### Retail Loans

The following table provides the analysis of the fair value of collateral for retail loans, net of impairment, by types of collateral as at 31 December 2017:

	Customer loans, carrying amount	Fair value of collateral measured as of the loan date of issue
No collateral	20 253	-
<b>Total retail loans</b>	<b>20 253</b>	<b>-</b>

The following table provides the analysis of the fair value of collateral for retail loans, net of impairment, by types of collateral as at 31 December 2016:

	Customer loans, carrying amount	Fair value of collateral measured as of the loan date of issue
No collateral	16 132	-
<b>Total retail loans</b>	<b>16 132</b>	<b>-</b>

The tables above exclude overcollateralization.

### Industry and Geographic Analysis of the Loan Portfolio

Loans were issued to customers operating in the Russian Federation.

	31 December 2017	31 December 2016
Retail loans	20 253	16 132
	<b>20 253</b>	<b>16 132</b>
Impairment provision	(1 050)	(1 812)
<b>Customer loans concentration</b>	<b>19 203</b>	<b>14 320</b>

As at 31 December 2017 and 2016, the Bank does not have any borrowers or groups of related borrowers, whose loan balances comprised over 10% of capital.

### 16. ACCOUNTS PAYABLE UNDER REPO AGREEMENTS

	31 December 2017	31 December 2016
Banks and financial institutions	1 517 104	630 458
	<b>1 517 104</b>	<b>630 458</b>

As at 31 December 2017, the Bank pledged securities with the fair value of RUB 1 703 792 thousand as collateral for REPO agreements (31 December 2016: RUB 735 707 thousand).

### 17. CUSTOMER CURRENT ACCOUNTS AND DEPOSITS

	31 December 2017	31 December 2016
<b>Current accounts and demand deposits</b>		
- Retail customers	22 106	24 476
- Legal entities	544 953	1 582 642
<b>Broker's accounts</b>	1 063 197	1 007 883
<b>Fixed-term deposits</b>		
- Retail customers	18 545	10 075
- Legal entities	1 750 047	147 899
	<b>3 398 848</b>	<b>2 772 975</b>

As at 31 December 2017, the Bank has two customers whose balances comprised more than 10% of the capital (31 December 2016: six customers).

**18. OTHER LIABILITIES**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Trade payables	858	5 404
<b>Total other financial liabilities</b>	<b>858</b>	<b>5 404</b>
Return of commissions	23 870	17 081
Payroll	7 172	8 715
Other taxes payable	1 144	1 050
Other non-financial liabilities	408	1 158
<b>Total other non-financial liabilities</b>	<b>32 594</b>	<b>28 004</b>
<b>Total other liabilities</b>	<b>33 452</b>	<b>33 408</b>

**19. SHARE CAPITAL****Issued share capital and share premium**

Registered, issued and circulating share capital of the Bank consists of 56,490,000 ordinary shares (31 December 2016: 56,490,000) and 100,000 preference shares (31 December 2016: 100,000). The nominal value of each ordinary share is 10 RUB, the nominal value of each preference share is 1 RUB.

The holders of ordinary shares are entitled to receive dividends as annually declared and are entitled to one vote per share at annual and other general meetings of the Bank's shareholders.

The holders of preference shares are entitled to receive dividends as annually declared at annual and other general meetings of the Bank's shareholders. The holders of preference shares do not have voting rights at general meetings of the Bank's shareholders. Shareholders-holders of preference shares acquire voting rights at the general meeting of shareholders by the decision introducing amendments to the Bank's articles of association limiting the rights of shareholders-holders of preference shares.

The holders of preference shares are entitled to receive dividends as annually declared at annual and other general meetings of the Bank's shareholders. The holders of preference shares do not have voting rights at general meetings of the Bank's shareholders. Shareholders-holders of preference shares acquire voting rights at the general meeting of shareholders by the decision introducing amendments to the Bank's articles of association limiting the rights of shareholders-holders of preference shares.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Nominal value of ordinary shares	564 900	564 900
Nominal value of preference shares	100	100
Inflation adjustment	137 762	137 762
<b>Share capital</b>	<b>702 762</b>	<b>702 762</b>

**Dividends**

Distributions to participants are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Russian Federation. In accordance with the requirements of the legislation of the Russian Federation as of the reporting date the amount available for distribution was RUB 228 981 thousand (31 December 2016: RUB 143 721 thousand).

On 22 February 2018, an extraordinary meeting of the Bank's shareholders was held and it was decided to distribute the retained earnings of previous years in the amount of RUB 150 336 400 (One hundred and fifty million

three hundred and thirty-six thousand four hundred) for payment of dividends, which is a non-adjusting event after the reporting date.

## 20. RISK MANAGEMENT

In 2017, risk management at PJSC Best Efforts Bank was carried out in accordance with the scale and nature of the Bank's activities, as well as taking into account the recommendations of the Bank of Russia and the Basel Committee on Banking Supervision.

Risk management is at the core of banking activities and is an essential element of the Bank's operations. Market risk, credit risk and liquidity risk are the main risks the Bank's operations are exposed to.

The Bank establishes internal standards for transparency of information regarding risks as a basis for monitoring, setting limits and managing risks.

### Risk Management Policies and Procedures

Risk management processes are regulated by the Banking Risk Management Policy, which establishes the principles of the organization of the risk management system and establishes uniform management standards.

The Bank's policy in tackling the risks is aimed at identification, analysis and management of risks the Bank is exposed to, at establishment of risk limits and the relevant controls, as well as at regular assessment of the risk levels and the extent they correlate with the established risk limits. Risk management policies and procedures are reviewed at a regular basis in order to reflect the changes in the market situation and in the products and services offered by the Bank, as well as emerging best practices.

Risk assessment and management procedures are integrated into ongoing operations. These procedures are established by internal documents of the Bank.

As part of effective risk management, the Bank pays special attention to the distribution of powers and responsibilities between the Bank's structural units (employees of the Bank) and the Bank's management bodies for risk managing and their compliance with the requirements of the legislation of the Russian Federation, including statutory acts of the Bank of Russia.

The Board of Directors performs strategic management of the Bank, determines the main principles and approaches to the organization of the risk management and internal control system in the Bank, monitors the activities of the executive bodies, and also implements other key functions.

The Board of Directors is responsible for the formation and approval of the strategy and policy, the definition of overall long-term goals, objectives and priorities of the Bank, the principles of risk management of banking activities, as well as for the approval of major transactions.

The Management Board is responsible for the implementation of the risk management strategy and policy approved by the Bank's Board of Directors, establishing the order in which employees are motivated to identify risks when performing transactions, provides regular reviews of analytical materials on the assessment of banking risks at their meetings.

In order to implement risk regulating processes and risk management principles the Bank created the following Committees:

- Credit Committee;
- Assets and Liabilities Management Committee (hereinafter – "ALM Committee").

The Bank comprises an independent structural division for risk management - the Risk Control Department, whose competence includes: timely identification and assessment of banking risks on a consolidated basis; analysis of risks (their factors, dynamics) and forecasting the level of risks; timely informing the Bank's management of the risk levels; developing draft methods for assessment and risk management of banking activities; development and submission for consideration by the executive bodies of the credit organization of proposals for taking measures aimed at changing the level and structure of banking risks, including proposals for conducting hedging or other operations for redistribution of banking risks the credit institution is exposed to.

In order to improve the effectiveness of the decision-making process, the responsibility and authority for risk management are distributed among different divisions of the Bank

Both internal and external risk factors are identified and managed within the departments of the Bank. Attention is given to identification of the whole list of risk factors and determination of the sufficiency of the current risk minimizing procedures.

In its activities, the Bank is exposed to financial risks, including credit, market and liquidity risks.

### Market Risk

Market risk is the risk that the Bank will incur financial losses due to changes in the current (fair) value of financial instruments of the Bank's trading portfolio and derivative financial instruments, as well as of foreign exchange rates and (or) accounting prices for precious metals.

Market risk includes interest rate risk, stock, currency and commodity risks.

Market risk management is carried out in order to avoid possible losses due to fluctuations in market prices; comply with the requirements of the Bank of Russia in ensuring the financial stability of the Bank; ensure compliance with the legitimate interests of the Bank and its clients when dealing with market instruments.

ALM Committee is responsible for market risk management. ALM Committee approves internal market risk norms on the basis of risk tackling recommendations and suggestions made by the Risk Control Department.

The Bank manages its market risk by setting open position limits in relation to the size of portfolio of certain financial instruments, terms of interest rate change, currency position, loss limits and by regular monitoring of compliance with them, the results of which are reviewed and approved by the Management Board.

### Interest Rate Risk

#### Interest Rate Sensitivity Analysis

Interest rate risk management based on the analysis of the term when interest rates are reviewed is supplemented by monitoring the assets and liabilities sensitivity.

The analysis of sensitivity of profit or loss and equity (less taxes) to changes in the interest rates (repricing risks) based on a simplified scenario of a 100 basis point (bp) symmetrical rise or fall in all yield curves and positions of interest bearing assets and liabilities existing as at 31 December 2017 and 31 December 2016 is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
100 bp parallel decrease	2 697	(6 037)
100 bp parallel increase	(2 697)	6 037

The analysis of sensitivity of profit or loss and equity (less taxes) as a result of changes in the fair value of debt financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2017 and 31 December 2016 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>Net profit or loss</u>	<u>Equity</u>	<u>Net profit or loss</u>	<u>Equity</u>
100 bp parallel decrease	-	8 828	-	5 784
100 bp parallel increase	-	(8 828)	-	(5 784)

## Currency Risk

The Bank has assets and liabilities denominated in several foreign currencies.

*Currency risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates and/or precious metals rates for positions held by the Bank in foreign currencies and / or precious metals.

The following table shows the foreign currency exposure structure of assets and liabilities as at 31 December 2017:

	RUB	USD	EUR	Other	Total
<b>ASSETS</b>					
Cash and cash equivalents	635 934	36 979	794 282	91	1 467 286
Mandatory cash balances with CBRF	38 896	-	-	-	38 896
Due from banks and other financial institutions	6 359	156 247	197 649	-	360 255
Accounts receivable under repo agreements	2 122 164	1 211 327	-	-	3 333 491
Positive fair value of derivative financial instruments	1 267	247	4 759	-	6 273
Financial assets available for sale	1 481 086	151 946	-	-	1 633 032
Customer loans	19 203	-	-	-	19 203
<b>Total assets</b>	<b>4 304 909</b>	<b>1 556 746</b>	<b>996 690</b>	<b>91</b>	<b>6 858 436</b>
<b>LIABILITIES</b>					
Negative fair value of derivative financial instruments	31	-	1 089	-	1 120
Due to banks and other financial institutions	1 133	-	-	-	1 133
Obligations to supply securities	718 993	-	-	-	718 993
Accounts payable under repo agreements "	1 254 239	262 865	-	-	1 517 104
Current customer accounts and deposits	1 453 083	1 877 819	67 946	-	3 398 848
Other financial liabilities	18 343	15 096	13	-	33 452
<b>Total liabilities</b>	<b>3 445 822</b>	<b>2 155 780</b>	<b>69 048</b>	<b>-</b>	<b>5 670 650</b>
<b>Effect of derivative financial instruments expressed in foreign currencies</b>	<b>348 534</b>	<b>593 207</b>	<b>(936 588)</b>	<b>-</b>	<b>5 153</b>
<b>Net position</b>					
<b>Total liabilities</b>	<b>1 207 621</b>	<b>(5 827)</b>	<b>(8 946)</b>	<b>91</b>	<b>1 192 939</b>

The following table shows the foreign currency exposure structure of assets and liabilities as at 31 December 2016:



	RUB	USD	EUR	Other	Total
<b>ASSETS</b>					
Cash and cash equivalents	315 856	308 146	1 202 936	18 933	1 845 871
Mandatory cash balances with CBRF	28 636	-	-	-	28 636
Due from banks and other financial institutions	195	188 067	21 225	965	210 452
Accounts receivable under repo agreements	1 462 820	21	-	-	1 462 841
Positive fair value of derivative financial instruments	15 931	-	1 609	-	17 540
Financial assets available for sale	999 481	70 347	71	-	1 069 899
Customer loans	14 320	-	-	-	14 320
<b>Total assets</b>	<b>2 837 239</b>	<b>566 581</b>	<b>1 225 841</b>	<b>19 898</b>	<b>4 649 559</b>
<b>LIABILITIES</b>					
Negative fair value of derivative financial instruments	2 599	4 810	-	-	7 409
Due to banks and other financial institutions	636	-	-	-	636
Accounts payable under repo agreements "	623 844	6 614	-	-	630 458
Current customer accounts and deposits	1 796 316	934 381	23 390	18 888	2 772 975
Other financial liabilities	5 404	-	-	-	5 404
<b>Total liabilities</b>	<b>2 428 799</b>	<b>945 805</b>	<b>23 390</b>	<b>18 888</b>	<b>3 416 882</b>
<b>Effect of derivative financial instruments expressed in foreign currencies</b>	<b>841 619</b>	<b>371 670</b>	<b>(1 203 158)</b>	<b>-</b>	<b>10 131</b>
<b>Net position</b>	<b>1 250 059</b>	<b>(7 554)</b>	<b>(707)</b>	<b>1 010</b>	<b>1 242 808</b>

The weakening of the Russian Ruble, as indicated below, against the following currencies at 31 December 2017 and 31 December 2016 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is net of taxes and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2017	31 December 2016
10% appreciation of USD against RUB	(583)	(604)
10% appreciation of EUR against RUB	(895)	(57)

The strengthening of the Russian Ruble against the above currencies at 31 December 2017 and 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Credit Risk

*Credit risk* is the risk of financial losses of the Bank if a customer or counterparty fails to meet its contractual obligations. The bank manages its credit risk through approved policies and procedures that include requirements to establish and observe credit risk concentration limits, as well as through creation of the Credit Committee and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

ALM Committee that are responsible for making decisions on credit risk regulation and for control over compliance with internal limits and norms. Key elements of effective credit risk management were a developed credit policy and procedures, portfolio management, effective control over loans.

The credit policies of the Bank, as well as amendments to these policies, are considered by the Credit Committee and the Management Board, and are approved by the Bank's Board of Directors.

The credit policies regulates the Bank's credit operations and other operations containing the credit risk (hereinafter – "the credit operations") that are carried out with retail and corporate clients, including different kinds of short-term and long-term lending, issue of guarantees and letters of credit, acceptance of guarantees as collateral for liabilities of corporate clients, acceptance of letters of credit.

Credit policies cover transactions exposed to credit risk with financial institutions (credit institutions, payment/settlement systems, depository institutions, clearing houses, financial companies), including interbank lending, conversion operations, limiting risks on operations with Nostro accounts, issue/acceptance of guarantees, acceptance of the letters of credit, transactions dealing with sale/purchase of financial assets on a deferred payment basis (supply of financial assets), etc., as well as participation in syndicated loans and co-loans that enable the Bank to divide the risk.

Procedures used to consider loan applications, methodology used to assess the creditworthiness of borrowers and counterparties, requirements to loan documentation are set forth in the *Regulations on Lending* under different lending programs.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk in respect of financial assets as at the reporting date is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	1 467 286	1 809 184
Mandatory cash balances with CBRF	38 896	28 636
Due from banks and other financial institutions	360 255	210 452
Accounts receivable under repo agreements	3 333 491	1 462 841
Positive fair value of derivative financial instruments	6 273	17 540
Debt liabilities available for sale	1 633 032	1 069 899
Customer loans	19 203	14 320
Other financial assets	<u>6 858 436</u>	<u>4 612 872</u>

The credit risk level is managed through obtaining collateral and guarantees (guarantees). The amount and type of collateral depend on the counterparty's credit risk exposure.

Collateral is not usually provided for the rights of claim on derivative financial instruments, investments in securities, loans and advances issued to banks, except for the cases when securities are received under reverse repo transactions and securities lending transactions.

For the analysis of concentration of credit risk in respect of customer loans and advances refer to Note 15.

For the maximum credit risk exposure in respect of unrecognized contract commitments as of the reporting date refer to Note 25.

As at 31 December 2017, the Bank has one counterparty (31 December 2016: two counterparties) whose individual credit risk exposure exceeds 10% of the maximum level of credit risk exposure. As at 31 December 2017, the credit risk exposure in respect of these counterparties is RUB 3 290 606 thousand (31 December 2016: RUB 2 978 038 thousand).

## Liquidity Risk

Liquidity risk is the risk that the Bank may face difficulties in meeting its payment obligations in full. Liquidity risk may arise as a result of imbalances in the Bank's financial assets and financial liabilities (including due to late performance of financial obligations by one or more counterparties of the Bank) and / or the unforeseen need for immediate and non-recurring performance of the Bank's financial obligations.

The Bank maintains the required liquidity level in order to ensure the continuing availability of cash required to settle all liabilities as they mature.

The Bank strives to actively maintain diversified and stable structure of financing sources consisting of debt securities issued, long-term and short-term loans from other banks, deposits from major corporate and retail clients, as well as to diversify highly liquid asset portfolio in order to be able to react quickly and without sudden fluctuations to unforeseeable liquidity requirements.

Risk liquidity factors, segregation of liquidity management function and responsibilities, liquidity assessment and management methods, reporting and information exchange procedures in the course of liquidity risk management are described in detail on the *Liquidity Risk Management Regulation*. The Bank's liquidity management and control system includes the following elements:

- the Bank's Management Board that is responsible for the general organization of efficient liquidity management and control over liquidity position ;
- ALM Committee that is responsible for liquidity management decision-making, ensuring efficient liquidity management and implementing controls over liquidity position and implementation of the relevant decisions;
- Risk Control Department that is responsible for liquidity position analysis;
- Treasury that is responsible for ensuring compliance with the established norms and limits in active banking transactions;
- the Bank's head office and additional offices that are responsible for providing information about the inflows and clients' payments;
- the Bank's internal documents regulating the Bank's liquidity level and setting forth measures to maintain liquidity: documents describing liquidity position analysis procedure, decisions of managing bodies on mobilization of assets, implementation of new banking products, involvement of additional resources, etc.;
- the system ensuring provision of regular and current information and reports on the Bank's liquidity to regulatory authorities;
- Internal Control Department that is responsible for ensuring compliance with all risk management procedures.

Financial Reporting Division of the Accounting and Financial Reporting Department on a daily basis calculates statutory economic standards in compliance with the procedures established by the Central Bank, as well as assesses the actual value of statutory liquidity ratio and the size of risks the Bank is exposed to.

On a daily basis the Bank calculates statutory economic standards in compliance with the procedures established by CBRF, as well as assesses the actual value of statutory liquidity ratio and the size of risks the Bank is exposed to.

An inherent element of liquidity management is a regular review of liquidity position based on the short-term liquidity forecast and data taken from the reports. If there is an inconsistency between the forecasted and actual results, the Bank analyses these inconsistencies with the purpose to introduce adjustments into liquidity management system. In order to assess a perspective liquidity position a short-term liquidity forecast is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Liquidity level forecast is made by extrapolation of the current liquidity level with account of adjustment for the planned changes in the asset and liability structure on the basis of data provided by the Bank's divisions that are responsible for such information.

The following tables show the undiscounted cash flows on financial assets and liabilities and unrecognized credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the liabilities or off-balance commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Analysis of financial liabilities, by expected maturities, as at 31 December 2017, can be presented as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total gross amount of outflow	Carrying amount
<b>Non-derivative financial liabilities</b>						
Negative fair value of derivative financial instruments	1 120	-	-	-	1 120	1 120
Due to banks and other financial institutions	1 133	-	-	-	1 133	1 133
Obligations on the supply of securities	718 993	-	-	-	718 993	718 993
Accounts payable under repo agreements	1 517 104	-	-	-	1 517 104	1 517 104
Current customer accounts and deposits	1 766 263	1 126 719	1 547	874 289	3 768 818	3 398 848
Other financial liabilities	858	-	-	-	858	858
<b>Total liabilities</b>	<b>4 005 471</b>	<b>1 126 719</b>	<b>1 547</b>	<b>874 289</b>	<b>6 008 026</b>	<b>5 638 056</b>
<b>Off-balance credit commitments</b>	-	-	-	-	-	-

Analysis of financial liabilities, by expected maturities, as at 31 December 2016, can be presented as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total gross amount of outflow	Carrying amount
<b>Non-derivative financial liabilities</b>						
Negative fair value of derivative financial instruments	7 409	-	-	-	7 409	7 409
Due to banks and other financial institutions	636	-	-	-	636	636
Accounts payable under repo agreements	630 458	-	-	-	630 458	630 458
Current customer accounts and deposits	2 625 074	-	160 666	-	2 785 740	2 772 975
Other financial liabilities	5 244	-	160	-	5 404	5 404
<b>Total liabilities</b>	<b>3 268 821</b>	-	<b>160 826</b>	-	<b>3 429 647</b>	<b>3 416 882</b>
<b>Off-balance credit commitments</b>	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

According to the Russian laws, individuals can withdraw their demand deposits from the Bank at any time, however, in most cases, they lose the right to receive accrued interest income. Consequently, such deposits net of accrued interest income are disclosed in the table below in *Demand and less than 1 month* category. Information about the contractual maturities of these deposits is given below:

	31 December 2017	31 December 2016
Demand and less than 1 month	3 279	5 519
From 1 to 3 months	13 245	4 382
From 3 to 12 months	1 510	73
From 1 year to 5 years	511	101
	<b>18 545</b>	<b>10 075</b>

The table below shows the analysis of assets and liabilities by their contractual maturity as at 31 December 2017, except for financial assets available for sale. These securities are disclosed in *Demand and less than 1 month* category as the Bank's Management believes that the majority of these financial instruments can be sold by the Bank within the short term.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	1 467 286	-	-	-	1 467 286
Mandatory cash balances with CBRF	38 896	-	-	-	38 896
Due from banks and other financial institutions	360 255	-	-	-	360 255
Accounts receivable under repo agreements	3 193 492	139 999	-	-	3 333 491
Positive fair value of derivative financial instruments	6 273	-	-	-	6 273
Financial assets available for sale	1 633 032	-	-	-	1 633 032
Customer loans	-	-	890	18 313	19 203
<b>Total assets</b>	<b>6 699 234</b>	<b>139 999</b>	<b>890</b>	<b>18 313</b>	<b>6 858 436</b>
<b>Non-derivative financial liabilities</b>					
Negative fair value of derivative financial instruments	1 120	-	-	-	1 120
Due to banks and other financial institutions	1 133	-	-	-	1 133
Obligations to supply securities	718 993	-	-	-	718 993
Accounts payable under repo agreements	1 517 104	-	-	-	1 517 104
Current customer accounts and deposits	1 766 263	1 117 638	1 510	513 437	3 398 848
Other financial liabilities	858	-	-	-	858
<b>Total liabilities</b>	<b>4 005 471</b>	<b>1 117 638</b>	<b>1 510</b>	<b>513 437</b>	<b>5 638 056</b>
<b>Net position</b>	<b>2 693 763</b>	<b>(977 639)</b>	<b>(620)</b>	<b>(495 124)</b>	<b>1 220 380</b>

The following table provides an analysis of assets and liabilities by contractual maturity, with the exception of available-for-sale financial assets, as at 31 December 2016. These securities are shown in the "on demand and less than 1 month" category, as the Bank's management believes that most of these financial instruments can be sold by the Bank in the short term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	1 845 871	-	-	-	1 845 871
Mandatory cash balances with CBRF	27 041	-	-	1 595	28 636
Due from banks and other financial institutions	210 452	-	-	-	210 452
Accounts receivable under repo agreements	1 462 841	-	-	-	1 462 841
Positive fair value of derivative financial instruments	17 540	-	-	-	17 540
Financial assets available for sale	1 069 899	-	-	-	1 069 899
Customer loans	-	-	570	13 750	14 320
<b>Total assets</b>	<b>4 633 644</b>	<b>-</b>	<b>570</b>	<b>15 345</b>	<b>4 649 559</b>
<b>Non-derivative financial liabilities</b>					
Negative fair value of derivative financial instruments	6 454	-	955	-	7 409
Due to banks and other financial institutions	636	-	-	-	636
Accounts payable under repo agreements "	630 458	-	-	-	630 458
Current customer accounts and deposits	2 670 108	99 317	-	3 550	2 772 975
Other financial liabilities	5 244	-	160	-	5 404
<b>Total liabilities</b>	<b>3 312 900</b>	<b>99 317</b>	<b>1 115</b>	<b>3 550</b>	<b>3 416 882</b>
<b>Net position</b>	<b>1 320 744</b>	<b>(99 317)</b>	<b>(545)</b>	<b>11 795</b>	<b>1 232 677</b>

The following table provides an analysis of available-for-sale financial assets by contractual maturity:

	31 December 2017	31 December 2016
From 1 to 3 months	571 753	-
From 3 to 12 months	159 055	40 121
From 1 year to 5 years	842 718	703 929
Over 5 years	11 687	211 504
No maturity	47 819	114 345
<b>Financial assets available for sale</b>	<b>1 633 032</b>	<b>1 069 899</b>

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the Central Bank.

These ratios include:

- instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand;
- current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;
- long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after 1 year to the equity and liabilities maturing after 1 year.

	<u>Requirement</u>	<u>31 December 2017 , %</u>	<u>31 December 2016 , %</u>
Instant liquidity ratio (N2)	Not less than 15%	84,6	54,7
Current liquidity ratio (N3)	Not less than 50%	128,1	127,5
Long-term liquidity ratio (N4)	Not more than 120%	0,5	0,7

## 21. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The Bank's policy on capital management is to maintain a stable capital base to maintain the confidence in investors, creditors and market participants, as well as to ensure the progressive development of its own operations.

The main objective of capital adequacy management is to ensure the Bank's ability to fulfill its strategic development objectives while complying with capital adequacy requirements.

The Bank defines as capital those items defined as capital (equity) of credit institutions by the Russian legislation. The Bank calculates capital adequacy based on requirements set by Regulation № 395-P of the Central Bank *On the Methodology for Determining the Value of Own Funds (Capital) of Credit Institutions (Basel III)* (hereinafter - "Regulations of the Central Bank of Russia No. 395-P").

As at 31 December 2017, the minimum level of basic capital adequacy ratio (hereinafter – "N1.1 ratio"), the minimum additional capital adequacy ratio (hereinafter – "N1.2 ratio") and the minimum equity adequacy ratio (hereinafter – "N1.0 ratio") were 4.5%, 5.5% and 8.0%, respectively. As at 31 December 2016, the minimum H1.1, H1.2 and H1.0 ratios were 4.5%, 5.5% и 8.0%, respectively.

The Bank maintains capital adequacy at a level that corresponds to the nature and volume of its operations.

As at 31 December 2017 and 31 December 2016, the Bank's capital adequacy ratios complied with the the statutory level.

The calculation of the level of capital adequacy in accordance with the requirements of the Central Bank as of 31 December are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Basic capital	1 205 333	1 132 906
Additional capital	564 319	82 979
<b>Total capital</b>	<b>1 769 652</b>	<b>1 215 885</b>
Risk weighted assets	3 129 640	2 575 399
<b>N1.1 ratio (%)</b>	<b>38,51%</b>	<b>44,00%</b>
<b>N1.2 ratio (%)</b>	<b>38,51%</b>	<b>44,00%</b>
<b>N1.0 ratio (%)</b>	<b>56,54%</b>	<b>47,21%</b>



## 22. CREDIT RELATED COMMITMENTS

At any moment the Bank may have to be required to provide loan resources. These commitments may involve issue of loans resources in the form of approved loans, credit card limits and overdrafts.

The Bank issues bank guarantees and letters of credit with the purpose to ensure fulfillment of the clients' obligations to third parties. Such agreements record the limits of the Bank's liabilities, and, as a rule, are effective up to one year.

When the Bank issues guarantees, loan off-balance commitments and letters of credit, the Bank applies the same risk management policies and procedures as upon issue of loans to customers.

## 23. OPERATING LEASE

Bank as a lessee

Обязательства по операционной аренде (лизингу), по которой Банк выступает арендатором, которые не могут быть аннулированы в одностороннем порядке, могут быть представлены следующим образом:

Operating lease liabilities where the Bank acts as a lessee and that cannot be annulled unilaterally were as follows:

	31 December 2017	31 December 2016
Less than 1 year	3 815	4 492
Between 1 and 5 years	3 507	6 645
	<b>7 322</b>	<b>11 137</b>

The Bank leases a number of premises and equipment under operating lease agreements. The leases typically run for an initial period from five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. Operating lease liabilities do not include contingent liabilities.

## 24. CONTINGENT LIABILITIES

### Outstanding Litigations

In the ordinary course of business the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints (if any) will not have a material adverse effect on the financial position or further operations of the Bank.

### Tax Contingencies

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

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. They provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market interval or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five methods of market price determination prescribed by the Tax Code

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the short period since the current Russian transfer pricing rules became effective, the impact of any such challenge cannot be reliably estimated. However, Management believes that they can significantly affect the financial position and/or the overall operations of the Bank.

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

## 25. RELATED PARTY TRANSACTIONS

### Transaction with the Board of Directors and the Management Board

The total amount of remuneration included into *Payroll Expenses* for FY 2017 and FY 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Short-term remuneration to the Management Board	7 878	6 903
	<u>7 878</u>	<u>6 903</u>

As at 31 December 2017 and 31 December 2016, the outstanding balances on accounts of members of the Board of Directors and the Management Board were as follows:

	<u>31 December 2017 a</u>	<u>31 December 2016 a</u>
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Retail loans	10 430	12 432
<b>LIABILITIES</b>		
Current customer accounts and deposits:	733	1 734

In 2017 and 2016, the amounts included into profit or loss from transactions with the Board of Directors and Management Board were as follows:

	<u>2017</u>	<u>2016</u>
<b>Statement of Comprehensive Income</b>		
Interest income	1 524	1 565
Interest expense	(73)	(19)
Fee and commission income	60	43
Net gains (losses from trading in foreign currencies)	-	4
Other general and administrative expense	(7 878)	(6 903)

#### Other related party transactions

Other related parties include entities that are shareholders of the Banks and associated entities and persons.

As at 31 December 2017 and 31 December 2016, the outstanding balances and the related average effective interest rates on related party transactions were as follows:

	<u>31 December 2017 a</u>	<u>31 December 2016 a</u>
<b>Statement of financial position</b>		
<b>ASSETS</b>		
Funds for transactions on stock exchange	31 661	27 458
Accounts receivable under repo transactions	41 638	30 472
Financial assets available for sale:		
- freehold	47 787	43 927
- pledged under repo agreements	-	6 459
Other assets	1 086	36
<b>Liabilities</b>		
Accounts payable under repo agreements	-	15 795
Due to other banks and financial institutions	1 133	636
Customer current accounts and deposits:		
Current accounts	181 766	1 326 165
Fixed-term deposits	575 050	119 897
Other liabilities	620	420

As at December 2017, the irrevocable liabilities of the Bank to related parties are RUB 80 995 thousand (31 December 2016: RUB 30,976 thousand).

In 2017 and 2016, the amounts included into profit or loss from other related party transactions were as follows:

	<u>2017</u>	<u>2016</u>
<b>Statement of Comprehensive Income</b>		
Interest income	3 416	691
Interest expense	(40 672)	(66 411)
Fee and commission income	15 550	2 999
Fee and commission expense	(14 391)	(915)
Net gains(losses) from trading in foreign currencies	(781)	26 282
Other income	127	1 085
Impairment provision	(1 165)	(8 116)
Other general and administrative expense	(6 039)	(4 581)

**26. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS**

**Accounting classifications and fair value**

The table below shows the carrying amount and the fair value of financial assets and liabilities as at 31 December 2017:

	Measured at fair value	Loans and receivables	Available for sale	Other carried at amortized cost	Total recognized amount	Fair value
Cash and cash equivalents	-	1 467 286	-	-	1 467 286	1 467 286
Mandatory cash balances with CBRF	-	38 896	-	-	38 896	38 896
Due from banks and other financial institutions	-	360 255	-	-	360 255	360 255
Accounts receivable under repo agreements	-	3 333 491	-	-	3 333 491	3 333 491
Positive fair value of derivative financial instruments	6 273	-	-	-	6 273	6 273
Financial assets available for sale	-	-	1 633 032	-	1 633 032	1 633 032
Customer loans:	-	-	-	-	-	-
- retail loans	-	19 203	-	-	19 203	19 203
	<b>6 273</b>	<b>5 219 131</b>	<b>1 633 032</b>	<b>-</b>	<b>6 858 436</b>	<b>6 858 436</b>
Negative fair value of derivative financial instruments	(1 120)	-	-	-	(1 120)	(1 120)
Due to banks and other financial institutions	-	-	-	(1 133)	(1 133)	(1 133)
Obligations for supply of securities	-	-	-	(718 993)	(718 993)	(718 993)
Accounts payable under repo agreements	-	-	-	(1 517 104)	(1 517 104)	(1 517 104)
Current customer accounts and deposits	-	-	-	(3 398 848)	(3 398 848)	(3 398 848)
Other financial liabilities	-	-	-	(33 452)	(33 452)	(33 452)
	<b>(1 120)</b>	<b>-</b>	<b>-</b>	<b>(5 669 530)</b>	<b>(5 670 650)</b>	<b>(5 670 650)</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The table below shows the carrying amount and the fair value of financial assets and liabilities as at 31 December 2016:

	Measured at fair value	Loans and receivables	Available for sale	Other carried at amortized cost	Total recognized amount	Fair value
Cash and cash equivalents	-	1 845 871	-	-	1 845 871	1 845 871
Mandatory cash balances with CBRF	-	28 636	-	-	28 636	28 636
Due from banks and other financial institutions	-	210 452	-	-	210 452	210 452
Accounts receivable under repo agreements	-	1 462 841	-	-	1 462 841	1 462 841
Positive fair value of derivative financial instruments	17 540	-	-	-	17 540	17 540
Financial assets available for sale	-	-	1 069 899	-	1 069 899	1 069 899
Customer loans:						
- retail loans	-	14 320	-	-	14 320	14 320
	<b>17 540</b>	<b>3 562 120</b>	<b>1 069 899</b>	<b>-</b>	<b>4 649 559</b>	<b>4 649 559</b>
Negative fair value of derivative financial instruments	(7 409)	-	-	-	(7 409)	(7 409)
Due to banks and other financial institutions	-	-	-	(636)	(636)	(636)
Accounts payable under repo agreements	-	-	-	(630 458)	(630 458)	(630 458)
Current customer accounts and deposits	-	-	-	(2 772 975)	(2 772 975)	(2 772 975)
Other financial liabilities	-	-	-	(5 404)	(5 404)	(5 404)
	<b>(7 409)</b>	<b>-</b>	<b>-</b>	<b>(3 409 473)</b>	<b>(3 416 882)</b>	<b>(3 416 882)</b>

## STATEMENT OF CHANGES IN EQUITY FOR FY 2017

The Bank measured the fair value of its financial instruments, as required by IFRS 7 Financial Instruments: Disclosures.

The estimated fair value of financial instruments available for sale is based on quoted market prices at the reporting date without any deduction for transaction costs.

The fair value of all other financial assets and liabilities are measured using the discounted cash flow method on the basis of estimated future cash flows and discount rates used for similar instruments as of the reporting date. In using the discounted cash flow method the future cash flows are measured on the basis Management's estimates and the discount rate is the market rate used for similar instruments as at the reporting date.

As at 31 December 2017 and 31 December 2016, Management concluded that the fair value of all financial assets and financial liabilities is not materially different from their carrying value.

Measurement of fair value is aimed at a more precise determination of the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction on the measurement date. However, due to existing uncertainties and subjectivity of estimates the fair value should not be regarded as the amount for which an asset can be immediately sold or a liability can be immediately settled.

### Fair Value Hierarchy

The Bank measures fair value for financial instruments recorded on the statement of financial position using the following fair value hierarchy that 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: Valuation techniques based on observable inputs, 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 identical or 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: Valuation techniques using significant unobservable inputs. 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 table below analyses financial instruments measured at fair value at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Total
Positive fair value of derivative financial instruments	-	6 273	6 273
Financial assets available for sale			
- Debt instruments and other fixed income instruments	1 235 555	-	1 235 555
- Equity instruments	32	47 787	47 819
Negative fair value of derivative financial instruments	-	(1 120)	(1 120)

The table below analyses financial instruments measured at fair value at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Total
Positive fair value of derivative financial instruments	-	17 540	17 540
Financial assets available for sale			
- Debt instruments and other fixed income instruments	955 554	-	955 554
- Equity instruments	114 345	-	114 345
Negative fair value of derivative financial instruments	-	7 409	7 409

STATEMENT OF CHANGES IN EQUITY FOR FY 2017

**27. DERIVATIVES**

The table below shows the analysis of derivative financial instruments as at 31 December 2017 and 31 December 2016:


	<u>31 December 2017</u>	<u>31 December 2016</u>
Foreign currency forward contracts (swap) (assets)	6 273	17 540
Foreign currency forward contracts (swap) (liabilities)	(1 120)	(6 454)
Foreign currency futures contracts (liabilities)		(955)
<b>Total derivatives</b>	<u><b>5 153</b></u>	<u><b>10 131</b></u>

**28. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing net profit or loss from ordinary shares by the weighted average of ordinary shares circulating during the year.

The Bank does not have ordinary shares that potentially reduce the amount of earnings per share. So, therefore, the diluted earnings per share are equal to the basic earnings per share.

	<u>31 December 2017</u>	<u>31 December 2016</u>
Net income for period payable to shareholders	75 956	89 938
Weighted average of circulating ordinary shares (in thousand shares)	56 490	56 490
	<u>1,34</u>	<u>1,59</u>

  
I.B. Ionova

Chairman of the Management Board



  
N.G. Popova

Chief Accountant