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Commercial Bank "Khlynov" (Joint Stock Company)

IFRS Financial Statements and Independent Auditor's Report

for the period ended 31 December 2017

Moscow | 2018

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Independent Auditor's Report

[Translation from Russian original]

To the Shareholders of

COMMERCIAL BANK "KHLYNOV"

(JOINT-STOCK COMPANY)

Opinion

We have audited the accompanying financial statements of commercial bank 'Khlynov' (joint-stock company) (hereinafter – the Bank), which comprise the statement of the financial position as at December 31, 2017, statement of profit and loss for 2017, statement of other comprehensive income for 2017, statement of changes in equity for 2017, cash flow statement for 2017, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects the financial position of commercial bank 'Khlynov' (joint-stock company) as at December 31, 2017, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereafter - IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Rules of Independence of the Auditors and Audit Organizations and The Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The audit of the Group's consolidated financial statements for the period from January 1, 2016 to December 31, 2016 was conducted by the auditing firm LTD "Mazar Audit". Based on the audit results of LTD "Mazar Audit", the auditor's report expressed an unmodified opinion on the reliability of the Group's consolidated financial statements for 2016 in all material respects. The audit report was dated April 28, 2017.

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Other information

Management is responsible for other information. Other information includes information contained in the Annual Report of the commercial bank "Khlynov" (joint-stock company), but does not include financial statements and our audit report on it. The approved Annual Report is expected to be available to us after the date of this audit report.

Our opinion on the consolidated financial statements does not apply to other information, and we do not provide a conclusion that provides in any form confidence in this information.

In connection with our audit of the consolidated financial statements, our responsibility is to review other information and to consider whether there are significant inconsistencies between other information and the consolidated financial statements or our knowledge obtained during the audit and whether other information does not contain other information signs of significant distortion. If, on the basis of our work, we come to the conclusion that such other information contains a significant distortion, we are obliged to report this fact. If, upon reviewing the Bank's Annual Report for 2017, we come to the conclusion that it contains a material misstatement, we must bring this to the attention of those responsible for corporate governance.

Responsibilities of Management and The members of the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

The members of the Board of Directors are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

d) conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the members of the Board of Directors of the audited entity a statement that we have complied with all relevant ethical requirements for independence and have informed them of all relationships and other issues that can reasonably be considered influencing the independence of the auditor, and, where necessary, relevant precautions.

Of those matters that we brought to the attention of the members of the Board of Directors of the audited entity, we determined the matters that were most significant for audit of the financial statements for the current period and, therefore, are key audit matters. We describe these matters in our audit report, except in cases where public disclosure of information on these matters is prohibited by law or regulation, or when in very rare cases we come to the conclusion that information about any matter should not be communicated in our 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.

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Report on the results of the audit in accordance with the requirements of the Federal Law № 395-I of December 2, 1990 "On Banks and Banking Activities"

The Bank's management is responsible for the Bank's compliance with the mandatory ratios established by the Bank of Russia, and for the compliance of internal control and organization of the Bank's risk management systems with the requirements set by the Bank of Russia for such systems.

In accordance with Article 42 of the Federal Law № 395-I "On Banks and Banking Activities" dated December 2, 1990, during the audit of the Bank's consolidated financial statements for the year 2017, we conducted the audit:

- the Bank's compliance with the mandatory ratios established by the Bank of Russia as of January 1, 2018;
- compliance of internal control and organization of risk management systems of the Bank with the requirements set by the Bank of Russia for such systems.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Bank's policies, procedures and methodologies with the CBR requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

1. With respect to the Bank's compliance with the obligatory ratios: the obligatory ratios as at 1 January 2018 were within the limits established by the CBR.

   We have not performed any procedures with respect to the Bank's financial information other than those we considered necessary to express our opinion on whether the consolidated financial statements of the Bank present fairly, in all material respects, the consolidated financial position of the Bank as at January 1, 2018, its consolidated financial performance and its consolidated cash flows for 2017 in accordance with International Financial Reporting Standards.

2. With respect to compliance of the Bank's internal control and risk management systems with the CBR requirements:

a) In accordance with the CBR requirements and recommendations as at January 1, 2018, the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors and the Bank's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the CBR;

b) As at January 1, 2018, the Bank had duly approved, in accordance with the CBR requirements and recommendations, the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

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c) As at January 1, 2018, the Bank had in place a reporting system with regard to the Bank's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Bank's equity;

d) Frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2017 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;

e) As at January 1, 2018, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over the Bank's compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Bank's risk management policies, during 2017 the Bank's Board of Directors and the Bank's executive bodies regularly discussed reports prepared by the risk management and internal audit departments and considered proposed corrective measures.

We have carried out the procedures with respect to the Bank's internal control and risk management systems solely to report on the findings related to compliance of the Bank's internal control and risk management systems with the CBR requirements.

President of LLC "FBK"

S.M. Shapiguzov
(audit qualification certificate № 01-001230,
registration number 21606043397)

Engagement partner

A.A. Terekhina
(audit qualification certificate as of 14.05.2014
№ 03-000653, registration number 21806021441)

Date of the auditor's report:
27 March 2018

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Audit entity

Name:

Commercial bank "Khlynov" (joint-stock company).

Place of business:

610002, Kirov region, Kirov, st. Uritsky, 40.

Official registration:

State Registration Certificate No 254 on 29 01 2016.

The registration entry was made in the Unified State Register of Legal Entities on 30 07 2002 under primary state registration number (OGRN) 1024300000042.

Auditor

Name:

FBK, LLC

Place of business:

44/1, 2AB, Myasnitskaya St, Moscow, 101990, Russian Federation.

Official registration:

State Registration Certificate series ЮЗ 3 No. 484.583 РП issued by Moscow Registration Chamber on 15 November 1993.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number (OGRN) 1027700058286.

Membership in a self-regulatory auditor organization:

Self-regulatory organization of auditors Association "Sodruzhestvo".

Number in the register of audit organizations registered with the self-regulatory audit organization:

Certificate of membership in the Self-regulatory organization of auditors Association "Sodruzhestvo" No. 7198, principal number of registration entry (ORNZ) – 11506030481.

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TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

as at 31 December 2017 (in thousands of Russian rubles)

		Notes	31 December 2017	31 December 2016
	Assets			
1	Cash and cash equivalents	**5**	1,668,558	1,726,449
2	Mandatory balances with the Central Bank of the Russian Federation	**6**	129,923	113,871
3	Due from other banks	**7**	1,853,922	1,550,230
4	Financial assets at fair value through profit or loss	**8**	4,798,215	3,715,230
5	Financial assets available for sale	**9**	987,700	1,241,475
6	Loans and advances to customers	**10**	10,731,714	9,497,037
7	Net investment in finance lease	**11**	-	1,129
8	Deferred tax asset	**18**	6,796	3,233
9	Non-current assets held for sale	**14**	103,778	57,514
10	Property, plant, and equipment	**13**	375,465	381,343
11	Investment property	**13**	225,815	192,482
12	Other assets	**12**	80,846	59,252
13	**Total assets**		**20,962,732**	**18,539,245**
	Liabilities			
14	Due to other banks	**15**	50,018	265,320
15	Customer accounts	**16**	17,310,448	15,224,669
16	Debt securities issued	**17**	6,839	10,552
17	Other liabilities	**19**	177,617	138,868
18	**Total liabilities**		**17,544,922**	**15,639,409**
	Equity			
19	Share capital	**20**	627,198	620,283
20	Retained earnings		2,651,063	2,172,081
21	Revaluation reserve of financial assets held for sale		30,248	11,982
22	Revaluation reserve of property, plant and equipment		109,301	95,490
23	**Total equity**		**3,417,810**	**2,899,836**
24	**Total liabilities and equity**		**20,962,732**	**18,539,245**
25	**Credit related commitments**	**21**	**3,041,108**	**2,518,128**

Signed and authorized for release on behalf of the Executive Board of the Bank on 27 April 2018.

I. P. Prozorov
Chairman of the Executive Board

S. V. Kozlovskaya
Chief accountant

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Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2017 (in thousands of Russian rubles)

	Notes	2017	2016
Interest income			
Loans and advances to legal entities		1,006,150	1,153,519
Loans and advances to individuals		555,209	551,622
Investment in lease		-	10,468
Securities		466,812	434,300
Due from banks		115,640	63,071
		2,143,811	**2,212,980**
Interest expense			
Term deposits of individuals		(751,672)	(854,451)
Term deposits of legal entities		(104,494)	(83,428)
Current/settlement accounts' balances		(59,163)	(37,195)
Due to banks		(6,718)	(31,093)
Debt securities		(413)	(866)
Other borrowings		-	(2,134)
		(922,460)	**(1,009,167)**
Net interest income		**1,221,351**	**1,203,813**
Allowance for impairment for loans and advances to customers, investment in lease	24	(283,847)	(398,128)
Net interest income less provision for losses		**937,504**	**805,685**
Commission income less commission expenses	26	441,798	415,997
Income less expenses on operations with securities	25	111,720	49,434
Gains / (losses) from transactions with foreign currencies		74,672	237,839
Net gain / loss from revaluation of items in foreign currencies		17,038	(152,373)
Gain / (loss) from disposal of property, plant and equipment, investment property, and non-current assets held for sale		(8,408)	(7,009)
Revaluation of property, plant and equipment	13	1,583	(709)
Revaluation of investment properties	13	4,725	(24,472)
Impairment of other assets, non-current assets held for sale		(17,973)	(4,771)
Reserve for impairment of other assets in the other banks	24	(1,714)	16,418
Staff Costs	27	(572,993)	(503,343)
Administrative and other operational expenses	27	(393,552)	(381,124)
Depreciation and Amortization	13	(34,212)	(40,074)
Other operating income (expenses)		30,154	5,205
Disposal of subsidiary		-	-
Operating income (expenses)		**(347,162)**	**(388,982)**
Profit before tax		**590,342**	**416,703**
Income tax expense	18	(111,300)	(64,520)
Profit for the period		**479,042**	**352,183**
Other comprehensive income			
Gains/(loss) on property revaluation, net of tax		13,811	17,706
(Loss) / income from financial assets available-for-sale		18,266	12,003
Total comprehensive income for the year		**511,119**	**381,892**

Signed and authorized for release on behalf of the Executive Board of the Bank on 27 April 2018.

I. P. Prozorov
Chairman of the Executive Board

S. V. Kozlovskaya
Chief accountant

РОССИЙСКАЯ ФЕДЕРАЦИЯ г.КИРОВ КОММЕРЧЕСКИЙ БАНК «ХЛЫНОВ» ОГРН 1024300000042 ИНН 4346013603 АО КБ «ХЛЫНОВ» (АКЦИОНЕРНОЕ ОБЩЕСТВО)

Limited liability company FBK Auditor's report OGRN 1027700058286 Moscow

CB Khlynov JSC
Non-Consolidated Statement of Cash Flow for the Year Ended 31 December 2017 (in thousands of Russian rubles)

	Notes	2017	2016
Cash flows from operating activities			
Interest received		1,736,376	1,720,513
Paid interest		(922,307)	(1,009,437)
Income less expenses on operations with securities		585,110	501,781
Income less expenses from dealing with foreign currency		74,672	237,839
Commissions received		621,159	535,053
Commissions paid		(180,250)	(126,628)
Other operation income		30,154	5,521
Other operating expenses paid		(962,217)	(896,606)
Income tax paid		(118,723)	(64,977)
Cash flows from operating activities received before changes in operating assets and liabilities		**863,974**	**903,059**
Cash flows from changes in operating assets and liabilities			
Net (increase)/decrease in operating assets			
Mandatory balance with the CBR		(16,052)	(32,651)
Due from other banks		(300,838)	(1,221,008)
Securities at fair value through profit or loss		(1,145,034)	(574,872)
Loans and advances to customers		(1,693,729)	495,479
Investment property		-	-
Other assets		(63,497)	6,424
Due to other banks		(215,320)	(166,046)
Customers' accounts (non-credit institutions)		2,097,191	1,910,418
Debt securities issued		(3,772)	(7,814)
Other liabilities		46,712	(41,838)
Net cash received from operating activities		**(430,365)**	**1,271,151**
Cash flows from investing activities			
Acquisition and modernization of property, plant and equipment and investment property		(17,047)	(42,554)
Disposal of property, plant and equipment		7,340	3,239
Disposal of investment property		3,066	52,631
Disposal of non-current assets held for sale		45,039	32,699
Purchase of financial assets held to maturity and available-for-sale		266,051	(1,137,727)
Disposal of subsidiary		-	-
Net cash paid in investing activities		**304,449**	**(1,091,712)**
Cash flows from financing activities			
Net investment in finance lease		-	112,667
Net cash received from financing activities		**-**	**112,667**
Effect of exchange rate on cash and cash equivalents		68,029	(152,375)
Net increase of cash and cash equivalents		**(57,887)**	**139,731**
Cash and cash equivalents for the beginning of the year	**5**	**1,726,445**	**1,586,718**
Cash and cash equivalents for the end of the year	**5**	**1,668,558**	**1,726,449**

Closing balance on Cash and cash equivalents as at 31 December 2016 (1,726,449) is not equal to opening balance on Cash and cash equivalents as at 31 December 2017 (1,726,445) due to the disposal of the subsidiary.

Signed and authorized for release on behalf of the Executive Board of the Bank on 27 April 2018.

I. P. Prozorov
Chairman of the Executive Board

S. V. Kozlovskaya
Chief accountant

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Non-Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017 (in thousands of Russian rubles)

	Share capital	Revaluation reserve of property, plant and equipment	Revaluation reserve of financial assets held for sale	Retained earnings	Total for the Bank
Balance as at 01 January 2016	**620,283**	**77,784**	**(21)**	**1,819,898**	**2,517,944**
Total comprehensive income for the year	-	17,706	12,003	352,183	**381,892**
Balance as at 31 December 2016	**620,283**	**95,490**	**11,982**	**2,172,081**	**2,899,836**
Disposal of subsidiary	6,915	-	-	(60)	**6,855**
Total comprehensive income for the year	-	13,811	18,266	479,042	**511,119**
Balance as at 31 December 2017	**627,198**	**109,301**	**30,248**	**2,651,063**	**3,417,810**

In accordance with normative legal acts of the Russian Federation regulating the banking activity, the Bank must use financial statements prepared under Russian Accounting Standards ('RAS') as the basis for calculating distributable profit for the reporting year. The income should be used for paying dividends or for increase of the Bank's reserves.

As at 31 December 2017, the retained earnings of the Bank calculated in accordance with RAS were 2,391,363 (2016 (for the Group): 1,880,070).

Signed and authorized for release on behalf of the Executive Board of the Bank on 27 April 2018.

I. P. Prozorov
Chairman of the Executive Board

S. V. Kozlovskaya
Chief accountant

РОССИЙСКАЯ ФЕДЕРАЦИЯ г.КИРОВ ОБЛАСТНОЙ КОММЕРЧЕСКИЙ БАНК «ХЛЫНОВ» (АКЦИОНЕРНОЕ ОБЩЕСТВО) ОГРН 1024300000042 ИНН 4346013603
АО КБ «ХЛЫНОВ»

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1. Principal Activities of the Bank

These consolidated financial statements include the data of Commercial Bank Khlynov (Joint Stock Company) (hereinafter "the Bank") (information as at 31 December 2017 / for 2017) and of the Bank, its Subsidiary and unconsolidated structured company (together "the Group") (information as at 31 December 2016 / for 2016).

Before 25 December 2017 inclusively, the Bank was a parent credit organization of the bank group, which, in addition to the Bank, included its subsidiary "Leasing-Khlynov" LLC incorporated in 2004 and purchased by the Bank in 2004, where the Bank owned 100% interest, and controlled the company purchased in 2004. The activities of "Leasing-Khlynov" LLC are focused on provision of finance lease services. The bank group headed by the Bank since August 2014 included unconsolidated structured entity "Khlynov-Invest" LLC, with the Bank's share of 19%, where the Bank had significant influence over the entity and had no control; the core activities of "Khlynov-Invest" LLC are real estate transactions, including the enforcement of claims received from the Bank through cessions agreements. The main source of financing of "Khlynov-Invest" LLC were loans from the Bank.

Due to the fact that the total assets of "Khlynov-Invest" LLC was less than 1% of the total assets of the Bank, the impact of the reported data of "Khlynov-Invest" LLC on the Group's financial statements was found to be immaterial, so the company was not accounted for using the equity method and was not included in the consolidation perimeter.

Information about the carrying value of assets and liabilities, income and expenses of "Khlynov-Invest" LLC, recognized in the financial statements of the Group as at 31 December 2016 is presented in Note 23.

On 06 December 2017, the Bank's Board of Directors, minutes No. 25, resolved to withdraw from founders of "Leasing-Khlynov" LLC and "Khlynov-Invest" LLC, sell 100% of shares in "Leasing-Khlynov" LLC and 19% of shares in "Khlynov-Invest" LLC.
On 14 December 2017, the Bank entered into sale and purchase agreements for 100% share in the share capital of "Leasing-Khlynov" LLC and for 19% share in the share capital of "Khlynov-Invest" LLC. The information on changes in the shareholding structures of "Leasing-Khlynov" LLC and "Khlynov-Invest" LLC was entered into the Unified State Register of Legal Entities on 22 December 2017 and on 21 December 2017, respectively.
On 26 December 2017, the Bank's Executive Board, minutes No. 89, resolved to record the actual termination of activities of the bank group headed by the Bank due to exclusion of "Leasing-Khlynov" LLC and "Khlynov-Invest" LLC from the group.

The Bank was registered with the CBR under the name "Kirovcoopbank" on 06 March 1990. In 1991, the Bank was renamed to Commercial Bank Khlynov (Open Joint Stock Company). On 15 January 2016, in accordance with the requirements of the applicable legislation, the Bank was renamed to Commercial Bank Khlynov (Joint Stock Company).

The Bank conducts its business under license No. 254 from Bank of Russia issued on 29 January 2016 to conduct banking operations in Russian Rubles and foreign currency and to attract deposits from individuals in Rubles and foreign currency. Since 21 September 2004 the Bank has been a member of the State Deposit Insurance system. The Bank also has licenses of professional participants of the Securities Market allowing it to act as broker and dealer.

The principal activity of the Bank is to provide banking services to the population and legal entities in Kirov Region, Mari El Republic, and Chuvash Republic.

CB Khlynov JSC is a full-service Bank and carries out its activities in the following operating segments:

- Corporate business is the most important and developed business line for the Bank and includes lending, cash management and payment services, deposit taking, foreign economic operations,

factoring, payroll card programs, provision of bank guarantees, letter of credit services, issuance of corporate bank cards.
The Bank actively participates in lending to the real economy sector, particularly, to small and medium-sized businesses. About 70% of the portfolio of loans to legal entities and individual entrepreneurs is provided to finance working capital, while about 30% is accounted for investment objectives of borrowers. The Bank cooperates with small and medium-sized businesses through own loan products.
The Bank actively lends to constituent entities of the Russian Federation and municipal formations with the share of loans issued to them in the overall corporate loan portfolio being 18%.
The essential line of operations with corporate business is provision of bank guarantees. The basis of this portfolio is submission of guarantees as a security under contracts pursuant to Federal Law of the Russian Federation No. 44-FZ dated 27 March 2013 On Contract System for Purchase of Goods, Works, and Services to Meet State and Municipal Needs. In 2017, a new viable product for issuance of guarantees to the customers within the contractual limit was launched, in accordance with which the customers may count on immediate receipt of a guarantee from the Bank, where necessary.
As to provision of cash management and payment services to business, the Bank actively develops remote banking services: in 2017, a mobile application was launched, allowing customers to obtain information and control balance and cash flow on their accounts, make payments through the application for mobile devices. The time for making payments for corporate customers extended to 7 p.m. and for payments within the Bank to 9 p.m.
In 2017, it became possible for legal entities and individual entrepreneurs to open online deposits, which allows customers to promptly place available funds without visiting the Bank's offices.

- Retail business is another priority line for the Bank.
  The Bank provides a full range of banking services of high quality to individuals continuously showing the growth in quantitative and qualitative performance in retail banking. The Bank offers its customers a developed popular line of various products, which is well-balanced in price, including consumer and mortgage loans, deposits, bank cards of international payment systems and NSPK MIR. In 2017, the Bank actively implemented omnichannel concept of banking services, and currently all services are available both in the Bank's offices and self-service machines as well as through online banking system. In order to enhance the quality of retail banking services of the Bank, computer-aided learning and artificial intelligence tools are used.

- Securities transactions are transactions in purchase and sale of securities denominated in Russian rubles and foreign currencies as well as issuance of own bills of exchange of the Bank. The Bank's investments in securities are made in accordance with the set Investment Policy Statement with the best possible return-to-risk ratio. The core goals of investments in securities are to manage the Bank's liquidity and to receive gains from investing activities. The securities portfolio is diversified by investment duration and type, includes primarily government bonds, bonds of constituent entities of the Russian Federation and corporate bonds having high reliability and high credit rating. The vast majority of securities is included into the Lombard List of the Bank of Russia.

- Financial market transactions mean raising and placing interbank loans, deposits of the Bank of Russia, raising and placing funds through repurchase and reverse repurchase transactions, exchange market transactions, including transactions in purchase and sale of foreign currencies (US dollars, euros, Chinese yuans), and currency swap transactions. The Bank is a member of stock, money and currency sections of Moscow Exchange.

The structure of the Bank comprises 31 supplementary offices located in Kirov and Kirov Region, 1 operational office located in Yoshkar-Ola, Mari El Republic, 1 operational office located in Cheboksary, Chuvash Republic. The Bank does not have any branches.

As at 31 December 2017, the Bank had 840 members of staff (31 December 2016: 818 members).

Berezin Andrey Olegovich, the deputy by the chairman of the board of directors, and Berezina Irina Feliksovna are the beneficiaries of the Bank, the persons, under whose control and significant influence the Bank operates, according to IFRS 10 and IAS 28.

2. Economic Environment in which the Bank Operates

In 2017, the Russian economy began its recovery growth after two challenging years. Experts not only mark achievements in significant inflation decrease and GDP increase, but also talk of the end of transition from state-planned economy to free market economy, which started as early as at the end of the 1980s. However, there is a work to do in structural changes: import substitution and decrease in dependence on prices for hydrocarbons. In addition, experts point out uncertainty in investments and human wellbeing.
The Government's actions should be aimed at decreasing in the monopolization extent in many economic industries, enhancing territorial and structural mobility of labour forces, reducing barriers for opening new businesses.
The Government implements an approach to indexation of regulated utility prices and rates for the public by 4%.
Application of a budgetary rule effective since the beginning of 2017 will form conditions in the mid-run for decrease in dependence of the Russian economy and state finances on a cycle stage of the world oil market.
2017 is marked with significant weakening of volatility of Russian ruble exchange rate and its sensitivity to external factors, including dynamics of oil prices. However, in 2017, amid the continued sanctions, the economy succeeded in performing foreign obligations.
In April 2017, the Ministry of Finance for the first time since 1982 entered the domestic bond market offering government securities for individuals (15 mln of federal loan bonds for individuals for 15 bln Russian rubles). The core objective of the issuance is to increase financial awareness of the public and to extend saving opportunities of the Russian citizens.
Analysts believe that key risks in 2017, which will remain in 2018, relate to the sanctions.

According to the official statistics, the results in 2017 are as follows:

- According to the Federal State Statistics Service, GDP growth in 2017 against 2016 was +1.5% (-0.2% decrease in 2016);
- Average weighted exchange rate of Russian ruble against US dollar for 2017 was 58.3529 Russian rubles for a US dollar (67.0349 Russian rubles for a US dollar in 2016);
- Average price for Urals oil for 2017 was 53.03 US dollars per a barrel (41.9 US dollars per a barrel in 2016);
- As preliminarily estimated by the Ministry of Finance of Russia, federal budget deficit at the end of 2017 was 1,336 bln Russian rubles or 1.4% of GDP (against deficit amounting to 2,967 bln Russian rubles or 3.5% of GDP at the end of 2016);
- Continued investing activity decline: in 2017, net capital outflow from Russia grew as many as 1.6 times against 2016 amounting to 31.3 bln US dollars (19.8 bln US dollars' outflow in 2016);
- At the end of 2017, according to the Federal State Statistics Service, inflation rate as against the previous year (growth of consumer prices) was 2.51% (5.39% in 2016);
- Negative result was a decline in real income of the Russian population in 2017 by 1.1% (decline by 5.8% in 2016);
- Key figures of the banking sector grew in 2017: assets increased by 9.0% (growth by 3.4% in 2016), loans to the economy grew by 6.2% (decrease by 0.8% in 2016), including growth of loans to non-financial institutions amounting to 3.7% in 2017 (reduction by 1.8% in 2016), loans to individuals increased for 2017 by 13.2% (growth by 2.5% for 2016);
- For 2017, overdue debt on banks' corporate loan portfolio increased by 3.9% with reduction of overdue debt on retail loan portfolio by 0.4%. Ratio of overdue debt on loans to non-financial institutions flattened out to be 6.4% with reduction of such ratio for retail loans from 7.9% to 7.0%;

- Financial result of the banking sector for 2017: profit amounting to 790 bln Russian rubles (profit amounting to 930 bln Russian rubles in 2016);
- According to the Bank of Russia, international reserves of Russia as at 01 January 2018 amounted to 432.7 bln US dollars with growth by 14.6% for 2017;
- Industrial production index grew by +1.0% in 2017 (growth by +1.3% in 2016).

As at 31 December 2018, 97.2% (as at 31 December 2017: 98.3%) of the Bank's assets are concentrated in Kirov Region, which economic performance does not materially differ from the above figures across Russia in general.

The outlooks for economic development in 2018 and subsequent periods are as follows:

The international rating agencies improved their outlooks on sovereign credit ratings of the Russian Federation. In February 2017, Moody's changed its outlook to stable from negative keeping Ba1 rating. In February 2018, Standard & Poor's increased rating of Russia up to investment rating (BBB-) with a stable outlook. The agency forecasts low rates of economic growth (1.7 to 1.8% up to 2021 on the back of adverse demographic situation and poor working efficiency). At the same time, the agency emphasizes a leap of Russia in Doing Business rating prepared by the World Bank from the 120th position several years ago to the 35th one and initiatives of the Russian government in increasing working efficiency and investments. In September 2017, Fitch Ratings affirmed BBB- rating, but changed its outlook to positive from stable.

Management of the Bank believes that it takes all the necessary measures aimed at maintaining stability and development of the Bank's business in the economy conditions. Future situation in the economy and future legal and regulatory environment and its impact on the Bank's activities can differ from the Management's expectations.

The Bank pays significant attention to the analysis of operating risk and reveals all necessary information about admitted risks, procedures of its assessment, managing of risks and of the Bank's capital in notes to financial statements.

3. Basis of Presentation

a) General

The non-consolidated (as at 31 December 2017) and consolidated financial statements (as at 31 December 2016) have been prepared in accordance with the International Financial Reporting Standards ("IFRS") which comprise existing standards and their interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect.

The Bank maintains its accounting records in accordance with the legislation of the Russian Federation. These non-consolidated financial statements are based on RAS analytical books and records adjusted and reclassified in order to comply with IFRS.

These non-consolidated financial statements are presented and rounded to thousands of Russian rubles (RUB) unless otherwise indicated. The Russian ruble is utilised as the reporting currency as the majority of the Bank's transactions are denominated, measured, or funded in RUB, hence it is both the functional and reporting currency. Transactions in other currencies other than RUB are considered as transactions in foreign currencies.

b) Application of Estimates and Judgements

The preparation of non-consolidated financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. Further information concerning the most significant estimates and assumptions made by Management are set out below:

(i) Impairment of Loans

The Bank reviews loans to customers on a regular basis for evidence of impairment. Such evidence would include late payments of capital or interest or negative financial information about the borrower. Material loans are reviewed individually and the other loans are reviewed on a portfolio basis (by industry and region of the borrower). When impairment is required to be recognised it is based for individually material loans on Management's estimate of the future cash flows arising from the loan. This is based on their knowledge and experience of the counterparty, its industry and location.

The amount of impairment loss is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The aggregate of the allowances made during the year is included in the Statement of Comprehensive Income for the year.

(ii) Impairment Losses on Receivables other than Loans

The Bank reviews all its assets for impairment on a regular basis. In determining whether an impairments loss should be recorded in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an asset. Management uses estimates based on their knowledge and experience of the Bank to determine both the amount and timing of future cash flows.

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(iii) Fair Values

Unless otherwise indicated, the financial instruments that the Bank stated in the non-consolidated financial statements have been measured at fair value in accordance with IFRS 13 "Fair Value Measurement". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for non-consolidated financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3. These levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(iv) Related Party Transactions

In the normal course of business, the Bank enters into transactions with related parties. These transactions are predominantly priced at market rates. Judgment is applied in determining if transactions are priced at market or non-market rates where there is no active market for such transactions. The basis for judgment is the pricing of similar types of transactions with non-related parties and effective interest rate analysis.

(v) Depreciation

The Bank applies the norms of depreciation based on the estimated useful life of its fixed assets. These estimates are based on Management's knowledge of assets and the use to which they are put. Estimates of useful lives are reviewed on an annual basis.

The allowances for impairment of financial assets in the accompanying non-consolidated financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in the future.

c) Application of New and Revised International Financial Reporting Standards (IFRS)

New standards and interpretations that are mandatory since 01 January 2017

The following revised standards became mandatory for the Bank from 1 January 2017, but did not have a significant impact on the Bank:

- IAS 7 "Statement of Cash Flows" (Disclosure Initiative). The amendments require that companies provide reconciliation of balances as at the beginning and as at the end of the period with regard to each item that is or will be classified as financial activities in the statement of cash flows (i.e. borrowings, lease liabilities). Application of these amendments did not have influence on the Bank's financial statements.

- IAS 12 "Income Taxes" (Amendment — Recognition of Deferred Tax Assets for Unrealised Losses). The amendment to IAS 12 "Income Taxes" clarifies accounting for deferred tax assets related to debt instruments at fair value, which are not considered as impaired (for example, investments in fixed rate bonds, which fair value decreased due to the changes in interest rates, but such asset is not considered as impaired). In particular, it clarifies that deferred taxes should be recognised for deductible temporary differences arising from unrealised losses on debt instruments at fair value if all other criteria for recognition of deferred taxes are met, regardless of whether it is planned to reimburse the value of a financial instrument by its sale or holding to the end of maturity. Application of these amendments did not have influence on the Bank's financial statements.
- Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12 "Disclosure of Interests in Other Entities"). The amendment specifies that interests in other entities also apply to interests classified as held for sale, allocation to owners, or discontinued operations. Application of these amendments did not have influence on the Bank's financial statements.

New standards, interpretations, and amendments issued but not yet effective

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). IFRS 15 is a consolidated standard for revenue recognition. It supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", and applicable Interpretations.

The objective of IFRS 15 is to clarify revenue recognition principles. It means that non-conformities and identified defects are eliminated and comparability of revenue recognition practices among companies, industries, and capital markets is improved. For these purposes, IFRS 15 represents a single revenue recognition model. The core principle of the model is that revenue is recognised in an amount that reflects the consideration, to which an entity expects to be entitled in exchange for transfer of goods or services to customers. For that end, IFRS 15 requires that the following 5 steps be applied:

1. Identification of a contract with a customer.
2. Identification of obligations under the contract.
3. Determination of the transaction price.
4. Allocation of the transaction price to the obligations under the contract.
5. Recognition of revenue, when the entity performs the obligations under the contract.

In addition, the requirements to qualitative and quantitative information disclosures with regard to revenue are made far more extensive. The key objective is to disclose sufficient information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In order to ensure it, IFRS 15 requires certain disclosures with regard to a contract with a customer and assumed significant judgements.

The Bank plans to adopt this new standard as at its corresponding effective date.

Currently the Bank is assessing the effect of IFRS 15 adoption and plans to adopt the new standard as at the relevant effective date.

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IFRS 9 – "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018)

The final version of IFRS 9 supersedes most guidelines in IAS 39 and all previous versions of IFRS 9. The standard includes final requirements for all three project stages in financial instruments: classification and measurement, impairment, and hedge accounting.

IFRS 9 determines 3 main categories of financial assets: accounted at amortised cost, accounted at fair value through other comprehensive income and at fair value through profit or loss. Its classification is based on the entity's business model and characteristics of contractual cash flows of financial assets. Investments in equity instruments should be measured at fair value through profit or loss with an (uncancellable) option, at the beginning of the relations, to present changes in the fair value through other comprehensive income. A material change, which will affect all companies, is using an "expected loss" impairment model in IFRS 9, which will replace an "incurred loss" model used in IAS 39.

In accordance with IFRS 9, an impairment model is more focused on future events, since no loan event (or impairment indicator) is required for recognition of loan losses.

Most requirements to financial liabilities remain unchanged, except for recognition of changes in the fair value of financial liabilities measured at fair value through profit or loss, which relate to a change in the entity's own credit risk; such changes should be recognised directly within other comprehensive income.

New requirements to hedge accounting are more based on the principles, less complex, and more closely relate to the entity's risk and treasury management than IAS 39 requirements.
The Bank plans to adopt this new standard as at its corresponding effective date.

If the Bank applied IFRS 9, when preparing the financial statements as at 31 December 2017, the provisions would be less by 29,688 or -1.44% and the Bank's equity would be greater by 8,435. Application of IFRS 9 will not have a material effect on classification of assets and liabilities.
More detailed information is shown in the following table.

	IAS 39	IFRS 9	Change, %	Effect of application of IFRS 9 on net profit before tax	Effect of application of IFRS 9 on equity
Provision for impairments on loans to individuals	510,349	404,084	-20.82%	106,265	85,012
Provision for impairments on loans to legal entities and individual entrepreneurs	1,547,181	1,617,283	4.53%	(70,102)	(70,102)
Total provision for loans	**2,057,530**	**2,021,367**	**-1.76%**	**36,163**	**14,910**
Provision for impairment of investment portfolio	-	6,475	-	(6,475)	(6,475)
TOTAL EFFECT OF APPLICATION OF IFRS 9	**2,057,530**	**2,027,842**	**-1.44%**	**29,688**	**8,435**

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 was issued in January 2016. It contains a single accounting model for a lessee, which removes separation into operating and finance leases in view of a lessee. All contracts meeting the definition of

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lease, except for short-term lease and lease of low-value items, for which a lessee is entitled not to apply IFRS 16 requirements to measurement and classification, will be accounted in a statement of financial position as a "right to use asset" and its corresponding liability. Such asset is further accounted as a fixed asset or investment property, and such liability is written off using an interest rate prescribed in a lease contract.

The requirements to accounting by lessors remain nearly unchanged as against previous IAS 17 requirements.

Currently the Bank is assessing the effect of IFRS 16 adoption and plans to adopt the new standard as at the relevant effective date.

IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

The new standard establishes the principles for recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 "Insurance Contracts". This standard stipulates use of a common model modified pursuant to insurance contracts with direct participation features described as contracts with a variable insurance benefit. The common model is presented in a simplified form subject to certain criteria by evaluating liabilities for remaining insurance coverage using the insurance premium allocation approach. The common model will use current assumptions to evaluate an amount, timing, and uncertainty of future cash flows and will separately measure the value of such uncertainty; the model takes into account market interest rates and influence of options and guarantees of policyholders. Profit from sale of insurance certificates is deferred to future periods in a separate liability component on the 1st day and aggregated in groups of insurance contracts; then it is reflected consistently in a profit and loss statement during the period, in which insurers provide insurance coverage after adjustments due to the changes in assumptions on future insurance coverage. The standard applies retrospectively, except as it is impracticable, in which cases the modified retrospective approach or the fair value approach applies.

The Bank expects that adoption of these amendments will not have a material effect on the financial statements of the Bank.

Amendments to IFRS 2 "Classification and Measurement of Share-Based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018).

The amendments clarify that the effect of the conditions relating or not relating to vesting of rights with regard to cash-settled share-based payments should be accounted for in the same manner as for equity-settled share-based payments.
The Bank expects that adoption of these amendments will not have a material effect on the financial statements of the Bank.

Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate/Joint Venture" (effective for annual periods beginning on or after 1 January 2020).

The amendments clarify that profit or loss is recognised in full if the assets transferred to an associate or a joint venture constitute a business as defined in IFRS 3 "Business Combinations". Profit or loss resulting from sale or contribution of assets that do not constitute a business is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The Bank expects that adoption of these amendments will not have a material effect on the financial statements of the Bank.

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

The IFRIC specifies the transaction date for the purposes of determining the exchange rate at initial recognition of relevant asset, expense, or income. The interpretation covers a foreign currency transaction (or a part thereof), when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of prepayment before the entity recognises the related asset, expense, or income (or a part thereof).

The Bank expects that adoption of these amendments will not have a material effect on the financial statements of the Bank.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

Any uncertainty over interpretation of the tax legislation provisions may have effect on the entity's accounting for current or deferred tax assets or liabilities. The Interpretation clarifies how to apply the requirements of IAS 12 "Income Taxes" to recognition and measurement, when there is uncertainty over income tax treatments. In this case, an entity should recognise and measure its current and deferred tax assets or liabilities based on its taxable profit (tax loss), tax base, unused tax losses, unused tax credits, and tax rates determined in accordance with this Interpretation.

The Bank expects that adoption of these amendments will not have a material effect on the financial statements of the Bank.

d) Inflation Accounting

In the opinion of Management, effective from 1 January 2003, the Russian Federation no longer met the criteria of IAS 29 "*Financial Reporting in Hyperinflationary Economies*", and, therefore, the Bank ceased applying IAS 29 to subsequent periods recognising only the cumulative impact of inflation indexing on non-monetary elements of the non-consolidated financial statements through 31 December 2002. Consequently, monetary items and results of operations as at 31 December 2003 and further are reported in actual, nominal amounts.

Non-monetary assets and liabilities acquired prior to 31 December 2002 and share capital transactions occurring before 31 December 2002 were restated by applying the relevant inflation factors to the historical cost ("restated cost") through 31 December 2002. Gains or losses on subsequent disposals are recognised based on the restated cost of the non-monetary assets and liabilities.

as at 31 December 2017 (in thousands of Russian rubles)

e) Reconciliation of RAS and IFRS Equity and Net Income

	31 December 2017		31 December 2016	
	Equity	**Net Profit**	**Equity**	**Net Profit**
RAS	**3,106,173**	**532,108**	**2,600,586**	**258,775**
Interest expense/income	133,226	12,474	120,752	58,708
Additional allowance for loans, investments in finance lease	99,421	(51,439)	170,074	31,246
Additional estimated decrease in the fair value of securities characterized by low activity and low liquidity of the market	55,444	-	16,936	-
Revaluation of fixed assets, investment property, and, non-current assets held for sale	41,290	-	35,824	(13,563)
Income tax expense	38,089	7,423	20,558	(11,234)
Recovery (writing off) of fixed assets and intangible assets	5,783	(7,360)	23,518	-
Revaluation of financial assets at fair value through profit or loss at fair value	4,752	(1,448)	6,398	12,522
Recognition of financial assets at amortised cost	-	-	-	17
Reassessment of investments in finance lease	-	-	(281)	(12,977)
Allowance for financial leasing	-	-	(1,333)	2,400
Recognition of derivative financial instruments	(28)	(1,162)	1,134	3,245
Commission on guarantees issued	(40)	889	(929)	7,572
Write-off low value assets	(4,095)	(87)	(4,119)	(2,569)
Repairs of rented premises	(9,592)	(2,187)	(7,405)	38
Additional allowance for other assets and non-current assets held for sale	(10,997)	(332)	(29,882)	17,055
Additional depreciation	(15,301)	(3,784)	(21,882)	(8,409)
Additional allowance for amount due from banks	(15,567)	-	(15,567)	-
Deposit insurance system	(16,155)	(1,822)	(14,333)	(4,071)
Staff costs	(19,479)	(4,328)	(15,151)	11,823
Other	24,886	97	14,938	1,605
IFRS	**3,417,810**	**479,042**	**2,899,836**	**352,183**

f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Non-Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle assets and liabilities net or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income except when required or permitted by accounting standards or a related interpretation and such cases are disclosed in the Bank's accounting policy.

4. Significant Accounting Policies

a) Consolidation

Subsidiaries and associates are represented by companies the financial and operational policies of which the Bank controls directly or indirectly. Subsidiaries are included in the consolidated financial statements from the date of transfer of control of their operations to the Group and are excluded from consolidated financial statements effective from the date of loss of control. Subsidiaries are included in the consolidated financial statements using the acquisition method. The cost of the acquisition is estimated at fair value of net assets for the date of the acquisition taking into consideration the cost of expenses for the company acquisition. The excess of acquisition cost over fair value of net assets acquired by the subsidiary is reflected as Goodwill. The transactions between companies of the Group, balances on corresponding accounts including the retained earnings and inter-company balances of the Group are eliminated.

The accounting policies of the subsidiaries are changed wherever necessary in accordance with the policies of the Group.

b) Recognition of Financial Instruments

The Bank recognises financial assets and liabilities on its Statement of Financial Position when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognised using trade date accounting.

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. Any gain or loss at initial recognition is recognised in the current period's Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding mandatory reserves with the Bank of Russia, and due from credit institutions that mature within one day of the date of origination and are free from contractual encumbrances.

d) Mandatory Balances with the Central Bank of the Russian Federation

The mandatory balance with the CBR represents amounts deposited and not available for use in the Bank's day to day operations. Consequently, they are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

e) Due from Other Banks

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Amounts due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from banks are carried net of any allowance for impairment.

f) Financial Assets at Fair Value through Profit or Loss

Securities at FVTPL are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term holding exists. Securities at FVTPL are initially recognised at fair value and subsequently re-measured at fair value, based on market quotations.
All related realised and unrealised gains or losses are recorded within net gains or losses from trading activities in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period in which the change occurs. Interest earned on trading securities is reflected in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income as interest income on securities.

All the transactions on acquisition / sale of the securities at FVTPL, that require delivery of an asset during a certain period of time (set by regulation or market practice) are reflected in accounting at the date when the rights on the asset are transferred.

g) Available for Sale ("AFS") Financial Assets

AFS financial assets are securities that management of the Bank intends to hold for an indefinite period of time, which may be sold in response to liquidity policy or changes in financial market conditions. They can be sold depending on the Bank's policy regarding liquidity or the current market situation. Management of the Bank initially determines the classification of its securities at the time they are purchased and reviews such classidication on a regular basis. AFS financial assets are initially recognised at cost (which includes transaction costs) and are subsequently valued at market value with gains and losses taken through the Statement of Changes in Equity except for losses arising from impairment.
In case when decline in fair value of AFS financial assets was reflected in the non-consolidated Statement of Changes in Equity, and there is an evidence of impairment, the cumulative loss that was reflected in the Non-Consolidated Statement of Changes in Equity is removed and reflected in the Non-Consolidated Statement of Profit and Loss and Other Comprehensive Income. This is not appropriate for impairment loss for equity instruments, that was reflected in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income.

If the market data is not available, securities are reflected at fair value, assessed by the Management of the Bank. All the transactions on acquisition / sale of securities AFS are reflected in accounting at the date when the rights to securities are transferred. Unless securities have not been transferred yet they are recognised as forward contracts.

h) Financial Assets Held to Maturity ("HTM")

This category includes financial instruments with fixed or determinable payments and fixed maturity that the Bank has the intention and ability to hold to maturity.

After initial recognition, these securities are subsequently re-measured at amortized cost at the date of the financial statements. At each reporting date, the Bank also assesses whether there is any objective evidence of impairment of securities carried at amortized cost in order to identify the need to calculate the impairment loss.
An impairment loss is calculated as the difference between the carrying amount and the expected future cash flows discounted at the effective interest rate that was effective at the time of initial recognition. An impairment loss is recognized in the statement of profit or loss and other comprehensive income of the reporting period.

i) Sale and Repurchase Agreements

Sale and repurchase ("repo") agreements are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included in securities. The corresponding liability is presented under due to banks, amounts due to customers or other liabilities as appropriate. Securities purchased under agreements to resell ("reverse repo") are recorded as due from banks, loans to customers or other assets as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

j) Promissory Notes Purchased

Promissory notes purchased are included in securities available for sale, financial assets at fair value through profit or loss or due from credit institutions or in loans and advances to customers, depending on their substance and are recorded and subsequently re-measured and accounted in accordance with the accounting policies for these categories of assets.

k) Loans and Advances to Customers

Loans are stated at amortised cost of principal debt, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

Individual loan or portfolio of homogeneous loans is considered impaired and impairment losses are considered incurred only if there are objective impairment evidence in a result of one or more events, that occur after the initial reflection of the loan (loans) in the reporting and have an impact on future cash flows of a loan or portfolio of homogeneous loans. Impairment losses should be measured reliably. The existence of an objective evidence of impairment is treated individually for loans that are greater than the level of materiality for financial reporting, and individually or on a portfolio basis for loans that do not exceed the materiality level. In the absence of objective evidence of impairment, the individually assessed loan (regardless of its size) is included in the portfolio of loans with homogeneous credit characteristics and is assessed for impairment on a portfolio basis.

The amount of impairment is calculated as the difference between the amount of the loan and the present value of future cash flows (less future credit losses that have not yet been incurred) discounted at the interest rate for this loan. The amount of reserves formed during the year reduces the annual aggregate profit.
Loans and advances to customers that cannot be returned are written off against the reserve for possible losses. Such loans are written off after the completion of all necessary judicial procedures, after which the amount of loss is finally determined.
Mortgage loans held for sale are recognized as loans and advances to customers, because the nature of transactions conducted with them by the Bank relates to transactions with loans, rather than securities.

l) Provisions for Possible Losses on Financial Assets

(i) Assets Valued at Amortised Cost
When preparing non-consolidated financial statements, the Bank creates provisions for possible impairment of financial assets or groups of financial assets. A financial asset or a group of financial assets is considered impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and if the loss event (or events) has an impact on the estimated future cash flows of a financial asset that can be reliably estimated.

The criteria that the Bank also uses to determine objective evidence of impairment include:

- overdue payments in principal or interests;
- the borrower has significant financial problems (for example, equity to total assets ratio, net profit, sales percentages, etc.);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- information about the degree and propensity to violation the terms of an agreement for similar financial assets by an issuer or borrower;
- CBR credit rating decrease below the third category.

The approximate period between impairment and its determination is determined by the Management for each portfolio.

First, the Bank determines whether objective evidences of impairment exist separately for individually significant financial assets and individually or collectively for the financial assets that are not individually significant. If the Bank determines that there is no objective evidence of impairment for individual financial assets, despite it is significant or not, the Bank includes them in a group of financial assets with similar credit risk characteristics and identify them for impairment collectively. Assets, that impaired separately and have losses from impairment are not included in the collective assessment for impairment.

The amount of loss is measured by determining the difference between the carrying amount of the asset and the present value of future cash flows (excluding future losses on loans that have not been incurred) discounted at the initial effective interest rate of the financial assets. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of profit or loss and other comprehensive income. If a loan or an investment held to maturity has a floating interest rate, the discount rate for determining the impairment loss is the current effective interest rate established by the contract. The Bank can also assess the impairment based on the fair value of the instrument, using the current market value.

The calculation of the present value of future cash flows of financial assets secured by collateral reflects cash flows that may arise as a result of disposal less the cost of acquisition or selling a collateral, despite that fact whether disposal is possible or not.
For the purposes of collective assessment of impairment, financial assets are grouped according to similar characteristics of credit risk (for example, according to the Bank's classification, that takes into account the type of funds, collateral, type of industry, timing and other necessary factors). The estimation of future cash flows of the group is reduced due to the effect of risk factors that reduce the ability of debtors to repay all amounts due according to the contractual terms for the assets being valued.

Future cash flows in a group of financial assets that are collectively assessed for impairment are determined on the basis of contractual cash flows in the group, as well as historical loss practices for assets with similar credit risk characteristics. They can also be determined on the basis of management statistics on the amounts of overdue debts that will arise as a result of the events that occurred, as well as on the possibility of recovering overdue debts. Statistics of past years are adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect previous periods, as well as to eliminate the effect of past events that do not exist in the current period.

The calculation of future cash flow changes for asset groups should reflect and fully coincide with correlated events from period to period (such as changes in the unemployment rate, real estate prices, payment situation and other factors indicating possible losses and their volume). This principle and assumptions used to estimate future cash flows are reviewed annually by the Bank to reduce the difference between estimates of probable losses and total damages.

Financial assets that cannot be matured and for which all necessary procedures have been completed for the purpose of full or partial recovery and the final amount of the loss have been determined are written off against the provision for impairment.

If in a subsequent period the amount of impairment loss decreases and this decrease may objectively be related to an event, occurring after recognition of impairment (such as an increase in debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the provision created. This sum is reflected in the non-consolidated statement of profit or loss as a part of the movement to reduce fair value for loan losses.

(ii) Assets Classified as Available for Sale
At each date of the non-consolidated statement of financial position the Bank determines whether there are objective indicators that a financial asset or a group of financial assets available for sale is impaired. In case of equity instruments available-for-sale, a significant or prolonged decline in fair value of collateral to an indicator below its cost is considered for impairment. The cumulative loss, calculated as the difference between the acquisition price and current fair value less any impairment loss, is reflected in the non-consolidated statement of profit or loss and other comprehensive income, not in the non-consolidated statement of changes in equity. Impairment losses on equity instruments recorded in the non-consolidated statement of profit or loss and other comprehensive income are not reversed through the non-consolidated statement of profit or loss and other comprehensive income. If in a subsequent period, the fair value of a debt instrument available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the non-consolidated statement

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of profit or loss and other comprehensive income, the impairment loss is recovered through the non-consolidated statement of profit or loss and other comprehensive income.

(iii) Renegotiated Loans
When it is possible, the Bank seeks to restructure loans without collection of collateral. Such a restructuring may include extending the maturity and agreeing on new loan terms. After reviewing the loan is no longer overdue. Management continuously monitors loans with revised terms to ensure that all conditions are met and there is a high probability of receiving future payments on them. Loans continue to be assessed for impairment individually or collectively.

m) Financial Guarantee Contracts

Potential liabilities arising under such contracts are initially recognised at fair value which is measured by reference to consideration received in respect of the contract unless it has been issued at non-market rates.

The recognised amount is then amortised on a straight-line basis by reference to time to maturity as this represents the reduction in potential liability remaining.

The counterparty is assessed on a regular basis using a similar methodology to determine the impairment of loans as described in note 4k. In the presence of impairment evidences the fair value of the guarantees is reassessed in accordance with the provisions of IAS 37.

n) Property, Plant, and Equipment

Buildings are recorded in the non-consolidated statement of financial position at revalued amounts less depreciation and impairment losses subsequently accumulated. The revalued amount is the fair value at the date of revaluation and is determined by an appraisal based on the market value carried out by professional appraisers. Revaluations are made with sufficient frequency to ensure that the carrying amount does not differ materially from the estimated fair value at the reporting date.

A positive revaluation of buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Statement of Profit or Loss and Other Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount as a result of revaluation of buildings is recognized as an expense in that part that exceeds the revaluation reserve formed as a result of earlier revaluations of this asset. At the subsequent disposal or write-off of the revalued property, remained fund of revaluation is transferred directly to retained earnings.

Equipment is reflected at restated cost less accumulated depreciation and provision for impairment. Depreciation for the remaining groups of property, plant and equipment is accrued on a straight-line basis using the following estimated useful lives:

	Years
Buildings	30 – 100, including.:
- if the year of construction: 1940–1980	30 plus 1 month
- if the year of construction: 1980–1990	40 years
- if the year of construction: after 2000	50 years
- New buildings and facilities that the Bank built itself	100 years
Structures	till 20
Computer and office equipment	2–4 years
Bank equipment	3 – 21
Furniture and production inventory	3 – 6
Vehicles	3 – 7

The land owned by the Bank is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and showed separately in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income in line "Gains / (losses) from disposal of property, plant and equipment" at the moment of their occurrence.

o) Investment Property

Investment property is a property owned by the Bank that is held to earn rentals. Investment property is stated at fair value in the Non-Consolidated Statement of Financial Position at revalued amounts based on the conclusion of independent appraisers, no amortization is accrued. Fair value is based on current prices for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

If the investment property is used by the owner, it is reclassified to the property, plant and equipment category and its fair value at the date of reclassification is recognized as a cost for accounting purposes.

p) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount is recovered principally not in the course of use in production activities but in sale. This condition is deemed to be met if the asset (or disposal group) is available for immediate sale in its current condition only under conditions that are usual, standard conditions for the sale of such assets (or disposal groups), and its sale should be characterized by a high degree of probability. The Management plans to realise an asset within one year from the date it is classified as held for sale.

The increase in the period required to complete the sale does not preclude the classification of the asset as held for sale if the reason for the delay is events or circumstances not controlled by the Bank and there is sufficient evidence that the Bank intends to execute the plan to sell the asset.

Initial recognition – at historical cost less accumulated depreciation and accumulated impairment losses. The accrual of depreciation ceases on the day following the day of such recognition.
Non-current assets held for sale are not depreciated.

Further non-current assets held for sale are measured at the lower of the two values: the carrying value at the time of the classification and the fair value less costs to sell. Fair value is based on the conclusion of independent appraisers.

q) Operating Leases

Lease of assets in which all risks and ownership rights remain with the lessor are classified as operating leases. Lease payments for operating leases are recognized as direct costs over the period of the lease and are included in operating expenses.

If the operating lease terminates before the lease expires, the necessary payments, representing the amounts of fines and penalties due to the lessor, are recognized as an expense in the period in which the operating lease was terminated.

r) Finance Lease

When the Bank acts as a lessor, the discounted value of lease payments ("net investment in finance lease") represents the requirements for obtaining lease payments and is reflected in the item "Net investment in finance lease". The difference between the gross amount of requirements for obtaining lease payments and their discounted value is disclosed as unearned finance income.
Finance lease income is distributed over the course of the lease period using the method of effective interest rate, which reflects a constant rate of profitability. Finance lease income is reflected in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Interest income from investment in lease". Net investments in finance lease are reflected in the Statement of Financial Position less allowance for their impairment.

s) Due to Banks and Customers Accounts

Amounts due to credit institutions and customers are initially recognized in accordance with the principles of recognition of financial instruments under IAS 39. Subsequently, borrowings are reflected at amortized cost and the difference between the amount received and the repayment amount is reflected in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of borrowing using the effective interest method.

t) Debt Securities Issued

Debt securities issued represent promissory notes issued by the Bank. They are accounted for according to the same principles used for amounts due to credit institutions and to customers.

u) Provisions

Provisions for legal claims or other purposes are recognised when the Bank has (a present legal or constructive) obligation as a result of past events. At the same time, there is a high probability that the Bank will need an outflow of economic resources to fulfil these obligations. The amount of obligations must be reliably estimated.

In the presence of a number of similar obligations, the probable need for an outflow of economic resources is determined by analysing a number of obligations in general. Provisions are recognized even if the degree of similarity of the outflow of economic resources relating to liabilities classified as one type is very small.

Provisions are measured at the present value of the costs required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk characteristic of the liability.

The increase in the provision due to the passage of time is reflected in the item "Interest expense".

v) Retirement and Other Benefit Obligations

Employee benefits in respect of services rendered during the reporting period, including accrued vacation pay and bonuses, as well as the corresponding payroll taxes, are recognized as an expense in the period in which they arise.

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

w) Share Capital

Share capital, share premium and treasury shares are reflected at restated cost. Share capital contributions made in the form of assets other than cash are reflected at their fair value at the date of contribution.

x) Dividends

Dividends are reflected as a decrease in shareholders' equity in the reporting period in which they are declared. Information on dividends declared after the reporting date is disclosed in the subsequent events note. The distribution of the Bank's profit is based on the net profit of the current year, calculated by RAS.

y) Taxation

Income tax expense reflected in the non-consolidated statement of profit or loss includes current tax expenses and changes in deferred tax. Current income tax expense is calculated in accordance with the legislation of the Russian Federation on taxes. Expenses for other taxes are included in operating expenses.

Deferred income tax is calculated using the balance-sheet liability method for all temporary differences between the tax base of assets and liabilities and their carrying amounts as shown in the non-consolidated financial statements.

Deferred tax assets are reflected in the amount that it is probable that taxable profit will be available against which temporary differences can be utilized.

z) Interest Income and Expenses

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written-off as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and Commission Income

Fee and commission income for the provision of loans that have not yet been issued, but whose issuance is probable, are determined (together with the corresponding direct costs) and accounted for as an adjustment to the effective interest rate on the loan. Revenues arising from the provision of services are reflected in accordance with the terms of the contract on a time-proportionate basis.

y) Foreign Currency Translation

Foreign currency transactions are reflected at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Russian rubles at the official CBR exchange rates ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the Non-Consolidated Statement of Profit or Loss and Other Comprehensive Income as gains less losses from foreign currencies (translation differences).

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Differences between the contractual exchange rate of a certain transaction and the Central Bank exchange rate on the date of the transaction are included in gains less losses from foreign currencies.

As at 31 December 2017 and 31 December 2016, the official exchange rate of the CBR was 57.6002 rubles and 60.6569 rubles for 1 USD, respectively, and 68.8668 rubles and 63.8111 rubles for 1 Euro, respectively.

5. Cash and Cash Equivalents

	2017	2016
Cash on hand	828,872	695,237
Cash balances with the CBR (other than mandatory reserve deposits)	327,197	463,299
Correspondent accounts with other banks:		
- Of the Russian Federation	88,721	162,843
- Of other countries	20,308	10,461
	109,029	173,304
Other market placements	403,460	394,609
	1,668,558	**1,726,449**

As at 31 December 2017, the aggregate amount of NOSTRO accounts with the biggest counterparty ("Alfa-Bank" JSC) amounted to 46,734 or 42.86% of total Nostro accounts (as at 31 December 2016: ("Alfa-Bank" JSC) 137,718 or 79.47%).

As at 31 December 2017, most of the balances of Other market placements are placements in NSCA "Payment Center" (LLC) amounted to 396,789 or 98.35% (as at 31 December 2016: in NSCA "Payment Center" (LLC) 324,465 or 82.22%).

Information about the credit quality of NOSTRO accounts (based on Fitch ratings) with banks included in cash and cash equivalents is as follows:

	2017	2016
Rated BBB-	14,589	7,466
Rated BB+	61,446	147,260
Rated BB	2	10,463
Rated BB-	-	4,435
Rated B	12,672	3,679
Other (including banks that do not have a credit rating)	20,320	1
	109,029	**173,304**

Geographical, currency and maturity analyses of cash and cash equivalents are disclosed in Note 29.

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6. Mandatory Balances with the Central Bank of the Russian Federation

The mandatory balance with the CBR represents amounts deposited and not available for use in the Bank's day to day operations. Credit institutions are required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw such deposit is significantly restricted by legislation, and therefore such amounts are excluded from cash and cash equivalents.

7. Due from Other Banks

	2017	2016
Interbank loans	-	200,000
Deposits in CBR	400,339	100,000
Correspondent accounts with limited rights of use	128,659	111,095
Security deposits in other credit institutions	4,921	4,702
Reverse repurchase agreements	1,280,474	1,150,000
Other market placements	55,096	-
	1,869,489	**1,565,797**
Provision for impairment	(15,567)	(15,567)
	1,853,922	**1,550,230**

As at 31 December 2017, all reverse repurchase agreements are entered into with a non-banking credit institution being central counterparty National Clearing Centre (Joint-Stock Company) for the period from eight to thirty-six days with rates from 7.75% to 8.7% per annum (with non-banking credit organization being central counterparty National Clearing Centre (Joint-Stock Company) for the period from four to seventeen days with rates from 10.3% to 10.7% per annum as at 31 December 2016).

As at 31 December 2017, most part in Correspondent accounts with limited rights of use is minimum required balance at NSCA "Payment Center" (LLC) amounting to 113,087 or 87.90% (with minimum required balance at NSCA "Payment Center" (LLC) amounting to 93,880 or 84.50% as at 31 December 2016), and such balance is classified as encumbered asset.

In Security deposits in other credit institutions as at 31 December 2017 and as at 31 December 2016, 100.00% of assets are classified as encumbered assets.

In Other market placements, 100.00% of assets as at 31 December 2017 are classified as encumbered assets (funds on accounts with a non-banking credit institution being central counterparty National Clearing Centre (Joint-Stock Company), which is collateral in transactions at exchange section of Moscow Exchange PJSC amounting to 53,168, and contributions to WESTERN UNION guarantee fund amounting to 1,928).

As at 31 December 2017 and 31 December 2016, a provision for impairment was created in the amount of 100.00% for balances of 15,567 in "CB "Sudostroitelny Bank" (LLC).

Movements in the allowance for impairment due from banks are disclosed in Note 24.

The analysis by maturity, geographical, currency and interest rate analysis of funds with other banks is presented in Note 29.

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8. Financial Assets at Fair Value Through Profit or Loss

	2017	2016
Corporate bonds	1,385,839	1,433,048
Eurobonds	1,366,503	611,410
Bonds of credit institutions	1,067,711	1,360,127
Government and municipal bonds	974,500	307,382
Corporate shares	2,956	2,152
Shares of credit organisations	706	1,111
	4,798,215	**3,715,230**

As at 31 December 2017, the financial assets at fair value through profit or loss include debt securities encumbered under liabilities to the Bank of Russia (a limit to obtain interbank funds as overnight is opened) and under liabilities to Moscow Exchange PJSC (guarantee fund for repurchase agreements and assets contributed to GC Bonds) totalling 688,424.

The detailed information of the Bank's debt securities portfolio, measured at fair value through profit or loss, as of 31 December 2017 are as follows:

	Maturity (dates)		Coupon rate per annum (%)		Fitch rating	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Bonds of credit institutions	02.12.2019	10.12.2026	4.80	11.10	BB	BBB-
Corporate bonds	01.03.2018	03.05.2046	8.10	12.95	BB	BBB
Government and municipal bonds	07.06.2018	06.12.2034	7.00	11.30	Without rating	BBB-
Eurobonds	13.03.2019	16.02.2022	3.45	9.25	BB-	BBB-

The detailed information of the Bank's debt securities portfolio, measured at fair value through profit or loss, as of 31 December 2016 are as follows:

	Maturity (dates)		Coupon rate per annum (%)		Fitch rating	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Bonds of credit institutions	28.02.2017	20.12.2026	4.80	14.00	BB-	BBB-
Corporate bonds	18.04.2017	22.12.2049	7.90	14.75	Without rating	BBB-
Government and municipal bonds	17.12.2017	25.12.2021	6.35	12.20	Without rating	BBB-
Eurobonds	25.04.2017	17.04.2020	4.00	8.50	BB-	BB+

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. The hierarchy is as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

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- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

As at 31 December 2017, the classification of securities measured through profit or loss, according to sources of information about their fair value, was as follows:

	Level 1	**Level 3**	**Total**
Corporate bonds	1,385,839	-	1,385,839
Eurobonds	1,366,503	-	1,366,503
Bonds of credit institutions	1,067,711	-	1,067,711
Government and municipal bonds	974,500	-	974,500
Corporate shares	2,956	-	2,956
Shares of credit organisations	706	-	706
	4,798,215	**-**	**4,798,215**

As at 31 December 2016, the classification of securities measured through profit or loss, according to sources of information about their fair value, was as follows:

	Level 1	**Level 3**	**Total**
Corporate bonds	1,433,048	-	1,433,048
Bonds of credit institutions	1,360,127	-	1,360,127
Eurobonds	611,410	-	611,410
Government and municipal bonds	307,382	-	307,382
Corporate shares	2,150	2	2,152
Shares of credit organisations	1,111	-	1,111
	3,715,228	**2**	**3,715,230**

Changes in financial assets relating to Level 3 during 2017 are as follows:

	Promissory notes	**Corporate shares**	**Total**
1 January 2017	**-**	**2**	**2**
Profit (loss) of the current year	-	-	-
Revaluation because of exchange rate changes	-	-	-
Acquisitions	-	-	-
Sold / Disposal	-	**2**	**2**
31 December 2017	**-**	**-**	**-**

Changes in financial assets relating to Level 3 during 2016 are as follows:

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	Promissory notes	Corporate shares	Total
1 January 2016	**-**	**2**	**2**
Profit (loss) of the current year	-	-	-
Revaluation because of exchange rate changes	-	-	-
Acquisitions	-	-	-
Sold / Disposal	-	-	-
31 December 2016	**-**	**2**	**2**

9. Financial Assets Available for Sale

	2017	2016
Corporate bonds	710,789	771,776
Government and municipal bonds	216,112	230,752
Eurobonds	60,799	187,667
Bonds of credit institutions	-	51,280
	987,700	**1,241,475**

The detailed information of the portfolio of debt securities available-for-sale as at 31 December 2017 is as follows:

	Maturity (dates)		Coupon rate per annum (%)		Fitch rating	
	Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Government and municipal bonds	22.06.2023	03.10.2024	7.850	10.250	BB-	BB+
Corporate bonds	20.11.2020	22.04.2027	8.650	12.300	B	BBB-
Eurobonds	20.03.2023	20.03.2023	5.375	5.375	BB	BB

As at 31 December 2017, all financial assets available for sale, according to sources of information about their fair value, are related to Level 1.

The detailed information of the portfolio of debt securities available for sale as at 31 December 2016 is as follows:

	Maturity (dates)		Coupon rate per annum (%)		Fitch rating	
	Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Government and municipal bonds	22.06.2023	21.06.2024	9.640	10.250	BB-	BB+
Corporate bonds	20.11.2020	25.08.2026	4.900	12.300	BB	BBB-
Eurobonds	05.09.2019	28.03.2022	4.699	4.960	BB-	BB+
Bonds of credit institutions	16.09.2031	16.09.2031	9.500	9.500	BB+	BB+

As at 31 December 2016, all financial assets available for sale, according to sources of information about their fair value, are related to Level 1.

Notes to the Non-Consolidated Financial Statements as at 31 December 2017 (in thousands of Russian rubles)

10. Loans and Advances to Customers

	2017	2016
Loans to individuals (retail customers)		
Consumer credits	2,976,458	2,585,879
Mortgages	846,994	435,212
Overdrafts	204,884	216,475
Other	-	48
Gross loans and advances to customers	**4,028,336**	**3,237,614**
Legal entities		
SMEs	5,551,590	5,087,742
Loans to major corporate clients	1,618,671	2,264,052
Federal and state structure, local government	1,583,509	658,129
Factoring	8,170	55,074
Other	53,303	76,145
Gross loans and advances to legal entities	**8,815,243**	**8,141,142**
Gross loans and advances (before allowance for impairment)	**12,843,579**	**11,378,756**
Less: Provisions for possible losses	**(2,111,865)**	**(1,881,719)**
	10,731,714	**9,497,037**

As at 31 December 2017, loans and advances to customers included 3 customers with total debt (less provision for possible losses) of 10% or more of the Bank's capital; total loan amount was 1,573,847 (as at 31 December 2016: 2 customers for the total amount of 970,428).

The cost of collateral accepted by the Bank as collateral for loans granted was 11,915,818 (2016 (Group): 12,103,820).

Within its activities, the Bank sells mortgages provided to individuals and financial organizations to "The Agency for Housing Mortgage Lending" JSC (100.00% of total sales for 2017).

The structure of the loan portfolio by industries of the economy is presented below.

	31 December 2017		31 December 2016	
Industry	**Amount**	**Provision**	**Amount**	**Provision**
Individuals	3,181,343	499,562	2,802,402	448,670
Trade	3,193,437	658,332	2,644,997	368,182
Industry	1,486,168	303,713	1,937,638	429,165
Construction	818,117	237,091	798,983	184,528
Agriculture	529,391	16,503	619,117	21,694
Transport and telecommunication	293,456	90,294	336,114	181,444
Finance	121,873	76,727	18,014	2,869
Other	2,372,801	218,856	1,786,279	232,747
	11,996,586	**2,101,078**	**10,943,544**	**1,869,299**
Mortgages for sale	846,993	10,787	435,212	12,420
	12,843,579	**2,111,865**	**11,378,756**	**1,881,719**

The current unimpaired loans include 114 loans for a total of 25,225 (as at 31 December 2016: 224 loans totalling 68,098), the terms of the contracts for which were revised, and which otherwise would be considered as overdue.

Information on movements in allowances for losses on loans and advances to customers is disclosed in Note 24.

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For analysis of loans and advance payments to clients by currency structure and by repayment date, and for interest rate analysis see Note 29. Information on loans granted by the Bank to related parties is disclosed in Note 31.

11. Net Investment in Finance Lease

	2017	2016
Minimum lease payments to be received	-	2,644
Less: future interest	-	(182)
	-	**2,462**
Less: Provisions for possible losses	-	**(1,333)**
	-	**1,129**

Future minimum lease payments as at 31 December 2016 are distributed over time intervals as follows:

	Minimum lease payments	Net present value of minimum lease payments
No later than 1 year	2,644	2,462
	2,644	**2,462**

Within the Group, the finance lease services were provided by the Bank's subsidiary "Leasing-Khlynov" LLC.
The Bank had no investments in finance lease as at 31 December 2017, since the Bank does not provide finance lease services.

12. Other Assets

	2017	2016
Accounts receivable and prepayments	77,918	76,856
Settlements with the budget and non-budgetary funds	6,949	6,042
Swap deals	-	1,134
Other	6,976	4,206
	91,843	**88,238**
Less: Provisions for possible losses	(10,997)	(28,986)
	80,846	**59,252**

Accounts receivable and prepayments also include accounts receivable on settlements using bank cards as at 31 December 2017 amounting to 30,045 (as at 31 December 2016: 28,574).

As at 31 December 2016, the portion of the assets valued at 41,443 relating to "seized pledge" was reclassified to the Statement of Financial Position as non-current assets held to sale, Note 14.

As at 31 December 2016 accounts receivables and prepayments included receivables from two suppliers of properties according to agreements of finance lease with "Leasing-Khlynov" LLC of 19,217. The allowance for impairment was 100%.

Movements in the allowance for impairment on other assets are disclosed in Note 24.

Geographical, currency and maturity analyses of other assets are disclosed in Note 29.

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13. Property, Plant and Equipment and Investment Property

	Land	Buildings	Vehicles	Office equipment and Other	Furniture and banking equipment	CIP	Total
Initial or estimated value							
As at 31 December 2015	**3,787**	**308,620**	**6,077**	**144,740**	**67,489**	**-**	**530,713**
Additions	-	4,591	5,542	17,149	7,876	-	**35,158**
Transfer	-	13,070	-	-	-	-	**13,070**
Disposals	-	(2,183)	(4,018)	(16,678)	(23)	-	**(22,902)**
Revaluation	-	25,824	-	-	-	-	**25,824**
Modernization	-	3,009	-	-	300	-	**3,309**
As at 31 December 2016	**3,787**	**352,931**	**7,601**	**145,211**	**75,642**	**-**	**585,172**
Additions	-	543	-	11,619	4,335	-	**16,497**
Transfer	-	260	-	-	(260)	-	**-**
Disposals	-	(66)	(380)	(54,923)	(4,364)	-	**(59,733)**
Disposal of subsidiary	(38)	-	-	(29)	(86)	-	**(153)**
Revaluation	16,719	3,036	-	-	-	-	**19,755**
Modernization	-	-	-	-	540	-	**540**
As at 31 December 2017	**20,468**	**356,704**	**7,221**	**101,878**	**75,807**	**-**	**562,078**
Depreciation							
As at 31 December 2015	-	**(37,062)**	**(5,331)**	**(88,177)**	**(49,142)**	**-**	**(179,712)**
Charges for the year	-	(4,410)	(1,253)	(26,184)	(8,227)		(40,074)
Recovery of amortization on revalued buildings	-	(4,399)	-	-	-	-	(4,399)
Disposals	-	-	3,777	16,556	23	-	20,356
As at 31 December 2016	-	**(45,871)**	**(2,807)**	(97,805)	(57,346)	**-**	**(203,829)**
Charges for the year	-	(5,163)	(1,866)	(19,347)	(7,836)	-	(34,212)
Transfer	-	(134)	-	-	134	-	-
Recovery of amortization on revalued buildings	-	(898)	-	-	-	-	(898)
Disposals	-	14	380	47,563	4,254	-	52,211
Disposal of subsidiary	-	-	-	29	86	-	115
As at 31 December 2017	-	**(52,052)**	**(4,293)**	**(69,560)**	**(60,708)**		**(186,613)**
Residual value							
As at 31 December 2017	**20,468**	**304,652**	**2,928**	**32,318**	**15,099**		**375,465**
As at 31 December 2016	**3,787**	**307,060**	**4,794**	**47,406**	**18,296**	**-**	**381,343**
As at 31 December 2015	**3,787**	**271,558**	**746**	**56,563**	**18,347**	**-**	**351,001**

Fixed assets are insured for a total of 48,768 (2016: 50,154).

As at 31 December 2017, the buildings and built-in premises owned and used by the Bank have been revalued. The buildings and premises of the Bank were evaluated by an independent appraiser "Vyatskoe Property Agency" on the basis of market (fair) value.
If the buildings and build-in premises of the Bank had been accounted for at initial value, the carrying value of these assets would have been 203,429 (2016: 203,429).

As at 31 December 2017, fully depreciated items with a value of 97,727 are included in property, plant and equipment (as at 31 December 2016: 96,057).

As at 31 December 2017, the Bank's fixed assets and as at 31 December 2016, the Group's fixed assets were not pledged.

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	Investment property
Initial or estimated value	
As at 31 December 2015	**264,356**
Additions	23,933
Transfer	(13,070)
Disposals	(62,352)
Revaluation	(24,472)
Modernization	4,087
As at 31 December 2016	**192,482**
Additions	40,097
Transfer	-
Disposals	(11,489)
Revaluation	4,725
Modernization	-
As at 31 December 2017	**225,815**

As at 29 December 2017, the Bank's non-core assets were revaluated. Two independent appraisal companies - "Vyatskoe Property Agency" LLC and Vyatskaya Chamber of Commerce and Industry Union - evaluated the fair value of Real estate temporarily unused in the core business, non-current assets intended for sale, labour items received under contracts of compensation, pledge, the appointment of which was not determined.

Accounting for investment property is carried at fair value, there are no depreciation charges.

Investment properties consist of 4 premises, 22 buildings, bus parking, a transforming substation, 19 land properties (2016: 4 premises, 22 buildings, bus parking, a transforming substation, railway, 16 land properties); the objects are on the balance as seized pledge on the loan operations.

As at the reporting date, 2 premises, 10 buildings, 5 land plots, bus parking, and a transforming substation are leased to third parties.

The rental income from investment property was 1,699 (2016: 1,025). In 2017, operating expenses related to investment property amounted to 2,833 (2016: 3,628).

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14. Non-Current Assets Held for Sale

	Non-current assets held for sale
Initial or estimated value	
As at 31 December 2015	-
Additions	59,419
Transfer	41,443
Disposals	(30,680)
Revaluation	(11,772)
As at 31 December 2016	**58,410**
Less: Provisions for possible losses	(896)
As at 31 December 2016	**57,514**
Additions	108,183
Transfer	-
Disposals	(44,842)
Revaluation	(17,973)
As at 31 December 2017	**103,778**
Less: Provisions for possible losses	-
As at 31 December 2017	**103,778**

As at 31 December 2017, non-current assets held for sale included buildings and land properties that the Bank seized for the purpose of reimbursement on the loan operations for a total of 98,941 (as at 31 December 2016: 57,362).

15. Due to Other Banks

	2017	2016
Current term loans and deposits from other banks	-	265,281
VOSTRO accounts	-	39
Reverse repo contracts with other banks	50,018	-
	50,018	**265,320**

As at 31 December 2016, 100% of the current term loans and deposits from other banks were represented by loans from "MSP Bank" OJSC. Loans of "MSP Bank" OJSC were granted to finance lending to SMEs, providing the Bank meets the covenants of the rates of the funds, and of intended purpose utilization of the funds by SMEs (modernization of production, property, new equipment acquisition).

Geographical, currency, maturity and interest rate analyses of amounts due to banks are detailed in Note 29.

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16. Customer Accounts

	2017	2016
Individuals		
Current accounts	2,066,875	1,601,716
Term deposits	10,690,094	9,896,679
	12,756,969	11,498,395
Other legal entities		
Current accounts	2,664,438	2,389,766
Term deposits	1,869,429	1,262,853
	4,533,867	3,652,619
State and Budget Organizations		
Current accounts	19,612	65,818
Term deposits	-	7,837
	19,612	73,655
	17,310,448	**15,224,669**

The breakdown of customer accounts per industry with balances on the Bank's accounts as at 31 December 2017 and on the Group's accounts as at 31 December 2016 is presented in the following table:

	31 December 2017		31 December 2016	
	Amount	**%**	**Amount**	**%**
Individuals	12,756,969	73.7	11,498,395	75.5
Trade	1,407,132	8.1	1,121,938	7.4
Construction	734,536	4.2	628,592	4.1
Manufacturing industry	643,447	3.7	608,117	4.0
Operations with real estate	382,980	2.2	186,888	1.2
Transportation and storage	347,198	2.0	298,408	2.0
Professional, scientific and technical activities	345,574	2.0	258,866	1.7
Information and communication activities	178,460	1.0	104,697	0.7
Agriculture, forestry, hunting, fishing and fish farming	115,600	0.7	110,517	0.7
Activities administrative and related additional services	74,394	0.4	47,021	0.3
Providing with electric energy, gas and steam; air conditioning	61,440	0.4	46,073	0.3
Water supply; Water disposal, organization of waste collection and disposal, pollution control activities	55,686	0.3	61,338	0.4
Activity of hotels and public catering establishments	39,695	0.2	48,501	0.3
Financial and insurance activities	30,615	0.2	42,456	0.3
Education	29,979	0.2	30,337	0.2
Activities in the field of health and social services	28,109	0.2	29,740	0.2
Activities in the field of culture, sports, leisure and entertainment	9,286	0.1	7,073	0.1
Mining	6,758	0.1	47,751	0.3
Public administration and military security; social Security	6,748	0.0	1,671	0.0
Other	55,842	0.3	46,290	0.3
Total customer accounts	**17,310,448**	**100.0**	**15,224,669**	**100.0**

As at 31 December 2017 the Bank and as at 31 December 2016 the Group did not have clients who had balances on customer accounts in amount of 10% and more of capital.

Analysis of geographical, currency, and maturity is disclosed in Note 29.
Balances of term deposits and current accounts of related parties are disclosed in Note 31.

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17. Debt Securities Issued

	2017	2016
Promissory notes	6,839	10,552
	6,839	**10,552**

As at 31 December 2017, the promissory notes issued by the Bank were acquired by 41 investors, the maximum share of one investor in the total amount of issued bills is 18.9% (as at 31 December 2016: promissory notes were acquired by 62 investors, the maximum share of one investor in the total amount of promissory notes issued was 13.24%).

As at 31 December 2017, promissory notes issued in amount of 6,839 were used as guarantee of bank guarantees given by the Bank (as at 31 December 2016: 10,552).

Analysis by currency structure and maturity, interest rate and geographical analysis of securities issued are disclosed in Note 29.

18. Taxation

The corporate income tax expense comprises:

	2017	2016
Current income tax expense	118,723	64,977
Changes in deferred tax related to origination and write-off of temporary differences	(7,423)	(457)
	111,300	**64,520**

The income tax rate applicable to the majority of the Bank's income was 20% in 2017 (2016 (for the Group): 20%).

The effective income tax rate differs from the statutory income tax rate. Comparison of the income tax expense based on comparison of statutory rate with actual is as follows:

	2017	2016
Profit before tax	**590,342**	**416,703**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	118,068	83,341
Tax on state securities income taxable at different rates	(9,853)	(2,596)
Non-taxable items	3,085	(16,225)
Income tax expense	**111,300**	**64,520**

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial purposes and for income tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 20% (2016: 20%).

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Deferred tax assets and liabilities as at 31 December 2017 include the following elements:

Effect of deductible temporary differences	2017	Impact on equity	Impact on SOCI	2016
Assets				
Property, plant, and equipment	(35,729)	(3,453)	2,908	(35,184)
Financial assets at fair value through profit or loss	(7,544)	-	(11,705)	4,161
Financial assets available for sale	(7,350)	(4,567)	(3,070)	287
Financial assets held to maturity	347	-	3,691	(3,344)
Loans and advances to customers	8,412	-	398	8,014
Due from other banks	-	-	-	-
Disposal of subsidiary	-	-	(7,297)	7,297
Investment property	(265)	-	(5,523)	5,258
Non-current assets held for sale	6,872	-	4,741	2,131
Accounts receivables	387	-	(3)	390
Liabilities				
Provisions for impairment on loans and promissory notes	25,601	-	18,454	7,147
Provisions for impairment on other assets	(6,729)	-	5,055	(11,784)
Other	22,794	-	3,934	18,860
	6,796	**(8,020)**	**11,583**	**3,233**

A difference from the data reflected in the Statement of Profit or Loss and Other Comprehensive Income for 2017 is due to the disposal of the subsidiary during a year. Deferred tax assessed on subsidiary's operations is accounted for in calculation of the financial result upon the company's disposal.

Deferred tax assets and liabilities as at 31 December 2016 include the following elements:

Effect of deductible temporary differences	2016	Impact on equity	Impact on SOCI	2015
Assets				
Property, plant, and equipment	(35,184)	(4,426)	(8,987)	(21,771)
Financial assets at fair value through profit or loss	4,161	-	9,216	(5,055)
Financial assets available for sale	287	(3,000)	3,298	(11)
Financial assets held to maturity	(3,344)	-	864	(4,208)
Loans and advances to customers	8,014	-	(6,472)	14,486
Due from other banks	-	-	4,521	(4,521)
Investments in financing leasing	7,297	-	2,359	4,938
Investment property	5,258	-	9,413	(4,155)
Non-current assets held for sale	2,131	-	2,131	-
Accounts receivables	390	-	(2,615)	3,005
Liabilities				
Provisions for impairment on loans and promissory notes	7,147	-	(12,215)	19,362
Provisions for impairment on other assets	(11,784)	-	(2,093)	(9,691)
Other	18,860	-	1,037	17,823
	3,233	**(7,426)**	**457**	**10,202**

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19. Other Liabilities

	2017	2016
Accounts payables	74,508	42,144
Accounts payables to staff	55,399	40,059
Deferred income	19,004	29,169
Settlements with the budget and non-budgetary funds	28,427	26,132
Deferred income on guarantees issued	40	929
Swap deals	28	-
Other	211	435
	177,617	**138,868**

Geographical, currency and maturity analyses on other liabilities are disclosed in Note 29.

20. Share capital

Statutory share capital authorised, issued and fully paid comprises:

	2017			2016		
	Number of shares ('000)	Par value	Value	Number of shares ('000)	Par value	Value
Common shares	12,100	0.05	605,000	12,100	0.05	605,000
Shares purchased by subsidiary			-			(6,915)
IAS 29 adjustments			22,198			22,198
Total share capital			**627,198**			**620,283**

All ordinary shares have a par value of RUB 50 (not thousands) per share, rank equally and carry one vote.

The Bank's share capital as at 31 December 2017 is greater than the Group's share capital as at 31 December 2016 by the amount of the Bank's shares purchased by the subsidiary.

In 2017 and in 2016, the Bank did not increase share capital.
In 2017 and in 2016, dividends were not declared and were not paid.

Shareholders of the Bank were as follows:

Shareholder	**2017 %**	**2016 %**
"Urzhum Distillery" OJSC	30.0	-
"STRIKE" LLC	10.0	10.0
Monolit LLC	10.0	10.0
Avangard LLC	8.9	8.9
"Konkurent" LLC	8.8	8.8
"Norma" LLC	8.4	8.4
"Standart" LLC	7.8	7.8
"NTI" LLC	6.6	6.6
Rekha Holdings Limited	-	20.0
Quest Advisory Restructing Ltd.	-	9.3
Individuals with less than 5% each (86/132)	7.3	7.8
Legal entities with less than 5% each (11/14)	2.2	2.4
	100.0	**100.0**

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21. Future Payments and Contingent Liabilities

Court Cases

In the normal course of business, the Bank is rarely subject to court cases and complaints. Management of the Bank believes that the probable liabilities, that can be arise in a result of such cases or complaints, will not have material reverse effect on the financial position or results of the Bank in the future.

Future Payments on Operating Lease

The table below shows the minimum amount for operating leases where the Bank acts as a lessee:

	2017	2016
Not later than 1 year	35,623	30,099
From 1 to 5 years	27,209	41,020
Later than 5 years	31,063	2,510
	93,895	**73,629**

Commitments on Capital Investments

As at 31 December 2017 the Bank and as at 31 December 2016 the Group had not entered into any capital investment commitments which would require disclosure or recognition in the financial statements.

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

The Bank is potentially exposed to the risk of incurring losses in an amount equal to the total amount of unused liabilities. However, the probable amount of losses is lower, since the customers usually abide by creditworthiness standards, described in the loan agreements.
Credit related commitments comprise:

	2017	2016
Guarantees issued	1,234,069	1,327,167
Commitments on overdrafts	692,507	498,153
Unused Guarantee Limits	557,728	32,693
Commitments on credit lines	556,804	660,115
	3,041,108	**2,518,128**

Derivatives

Foreign exchange and other derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the Statement of Financial Position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

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As at 31 December 2017, the Bank had 8 derivative financial instruments - swap deals recognised in the balance sheet after the reporting date (as at 31 December 2016, the Group had 7 derivative financial instruments - swap deals and 2 conversion transactions recognised in the balance sheet after the reporting date).

	Notional amount		Fair value adjustment		CBR ex-rate	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
USD/RUB (buy/sell)						
Less than one month	604,802	515,584	37	1,495	57.6002	60.6569
EUR/RUB						
Less than one month	96,414	153,147	(65)	(355)	68.8668	63.8111
CNY/RUB (CNY - Chinese Yuan)						
Less than one month	-	524	-	(8)	8.8450	8.7282
RUB/CYN						
Less than one month	-	271	-	2	8.8450	8.7282

As at 31 December 2017, the gross financial result of (28) is included in Gains less losses from transactions with foreign currencies in the Statement of Profit and Loss and Other Comprehensive Income and the liability of 28 is disclosed separately under Other liabilities in the Statement of Financial Position.

As at 31 December 2016, the gross financial result of 1,134 is included in Gains less losses from transactions with foreign currencies in the Statement of Profit and Loss and Other Comprehensive Income and the claim of 1,134 is disclosed separately under Other assets in the Statement of Financial Position.

22. Investment in Subsidiaries

As at 31 December 2017, the Bank had no subsidiaries.

As at 31 December 2016, the Bank participated in the capital of "Leasing-Khlynov" LLC, the main activity of which is finance lease services. The company operates in Russia. As at 31 December 2016, the Bank's interest in the subsidiary's capital was 100%.

23. Investment in Unconsolidated Structured Entities

As at 31 December 2017, the Bank had no investments into structured entities.

As at 31 December 2016, "Khlynov-Invest" LLC was included in the Group as an unconsolidated structured entity, with the Bank's share of 19%. The Bank had significant influence over the entity and had no control. The core activity of "Khlynov-Invest" LLC was real estate transactions, including the enforcement of claims received from the Bank through cessions agreements. The main source of financing of "Khlynov-Invest" LLC were loans from the Bank.
Due to the fact that the total assets of "Khlynov-Invest" LLC was less than 1% of the total assets of the Bank, the impact of the reported data of "Khlynov-Invest" LLC on the Group's financial statements was found to be immaterial, so the company was not accounted for using the equity method and was not included in the consolidation perimeter.
The Group was not exposed to any other risks other than credit risk in respect of "Khlynov-Invest" LLC.

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Information about the carrying value of assets and liabilities, income and expenses of "Khlynov-Invest" LLC, recognized in the financial statements of the Group for 2016 / 31 December 2016:

Consolidated Statement of Financial Position as at 31 December 2016	31 December 2016
Assets	
Financial assets at fair value through profit or loss	2
Loans and advances to customers	-
Total assets	**2**
Liabilities	
Customer accounts	639
Total liabilities	**639**
Credit related commitments	**-**

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2016	2016
Interest income	
Loans and advances to legal entities	1,196
Net interest income	**1,196**
Provision for impairments on loans and advances to customers	9,634
Net interest income less provision for losses	**10,830**
Commission income less commission expenses	24
Other operation income	4
Administrative and other operational expenses	(3,458)
Operating income and expense	**3,430**
Profit for the period	**7,400**
Total comprehensive income for the year	**7,400**

24. Provisions for Possible Losses

The movements in allowance for impairment of financial instruments were as follows:

	Due from other banks	Loans and advances to customers	Investment in lease	Non-current assets held for sale	Other assets	Total
31 December 2015	**15,567**	**1,527,643**	**3,733**	**-**	**46,937**	**1,593,880**
Create a provision	-	400,528	(2,400)	896	(17,314)	381,710
Loans written-off	-	(46,452)	-	-	(637)	(47,089)
31 December 2016	**15,567**	**1,881,719**	**1,333**	**896**	**28,986**	**1,928,501**
Disposal of subsidiary	-	68,399	(1333)	-	(19,217)	47,849
Create a provision	-	283,847	-	(896)	2,610	285,561
Loans written-off	-	(122,100)	-	-	(1,382)	(123,482)
31 December 2017	**15,567**	**2,111,865**	**-**	**-**	**10,997**	**2,138,429**

Allowance for losses on debit balance sheet items are deducted from the related assets. In accordance with the Russian legislation, loans may only be written off with the approval of an authorised body of the credit institution and, in certain cases, based on the authorized government body.

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25. Income Less Expenses from Trading Securities

Income less expenses from trading securities comprises the following elements:

	2017	2016
Net income from the sale and redemption of securities	78,482	30,878
Net revaluation of securities at fair value	32,839	26,365
Other expenses from trading securities	399	(7,809)
	111,720	49,434

26. Commission Income and Expenses

	2017	2016
Commission income		
Commission from payment operations	302,399	252,529
Cash operations	123,910	118,473
Commission from transaction with plastic cards	114,233	77,239
Commission from insurance companies	59,240	44,138
Commission on guarantees issued	19,967	46,950
Commission from loans to customers	2,092	3,279
Commission from brokerage operations	0	1
Commission on other operations	207	16
	622,048	**542,625**
Commission expense		
Commission from transaction with plastic cards	(144,878)	(96,259)
Commission from payment operations	(19,697)	(17,548)
Commission on collection	(8,347)	(7,119)
Insurance premium for creditors life insurance	(5,490)	(4,349)
Commission from interbank operations	(1,101)	(1,033)
Cash operations	(686)	(283)
Commission on transaction with securities	(51)	(37)
	(180,250)	**(126,628)**
	441,798	**415,997**

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27. Staff, Administration and Other Operating Costs

	2017	2016
Salary	(271,777)	(233,689)
Other short-term payments	(167,432)	(150,979)
Other long-term deferred accruals	(9,264)	(8,548)
Social funds	(124,520)	(110,127)
	(572,993)	**(503,343)**
Acquisition and maintenance of software	(64,941)	(63,613)
Deposit insurance system payment	(61,730)	(50,152)
Buildings and land rent	(36,628)	(32,642)
Maintenance of building	(33,682)	(29,507)
Taxes other than income tax	(31,168)	(33,332)
Acquisition of stationery and PCs	(27,778)	(29,166)
Advertising and marketing	(22,555)	(24,484)
Maintenance of computer facilities and ATMs, vehicles, information services	(20,724)	(10,312)
Repair of fixed assets	(16,003)	(15,493)
Staff training, business trip and representative expenses	(15,242)	(6,943)
Postage, phone, and telegraph expenses	(13,191)	(18,625)
Security services	(8,710)	(8,651)
Manufacture, acquisition, forwarding of forms, printing expenses	(7,906)	(7,386)
State fee paid	(2,375)	(2,664)
Net expenses related to the receipt and sale of collateral	(1,746)	(4,188)
Insurance of property	(1,101)	(978)
Staff insurance	(109)	(106)
Write-off of bad debts	-	(3,508)
Rating assignment	-	(258)
Other	(27,963)	(39,116)
	(393,552)	**(381,124)**

28. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument can be exchanged in the course of business between two willing 'arms' length' parties apart from forced liquidation. The best assurance of fair value is the market price of the financial instrument. The Bank, in accordance with available market information and different methods of valuation, estimated the fair value of the financial instruments it holds. However, to interpret market information with the purpose of determining fair value it is necessary to exercise professional judgment.

Although, for estimating the fair value of financial instruments, management uses the most up to date market information, it may not always represent the value that can be realized in current conditions.

Financial Instruments Held at Fair Value

Cash and cash equivalents and financial assets and liabilities measured at fair value through profit or loss are reflected in the statement of financial position at fair value.

For some securities, external market quotes are not available. The fair value of such assets is measured according to the results of recent sale of shares to third parties, analysis of other information such as discounted cash flows and the financial information of companies as well as other methods of estimation.

Due from Financial Institutions

The fair value of funds deposited under a floating rate is equal to their carrying value. Fair value of funds deposited under a fixed rate is estimated based on the discounted cash flows using the market interest rates of the stock exchange of cash instruments for the instruments with similar level of credit risk and maturity. The Management considers that the fair value of due from financial institutions does not differ from their book value as at 31 December 2017 and 31 December 2016. This is explained by an existing practice of revising the interest rates to reflect current market conditions, because of which, interest on the majority of balances are accrued under market interest rates.

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Loans and Advances to Customers

Loans and advances to customers are recorded net of allowance for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The Management considers that the fair value of loans and advances to customers did not differ significantly from their book value as at 31 December 2017 and 31 December 2016. This is explained by an existing practice of revising the interest rates to reflect current market conditions, because of which, interest on the majority of balances are accrued under market interest rates.

Liabilities at Amortized Cost

The fair value of instruments with market value is based on market quotes. The fair value of instruments with uncertain maturity date is the amount repayable on demand. The fair value of instruments with fixed interest rate without market value is based on discounted cash flows calculated using interest rates of new instruments with similar credit risk and maturity date.

29. Information on Risks Assumed by Bank, their Assessment Procedures and Risk Management

Information in Notes 29, 30, 32 presented including the requirements of Direction of the Bank of Russia dated 03 December 2015 No. 3876-U "On the forms, procedure and terms of disclosure of parent credit institutions of banking groups of information on risks taken, the procedures for their assessment, risk management and capital" (hereinafter Direction 3876-U).

Information in accordance with the requirements of 1.1. of Direction 3876-U

Information from the non-consolidated financial statements as at 31 December 2017[1] and balance sheet of the Bank (published form) as at 01 January 2018[2]

No.	The name of the item	Information from the Non-consolidated Financial Statements		"Information from the Balance Sheet of the Bank (published form)"		Identification code
		line number	Information on the reporting date, KRUB.	the line number in the form 0409806	Information on the reporting date, KRUB.	
1	2	3	4	5	6	7
Assets						
1.	Cash and Mandatory Balances with central banks	1, 2	1,798,481	1, 2	1,285,992	
2.	Due from Banks	3	1,853,922	3	628,560	
3.	Financial assets at fair value through profit or loss:	4	4,798,215	4	4,625,644	
3.1.	derivative financial instruments		0		0	
3.2.	other financial assets held for trading	4	4,798,215	4	4,625,644	
4.	Credits (loans) to Banks			5	1,681,237	
5.	Loans to legal entities (non-Banks) and individuals	6	10,731,714	5	10,583,085	
6.	Net investment in finance lease	7	0		0	
7.	Financial assets at fair value through profit or loss, transferred without derecognition		0		0	
8.	Financial assets available for sale	5	987,700	6	987,700	

[1] Non-consolidated statement of financial position as at 31 December 2017, as presented in these financial statements

[2] The balance sheet of the Bank (published form) as at 01 January 2018, drawn up in accordance with Russian accounting standards (reporting form 0409806, Direction of the Bank of Russia dated 24 November 2016 No. 4212-U)

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9.	Deferred tax asset	8	6,796	8	2,366	
10.	Assets and groups of assets held for sale and other assets	9, 12	184,624	11, 12	275,785	
11.	Financial assets held to maturity		0	7	167,762	
12.	Investment in subsidiaries		0	6.1	0	
13.	Goodwill and intangible assets:	10	27,119	10	27,119	
13.1.	Goodwill		0		0	
13.2.	Intangible assets (except for the rights to service mortgage loans)	10	27,119	10	27,119	
13.3.	the rights to service mortgage loans		0		0	
14.	Fixed assets and inventories	10	348,346	10	363,080	
15.	Investment property	11	225,815	10	225,815	
16.	Total Assets	12	20,962,732	13	20,854,145	
Liabilities						
17.	Central bank's deposits		0	14	0	
18.	Due to Banks	14	50,018	15	50,000	
19.	Customer Accounts (non-Banks)	15	17,310,448	16	17,310,350	
20.	Liabilities to deliver securities and to return collateral sold		0		0	
21.	Financial liabilities at fair value through profit or loss		0	17	0	
21.1.	derivative financial instruments		0		0	
21.2.	other financial liabilities held for trading		0		0	
22.	Debt Securities Issued	16	6,839	18	6,921	
23.	Other liabilities	17	177,617	21	108,086	
24.	Deferred Tax Liability		0	19, 20	49,954	
24.1.	Deferred Tax Liability, associated with the occurrence of goodwill		0		0	
24.2.	Deferred Tax Liability, associated with the recognition of intangible assets (excluding the rights to service mortgage loans)		0	20	7,078	
24.3.	Deferred Tax Liability, associated with the recognition of rights to service mortgage loans		0		0	
24.4.	Subordinated credits (loans, deposits)		0		0	
25.	Provisions for possible losses		0	22	113,251	
26.	Obligations on pensions		0		0	
27.	Total liabilities	18	17,544,922	23	17,638,562	
Equity						
28.	Share capital	19	627,198	24	605,000	
28.1.	the base capital		612,425	24	590,227	
28.2.	additional capital					
28.3.	additional paid-in capital		14,773	24	14,773	
29.	Retained Earnings (outstanding loss)	20	2,651,063	33, 34	2,394,664	
30.	Other comprehensive income and other components of equity	21, 22	139,549	27, 28, 29	215,919	
31.	Total Equity	23	3,417,810	35	3,215,583	

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Information in accordance with the requirements of 1.2. of Direction 3876-U

Bank statements

Territory code according to OKATO	Code of credit institution (branch)	
	to OKPO	registration number (/serial number)
33	10919075	254

REPORT ON CAPITAL ADEQUACY RATIO FOR RISK POOLING, PROVISIONS FOR POTENTIAL LOAN AND OTHER ASSETS LOSSES
(published form)

As at 01 January 2018

Credit institution (parent credit institution of a banking group)
Commercial Bank Khlynov (Joint Stock Company), CB Khlynov JSC
(full corporate and abbreviated corporate names)

Postal address 610002, Kirov Region, Kirov, ul. Uritskogo, 40

Form code on OKUD 0409808
Quarterly (Annual)

Section 1. Information about the Capital Adequacy

line number	The name of the tools (indicator)	Explanations number	The value of the instrument (the value index) as at the reporting date, KRUB		The value of the instrument (the indicator) as at the beginning of reporting year, KRUB	
			to be included in the calculation of capital	not included in the calculation of capital in the period up to 1 January 2018	to be included in the calculation of capital	not included in the calculation of capital in the period up to 1 January 2018
1	2	3	4	5	6	7
Sources of core capital						
1	Share capital and equity income, total, including formed by:		590,227	X	590,327	X
1.1	ordinary shares (shares)		590,227	X	590,327	X
1.2	preferred shares		0	X	0	X
2	Retained earnings (loss):		1,859,255	X	1,605,734	X
2.1	past years		1,859,255	X	1,616,612	X
2.2	the reporting year		0	X	-10,878	X
3	Reserve Fund		90,750	X	90,775	X
4	Shares of the share capital, subject to phase-out exclusion from the calculation of own funds (capital)		not available	X	0	X
5	Tools equity of subsidiaries belonging to third parties		not available	not available	0	0
6	Total sources of share capital (line 1 +/- line 2 + line 3 - line 4 + line 5)		2,540,232	X	2,286,836	X
Indices, decreasing sources of share capital						
7	Adjustment of the trading portfolio		not available	not available	0	0
8	Business reputation (goodwill) net of deferred tax liabilities		0	0	0	0
9	Intangible assets (excluding goodwill and amounts of the rights to service mortgage loans), net of deferred tax liabilities		21,694	5,423	14,533	9,688
10	deferred tax asset dependent on future profits		0	0	7,015	4,676
11	Reserves cash flow hedge		not available	not available	0	0
12	not fully established reserves for possible losses		0	0	0	0
13	Income from securitizations		not available	not available	0	0
14	Income and expenses related to the change in credit risk on liabilities measured at fair value		not available	not available	0	0
15	The pension plan assets defined benefit		not available	not available	0	0
16	Investments in own shares		0	0	0	0
17	Cross-ownership of shares		not available	not available	7,015	0
18	Insignificant investments in equity instruments of financial institutions		0	0	0	0
19	Significant investments in the core capital instruments of financial institutions		0	0	0	0
20	The rights to service mortgage loans		not available	not available	0	0
21	Deferred tax assets not dependent on future profits		0	0	0	0

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22	Total amount of significant investments and deferred tax assets in the part exceeding 15 percent of the value of basic capital, including:		0	0	0	0
23	significant investments in the base capital instruments of financial institutions		0	0	0	0
24	the rights to service mortgage loans		not available	not available	0	0
25	deferred tax assets not dependent on future profits		0	0	0	0
26	Total amount of other indicators that reduce the sources of base capital set by the Bank of Russia, including:		0	0	0	0
26.1	indicators to be gradual exclusion from the calculation of own funds (equity)		0	X	0	X
27	The negative value of additional capital		5,423	X	9,688	X
28	Total indicators that reduce the sources of base capital (sum of lines 7 to 22 and lines 26 and 27)		27,117	X	38,251	X
29	Total base capital (line 6 - line 28)		2,513,115	X	2,248,585	X
Sources of additional capital						
30	Total amount of instruments additional capital and share premium, including:		0	X	0	X
31	classified as equity		0	X	0	X
32	classified as liabilities		0	X	0	X
33	Instruments of additional capital subject to phase-out exclusion from the calculation of own funds (equity)		0	X	0	X
34	Total instruments of additional capital of subsidiaries belonging to third parties, including:		not available	X	0	X
35	Instruments of additional capital of subsidiaries subject to phase-out exclusion from the calculation of own funds (equity)		0	X	0	X
36	Total sources of additional capital (line 30 + line 33 + line 34)		0	X	0	X
Indices, decreasing sources of additional capital						
37	Investments in own instruments of additional capital		0	0	0	0
38	reciprocal cross-ownership instruments additional capital		not available	not available	0	0
39	Insignificant investment in the instruments of additional capital of financial organizations		not available	not available	0	0
40	Significant investment in the instruments of additional capital of financial organizations		0	0	0	0
41	Total other indicators that reduce the sources of additional capital set by the Bank of Russia, including:		5,423	X	9,688	X
41.1	Total amount of indicators to be gradual exclusion from the calculation of own funds (equity), including:		5,423	X	9,688	X
41.1.1	intangible assets		5,423	X	9,688	X
41.1.2	own stocks (shares), redeemed (repurchased) from shareholders (participants)		0	X	0	X
41.1.3	shares (stakes) of subsidiaries and dependent financial organizations and credit organizations - residents		0	X	0	X
41.1.4	sources of own funds, created using improper assets		0	X	0	X
41.1.5	the negative value of additional capital formed in connection with the adjustment of the amount of own funds (equity) in the amount of sources of additional capital formed by investors using improper assets		0	X	0	X
42	The negative value of additional capital		0	X	0	X
43	Total indices, decreasing sources additional capital (sum of lines 37 through 42)		5,423	X	9,688	X
44	Total additional capital (line 36 - line 43)		0	X	0	X
45	Total fixed capital (line 29 + line 44)		2,513,115	X	2,248,585	X
Sources of additional paid-in capital						
46	Instruments of additional paid-in capital and share premium		593,058	x	352,720	X
47	Instruments of additional paid-in capital, subject to phase-out exclusion from the calculation of own funds (equity)		0	X	0	X
48	Tools additional paid-in capital of subsidiaries belonging to third parties, including:		not available	X	0	X
49	instruments of additional paid-in capital of the subsidiaries subject to phase-out exclusion from the calculation of own funds (equity)		not available	X	0	X
50	Provisions for possible losses		not available	X	0	X

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51	Total sources of additional paid-in capital (line 46 + line 47 + line 48 + line 50)		593,058	X	352,720	X
Indicators reducing the sources of additional paid-in capital						
52	Investments in own instruments of additional paid-in capital		0	0	0	0
53	Mutual cross-ownership instruments of additional paid-in capital		not available	not available	0	0
54	Insignificant investments in instruments of additional paid-in capital of financial institutions		0	0	0	0
55	significant investment in additional paid-in capital instruments of financial institutions		0	0	0	0
56	Total other indicators reducing sources of additional paid-in capital set by the Bank of Russia, including:		0	X	719	X
56.1	Total amount of indicators to be gradual exclusion from the calculation of own funds (equity), including:		0	X	288	X
56.1.1	sources of capital for formation of which investors used improper assets		0	X	0	X
56.1.2	overdue receivables with a duration exceeding 30 calendar days		0	X	288	X
56.1.3	subordinated loans granted to credit institutions - resident		0	X	0	X
56.1.4	the excess of the total amount of loans, Bank guarantees and sureties provided to its shareholders (participants) and insiders over its maximum size		0	X	0	X
56.1.5	investments in construction and acquisition of fixed assets and inventories		0	X	0	X
56.1.6	the difference between the fair value of the share due to out-of-society parties, and the amount at which the share was implemented to another participant		0	X	0	X
57	Total indicators reducing the sources of additional paid-in capital (sum of lines 52 to 56)		0	X	719	X
58	Additional capital, total (line 51 - line 57)		593,058	X	352,001	X
59	Total own funds (equity) (line 45 + line 58)		3,106,173	X	2,600,586	X
60	Assets weighted by risk level:		X	X	X	X
60.1	subject to phase-out exclusion from the calculation of own funds (equity)		0	X	0	X
60.2	necessary to determine the adequacy of base capital		19,646,835	X	19,747,804	X
60.3	needed to determine fixed capital adequacy		19,646,835	X	19,747,804	X
60.4	necessary to determine the adequacy of own funds (equity)		19,752,190	X	19,840,632	X
The adequacy of own funds (equity) and allowances to the adequacy of own funds (equity), %						
61	Adequacy base capital (line 29: line 60.2)		12.79	X	11.39	X
62	Fixed capital adequacy (line 45: line 60.3)		12.79	X	11.39	X
63	Adequacy of own funds (equity) (line 59: line 60.4)		15.73	X	13.11	X
64	Total allowances to the adequacy of own funds (equity), including:		5.75	X	5.75	X
65	premium maintain capital adequacy		1.25	X	1.25	X
66	counter-cyclical premium		0	X	0	X
67	surcharge for systemic importance of banks		not available	X	not available	X
68	The base capital available for the maintenance allowances to the adequacy of own funds (equity)		6.7915	X	5.1074	X
Adequacy of own funds (equity), %						
69	Adequacy ratio base capital		4.5	X	4.5	X
70	Adequacy ratio fixed capital		6	X	6	X
71	Adequacy ratio of own funds (equity)		8	X	8	X
Indicators not exceeding the set materiality thresholds to decrease capital sources						
72	Insignificant investments in equity instruments of financial institutions		707	X	1,111	X
73	Significant investments in the capital instruments of financial institutions		0	X	0	X
74	The rights to service mortgage loans		not available	X	0	X
75	Deferred tax assets not dependent on future profits		0	X	0	X
Restrictions on inclusion of provisions for possible losses in the calculation of the additional paid-in capital						

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76	The provisions for losses included in the calculation of additional paid-in capital, in respect to the items to calculate credit risk, which applies the standardized approach		not available	X	0	X
77	Restrictions on inclusion in the calculation of the additional paid-in capital sums of provisions for possible losses when using a standardized approach		not available	X	0	X
78	The provisions for losses included in the calculation of additional paid-in capital, in respect to the items to calculate credit risk, which applies an approach based on internal models		not available	X	0	X
79	Restrictions on inclusion in the calculation of the additional paid-in capital sums of provisions for possible losses when using the approach based on internal models		not available	X	0	X
Instruments subject to phase-out exclusion from the calculation of own funds (equity) (applicable from 1 January 2018 and 1 January 2022)						
80	The current limitation to the inclusion in the composition of the sources of base capital instruments subject to phase-out exclusion from the calculation of own funds (equity)		not available	X	not available	X
81	Some tools not included in the basic sources of capital due to restrictions		not available	X	not available	X
82	The current limitation to the inclusion in the composition of the sources of additional capital instruments subject to phase-out exclusion from the calculation of own funds (equity)		not available	X	not available	X
83	Some tools not included in the sources of additional capital due to restrictions		not available	X	not available	X
84	The current limitation to the inclusion in the composition of the sources of additional paid-in capital instruments subject to phase-out exclusion from the calculation of own funds (equity)		not available	X	not available	X
85	Some tools not included in the sources of additional paid-in capital due to restrictions		not available	X	not available	X

Note.
Information about the data of the balance sheet, which is the source for the compilation of section 1 of the Report in this note on page 61.
Section 2. Information on the Size of the Credit, Operational and Market Risks Borne by Capital
Subsection 2.1. Credit Risk in Using Standardized Approach

line number	Indicator	Explanations number	Information on the reporting date			Information on the beginning of the reporting year		
			The value of the assets (tools), estimated by the standardized approach, KRUB	Assets (tools), net of provisions for possible losses, KRUB	The value of the assets (tools) risk-weighted, KRUB	The value of the assets (tools), estimated by the standardized approach, KRUB	Assets (tools), net of provisions for possible losses, KRUB	The value of the assets (tools) risk-weighted, KRUB
1	2	3	4	5	6	7	8	9
1	Credit risk on assets reflected in the balance sheet		14,294,632	12,464,640	9,014,577	13,150,840	11,479,465	8,999,443
1.1	Total assets with a risk ratio <1> 0 percent, including:		1,686,331	1,686,331	0	1,333,047	1,333,047	0
1.1.1	Cash and Mandatory Balances with the CBR		1,686,331	1,686,331	0	1,333,047	1,333,047	0
1.1.2	credit requirements and other requirements are secured by guarantees of the Russian Federation, the Ministry of Finance and the Bank of Russia and collateral of public debt securities of the Russian Federation, the Ministry of Finance and the Bank of Russia		0	0	0	0	0	0
1.1.3	credit requirements and other requirements to Central banks or governments of countries with country rating "0", "1" <2>, including secured by guarantees issued by these countries		0	0	0	0	0	0

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1.2	Total assets with a risk weighting of 20 percent, including:		2,219,200	2,191,972	438,394	1,448,065	1,433,719	286,744
1.2.1	credit requirements and other requirements to subjects of the Russian Federation, municipalities, and other organizations secured by the guarantees and securities of constituent entities of the Russian Federation and municipal formations		1,704,626	1,677,433	335,487	826,833	812,535	162,507
1.2.2	credit requirements and other requirements to Central banks or governments of countries with country rating of "2", including secured guarantees (collateral securities)		0	0	0	0	0	0
1.2.3	credit requirements and other requirements to the credit organizations - residents of countries with country rating of "0", "1", having a long-term credit rating of <3>, including secured guarantees		0	0	0	10,461	10,461	2,092
1.3	Total assets with a risk weighting of 50 percent, including:		20,308	20,308	10,154	0	0	0
1.3.1	credit requirements and other requirements in foreign currency secured by guarantees of the Russian Federation, the Ministry of Finance and the Bank of Russia and collateral of public debt securities of the Russian Federation, the Ministry of Finance and the Bank of Russia denominated in foreign currency		0	0	0	0	0	0
1.3.2	credit requirements and other requirements to Central banks or governments of countries with country rating of "3", including secured guarantees (collateral securities)		0	0	0	0	0	0
1.3.3	credit requirements and other requirements to the credit organizations - residents of countries with country rating of "0", "1", not having the ratings long-term credit and to the credit organizations - residents of countries with country rating of "2", including secured guarantees		20,308	20,308	10,154	0	0	0
1.4	Total assets with a risk weighting of 100 percent, including:		10,368,793	8,566,029	8,566,029	10,369,728	8,712,699	8,712,699
1.4.1	loan indebtedness of legal entities and individuals		9,678,142	7,935,728	7,935,728	9,258,416	7,730,134	7,730,134
1.4.2	investments in securities of legal entities and credit institutions		27,192	27,073	27,073	233,046	232,726	232,726
1.5	Assets with a risk weight of 150 percent - credit requirements and other requirements to Central banks or governments of countries with country rating of "7"		0	0	0	0	0	0
2	Total assets and other risk factors, including:		X	X	X	X	X	X
2.1	Total low-risk factors, including:		1,288,263	1,288,263	257,653	1,193,520	1,193,520	238,704
2.1.1	mortgage loans with risk weight of 50 percent		0	0	0	0	0	0
2.1.2	mortgage loans with risk weight of 70 percent		0	0	0	0	0	0
2.1.3	requirements of clearing participants		1,288,263	1,288,263	257,653	1,193,520	1,193,520	238,704
2.2	Total with elevated risk factors, including:		1,511,032	1,276,671	1,811,631	1,409,916	1,131,580	1,604,602
2.2.1	with a risk ratio of 110 percent		0	0	0	0	0	0
2.2.2	with a risk ratio of 130 percent		572,027	516,882	671,946	534,342	463,846	603,000
2.2.3	with a risk ratio of 150 percent		939,005	759,789	1,139,685	875,574	667,734	1,001,602
2.2.4	with a risk ratio of 250 percent		0	0	0	0	0	0

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2.2.5	Total with a risk ratio of 1250 percent, including:		0	0	0	0	0	0
2.2.5.1	for transactions involving the assignment of mortgage agents or specialized companies cash requirements, including the certified mortgage		0	0	0	0	0	0
3	Total loans for consumer purposes, including:		200,063	166,381	205,976	48,060	34,531	40,747
3.1	with a risk ratio of 110 percent		161,838	140,495	154,545	0	0	0
3.2	with a risk ratio of 140 percent		28,404	16,815	23,540	18,150	8,929	12,500
3.3	with a risk ratio of 170 percent		0	0	0	0	0	0
3.4	with a risk ratio of 200 percent		0	0	0	0	0	0
3.5	with a risk ratio of 300 percent		9,572	8,845	26,537	114	44	134
3.6	with a risk ratio of 600 percent		249	226	1,354	0	0	0
4	Total credit risk on contingent liabilities of credit nature, including:		2,483,380	2,370,129	1,329,979	2,518,128	2,406,508	1,454,496
4.1	on financial instruments with a high risk		1,234,069	1,188,801	1,191,711	1,359,859	1,304,366	1,305,821
4.2	on financial instruments, medium risk		292,557	275,826	138,268	318,198	296,754	148,675
4.3	for financial instruments with low risk		0	0	0	0	0	0
4.4	for financial instruments with no risk		956,754	905,502	0	840,071	805,388	0
5	The credit risk on derivative financial instruments		0	X	0	0	X	0

<1> Classification of assets by risk groups produced in accordance with paragraph 2.3 of Bank of Russia Instruction No. 139-I.
<2> Country assessment is given in accordance with the classification of the export credit agencies participating in the Agreement of member countries of the Organization for economic cooperation and development (OECD), "main principles of providing and using export credits with official support" (information about country assessments are published on the official website of the Bank of Russia in is information-a telecommunication network "the Internet" in the section "Banking supervision").
<3> Ratings of the long-term creditworthiness of the credit institution are determined based on rated by international rating agencies ratings: Standard & Poor's or Fitch Ratings or Moody's Investors Service.

Subsection 2.3. Operational Risk

line number	Indicator	Explanations number	Information on the reporting date	Information on the beginning of the reporting year
1	2	3	4	5
6	Total operational risk (KRUB), including:		242,318	226,343
6.1	Total income for the purposes of calculation of capital to cover operational risk, including:		1,615,451	1,508,950
6.1.1	net interest income		1,032,718	862,740
6.1.2	net non-interest income		582,733	646,210
6.1.3	number of years preceding the date of calculation of the operational risk		3	3

Subsection 2.4. Market Risk

line number	Indicator	Explanations number	Information as at the reporting date, KRUB	Information at the beginning of the reporting year, KRUB
1	2	3	4	5
7	Total market risk, including:		4,103,399	4,673,352
7.1	Total interest rate risk, including:		320,238	366,415
7.1.1	General		96,794	70,796
7.1.2	Special		223,444	295,618
7.1.3	gamma risk and VEGA risk on options are included in the calculation of interest rate risk		0	0
7.2	Total equity risk, including:		586	522
7.2.1	General		293	261
7.2.2	Special		293	261
7.2.3	gamma risk and VEGA risk on options are included in the calculation of the equity risk		0	0
7.3	Total foreign currency risk, including:		0	0

as at 31 December 2017 (in thousands of Russian rubles)

7.3.1	gamma risk and VEGA risk on options are included in the calculation of the foreign currency risk		0	0
7.4	Total commodity risk, including:		7,448	6,932
7.4.1	the main commodity risk		6,207	5,777
7.4.2	additional commodity risk		1,241	1,155
7.4.3	gamma risk and VEGA risk on options are included in the calculation of the commodity risk		0	0

Section 3. Information on the Amount of Certain Types of Assets, Contingent Credit Related Commitments and the Amount of Formed Provisions for Possible Losses

Subsection 3.1. Information on the Amount of Provisions for Possible Losses on Loans and Other Assets

line number	Indicator	Explanations number	Information as at the reporting date, KRUB	Increase (+) / decrease (-) in the reporting period, KRUB	Information at the beginning of the reporting year, KRUB
1	2	3	4	5	6
1	Total actually formed provisions on possible losses, including:		2,211,286	146,954	2,064,332
1.1	on loans, loan and similar debt		2,052,041	167,968	1,884,073
1.2	For other balance sheet assets exposed to losses and other losses		45,994	-22,841	68,835
1.3	contingent credit related commitments and securities, the rights for which are certified by the depositaries that do not meet the criteria of the Bank of Russia, reflected on off-balance accounts		113,251	1,827	111,424
1.4	for operations with residents of offshore zones		0	0	0

Subsection 3.2. Information on Assets and Contingent Credit Related Commitments Classified Based on the Resolution Passed by the Authorized Management Body of the Credit Organization into a Higher Quality Category than it Follows from the Formalized Credit Risk Assessment Criteria

line number	Indicator	Claims amount, KRUB	Formed provisions for possible losses				Changes in the formed provisions in accordance with the minimum requirements set forth by Regulation of the Bank of Russia No. 254-P and by Regulation of the Bank of Russia No. 283-P	
					under the decision of the competent authority			
			%	KRUB	%	KRUB	%	KRUB
1	2	3	4	5	6	7	8	9
1	Total requirements to counterparties bearing signs evidencing that they may happen not to be engaged in any actual activities, including:	171,147	50.00	85,573	8.50	14,546	-41.50	-71,027
1.1	loans	163,789	50.00	81,894	8.52	13,953	-41.48	-67,941
2	Restructured loans	896,658	21.00	188,298	2.42	21,685	-18.58	-166,613
3	Loans provided to borrowers for repayment of debt on previously provided loans	2,465,963	21.00	517,852	2.98	73,369	-18.02	-444,483
4	Total loans used to provide loans to third parties and repay previously existing commitments of other borrowers, including:	796,269	21.00	167,217	7.91	63,007	-13.09	-104,210
4.1	to reporting credit institution	242,684	21.00	50,964	4.33	10,498	-16.67	-40,466
5	Loans used for purchase and / or repayment of equity securities	0	0	0	0	0	0	0
6	Loans used for investments in share capitals of other legal entities	13,791	21.00	2,896	1.00	138	-20.00	-2,758
7	Loans resulted from termination of previously existing commitments of a borrower through novation or termination fee	0	0	0	0	0	0	0
8	Contingent credit related commitments to counterparties bearing signs evidencing that they may happen not to be engaged in any actual activities	128,716	50.00	64,358	4.45	5,731	-45.55	-58,627

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Subsection 3.3. Information on Securities, the Rights for which are Certified by the Depositaries, the Provisions for Possible Losses on which are Formed in Accordance with Direction of the Bank of Russia No. 2732-U

KRUB

line number	The name of the item	Carrying value of securities	Fair value of securities	Formed provisions for possible losses		
				in accordance with Regulation of the Bank of Russia No. 283-P	in accordance with Direction of the Bank of Russia No. 2732-U	Total
1	2	3	4	5	6	7
1	Securities, total, including:	0	0	0	0	0
1.1	the rights to which are certified by foreign depositaries	0	0	0	0	0
2	Equity securities, total, including:	0	0	0	0	0
2.1	the rights to which are certified by foreign depositaries	0	0	0	0	0
3	Debt securities, total, including:	0	0	0	0	0
3.1	the rights to which are certified by foreign depositaries	0	0	0	0	0

Section 4. Information about Financial Leverage

line number	Indicator	Explanations number	The value as at the reporting date	The value as at the date apart one a quarter from reporting	The value as at the date apart two quarters from reporting	The value as at the date apart three quarters from reporting
1	2	3	4	5	6	7
1	Fixed capital, KRUB		2,513,115	2,505,341	2,517,604	2,516,594
2	The value of balance sheet assets and off-balance sheet requirements under the risk to calculate the financial leverage, KRUB		21,933,009	20,859,621	20,192,356	19,818,091
3	Financial leverage for "Basel III", %		11.5	12.0	12.5	12.7

Section 5. Key Features of the Equity Instruments

line number	The name of the tool features	Description of tool features
1	2	3
1	Abbreviated name of the Issuer of the capital instruments	1-credit institution-resident 254 CB Khlynov JSC
2	The identification number of the tool	1.1 10100254B
3	Applicable law	643 RUSSIA
Regulatory environment		
4	The level of capital, which includes the tool during the transition period of "Basel III"	1.1 not available
5	The level of capital, which includes the tool after the end of transition period of "Basel III"	1.1 the base capital 1.2 additional paid-in capital
6	The level of consolidation at which the instrument is included in equity	1.1 not available
7	Tool type	1.1 Common shares
8	The value of the instrument included in the calculation of equity	1.1 605,000 KRUB
9	The nominal value of the instrument	643,605,000 RUSSIAN RUBLES
10	The classification of the instrument for accounting purposes	1.1 Share Capital
11	Date of issue (engagement location) tool	1.1 13.02.1995 1.2 27.10.1995 1.3 31.12.1997 1.4 15.12.1998 1.5 15.08.1999 1.6 20.07.2000 1.7 14.08.2000 1.8 03.07.2001 1.9 12.11.2001 1.10 12.03.2002 1.11 19.06.2002 1.12 23.06.2003 1.13 26.05.2004 1.14 25.11.2004 1.15 16.06.2005 1.16 07.12.2005 1.17 10.08.2005

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		1.18 27.12.2006 1.19 29.10.2007 1.20 04.05.2008
12	The availability of period for the instrument	1.1 Unlimited
13	The maturity date of the instrument	1.1 Without limitation of the period
14	The existence of the right of early redemption (repayment) of the instrument agreed with the Bank of Russia	1.1 None
15	Initial date (dates) of the possible implementation of the right of early redemption (repayment) of the instrument, the conditions of implementation of such right and the amount of repayment (redemption)	1.1 not available
16	Subsequent date (dates) of implementation of the right of early redemption (repayment) tool	1.1 not available
Interest/dividends/coupon yield		
17	The type of rate on the tool	1.1 not available
18	Rate	1.1 not available
19	The conditions for termination of the payment of dividends on ordinary shares	1.1 not available
20	Mandatory dividend	1.1 completely at the discretion of the parent credit institution and (or) participant of the banking group
21	Conditions providing increase of payments on the instrument or other incentives for early redemption (maturity) of the instrument	1.1 None
22	The nature of the payments	1.1 non-cumulative
23	The convertibility of the tool	1.1 nonconvertible
24	Conditions, upon the occurrence of which is the conversion tool	1.1 not available
25	Full or partial conversion	1.1 not available
26	Conversion rate	1.1 not available
27	Mandatory conversion	1.1 not available
28	The level of capital, in which tool is converted tool	1.1 not available
29	Abbreviated name of the Issuer of the instrument, in which is converted tool	1.1 not available
30	Deductibility of the instrument to cover losses	1.1 not available
31	Conditions, upon the occurrence of which the bank write off the tool	1.1 not available
32	Full or partial write-off	1.1 not available
33	Permanent or temporary write-off	1.1 not available
34	The recovery mechanism	1.1 not available
35	Subordinated instrument	1.1 not available
36	Compliance with the Regulations of the Bank of Russia No. 395-P and N 509-P	1.1 yes
37	Description of inconsistencies	1.1 not available

Section "Reference".

Information about the Movement in the Provisions for Possible Losses on Loans, Loan and Similar Debt.

1. Formation (additional crediting) of reserve during the reporting period (KRUB),
   Total 5,208,939 , including:
   1.1. loan 2,195,800 ;
   1.2. changes in the quality of loans 1,980,096 ;
   1.3. change of the official exchange rate of foreign currency against ruble established by the Bank of Russia, 0 ;
   1.4. other reasons 1,033,043 .
2. Recovery (decrease) of reserve during the reporting period (KRUB),
   Total 5,040,971 , including:
   2.1. writing off bad loans 122,100 ;
   2.2. repayment of loans 2,367,861 ;
   2.3. changes in the quality 1,833,933 ;
   2.4. change of the official exchange rate of foreign currency against ruble established by the Bank of Russia, 0 ;
   2.5. other reasons 717,077 .

Chairman of the Executive Board I. P. Prozorov

Chief accountant S. V. Kozlovskaya

Prepared by
Scaredina N. Sh.
Telephone: 252-777 ext. 1162
27.04.2018

АО КБ «ХЛЫНОВ»

Limited liability company FBK Auditor's report OGRN 1027700058286 Moscow

as at 31 December 2017 (in thousands of Russian rubles)

Comparative information on the main items of own funds (equity) of the Bank, indicators reducing their value and the corresponding indicators that are included in the non-consolidated accounts as at 01.01.2018

No.	Non-consolidated balance sheet (form 0409806)			Report on the level of capital adequacy (section 1 of the form 0409808)		
	The name of the item	line number	Information on the reporting date	Indicator	line number	Information on the reporting date
1	2	3	4	5	6	7
1	Total "Funds of shareholders (participants)", "Share premium ", including:	24,26	605,000	X	X	X
1.1	related to the underlying capital	X	590,227	"Share capital and Share premium, total, including formed:" minus line "Cross-ownership of shares (shares)"	1, 17	590,227
1.2	classified in additional capital	X	0	Instruments of additional capital and share premium classified as equity	31	0
1.3	classified in additional paid-in capital	X	14,773	"Instruments of additional paid-in capital and share premium"	46	14,733
2	Total "Due to Banks", "Customer Accounts (non-Banks)", including:	15,16	17,360,350	X	X	X
2.1	subordinated loans are allocated to the additional capital	X	0	Instruments of additional capital and share premium, classified as liabilities	32	0
2.2	subordinated loans are allocated to the additional paid-in capital	X	X	Total "Instruments of additional paid-in capital and share premium"	46	0
2.2.1				including: subordinated loans	X	0
3	Total "Fixed assets and inventories", including:	10	616,014	X	X	X
3.1	intangible assets reduce the base capital, including:	X	21,694	X	X	X
3.1.1	Business reputation (goodwill) net of deferred tax liabilities (line 5.1 of the table)	X	0	"Goodwill, net of deferred tax liabilities" (line 5.1 of the table)	8	0
3.1.2	other intangible assets (excluding goodwill), net deferred tax liabilities (line 5.2 of the table)	X	21,694	"Intangible assets (excluding goodwill and amounts of the rights to service mortgage loans), net of deferred tax liabilities" (line 5.2 of the table)	9	21,694
3.2	intangible assets reduce additional capital	X	5,423	"intangible assets", subject to phase-out exception	41.1.1	5,423
4	"Deferred tax asset", total, including:	9	0	X	X	X
4.1	deferred tax asset dependent on future profits	X	0	"Deferred tax asset dependent on future profits"	10	0
4.2	deferred tax assets not dependent on future profits	X	0	"Deferred tax assets not dependent on future profits"	21	0
5	"Deferred tax liability", total, including:	20	31,293	X	X	X
5.1	reducing goodwill (line 3.1.1 of the table)	X	0	X	X	X

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5.2	reduce other intangible assets (line 3.1.2 of the table)	X	0	X	X	X
6	Total "Own stocks (shares) repurchased from shareholders (participants)", including:	25	0	X	X	X
6.1	reduce base capital	X	0	"Investments in own shares (stocks)"	16	0
6.2	reducing additional capital	X	0	"Investments in own instruments additional capital", "own shares (shares), redeemed (repurchased) from shareholders (participants)", to be phased exception	37, 41.1.2	0
6.3	reducing additional paid-in capital	X	0	"Investments in own instruments of additional paid-in capital"	52	0
7	"Funds due from credit institutions", "Net loans", "Net investments in securities and other financial assets available for sale", "Net investments in securities held to maturity", total, including:	3, 5, 6, 7	14,048,344	X	X	X
7.1	nonsignificant investments in the base capital of financial institutions	X	707	"nonsignificant investments in instruments of the base capital of financial institutions"	18	0
7.2	significant investments in the base capital of financial institutions	X	0	"significant investments in instruments of the base capital of financial institutions"	19	0
7.3	nonsignificant investments in additional capital of financial organizations	X	0	"nonsignificant investments in instruments of additional capital of financial organizations"	39	0
7.4	significant investments in additional capital of financial organizations	X	0	"significant investments in instruments of additional capital of financial organizations"	40	0
7.5	nonsignificant investments in additional paid-in capital of financial institutions	X	0	"nonsignificant investments in instruments of additional paid-in capital of financial institutions"	54	0
7.6	significant investments in additional paid-in capital of financial institutions	X	0	"significant investments in instruments of additional paid-in capital of financial institutions"	55	0

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Information in accordance with the requirements of section 1.3. of Direction 3876-U

Bank statements

Territory code according to OKATO	Code of credit institution (branch)	
	to OKPO	Registration number (/sequence number)
33	10919075	254

INFORMATION ABOUT STATUTORY RATIOS, FINANCIAL LEVERAGE INDEX AND LIQUIDITY COVERAGE RATIO
(published form)

on 01 Jan 2018

Credit institution (parent credit institution of a banking group)
Commercial Bank Khlynov (Joint Stock Company), CB Khlynov JSC
(full corporate and abbreviated corporate names)
Address (location) of the credit institution
(parent credit institution of a banking group) 10002, Kirov Region, Kirov, ul. Uritskogo, 40

Form code on OKUD 0409813
Quarterly (Annual)

Section 1. Mandatory Ratios

line number	Indicator	Explanations number	Statutory value, %	Actual value, %			
				at the reporting date		at the beginning of year	
1	2	3	4	5		6	
1	Adequacy norm of base capital of the Bank (H1.1), a banking group (H20.1)		4.5	12.8		11.4	
2	Adequacy norm of fixed capital of the Bank (H1.2), a banking group (H20.2)		6.0	12.8		11.4	
3	Adequacy norm of own funds (equity) of the Bank (H1.0), a banking group (H20.0)		8.0	15.7		13.1	
4	Adequacy norm of own funds (equity) non-Bank credit organizations having the right to implementation of money transfers without opening Bank accounts and related other banking operations (H1.3)						
5	The norm of instant liquidity of the Bank (H2)						
6	The Bank's current liquidity norm (H3)						
7	Long-term liquidity ratio (H4)						
8	Ratio of maximum risk per one borrower or group of related borrowers of the Bank (H6)			max		max	
				min		min	
9	The norm of maximum amount of major credit risks (H7), a banking group (H22)		800.0	243.8		249.8	
10	The norm of maximum amount of loans, Bank guarantees and sureties granted by the Bank to its participants (shareholders) (H9.1)						
11	The norm of total magnitude specific risk of Bank's insiders (H10.1)						
12	The norm of usage of own funds (equity) of the Bank for the purchase of shares (stakes) of other legal entities (H12) ratio of usage of own funds (equity) of the banking group for the acquisition of the parent credit institution of the banking group and members of the banking group's shares (stakes) of other legal entities (H23)		25.0	0		0	
13	The norm of the amount of liquid assets with a deadline in the next 30 calendar days to total liabilities NSCA (H15)						
14	Liquidity norm of non-Bank credit organizations having the right to implementation of money transfers without opening Bank accounts and related other banking operations (H15.1)						
15	The norm of maximum aggregate value of loans to customers – participants of settlements for completion of settlements (H16)						
16	The norm of the provision of NSCA on its behalf and at its own expense loans to borrowers, excluding customers – participants of calculations (H16.1)						
17	The norm of minimum ratio of size of mortgage cover and issue volume of mortgage-backed bonds (H18)						
18	Ratio of maximum exposure per person (group of persons) related to the Bank (H25)						

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Section 2. Information on the Calculation of Financial Leverage

Subsection 2.1. Calculation of the Amount of Balance Sheet Assets and Off-Balance Sheet Requirements under Risk to Calculate the Financial Leverage

line number	Indicator	Explanations number	Amount, KRUB
1	2	3	4
1	Total size of the assets in accordance with the balance sheet (published form)		20,854,145
2	Amendment in terms of investment in the capital credit, financial, insurance or other organizations reporting data of which are included in the consolidated financial statements, but not included in the calculation of own funds (capital), the required ratios and sizes (limits) of open currency positions of a banking group		0
3	Amendment in part of the fiduciary assets, reflected in accordance with the rules of accounting, but not included in the calculation of financial leverage		0
4	Amendment in part of derivative financial instruments (derivatives)		0
5	Amendment in terms of lending securities		-50,000
6	Amendment in part of the conversion to credit equivalent of contingent liabilities of credit nature		1,417,264
7	Other amendments		292,923
8	Total value of balance sheet assets and off-balance sheet requirements with the risk adjusted to calculate the financial leverage		21,928,486

Subsection 2.2. Calculation of Financial Leverage

line number	Indicator	Explanations number	Amount, KRUB
1	2	3	4
	The risk on balance sheet assets		
1	Total amount of balance sheet assets		19,266,546
2	The amendment reduces the amount of tool adopted in the reduction in the sources of fixed capital		27,117
3	Total value of balance sheet assets risk-adjusted (difference between lines 1 and 2)		19,239,429
	Risk of transactions with derivatives		
4	Total current credit risk of transactions with derivatives (less received variation margin)		0
5	Total potential credit risk to the counterparty for transactions with derivatives		0
6	The amendment for the nominal amount of the provided collateral for transactions with derivatives to be written off from the balance sheet in accordance with accounting rules in accordance with Russian accounting rules not applicable		In accordance with RAS not available
7	The amendment reduces the amount of transferred variation margin in prescribed cases		0
8	Amendment to the requirements of the Bank - clearing member to a Central counterparty for execution of client transactions		0
9	Amendment to account for credit risk in respect of underlying asset on issued credit derivatives		0
10	Amendment reduces in part the issued credit derivatives		0
11	Total risk amount on derivatives subject to amendments (sum of lines 4, 5, 9 less lines 7, 8, 10)		0
	Risk of operations securities lending		
12	Total requirements for operations of lending securities (excluding netting)		1,326,316
13	The amendments for the amount of netting cash (assets and liabilities) for transactions securities lending		50,000
14	The amount of the credit risk of the counterparty to the securities lending		0
15	The amount of the risk on guarantee operations securities lending		0
16	Total requirements for operations, securities lending with amendments (sum of lines 12, 14, 15 minus line 13)		1,276,316
	Risk on contingent liabilities of credit nature (KPB')		
17	Total nominal value of credit risk on contingent liabilities of credit nature (KPB') Total		2,370,129

as at 31 December 2017 (in thousands of Russian rubles)

18	The amendment in the application of credit conversion equivalent		952,865
19	Total value of credit risk of contingent liabilities of credit nature (KPB') with amendments (the difference between lines 17 and 18)		1,417,264
	Equity and risks		
20	Fixed capital		2,513,115
21	Amount of balance sheet assets and off-balance sheet requirements under risk to calculate the financial leverage (sum of lines 3, 11, 16, 19), total		21,933,009
	Figure of financial leverage		
22	Financial leverage for "Basel III" (line 20: line 21), %		11.46

Chairman of the Executive Board I. P. Prozorov

Chief accountant S. V. Kozlovskaya

Prepared by
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27.04.2018

Accompanying information to the mandatory ratios and financial leverage indicator

During 2017, 2016, and the entire period of operations, the Bank / Group complied with the requirements to the mandatory ratios in accordance with the restrictions set in Instruction of the Bank of Russia dated 28 June 2017 No. 180-I On the Mandatory Bank Ratios, Regulation of the Bank of Russia dated 03 December 2015 No. 509-P Regulation on Calculation of Own Funds (Equity), Mandatory Ratios and Amounts (Limits) of Open Currency Positions of a Banking Group.

The Bank's financial leverage indicator grew for the reporting period from 11.2% to 11.5%, which resulted from increase in the equity by 241 mln Russian rubles, and the balance sheet assets and off-balance sheet requirements under risk increased by 1,578 mln Russian rubles.

The amount of balance sheet assets determined in accordance with the balance sheet, included in line 8 of subsection 2.1 of form 0409813, and the amount of balance sheet assets for calculation of financial leverage indicator, included in line 21 of subsection 2.2 of form 0409813, differ slightly by 4,523 thousand Russian rubles, which is a balance on account 30232. This account is not included in calculation of line 21 of subsection 2.2.

Based on economic rationale, for calculation of line 1 of subsection 2.2 deduction amount also includes account 60903 similarly to inclusion of depreciation of fixed assets.

Main Risks

In its activities the Bank is exposed to banking risks, which shall be understood as a possibility of losses inherent to banking due to potential occurrence of unfavourable events related to internal and/or external influencing factors.

The Bank includes in the main types of risks in its activities: credit, market, operational, liquidity, regulatory, legal, loss of reputation, strategic. In addition, in the framework of the procedures for controlling significant risks of the Bank takes into account the manifestation of risk concentration.

In 2017, the Bank determined for itself the following list of significant risks:

- Credit risk (within a credit risk, a risk of concentration by investment type in corporate lending is recognized as significant);
- Market (interest rate and stock) risk of securities (within a market risk of securities, a risk of concentration is recognized as insignificant);
- Interest rate risk in the banking book (within an interest rate risk in the banking book, a risk of concentration of sources of interest requirements in corporate lending and of sources of interest liabilities on deposits by individuals is recognized as significant);
- Liquidity risk (within a liquidity risk, a risk of concentration of sources of interest requirements in corporate lending and of investments in securities of trading portfolio and for sale, of sources of liabilities on deposits by individuals is recognized as significant).

The Bank determines the methodology of evaluation in respect of each of the significant risks. It includes recruitment and data sources used for risk assessment, methods used to reduce risk and manage residual risk. These parameters are reflected in the relevant internal regulatory documents (regulations) of the organization of management some sort of significant risk.

Credit risk is significant for the Bank. The Bank ensures that documented procedures for the management of credit risk included at least the following:

- the procedure for granting loans and making decisions about their issue;
- methodology for assessing the financial position of counterparties (borrowers), loan quality, the methodology for determining the size requirements for equity (capital);
- methodology of determining and procedure for establishment the limits (the risk limit for one borrower (group of related borrowers), industry (sector) of the economy, other limits, including limits and their alarm levels in terms of concentration risk);
- standard requirements for collateral.

Market risk (excluding foreign exchange and commodity risks), including interest rate risk of the banking portfolio, is meaningful for the Bank. The Bank ensures that documented procedures for the management of market risk included at least the following:

- list of instruments forming portfolios exposed to certain market risks;
- methods of measuring market risk and determining capital requirements against market risk;
- methodology for determining the value of the instruments of the trading portfolio;
- system of limits, including limits and their signal levels of concentration risk, and procedure for their determining;
- the level of decision-making on the implementation of the operations connected with risk taking.

Liquidity risk is significant for the Bank. The Bank ensures that documented procedures for managing liquidity risk included at least the following:

- the factors of its occurrence;

- description of responsibility and authority of subdivisions, involved in the acceptance, assessment, control and minimize the risk of loss of liquidity, the interaction of these units and resolve disputes among them;
- formalized description of procedures for determining the needs of the Bank's funding needs, including the identification of excess/shortage of liquidity and the limit values of excess/deficit of liquidity (liquidity limits);
- an order to analyze the liquidity position at various time horizons (short term, current and long-term liquidity);
- the procedure for establishing liquidity limits, including indicative levels in terms of concentration risk of the resource base and their alarm levels, and determine the methods of control over observance of limits, the procedure for informing management bodies about violations, as well as their elimination;
- procedures for daily liquidity management and liquidity management at longer time intervals;
- methods of analysis of liquidity of assets and stability of liabilities;
- the decision-making procedure in case of "conflict of interest" between liquidity and profitability, due, for example, low yield liquid assets, high cost of borrowing;
- procedures of restoring liquidity, including the decision-making procedures for mobilization (implementation) of liquid assets, other possible (and most affordable) ways to attract additional resources in the event of a liquidity deficit;
- the order of preparation of liquidity forecasting;
- a system of internal reporting of liquidity risk.

In case of exceeding the threshold values of individual risks, this information shall be immediately notified to the management bodies of the Bank. Followed by management decisions to minimize risks and reduce the adverse impact on the financial performance of the Bank. Liability for exceeding the threshold values of the individual risks set forth in the respective internal regulatory documents of the Bank, including those governing the system of remuneration of employees carrying out operations bearing risk, and individuals taking risks.

Operational risk is not relevant for the Bank. In the framework of risk assessment methods and capital adequacy requirements, set by normative acts of Bank of Russia, operational risk is one of those types of risks, which provides the load on the own funds (capital) of the Bank.

The sources of operational risk include: disparity in the nature and scope of its operations or the requirements of current legislation internal policies and procedures of Bank operations and other transactions, their violation by employees of the Bank or other persons, failure of functionality applied by the Bank information, technological and other systems or the disturbance of their functioning and also impact of external events.

The Bank ensures that documented procedures for the management of operational risk included at least the following:

- methods of identifying and assessing the level of accepted operational risk with respect to various activities of the Bank, including methods of assessment and analysis of the probability of operational risks;
- the procedure for the consideration and investigation of the facts of operational losses and their causes;
- the frequency of assessment by Bank's management bodies of the results of these investigations, and also assessment of the achieved level of operational risk management.

In the course of managing various risks, the Bank faces the necessity to account for an effect of concentration degree on their level. Concentration of a risk may be different and appears, where a significant number of risk objects are characterized by the same sources of its origin.

The objective to manage risk of concentration is to decrease possible losses in case of deterioration of the position of certain borrowers (categories of borrowers), counterparties, issuers, economic sectors, geographical areas, and other forms of concentrations.

The procedures for managing risk of concentration cover various forms, including:

- Significant amount of requirements to one counterparty or a group of related counterparties;
- Significant amount of investments in instruments of one type and instruments, which value depends on changes in the common factors;
- Credit and investments requirements to counterparties in one economic sector, geographical area;
- Credit and investment requirements denominated in one currency;
- Credit and investment requirements classified as low quality;
- Dependence of certain income types and certain liquidity sources.

In order to identify and measure a risk of concentration, a Herfindahl-Hirschman index is used as a statistical indicator characterizing the extent of portfolio diversification; the following indicators may be also used:

- Ratio between total amount of requirements to major counterparties (or groups of related counterparties) and overall amount of similar requirements or own funds (equity);
- Ratio between total amount of major related requirements (or groups of related requirements) and overall amount of similar requirements;
- Ratio between total amount of requirements to counterparties in one economic sector or geographical area and overall amount of similar requirements.

In the framework of procedures to limit the risks of concentration of the developed system of limits and alarm values to help limit the risks of concentration in respect of individual major counterparties (groups of related counterparties), and in terms of counterparties belonging to specific economic sectors, geographical areas, and by types of financial instruments and currencies.

The Main Provisions of the Strategy in the Field of Risk and Capital Management

The Bank follows a strategy of risk and capital management, which is aimed at ensuring the adequacy of capital to cover accepted and potential risks, to strengthen the financial stability of the Bank and its effective functioning, implementation of regulatory requirements governing the activities of credit organizations.

To achieve these objectives, the strategy of risk and capital management involves the implementation of such basic tasks as identifying risks; evaluating them for significance; the formation of the aggregate valuation; the assessment of capital adequacy to cover the total amount of risk based on aggregation of individual risk assessments; capital planning according to the results of the aggregated assessment; stress testing.

In order to preserve its financial stability on a continuous basis in the long term, including the stress conditions, the Bank determines, also at the stage of business planning, target risk levels that represent a combination of expected and unexpected losses from the sale of a particular type of risk; evaluates the adequacy of capital to cover the total volume of risks; allocates capital through a system of limits on the types of significant risks, areas, and departments performing functions related to the acceptance of the significant risks; and also provides a reserve of capital to cover risks, evaluate the quantitative methods, risks, distribution of which in the structural units of the Bank is impossible or difficult for the implementation of business development provided by the Bank's development strategy.

Risk management is tied to a balanced motivation system formed to meet the requirements of the Instruction of Bank of Russia of 17 June 2014 No. 154-I "On the procedure of evaluation of the remuneration system in a credit organization and the order of sending credit institution an order to eliminate violations in its system of remuneration", including a list of persons taking the risks, bearing risks and performing risk control.

The Bank in order to ensure sustainable functioning on a continuous basis in the long term, including in stressful situations, defines the risk appetite, which consists in a set of qualitative and quantitative indicators.

Among the quantitative tools of risk appetite belong indicators of capital adequacy.

A key indicator of risk appetite is the maximum level of capital adequacy to cover expected and unexpected risk – the aggregate risk potential.

The Bank sets the overall risk potential, which will provide a reserve of capital to cover expected and unexpected risks as classified and not classified as significant. In establishing the total risk potential of the Bank comes from the phase of the business cycle and takes into account forecast changes in the Bank of Russia's requirements to the minimum permissible numerical value of the required H1.0. The total risk potential is reviewed as the market and general economic conditions as well as the Bank's risk portfolio change, but no less than once a year.

Amount of capital required to cover risks and indicators that characterize certain types of significant risks are also quantitative indicators of risk appetite. Indicators that characterize certain types of significant risks are:

- for credit risk – the volume of provisions for possible losses in the context of portfolio credit requirements;
- for market risk – the internal limits of the negative revaluation of the securities of the trading portfolio and for sale on the open currency position;
- for interest rate risk in the banking book – interest sensitivity GAP (the gap in the space-time structure of claims and obligations sensitive to changes in interest rates) to changes in market rates;
- for liquidity risk - liquidity management strategy, providing a system of limits, including the limit values of mandatory liquidity ratios; limiting values of coefficients of liquidity shortage; the average balance on the correspondent account in the division of the Bank of Russia; the balance limits storage of cash in cash Desk;
- for concentrations risk – indicators of concentration of certain types of significant risks, including various forms of concentration. In the framework of procedures to limit the risks of concentration of the developed system of limits and alarm values to help limit the risks of concentration in respect of individual major counterparties (groups of related counterparties), and in terms of counterparties belonging to specific economic sectors, geographical areas, and developed a system of indicative levels and their signal values with respect to risk concentration of the resource base.

Among the qualitative indicators of risk appetite are indicators for individual risk assessment:

- risk assessment and compliance with the established risk appetite while decisions making about entering new markets, about implementing new operations (introducing new products);
- the ratio of risk and profitability while management decisions making.

In these cases, identifies potential risks, determines the likelihood of their implementation, assessment of potential risks in terms of their importance, calculate expected and unexpected losses, weighed by the ratio of "potential profit potential loss", the procedures fixed in the internal regulatory documents of the Bank governing the procedure of entering new markets, start new products. Acceptable is such a procedure and such completeness of the information provided for purposes of management decisions that will ultimately comply with the established aggregate risk potential.

Auditor's report

In order to monitor the capital adequacy implemented procedures for the allocation of capital through a system of limits on the types of significant risks, areas, and departments performing functions related to the acceptance of significant risks.

In monitoring aggregate risk potential and capital limits set by the limit system, and also the early warning system that informs about the usage of the established limits.

Reporting in risk management framework and the Bank's capital includes the following documents: the report on significant risks, a report on the conduct of stress testing, the evaluation report of capital adequacy, report on key risks, compliance report of the obtained results of the activities aspects inherent in the Strategy, including the results of the execution ICAAP, information on the implementation of mandatory standards. Composition, procedure and frequency of reporting and submission to the relevant management bodies and departments of the Bank allow you to bring the amount of information and within the time period that will be sufficient for taking appropriate management decisions.

The Board of Directors, the Board, the Chairman of the Board, head of the risk management Department and heads of other units of the Bank review the reports and use the information in current activities and in the course of strategy development, including the conformity of the accepted risks and set limits, for making decisions about changing the structure and size of capital.

The Board of Directors is informed of the shortcomings in the methodology of risk assessment and management, the achievement of signal values, the facts of exceeding the established limits and actions taken to eradicate them, as revealing such facts.

On the basis of information contained in reports on risk and capital management, development of measures to reduce risk, including, for example, can include: tightening of the capital limits to cover the risks, limits on volumes of transactions (transactions) limits the ultimate level of losses in the structural units and other measures characteristic of reducing certain types of risk.

In addition to the practical implementation of the system capital management the Bank sets before itself a number of tasks which will contribute to improving the effectiveness of risk management in the Bank.

In particular, the formation of the credit portfolio benchmark focused primarily on quality and yield; stricter requirements to the assessment of the reality of the activities of customers and counterparties, including the reliability of accounting information.

A strategic task for the reporting year was to ensure that system health planed ENiVD because large unexpected losses from the risks related with IT-systems and staff can become catalysts for the most negative scenarios in terms of nervousness and General mistrust on the markets.

As for investments in securities, preference was given to highly reliable and liquid securities with fixed yield were included in the Lombard list of the Bank of Russia. The first task of the portfolio - maintaining a liquidity reserve. It is also expected that the securities portfolio should be diversified not only by instrument, maturity and issuers, but also on the amounts of investments.

Operations in the money market include primarily of REPO transactions with a Central counterparty and transactions currency SWAP. The primary purpose of such operations is a short – term placement of funds and optimal liquidity management.

On the interbank lending market, due to the large number of reviews of licenses and procedures for the redevelopment of the banks in prior periods the Bank is focused on using the principle of "caution" in the selection of counterparties for placing funds and does not consider MBC as a tool to accommodate significant amounts of resources.

In the context of macroeconomic instability and of the free exchange rate of the national currency, the Bank has maximally conservative approach to the management of exchange risks. Operations with foreign currency in the interbank market are mainly to meet the needs of customers while conducting foreign exchange and cashless conversion operations. When performing own operations with foreign currency. The Bank adheres to the exchange risk minimization policy: it is not engaged in speculative trading operations and timely regulates OCP.

The main factor determining development of the Bank, it becomes tougher regulatory pressure from the Bank of Russia and other authorities, which makes it necessary to adapt to the new requirements and to make the relevant organizational, technological and methodological changes. Since 2017, the Bank has managed strategic risk.

In order to ensure an effective system of risk management and capital management the Bank develops and implements:

- a documented risk management policy defining goals and objectives of the risk management system, the key principles of organization and operation of said system;
- a set of guidelines governing the interaction of units and personnel in the implementation of the risk management process in the context of each type of risk, penalties for non-compliance with the established limits, restrictions or other regulations controlling risks;
- internal capital adequacy assessment procedures adopted to cover the potential risks of the Bank;
- a system of methods for calculating the level of risk by risk objects, with an indication of risk mitigation techniques;
- information technologies of management accounting, data collection and processing;
- systems of stress testing portfolios and the Bank's operations on exposure to unlikely but significant in terms of potential loss events;
- contingency plans to restore the activity of the Bank in the event of an emergency contingency.

The main objectives of the risk management of the Bank:

- maintaining received risk at a level consistent with the strategic objectives;
- maximising the profitability of the business lines to the level of taken risks;
- ensure safety of assets and capital in the implementation of adverse events.

Thus, the basis of the Bank's risk management system are the prudential requirements of the Bank of Russia, as well as internal risk management approaches, allowing to estimate the Bank's ability to compensate for losses that may arise as a result of risks and identify a set of actions that must be taken to reduce the level of risks to financial sustainability, conservation and development of the Bank's capital.

Information about the Structure and Organization of the Units Engaged in Risk Management, the Risk Reporting System

One of the basic elements of the implementation of the risk management policy is a system of decision-making authority. The system of decision-making authority is intended to ensure the proper functioning of the risk management system, giving it the required flexibility in combination with sustainability at each level of management.

The Bank's management bodies managing risks are the Board of Directors, the Board, and committees of the Bank. In addition to management bodies in the management of individual Bank's risk involved, risk Department, internal control service the internal audit service, heads of structural units of the Bank within its authority and areas of responsibility.

The risk management process is integrated into all business processes and activities of the Bank. Identification, assessment and risk minimization is carried out at all levels, from ordinary employees to members of the board of directors of the Bank, under the coordination of a single center, which is a specialized service on risk management (risk division).

The activities of the Bank's risk department are focused on creating united standards and principles of risk management, the construction of a centralized risk management system, within which the identification, assessment, control and minimization of the entire spectrum of risks is inherent in the Bank.

The objective of the risk department is to limit the total possible losses of the Bank and implementation of procedures to reduce risks, improve the reliability of processes to achieve strategic objectives and established performance indicators, ensuring continuity of operations of the Bank under unexpected (crisis) circumstances.

In the construction of the Bank's risk management system the Group adheres to the following principles:

- integration of risk management into the overall management of the Bank;
- compliance with prudential requirement established by the Bank of Russia;
- introduction and development of management processes designed on an ongoing basis to identify, measure, monitor and control all the risks inherent in its activities;
- formation of the management structure that clearly delineates areas of responsibility, authority and accountability;
- identify and control the scope of potential conflicts of interest divisions and employees of the Bank's decision-making at risk management and transactions;
- providing units involved in risk management, adequate and comprehensive information of financial and operational nature, information on compliance with the regulatory requirements, as well as received from outside market information about events and conditions that are relevant to decision-making; timely updating of policies, methodologies, techniques and procedures for risk management in accordance with changes in the business environment;
- implementation of international risk management practices.

Defined periodicity (frequency) of the movement of the information flow on the risks accepted by the Bank is designed to ensure the timely adoption of certain management decisions in relation to the specific activities of the Bank and depends on the severity of the identified current and potential problems.

There is daily monitoring of primary liquidity reserves of the Bank and of the limits on transactions with counterparty banks.

On the dates within a month, an ICAAP report (internal capital adequacy assessment procedures report) is prepared and communicated to the head of risk department of the Bank and heads of departments performing the functions related to the acceptance of significant risks, which includes the information as at the date within a month on the capital amount, capital adequacy assessment results, aggregated amount of significant risks, accepted amount of each risk, changes in the amount of significant risks as against the values expected during a month and effect of these changes on capital adequacy, significant risks in terms of information on the amount of risks accepted by risk-taking structural units, and use by these units of the set capital limits to cover risks, compliance with capital limits to cover risks. In addition, under ICAAP, the above persons are provided with the information on compliance with the mandatory ratios as at the dates within a month. The similar information is prepared as at the reporting dates of each month and communicated to the above persons and to the Board members of the Bank.

On a monthly basis (or on the date of identification of reaching signal value and/or exceeding limit), the Bank's management bodies are provided with the information on the risk of concentration, compliance with the set limits (indicative levels) and their signal values envisaged in the bank's internal regulatory documents (credit and deposit policies, investment policy statement, policy on management of credit risk).

Monthly market risk report contains information on compliance with limits established by the Bank on the revaluation of trading portfolio of securities (including in the context of individual issuers), limits on operations with foreign currency; information about the level of interest rate risk, the magnitude and extent of the balance of assets and liabilities of the Bank, sensitive to changes in interest rates.

Monthly liquidity risk report contains the information about the amount of liquidity reserves, limiting the values of the coefficients of the deficit (excess) liquidity, size and degree of equilibrium of claims and liabilities, the assessment of liquidity risk, adherence to the established indicative levels and their signal values in terms of concentration risk of the resource base.

Quarterly assets analysis report exposed to credit risk, includes information about the dynamics of financial coefficients characterising various aspects of the Bank's loan portfolio; determining the level of compliance actually formed of the portfolio declared in the strategic documents the parameters; determining the ratio of "risk/return" on the loan portfolio; evaluation of the level of risk concentration of the portfolio; the calculation and analysis of indicators of loan portfolio quality, information about credit risk of a counterparty. The report is communicated to the Board members of the Bank and the members of the Board of Directors within the report on key risks.

Quarterly reports of operational, reputational and legal risk contain information about the level of these risks on the basis of the adopted indicators.

Quarterly report of stress testing provides information about the losses, which the Bank may incur in case of stress situations, and their impact on the financial result and capital of the Bank as well as recommendations with regard to potential measures aimed at risk mitigation. The report of stress testing is provided to the Board of the Bank and, as a part of the report on key risks, to the Board of Directors of the Bank.

On a quarterly basis, reports are prepared and communicated to the Board members and the Board of Directors of the Bank, including the information on the results of ICAAP execution, including compliance with planned (target) capital level and its adequacy, planned capital structure, planned (target) risk levels and target risk structure; significant risks; capital amount and its adequacy assessment results; compliance with the mandatory ratios.

Quarterly comprehensive risk report contains indicators, events, and procedures that characterize the significant risks for the Bank. In this report, key factors for credit and market risk, liquidity risk and non-financial risks, cumulative risk and capital, ICAAP and the external environment within the framework of the macroeconomic environment, financial markets and banking system are analyzed. Risk division reports to the Board and the Board of Directors of the Bank.

On a quarterly basis, a report on strategic risk level assessment is prepared and communicated to the Board and the Board of Directors of the Bank, which includes analysis of nature of the identified risk factors, their number and dynamics, sources and their reasons as well as effect of the identified factors on the Bank's operations and financial position. On an annual basis, the strategic planning process and the Bank's development strategy are assessed; the assessment results are also communicated to the Bank's management bodies.

Report on significant risks contains the information on risk assessment to identify whether such risks are significant. It is drawn up on an annual basis and communicated to the members of the Board of Directors of the Bank. A new type of risk is assessed on an unscheduled basis to identify whether it is significant.

Report on the emergency shall be brought to the Board of Directors of the Bank extraordinary upon receipt of the negative information and its processing.

Information on the Procedures of Conducting Stress-Testing

The main purpose of stress testing the Bank is to identify, assess and take measures to prevent potential considerable one-time losses that can have disastrous consequences for the Bank (the termination of activities - as a whole or for some area of business).

Objectives and results of the stress testing are:

- assessment of readiness to crisis situations;
- the ability to plan the size of the necessary reserve, which covers identified risks of the capital;
- the ability to adjust the business model.

The main methods for stress testing are:

- scenario analysis (based on historical or hypothetical events);
- sensitivity analysis of the portfolio of the Bank's assets to changes in risk factors and the calculation of the maximum loss.

Scenario analysis makes it possible to assess potential simultaneous impact of a number of risk factors, subject to their interrelations, on financial stability, capital, liquidity of the Bank in case of a possible emergency event. Scenario analysis mainly focuses on the strategic prospects for the Bank.

Sensitivity analysis makes it possible to assess impact of the given risk factor (i.e. one risk indicator corresponds to one stress factor, for example, increase / decrease in national currency exchange rate; increase / decrease in interest rates). The sensitivity analysis results are primarily short-term and aimed at assessing certain portfolios of the Bank.

Stress testing is performed on the basis of own scenarios and modify parameters of the risk factors taking into account the recommendations made by the Bank of Russia.

The Bank calculates maximum losses by determining combinations of risk factors, their negative dynamics potentially capable of causing maximum losses (damages) in case of any potential events, which do not directly correspond to the current economic trends.

Testing is carried out once a quarter.

Information about the test results communicated to the members of the management Board of the Bank. This information is communicated to the Board of Directors of the Bank within the report on key risks.

Update (actualization) of floating parameters of the scenarios of stress testing is carried out at intervals equal to the test. Update (actualization) of the fixed parameters of the scenarios of stress testing and methodology of stress testing is based on changes in market and General economic conditions, as well as the risk profile of the Bank, but at least once a year. In the development and updating of scenarios involved structural subdivisions whose activity has a direct impact on the change in the level Bank's exposure to certain risks.

Methods of conducting stress testing in the Bank and the parameters of the stress tests are developed by the risk-division of the Bank and approved by the Board of Directors of the Bank in accordance with the internal normative documents of the Bank.

Description of Control Procedures of Undertaken Risks on the Part of the Bank's Management

Control over compliance with established rules and procedures for the management of banking risks is carried out in the framework of the internal control system.

Risk management is an integral part of management decision-making of the Bank. Specialized risk unit of the Bank provides comprehensive risk report, containing indicators, events and processes that characterize the significant risks to the Bank's management bodies on a regular basis with the internal frequency regulations.

The competence of the Bank's Board of Directors shall include the following issues:

- control over the current activities in accordance with approved strategy;
- controls activity of the Bank's executive bodies in risk management;
- control over the completeness and frequency of audits, the internal audit service of the Bank risks management system;
- control over the completeness and frequency provided by the risk-division reports on the evaluation of the level of major banking risks;
- control over the policy rewards and motivation, which must not contrary to the policy of risk management;
- control over the prevention of simultaneous prolonged excessive exposure to several risks on the Bank as a whole;
- control over the prevention of disproportionate increases in exposure increase the profitability of the respective business areas;
- control over the completeness and frequency provided by the head of internal control service also reports on significant regulatory risks within the Bank.

The competence of the Bank's Management Board shall include the following issues:

- construction and operation of the system of internal control;
- control of the conformity of the condition and the size of certain risks set out in the strategy, levels of profitability and constraints, including the adequacy of the banking risk management system the current size of accepted risks;
- avoiding disproportionate development of one of the activities of the Bank in relation to other activities, to the detriment, and contrary to the adopted strategy;
- Preventing use of the Bank's infrastructure for money laundering and financial support of terrorism;
- prevent prolonged detention of certain types of business (activities) of the Bank under the influence of the corresponding excessive risk, including the decision on termination/suspension of activity of divisions of the Bank (or the limitation of their tasks and functions) that carry excessive banking risks;
- avoid imbalance of liabilities and assets, leading to a breach of the liquidity and solvency of the Bank.

Brief Description of Risk Management Procedures and Assessment Methods

The Bank's risk management system involves the construction of a detailed risk classification, reflecting the specificity of the Bank's operations and services in the financial markets.

The Bank developed a methodology for estimating risks in terms of their importance, the main parameters which are based on:

- the volume of the transactions in certain areas of activity;
- limits the risks taken;
- the level of losses that may be caused by the realization of the estimated type of risk.

Each existing and potential risk is identified and taken into account when assessing the capital adequacy of the Bank through internal procedures for assessing capital adequacy.

To assess risk, the Bank uses qualitative and quantitative parameters based on an assessment of macroeconomic and microeconomic factors using the theory of financial instruments with fixed income, probability theory, mathematical statistics.

Monitoring of banking risks is performed by regular studies of the system of indicators (including statistical, financial) of the Bank's activities. The frequency of monitoring of banking risks is determined on the basis of significance of the particular risk for the relevant activities, internal process and info-technological systems.

The procedures of stress testing are made for each of the significant types of risks. Separate stress testing of risk concentrations is not possible, but the risk factors of concentration are taken into account in the stress tests of important types of risks.

The main methods of minimising the risks of the Bank are:

- establishing limits - on the kinds and types of risks, assessment of which may be expressed numerically;
- diversification - distribution of the total risk by individual objects in order to prevent its concentration on a single object or counterparty;
- creating provision for possible loss of value of assets as a result of the events of risks;
- maintain capital adequacy of the Bank in order to ensure the stability of its operations and protection of depositors and other creditors against possible losses;
- insurance.

In the framework of the internal control system monitors the implementation of measures designed to maintain risk at a given level, control of compliance with established risk management procedures and the level of risks accepted by the Bank.

The risk management process is critical to maintain a stable activity of the Bank and each individual employee within the Bank is accountable for the risk exposures relating to his responsibilities.

In order to ensure its sustainable operation on a continuous basis in the long term, including in stressful conditions, the maximum size of the aggregate risk is determined which may be accepted on the basis of the goals established in its development strategy, targets of business development, current and expected risk structure (risk potential).

Risk potential is determined by the Bank in the form of a set of qualitative and quantitative indicators. As a key indicator of risk potential, the ultimate level of adequacy of equity (capital) needed to cover all major types of risks is considered. Assessment of capital adequacy to cover comprehensive bank risks that may be accepted (assessment of aggregate risk potential) is determined by comparison of the total amount of the required capital to cover risks and the amount of the available capital. The total amount of the Bank's required capital is determined in accordance with the requirements of Direction of the Bank of Russia dated 15.04.2015 No. 3624-U "On requirements to risk management system and capital of credit organizations and banking groups" based on aggregating the evaluations of important risks. The total amount of the required capital should cover expected and unexpected losses from the realization of risk factors, including stressful conditions, and to provide a reserve for coverage of potential risks as well as risks, evaluate quantitative methods.

Additionally, the Bank carries out the self-assessment procedure (method of assessing the maturity of the process by its direct participants) to assess the conformity of the management of each individual risk system to the nature, scope and conditions of the Group's activities.

Information about Significant and Key Insignificant Risks Arising in the Bank's Activities

Credit Risk

The most significant for the Bank is credit risk, which arises mainly in the process of lending and investment activities in the implementation of documentary operations.

Documented procedures for managing the Bank's include:

- the procedure for granting loans and making decisions about their issue;
- methodology for assessing the financial position of counterparties (borrowers), loan quality, the methodology for determining the size requirements for equity (capital);
- methodology for determining and setting limits;
- standard requirements for collateral.

The management of the Bank's credit risk is based on the following principles:

- Comprehensive evaluation – covers all aspects of credit banking to define the true level of the Bank's credit risk and to develop the necessary instruments to regulate it;
- Systemic economical and non-economic indicators of the borrower's creditworthiness, which determine the degree of risk;
- Efficiency response of the Bank to external and internal changes, which express in the increasing the risk of loan portfolio and the application of the necessary methods for its regulation;
- Objectivity, concretion and accuracy of credit portfolio risk assessment, which based on reliable information and conclusions and recommendations for improving the quality of the loan portfolio should be based on accurate analytical calculations;
- Integration of credit risk management processes into the direct activities of each employee of the Bank, whose activities are related to the occurrence of an asset in the Bank that has a credit risk.

Based on above principles the main objectives of credit risk management should be achieved:

- Achievement of the highest possible level of return on investment while maintaining the level of credit risk within the limits (risk tolerance)
- Improving the quality of the Bank's loan portfolio by minimising its risk

The Bank's credit risk management objective achieves based on a systemic, complex approach that involves the following tasks:

- Obtain operative and objective information about the state and amount of credit risk;
- Qualitative and quantitative assessment (measurement) of credit risk;
- Establishment of correlation between individual types of risks to evaluate activities planned to limit the impact of one type of risk on the growth or reduction of the level of other risks;
- Creation of a credit risk management system and a rapid and adequate response system aimed to preventing critical level of credit risk for the Bank.

The management of credit risk is a sequence of actions organized in certain way, divided into the following stages:

- Identification of factors (sources) of credit risk;
- Assessment of the degree of credit risk;
- Choice of strategy (risk acceptance, rejection of an operation or application of possible ways of risk reduction);
- Minimization of risk;
- Control of changes in the level of credit risk (evaluation of the results of the decision-making).

The division of credit risk into the risk of an individual borrower and the risk of the portfolio considering the characteristics of each type of risk in the management process.

Credit risk management carry out using the following measures.

Internal regulatory documents regulate the procedures for the initial and subsequent analysis of the borrower's activities, the quality of the documents submitted for analysis, the quality of provision with the formulation of the professional judgment on the degree of credit risk and the amount of the reserve for possible losses.

Credit risk assessment carry out during the review of loan application, during the subsequent monitoring, and during the consideration of applications related to changes on the term of the original loan agreement.

The decision to credit extension is made by a collegiate body – the Credit Committee (for loans with insignificant credit risk a simplified procedure for approval within limits of authority of responsible persons is provide).

Monitoring of the performance of the terms of each loan agreement, safety and liquidity of the pledged property, financial position of borrower is carry out.

At the portfolio level, there is a diversification of credit operations by customer categories, customer industry, types of collateral and so on.

The method of insurance actively applies (mortgaged property, life and health of individual borrowers).

A specialized structural unit for dealing with distressed assets form to minimize the consequences of the implementation of credit risks.

Means of automation of the decision-making system allow to improve the quality and speed of the process of reviewing loan applications without losing its reliability, creating transparent communication for participants.

Programs for the professional development of staff can improve the quality of execution of procedures and processes.

The Bank strives to dissect the functions of loan officers by providing loans and functions for assigning internal credit rating of the borrower to eliminate conflicts of interest.

Within the framework of internal procedures for assessing the capital adequacy of the Bank, the amount of credit risk losses calculated in accordance with a moderate stress scenario add to the capital buffer.

Information about the segmentation of credit risk by counterparty type and the structure of the concentration of customer loan portfolio by industries is shown in Note 10.

Impairment Policies

The result of the assessment of credit risk is the distribution of loan assets by categories of credit quality in accordance with the scale that reflects the level of credit risk.
Credit quality of the borrower, which is a tool that facilitates the definition of existence of the objective evidence of impairment, is based on the following criteria:

- Assessment of the financial position of the borrower;
- Assessment the quality of service of the debt;
- Any other significant factors.

RAS provisions are created in accordance with the regulations of the Bank of Russia (on loan and similar debts – CBR Provision from 28.06.2017 No. 590-P "On the Procedure for Making Provisions by Credit Institutions for Possible Losses on Loans, Loans and Similar Debts", on other assets – CBR Regulation from 20.03.2006 No. 283-P "On the Loss Provisioning Procedure for Credit Institutions") and internal documents of the Bank.

as at 31 December 2017 (in thousands of Russian rubles)

Impairment testing is performed for financial reporting purposes in accordance with IFRS only for losses arising on the date of the financial statements, based on objective evidence of impairment.

A provision for impairment shown in the balance sheet under RAS is determined on the basis of the five risk categories. The largest reserve is created for the last two categories.

The table below shows the percentage of the Bank's on-balance sheet items relating to loans and advances and the associated impairment allowance for each of the CBR rating categories:

	31 December 2017			31 December 2016		
Risk category	**Loans and advances (%)**	**Provision for impairment (%)**	**Overall provision rate (%)**	**Loans and advances (%)**	**Provision for impairment (%)**	**Overall provision rate (%)**
I	0.11	0.00	0.00	0.00	0.00	0.00
II	66.02	11.81	2.89	62.54	11.33	3.02
III	20.39	14.76	11.67	25.67	22.40	14.52
IV	3.88	14.05	58.36	1.70	5.91	57.84
V	9.60	59.38	99.79	10.09	60.36	99.53
	100.00	**100.00**	**16.13**	**100.00**	**100.00**	**16.64**

The internal rating tool assists management to determine whether objective evidence of impairment exists as defined under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- the borrower has significant financial problems (for example, equity to total assets ratio, net profit, sales percentages, etc.);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- CBR credit rating decrease below the third category.

The Bank's policy requires the review of individual financial assets that are above the materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed items are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis and are applied to all individually significant accounts. The assessment usually encompasses collateral held (including review of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques

The Bank's maximum exposure to credit risk is generally recorded in the carrying amounts of financial assets in the statement of financial position. The impact of possible netting off assets and liabilities to reduce potential credit exposure is not significant. For guarantees and liabilities on granting loans maximum exposure to credit risk is equal to the sum of liabilities.

The Bank applies the same credit policy to contingent liabilities as to balance financial instruments; the policy is based on procedures for transaction approval, application of risk restricting limits and monitoring.

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As at 31 December 2017, the analysis of credit quality of loans to legal entities portfolio is presented below:

Legal entities As at 31 December 2017	**Loans**	**Impairment allowances**	**Loans less impairment allowances**	**Allowance for impairment to gross loans**
Collectively assessed				
No overdue:	7,382,212	563,594	6,818,618	7.6%
Overdue:	227,428	100,705	126,723	44.3%
Less than 30 days	108,228	54,088	54,140	50.0%
From 31 to 60 days	-	-	-	-
From 61 to 90 days	-	-	-	-
From 91 to 180 days	41,738	13,688	28,050	32.8%
More than 180 days	77,462	32,929	44,533	42.5%
Total collectively assessed	**7,609,640**	**664,299**	**6,945,341**	8.7%
Individually assessed				
No overdue:	509,124	306,865	202,259	60.3%
Overdue:	696,479	630,352	66,127	90.5%
Less than 30 days	39,597	30,991	8,606	78.3%
From 31 to 60 days	1,916	1,916	-	100.0%
From 61 to 90 days	-	-	-	-
From 91 to 180 days	259	259	-	100.0%
More than 180 days	654,707	597,186	57,521	91.2%
Total individually assessed	**1,205,603**	**937,217**	**268,386**	77.7%
Total loans to legal entities	**8,815,243**	**1,601,516**	**7,213,727**	18.2%

As at 31 December 2017, the analysis of credit quality of loans to individual's portfolio is presented below:

Individuals As at 31 December 2017	**Loans**	**Impairment allowances**	**Loans less impairment allowances**	**Allowance for impairment to gross loans**
Collectively assessed				
No overdue:	3,647,460	221,300	3,426,160	6.1%
Overdue:	94,299	12,654	81,645	13.4%
Less than 30 days	82,706	9,477	73,229	11.5%
From 31 to 60 days	7,379	1,751	5,628	23.7%
From 61 to 90 days	2,281	460	1,821	20.2%
From 91 to 180 days	1,933	966	967	50.0%
More than 180 days	-	-	-	-
Total collectively assessed	**3,741,759**	**233,954**	**3,507,805**	6.3%
Individually assessed				
No overdue:	-	-	-	-
Overdue:	286,577	276,395	10,182	96.4%
Less than 30 days	-	-	-	-
From 31 to 60 days	-	-	-	-
From 61 to 90 days	-	-	-	-
From 91 to 180 days	5,951	2,976	2,975	50.0%
More than 180 days	280,626	273,419	7,207	97.4%
Total individually assessed	**286,577**	**276,395**	**10,182**	96.4%
Total loans to individuals	**4,028,336**	**510,349**	**3,517,987**	12.7%

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As of 31 December 2016, the analysis of credit quality of loans to legal entities portfolio is presented below:

Legal entities 31 December 2016	Loans	Impairment allowances	Loans less impairment allowances	Allowance for impairment to gross loans
Collectively assessed				
No overdue:	7,065,233	597,398	6,467,835	8.5%
Overdue:	129,978	37,148	92,830	28.6%
Less than 30 days	16,426	4,076	12,350	24.8%
From 31 to 60 days	1,554	388	1,166	25.0%
From 61 to 90 days	13,408	3,753	9,655	28.0%
From 91 to 180 days	50,906	14,460	36,446	28.4%
More than 180 days	47,684	14,471	33,213	30.3%
Total collectively assessed	**7,195,211**	**634,546**	**6,560,665**	8.8%
Individually assessed				
No overdue:	157,552	109,178	48,374	69.3%
Overdue:	788,379	676,905	111,474	85.9%
Less than 30 days	165,432	140,321	25,111	84.8%
From 31 to 60 days	39,549	19,774	19,775	50.0%
From 61 to 90 days	-	-	-	-
From 91 to 180 days	22,040	11,822	10,218	53.6%
More than 180 days	561,358	504,988	56,370	90.0%
Total individually assessed	**945,931**	**786,083**	**159,848**	**83.1%**
Total loans to legal entities	**8,141,142**	**1,420,629**	**6,720,513**	**17.4%**

As of 31 December 2016, the analysis of credit quality of loans to individual's portfolio is presented below:

Individuals 31 December 2016	Loans	Impairment allowances	Loans less impairment allowances	Allowance for impairment to gross loans
Collectively assessed				
No overdue:	2,772,457	166,676	2,605,781	6.0%
Overdue:	101,913	15,390	86,523	15.1%
Less than 30 days	82,604	11,232	71,372	13.6%
From 31 to 60 days	9,455	1,321	8,134	14.0%
From 61 to 90 days	5,667	743	4,924	13.1%
From 91 to 180 days	4,187	2,094	2,093	50.0%
More than 180 days	0	0	-	-
Total collectively assessed	**2,874,370**	**182,066**	**2,692,304**	6.3%
Individually assessed				
No overdue:	39,674	31,739	7,935	80.0%
Overdue:	323,570	247,285	76,285	76.4%
Less than 30 days	1,344	672	672	50.0%
From 31 to 60 days	723	72	651	10.0%
From 61 to 90 days	357	107	250	30.0%
From 91 to 180 days	13,616	6,808	6,808	50.0%
More than 180 days	307,530	239,626	67,904	77.9%
Total individually assessed	**363,244**	**279,024**	**84,220**	76.8%
Total loans to individuals	**3,237,614**	**461,090**	**2,776,524**	14.2%

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In 2017, the movement of the provision for impairment of loans to legal entities was as follows:

	Large corporate clients	SMEs	Municipal, federal and governmental organizations	Factoring	Other	Total
Balance as at 1 January 2017	197,006	1,103,882	42,812	2,153	74,776	1,420,629
Disposal of subsidiary	74,289	(5,890)	-	-	-	68,399
Charge for the period	-	272,994	36,363	-	-	309,357
Loans written-off	-	(69,877)	-	-	(21,029)	(90,906)
Amount recovered	(104,398)	-	-	(1,122)	(443)	(105,963)
Balance as at 31 December 2017	**166,897**	**1,301,109**	**79,175**	**1,031**	**53,304**	**1,601,516**

In 2017, the movement of the provision for impairment of loans to individuals was as follows:

	Overdrafts	Term loans	Mortgage loans	Other	Total
Balance as at 1 January 2017	47,324	401,298	12,420	48	461,090
Disposal of subsidiary	-	-	-	-	-
Charge for the period	-	83,323	-	-	83,323
Loans written-off	-	(31,194)	-	-	(31,194)
Amount recovered	(1,189)	-	(1,633)	(48)	(2,870)
Balance as at 31 December 2017	**46,135**	**453,427**	**10,787**	**-**	**510,349**

In summary:

	Individuals	Legal entities	Total
Balance as at 1 January 2017	**461,090**	**1,420,629**	**1,881,719**
Disposal of subsidiary	**-**	68,399	**68,399**
Charge for the period	83,323	309,357	**392,680**
Loans written-off	(31,194)	(90,906)	**(122,100)**
Amount recovered	(2,870)	(105,963)	**(108,833)**
Balance as at 31 December 2017	**510,349**	**1,601,516**	**2,111,865**

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In 2016, the movement of the provision for impairment of loans to legal entities was as follows:

	Large corporate clients	SMEs	Municipal, federal and governmental organizations	Factoring	Other	Total
As at 1 January 2016	162,468	820,801	34,228	2,641	84,783	1,104,921
Charge for the period	34,538	298,794	8,584	-	(3,341)	338,575
Loans written-off	-	(15,713)	-	-	(6,666)	(22,379)
Amount recovered	-	-	-	(488)	-	(488)
Balance as at 31 December 2016	**197,006**	**1,103,882**	**42,812**	**2,153**	**74,776**	**1,420,629**

In 2016, the movement of the provision for impairment of loans to individuals was as follows:

	Overdrafts	Term loans	Mortgage loans	Other	Total
As at 1 January 2016	40,170	377,929	4,575	48	422,722
Charge for the period	7,154	47,442	7,845	-	62,441
Loans written-off	-	(24,073)	-	-	(24,073)
Amount recovered	-	-	-	-	-
Balance as at 31 December 2016	47,324	401,298	12,420	48	461,090

In summary:

	Individuals	Legal entities	Total
As at 1 January 2016	**422,722**	**1,104,921**	**1,527,643**
Charge for the period	**62,441**	**338,575**	**401,016**
Loans written-off	**(24,073)**	**(22,379)**	**(46,452)**
Amount recovered	**-**	**(488)**	**(488)**
Balance as at 31 December 2016	**461,090**	**1,420,629**	**1,881,719**

Information about the Amount of Credit Risk Mitigation

The Bank is developing a number of policies and practices to mitigate credit risk. The most traditional are collateral and guarantees, which are common practice. The Bank considers the following property owned by pledger on the basis of ownership right or right of economic management as collateral for credit transactions: real estate; property rights (of claim); securities; personal property.

Deposits bearing market risk, occupy an insignificant share in the structure of collateral (as at 31 December 2017 – 0.18%, as at 31 December 2016 – 0.19% of the book value of the assets accepted as collateral).

The property pledged should not be seized, pledged with any other creditors or encumbered with any other rights of third parties and should be in good condition suitable for pledge. The collateral value should cover the indebtedness amount.

The core objective of pledge operations is to minimize the bank's risks and secure repayment of the bank's funds provided to a borrower under a credit facility agreement.

The bank performs pledge operations based on the following principles: formation of pledge portfolio using liquid pledges and adequate assessment of their market/collateral value; unity of requirements to pledge operations at any and all levels of the bank's organizational structure; ensuring immediate and effective control at all stages of pledge operations.

Depending on the object of collateral, requirements of the Bank and the law, the evaluation of the collateral is provided by: department of the collateral, credit unit employees and independent appraisers.

Frequency of pledged property monitoring is determined based on the requirements of the regulations of the Bank of Russia, conditions of provision of credit products, property type, and level of risk of loss of the collateral or partial loss of its qualities, which results in decrease in the market value of the collateral or loss by the collateral of its liquidity during the term of the pledge agreement.

During the term of the credit facility agreement, scheduled monitoring of the pledged property is performed at least once a year. However, for certain types of the pledged property, for example, such as inventory items, commercial vehicles, and custom machinery, live-stock animals (young stock), it is performed at least once half a year (along with inspection of the client's business).

Unscheduled monitoring is performed to immediately confirm availability, condition, storage / operating conditions of the pledged property. According to the mandatory procedure, unscheduled monitoring is performed if there is the information on the following events: performance by the pledger of registration activities, acceptance for accounting, installation at location of the property purchased using the bank's loan facilities, when lending on the pledge of the purchased property; sudden changes in the composition, structure, and quantity of the pledged item; violation of property storage, operation, and upkeep conditions threatening a loss of or damage to the property; deterioration of the quality of or damage to the pledged property, and for any other reasons resulting in change in its liquidity; movement of the collateral to the address (addresses) not specified in the pledge agreement; any material negative information on a borrower / pledger.

There is no monitoring of collateral raised from loans to individuals.

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The following table shows the types of assets accepted as collateral as at 31 December 2017 and 31 December 2016 and their book value:

	31 December 2017	31 December 2016
Real estate	5,797,512	6,178,879
Goods in turnover	1,636,134	2,262,725
Vehicles	1,312,753	1,378,692
Fixed assets and equipment	1,391,430	1,294,072
Securities	1,777,989	989,452
Total	**11,915,818**	**12,103,820**

The following table presents an analysis of the present value of loans to customers, secured by collateral:

	31 December 2017	31 December 2016
Loans secured by real estate and rights to it	3,977,605	3,648,509
Loans secured by vehicles	790,171	841,254
Loans secured by property and property rights	777,615	945,661
Loans secured by goods in turnover	788,590	997,947
Loans collateralized with securities	796,772	410,196
Loans collateralized by third party guarantees	873,478	908,516
Unsecured loans	4,839,348	3,626,673
	12,843,579	**11,378,756**
Less: Provision for impairment	(2,111,865)	(1,881,719)
	10,731,714	**9,497,037**

During 2017, the Bank applied to recovery of collateral for the purpose of reimbursement for credit operations in the amount of 146,583 (2016: 67,621). These assets are included in non-current assets held for sale (see Note 14). The Bank's policy with regard to the realization of such collateral assets usually involves selling them to third parties at the highest possible fair value.

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Geographical Risk

The geographical risk of is the risk that the Bank may incur losses as a result of the influence of political or economic factors in the country of operations or holding of assets. The Bank operates in Russia predominantly for Russian customers, and therefore, as analyzed in the table below it has a significant concentration of Russia exposure. The Bank has no specific policy, objectives or processes for managing country risk, although in general it seeks to keep exposure to countries other than Russia as low as possible.

The geographic concentration of the Bank's assets and liabilities as at 31 December 2017 is set out below:

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	1,648,250	20,308	-	**1,668,558**
Mandatory balances with the Central Bank of the Russian Federation	129,923	-	-	**129,923**
Due from other banks	1,853,922	-	-	**1,853,922**
Financial assets at fair value through profit or loss	3,431,712	1,366,503	-	**4,798,215**
Financial assets available for sale	926,901	60,799	-	**987,700**
Loans and advances to customers	10,731,714	-	-	**10,731,714**
Net investment in finance lease	-	-	-	**-**
Other assets	80,476	370		**80,846**
Non-current assets held for sale	103,778	-	-	**103,778**
Deferred tax asset	6,796	-	-	**6,796**
Property, plant, and equipment	375,465	-	-	**375,465**
Investment property	225,815	-	-	**225,815**
	19,514,752	**1,447,980**	-	**20,962,732**
Liabilities				
Due to other banks	50,018	-	-	**50,018**
Customer accounts	17,307,269	248	2,931	**17,310,448**
Debt securities issued	6,839	-	-	**6,839**
Deferred tax liabilities	-	-	-	**-**
Other liabilities	177,611	-	6	**177,617**
	17,541,737	**248**	**2,937**	**17,544,922**
Net balance sheet item	**1,973,015**	**1,447,732**	**(2,937)**	**3,417,810**

The geographical concentration of the Group's assets and liabilities as at 31 December 2016 is set out below:

	Russia	OECD	Other countries	Total
Net balance sheet item	**2,093,052**	**809,652**	**(2,868)**	**2,899,836**

Counterparty Credit Risk

The Bank commits "swap" transactions with the settlement date for them on the next business day after the conclusion of the transaction. In accordance with the types of derivative financial instruments (DFI) reflected in Bank of Russia Ordinance No. 3565-U "On Types of Derivative Financial Instruments" dated 16 February 2015, these transactions are not classified as DFI. The Bank has no counterparty risk on such transactions. With swap transactions, in accordance with the procedures defined by internal regulatory documents, an assessment is made of the ability of the counterparty to fulfil its obligations under transactions, and limits are set for transaction volumes for each counterparty.

The credit risk of the counterparty may arise from the Bank when the repo transactions are made by the lead credit organization. In this case, a risk is assessed by certain counterparties and transactions in accordance with the methods determined by the Bank's internal regulatory documents taking into account assessment of counterparty's financial position and assessment of probable realization of counterparty's credit risk both before completion of settlements and during settlements under a transaction. The Bank limits the number of transactions made, which use is monitored on an intraday basis.
In accordance with internal procedures for assessing capital adequacy the Bank allocates a capital reserve to cover other financial and non-financial risks, including the counterparty risk. This type of risk is not significant. A separate methodology is not applied for determining economic capital and establishing limits in terms of risk on the counterparty.

Market Risk

The Bank takes an exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market fluctuations.

The Group manages market risk through periodic evaluation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

To assess the market risk such measurement methods as VaR, GAP, spread, estimating the change in net interest income, scenario analysis is used.

As part of market risk, commodity risk is taken into account, which, as applied to the Bank's activities, can be realized with respect to the collateral received as a commodity. The value of commodity risk is calculated in accordance with the Bank of Russia Regulation No. 511-P dated 03.12.2015 "On the procedure for calculating the market risk by credit institutions". More complex procedures for managing commodity risk are not carried out because of the insignificance of the effect of this type of risk on the financial result of the Bank. The implementation of commodity risk will not have a significant negative impact on compliance with mandatory regulations or the emergence of other situations that threaten the interests of depositors and creditors. In assessing individual risks for the sake of relevance, commodity risk is considered insignificant.

Market risk management of the Bank is based on the following principles:

- the adequacy of the nature and extent of activities, in accordance with which the Bank maintains its market risk management infrastructure in a state of sufficient quality for the organization of the process;
- segregation of the sources of market risk;
- responsibility for the accepted risk, according to which departments empowered to carry out operations related to market risk, are responsible for the effective use of these powers;
- centralization of market risk management and continuous monitoring;
- limitation of possible losses, according to Limitation of possible losses, according to which the total amount of the established limits should not exceed the regulatory ratios established by the Bank of Russia and internal documents.

As the measures taken to minimize market risk, the Bank:

- Annually approves a common strategy of actions on the securities market, providing a number of constraints on the structure and quality of the trading portfolio;
- Carries out periodic monitoring of the markets (money, foreign exchange, stock), by monitoring the magnitude and rate of change of market indicators according to the approved list;
- Establishes and maintains constant monitoring of limits for issuers of securities that form the trading portfolio, carries out an assessment of risks of individual portfolio issuers' activities;
- Limits the size of the open currency position (OCP) in volumes that allow limiting the scale of the negative impact on the Bank's position on non-critical levels even in the case of the most negative

scenarios in the foreign exchange market (sharp changes in exchange rates, devaluation of the ruble, etc.);
- supports the sign of the cumulative gap between interest-bearing assets and liabilities in accordance with the current trends of changes in interest rates (in terms of interest rate risk).

An important component of restriction on a market risk is a system of limits representing restrictions on counterparties (issuers), amount and types of operations performed, amount and types of financial instruments, liability limits, stop loss and stop out limits, and limits of investments in certain industries and geographical areas. All limit types are set by the Bank's authorized body, which receives the information on their compliance. Monitoring the compliance with the limits is carried out on a regular basis.

As part of the internal procedures for assessing the capital adequacy of the Bank, the amount of market risk losses calculated according to a moderate stress scenario is also included in the capital buffer.

Information about the size of the Bank's market risk calculated in accordance with RAS is presented in Subsection 2.4 of the Form 0409808 "Report on the level of capital adequacy for covering risks, the amount of provisions for possible losses on loans and other assets" of this Note, p. 57.
The load on capital to cover market risk as of 01.01.2018 was 4,103,399, including 4,002,973 for interest risk coverage, 7,325 for stock risk, and 93,101 for commodity risk.
The load on capital to cover market risk as of 01.01.2017 was 4,673,352, including 4,580,181 for interest risk coverage, 6,523 for stock risk, and 86,648 for commodity risk.

Market Risk of Securities

Market risk is exposed to securities that are accounted for at current (fair) value (securities of the trading portfolio). Equity securities are subject to stock risk. Debt securities are subject to stock and interest rate risks. The source of stock risk is an unfavourable change in market prices, the dynamics of which are related to factors specific to this particular instrument, or factors affecting all instruments traded on the market. The source of interest rate risk is a negative change in interest rates.

Market risk of securities arises when the Bank has a long or short position on a financial instrument.

Identification of this risk involves monitoring the stock market price of the trading portfolio instruments, information about the volumes of trading in securities on the organized securities market, as well as gathering information on the key macro indicators, which may affect the change in market prices (price dynamics).

In order to manage the market risk of securities, the issuer's risk assessment and compliance with limits are assessed and monitored.

Risk of the issuer is the risk of impairment of securities as a result of deterioration in the financial position of the issuer and (or) its business reputation. To minimize the risk of the issuer, these factors are monitored on a regular basis.

The main tool for managing market risk of securities is the system of limits.
When forming a portfolio of securities, preference is given to highly reliable and liquid securities.

Securities transactions are a source of income assuming the investment risk tolerance and sustainable liquidity ratios of the Bank.

The Bank expects to use the securities portfolio as a tool to regulate liquidity, including the use of securities to raise funds in the interbank market and refinancing operations of the Bank of Russia. In this regard, the basis of the portfolio consists of securities included in the Lombard list of the Bank of Russia.

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To ensure a balance of assets and liabilities of the Bank by maturity during the formation of a portfolio of securities newly purchased securities must be evenly distributed by maturity (offers), without creating a concentration of the individual time intervals, except in cases when such a concentration is justified by the need to cover liquidity shortages.

The Bank assets exposed to the market risk of securities are disclosed in Notes 8 and 9.

The analysis of the sensitivity of the financial result and equity to the stock risk is presented below.

	2017		2016	
	Profit before tax	Equity	Profit before tax	Equity
10% increase in quoted equity securities prices	366	293	326	261
20% increase in quoted equity securities prices	732	586	652	522
40% increase in quoted equity securities prices	1,465	1,172	1,304	1,044
10% decrease in quoted equity securities prices	(366)	(293)	(326)	(261)
20% decrease in quoted equity securities prices	(732)	(586)	(652)	(522)
40% decrease in quoted equity securities prices	(1,465)	(1,172)	(1,304)	(1,044)

An analysis of sensitivity of the Bank's net profit before tax and equity to changes in quoted debt securities, based on positions existing as at 31 December 2017 and 31 December 2016 is presented in the table below. Sensitivity analysis is performed for three possible scenarios: fluctuations in the range of 10% of sensitivity is the most optimistic scenario, while fluctuations in the range of 40% sensitivity reflect the most stressful version of the situation on the markets in financial instruments.

	2017		2016	
	Net profit before tax	Equity	Net profit before tax	Equity
10% increase in quoted debt securities prices	479,455	462,580	371,197	396,276
20% increase in quoted debt securities prices	958,911	925,160	742,394	792,551
40% increase in quoted debt securities prices	1,917,821	1,850,321	1,484,788	1,585,102
10% decrease in quoted debt securities prices	(479,455)	(462,580)	(371,197)	(396,276)
20% decrease in quoted debt securities prices	(958,911)	(925,160)	(742,394)	(792,551)
40% decrease in quoted debt securities prices	(1,917,821)	(1,850,321)	(1,484,788)	(1,585,102)

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. There is also a risk that borrowers with a revenue stream in foreign currency will also be adversely affected and this could impact their ability to pay. Currency classification of monetary assets and liabilities is based on the currency they are denominated in.

The basic procedure to identify the factors of foreign exchange risk for individual operations and transactions, as well as in certain areas of activity is the monitoring of exchange rates, the prices of forward exchange instruments.
The main instruments of regulation of currency risk are single exchange rate policy and control system of OCP (open currency position).

In its activities, the Bank adheres to a conservative policy of minimising the currency risk - it does not conduct speculative operations and maintains minimal OCP. In the ForEx market, through interbank transactions and transactions on the exchange, the Bank conducts timely conversion operations to regulate OCP arising from transactions with customers, which minimizes the currency risk to the level of insignificant.

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As at 31 December 2017, the Bank had the following positions in currencies:

	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1,296,038	145,443	219,585	7,492	**1,668,558**
Mandatory balances with the Central Bank of the Russian Federation	129,923	-	-	-	**129,923**
Due from other banks	1,800,213	53,709	-	-	**1,853,922**
Securities at fair value through profit or loss	3,946,304	851,911	-	-	**4,798,215**
Financial assets available for sale	926,902	60,798	-	-	**987,700**
Loans and advances to customers	10,731,714	-	-	-	**10,731,714**
Net investment in finance lease	-	-	-	-	**-**
Other assets	80,377	386	83	-	**80,846**
Non-current assets held for sale	103,778	-	-	-	**103,778**
Deferred tax asset	6,796	-	-	-	**6,796**
Property, plant, and equipment	375,465	-	-	-	**375,465**
Investment property	225,815	-	-	-	**225,815**
	19,623,325	**1,112,247**	**219,668**	**7,492**	**20,962,732**
Liabilities					
Due to other banks	50,018	-	-	-	**50,018**
Customer accounts	16,697,050	487,838	118,165	7,395	**17,310,448**
Debt securities issued	6,839	-	-	-	**6,839**
Other liabilities	177,409	142	66	-	**177,617**
	16,931,316	**487,980**	**118,231**	**7,395**	**17,544,922**
Net balance sheet item	**2,692,009**	**624,267**	**101,437**	**97**	**3,417,810**

As at 31 December 2016, the Group had the following positions in currencies:

	RUB	USD	EUR	Other	Total
Net balance sheet item	**2,216,643**	**527,415**	**156,001**	**(223)**	**2,899,836**

The table below shows the parameters characterising the sensitivity of the Bank's capital to the fluctuation of the ruble against the US dollar and the Euro in the range of 10% (increase or decrease), in the range of 20% (increase or decrease), and the range of 40% (increase or decrease) while all other variables remain constant. Fluctuations in the range of 10% of sensitivity is the most optimistic scenario, while fluctuations in the range of 40% sensitivity reflect the most stressful version of the situation in the currency markets and is based on real events that took place in the Russian economy in recent time. The sensitivity analysis indicated below includes only the analysis of open foreign currency positions of the Bank at the balance sheet date and shows what effect would have currency fluctuations in the range of 10%, 20%, 40%.

as at 31 December 2017 (in thousands of Russian rubles)

	31 December 2017		31 December 2016	
	Net profit before tax	Equity	Net profit before tax	Equity
Strengthening of USD for 10%	62,427	49,941	52,742	42,193
Strengthening of USD for 20%	124,853	99,883	105,483	84,386
Strengthening of USD for 40%	249,707	199,765	210,966	168,773
Weakening of USD for 10%	(62,427)	(49,941)	(52,742)	(42,193)
Weakening of USD for 20%	(124,853)	(99,883)	(105,483)	(84,386)
Weakening of USD for 40%	(249,707)	(199,765)	(210,966)	(168,773)
Strengthening of Euro for 10%	10,144	8,115	15,600	12,480
Strengthening of Euro for 20%	20,287	16,230	31,200	24,960
Strengthening of Euro for 40%	40,575	32,460	62,400	49,920
Weakening of Euro for 10%	(10,144)	(8,115)	(15,600)	(12,480)
Weakening of Euro for 20%	(20,287)	(16,230)	(31,200)	(24,960)
Weakening of Euro for 40%	(40,575)	(32,460)	(62,400)	(49,920)

Liquidity Risk

Liquidity risk arises from the fact that the maturity of assets and liabilities does not match in terms of currencies. The complete coincidence of requirements and obligations with respect to these parameters is not characteristic for banks, since their operations are of a diverse nature and are concluded under different conditions. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The following factors are identified for the emergence of liquidity risk:

- structural – that are related to the actual structure of claims and liabilities in terms of amounts and terms at which the amount of outgoing payments exceeds the amount of outflows in a separate time (liquidity deficit);
- probabilistic – that are connected with the implementation of adverse probabilistic or accidental events that negatively altered the structure of payment flows on the day of payments towards the emergence / increase of the liquidity deficit.

In terms of liquidity risk management and fund raising, limits and inter-group lending activities, the management bodies, departments and officials of the Bank are involved, including: the board of directors and the board (including the Deputy Chairman of the Board which oversees liquidity management issues), the asset and liability management Committee (ALMC), a Large credit committee (LCC), the Treasury, the department of risk management and financial analysis, planning and economic department, cash operations department, the internal audit and control, as well as other departments engaged in transactions affecting the payment position of the Bank and implement measures to restore liquidity in the event of unforeseen circumstances.

The Bank clearly shares the authority and responsibility for managing liquidity risk between the Bank's management bodies, including Committees and departments. Departments are predominantly authorized to perform on a regular basis: measuring the liquidity position of the Bank and its forecast, liquidity reserves calculation, analysing and monitoring liquidity risk, making proposals and recommendations concerning liquidity issues, managing liquidity position. The ALMC's authority mainly includes: forming the optimal structure of the balance sheet of the Bank, determining the liquidity management policy, monitoring the liquidity situation, setting liquidity limits and monitoring their implementation, participating in the preparation and implementation of the action plan to restore liquidity in a crisis situation. LCC's authorities in relation to liquidity risk management are concentrated on: determining optimal credit conditions that ensure efficient use of resources; determining the list of clients whose lending should / should not stop and taking measures to early repay loans in the face of liquidity shortages.

Treasury functions and liquidity risk management functions are divided between the relevant divisions of the Bank, while in order to minimize the liquidity risk, other divisions of the Bank are involved in the liquidity management process, which directly or indirectly can affect the payment position of the Bank. The interaction of the units involved in the liquidity management process is carried out on a regular basis, is to exchange information to assess liquidity risk, to prepare recommendations for its management and direct management. Liquidity management is controlled by ALMC.

The liquidity risk management policy is based on the following principles:
- Liquidity management is carried out daily and continuously;
- The methods and tools used to assess liquidity risk should not conflict with Bank of Russia regulatory documents, risk management policies;
- In a process of decision making, the Bank resolves the conflict between liquidity and profitability in favour of liquidity;
- Every transaction affecting the liquidity situation should be taken into account for liquidity risk. When assets are placed in various financial instruments, the Bank strictly considers the urgency of the source of resources and its volume;
- Carrying out of a major transaction is analyzed provisionally for compliance with the current liquidity situation and the established limits;
- Carried out the planning liquidity requirements.

In managing liquidity risk, the Bank follows the policy of maintaining the liquidity reserve necessary to cover a possible deficit in the payment position. Taking into account the size of the liquidity reserves, the Bank determines the limiting values of liquidity indicators and builds up the optimal structure of claims and liabilities. On a daily basis, liquidity reserves are calculated to manage the current payment position. To determine the payment position in the future, liquidity reserves are recalculated monthly. At the same time, the size of the Bank's need for liquidity reserves is determined.

To assess and analyze liquidity, the Bank uses the following methods:
- coefficient method (regulatory approach);
- method of assessing the gap in maturities of assets and liabilities, including modelling of alternative scenarios with the calculation of liquidity indicators: excess (deficit) liquidity, ratio of surplus (deficit) liquidity and its limits;
- forecasting cash flows.

The methodology for measuring the liquidity position of the Bank is based on the recommendations of the Bank of Russia set out in Letter No. 139-T dated 27 July 2000 "On Recommendations for the Analysis of the Liquidity of Credit Institutions." The distribution of balance sheet assets and liabilities and off-balance items is carried out in terms of terms and types of currencies. In each interval, the value of the gap is calculated. Gaps are calculated as a cumulative result, and without build-up. Additionally, to assessing the liquidity risk the discontinuities and its cumulative magnitude are calculated taking into account stress scenarios, providing adverse changes in the flow of payments to the side, which worsens the liquidity of the Bank. The size of the gaps is calculated in both absolute and relative terms. The values of the gaps are compared with their limiting values. The liquidity reserves are calculated to determine acceptable levels of gaps.

As at 31 December 2017, the values of the gaps calculated for management purposes by an accrual basis in rubles and the ruble equivalent of foreign currencies, as well as liquidity reserves, were as follows:

as at 31 December 2017 (in thousands of Russian rubles)

	Short-term perspective (From "on demand" to 7 days inclusive)	Medium-Term perspective (From "on demand" to 30 days inclusive)	Short-term perspective (From "on demand" to 1 year inclusive)
Scenario 1			
Accumulated gap*	-432,345	144,541	-2,112,432
Gap ratio	-0.09	0.02	-0.14
Scenario 2			
Accumulated gap*	2,985,782	3,527,919	1,023,673
Gap ratio	0.60	0.53	0.07
Scenario 3			
Accumulated gap*	1,679,657	2,221,794	214,822
Gap ratio	0.34	0.33	0.01
Scenario 4			
Accumulated gap*	-61,842	1,117,300	-779,088
Gap ratio	-0.01	0.17	-0.05
Value of liquidity reserves	4,881,811	7,060,300	7,207,037
Limit value of the fracture coefficients:			
With a liquidity deficit	|0.98|	|1.06|	|0.47|
With excess liquidity	1.00	1.00	1.00

*Negative value indicates a shortage of liquidity, a positive - the excess.

As at 31 December 2016, the Bank had the following indicators:

	Short-term perspective (From "on demand" to 7 days inclusive)	Medium-Term perspective (From "on demand" to 30 days inclusive)	Short-term perspective (From "on demand" to 1 year inclusive)
Scenario 1			
Accumulated gap*	128,393	189,967	-1,302,800
Gap ratio	0.03	0.03	-0.09
Scenario 2			
Accumulated gap*	2,969,066	2,963,378	1,191,465
Gap ratio	0.70	0.52	0.08
Scenario 3			
Accumulated gap*	1,939,023	1,933,334	453,139
Gap ratio	0.46	0.34	0.03
Scenario 4			
Accumulated gap*	565,631	920,183	-178,556
Gap ratio	0.13	0.16	-0.01
Value of liquidity reserves	4,737,965	6,422,733	6,487,573
Limit value of the fracture coefficients:			
With a liquidity deficit	|1.12|	|1.12|	|0.46|
With excess liquidity	1.00	1.00	1.00

*Negative value indicates a shortage of liquidity, a positive - the excess.

As the main methods for reducing liquidity risk, the Group applies methods such as setting ranges of mandatory liquidity ratios, limit values for gap coefficients, setting limits for cash, limits on active operations, managing the risk of concentration of the resource base, and maintaining liquidity reserves, management of arithmetic average on correspondent balances in subdivision of the Bank of Russia in order to maintain average value of mandatory cash balances.

In addition, the Bank forms a reserve for capital to cover potential losses from the realization of liquidity risk under stressful conditions. For this, stress testing is carried out with respect to liquidity risk. The object of risk is the incoming and outgoing payments flows of the Bank, distributed according to the terms of their implementation. Stress testing is based on the assessment of gaps (GAP) in the volumetric-temporal structure of requirements and obligations. The burden on the financial result and capital is calculated as the sum of costs from activities to reduce the gap. Stress-testing is carried out according to several types of scenarios, providing unfavourable changes in the volume-time structure of incoming and outgoing payments flows to the degree of variation from moderate to critical. The scenarios of the non-return of a portion of the allocated funds and the outflow of a part of the resources are necessarily taken into account. The result of stress testing under a scenario as close to realistic as possible is used as a reserve for capital to cover potential losses from the realization of liquidity risk. Based on the results of all stress testing scenarios, an overall assessment of the Bank's exposure to liquidity risk is made, the factors most at risk and the areas that are at greater risk of liquidity are identified.

When managing the liquidity risk associated with liquidity risk in assets that have quoted an active market, the Bank applies a discount factor to these assets to reduce their cost, corresponding to a certain stress scenario.

In cases of emergencies, the Bank has developed an action plan aimed at restoring liquidity, in accordance with which the liquidity of the Bank is monitored, an analysis of the "peak" situation and measures for its elimination, as well as measures to abolish the "emergencies mode". The Bank monitors the dynamics of customer funds, the values of liquidity ratios, the balance on the correspondent account with the Bank of Russia. When the signal levels of the monitored indicators are reached, the causes of these events are analyzed and a conclusion is made about the occurrence / non-occurrence of a "peak" situation. Measures to eliminate the "peak" situation include actions to eliminate panic of depositors and outflow of funds from corporate accounts, work in the interbank lending market and correspondent account with the Bank of Russia, asset restructuring, liquidity recovery when liquidity indicators approach critical values.

The action plan, aimed at liquidity recovery, in cases of emergency situations provides for daily monitoring of events, instant management of adverse events in liquidity and is realized in the event of occurrence of these events. Stress testing allows to predict possible appearance of liquidity risk in the future, identify risk factors, determine the amount of potential losses. The parameters of the plan scenarios and stress testing are different and meet the requirements of the application.

The liquidity risk on a monthly basis is prepared by reports containing: a coefficient analysis of liquidity, an analysis of the gap in the maturity of claims and liabilities with the calculation of liquidity and liquidity reserves, monitoring results of adherence to indicative levels and their signal values in terms of concentration risk of resource base. In order to forecast cash flows on a daily basis, a daily forecast is generated for managing instant liquidity, a payment calendar (cash flow forecast) is generated on a weekly basis, and a liquidity balance is formed on a monthly basis (as well as on any required date), containing information on assets and liabilities on maturity. Moreover, the Bank prepares statements in accordance with the form and within the time limits that comply with the requirements of Direction of the Bank of Russia dated 24 November 2016 No. 4212-U "On the list, forms and procedure for drawing up and submitting forms of reporting of credit institutions to the Central Bank of the Russian Federation".

Control in the liquidity management system is designed to ensure that the conducted operations are checked for the procedures adopted and includes key moments of control:

- compliance with the liquidity management procedures established in the Bank and the implementation of recommendations on the results of inspections;
- attraction and placement of funds within the established limits;
- changes in the balance;
- level of liquidity risk;
- rates of mandatory liquidity ratios.

The next units can implement control: responsible executors, heads of structural divisions of the Bank whose decisions affect the liquidity status, the management bodies of the Bank, the internal control and audit services of the Bank.

During 2017 and 2016 mandatory liquidity ratios were in compliance with the ratios required by the CBR.

The following table represents the mandatory liquidity ratios for the Bank calculated as at 31 December 2017 and for the Group calculated as at 31 December 2016:

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as at 31 December 2017 (in thousands of Russian rubles)

	Requirements	31 December 2017	31 December 2016
Instant liquidity ratio (H2)	Min 15%	38.2%	39.1%
Current liquidity ratio (H3)	Min 50%	120.8%	132.1%
Long-term liquidity ratio (H4)	Max 120%	82.6%	68.5%

The Bank's liquidity position is calculated daily for the three requirements above by Treasury, and any issues are highlighted and referred to senior management immediately. The Bank performs daily operations with its financial assets to ensure limits are complied with. Liquidity management is controlled by the Asset and Liability Committee of the Bank.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity at 31 December 2017. Amounts shown are contractual undiscounted cash flows, including future interest, as required by IFRS 7 revised. As a matter of practice, the Bank manages liquidity on a basis slightly different from that described above. Some assets may have longer maturities. Loans, for example, can be prolonged, and short-term loans can have a long duration.

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue/ no stated maturity	Total
Liabilities						
Due to other banks	50,018	-	-	-	-	**50,018**
Customer accounts	7,637,710	3,744,500	4,239,360	1,688,878	-	**17,310,448**
Debt securities issued	798	3,493	242	2,306	-	**6,839**
Other liabilities	101,554	26,413	14,382	35,268	-	**177,617**
Total liabilities	**7,790,080**	**3,774,406**	**4,253,984**	**1,726,452**	-	**17,544,922**
Assets held for managing liquidity risk	**9,823,108**	**2,073,390**	**3,763,145**	**4,240,593**	**1,062,496**	**20,962,732**
Credit Related Commitments	**608,455**	**310,718**	**996,346**	**1,125,589**	-	**3,041,108**

as at 31 December 2017 (in thousands of Russian rubles)

The tables below present the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity at 31 December 2016.

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue/ no stated maturity	Total
Liabilities						
Due to other banks	20,693	72,081	26,662	27,134	118,750	**265,320**
Customer accounts	6,294,298	2,230,771	2,462,116	3,220,021	1,017,463	**15,224,669**
Debt securities issued	1,654	5,577	392	2,929	-	**10,552**
Other liabilities	65,448	31,733	20,571	18,300	2,816	**138,868**
Total liabilities	**6,382,093**	**2,340,162**	**2,509,741**	**3,268,384**	**1,139,029**	**15,639,409**
Assets held for managing liquidity risk	**8,738,829**	**3,324,025**	**2,754,211**	**2,790,940**	**931,240**	**18,539,245**
Credit Related Commitments	**194,737**	**1,050,681**	**583,522**	**689,188**	**-**	**2,518,128**

The data in the tables above differs from the discounted cash flows which form the basis of the Statement of Financial Position at 31 December 2017 and at 31 December 2016, and IFRS 7 revised does not require such reconciliation. The Management considers that loans should be included in assets held for managing liquidity risk, since they can be sold for this purpose.

The analysis by maturity does not reflect the historical stability of current accounts. Their historical liquidity exceeds the time limits specified in this table. Balances on current accounts are included in balances with a maturity of on demand or less than one month.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Interest Rate Risk

Interest rate risk - the risk of adverse changes in interest rates when the maturities of assets, liabilities and off-balance sheet instruments are imbalanced.

The Bank takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The majority of the Bank's assets and liabilities are priced on a fixed rate basis.

The main sources of interest risk are:

- the discrepancy between the maturity of assets, liabilities and off-balance sheet claims and liabilities on instruments (the risk of revising the interest rate);
- changes in the configuration of the yield curve for long and short positions on financial instruments of one issuer, that create a risk of losses as a result of exceeding potential expenses over revenues when closing these positions (yield curve risk);
- for financial instruments with a fixed interest rate for which the maturity dates are matched - the discrepancy between the degree of change in interest rates for attracted and placed resources;

- for financial instruments with a floating interest rate, under the same frequency of a revision of the floating interest rate - the discrepancy in the degree of change in interest rates (basic risk);
- wide application of option transactions with traditional interest-bearing instruments that are sensitive to changes in interest rates (bonds, loans, mortgages and securities, etc.), generating a risk of losses as a result of refusal to fulfil obligations of one of the parties of the transaction (option risk).

Monitoring and assessment of interest risk in the banking portfolio is carried out by the Bank on a regular basis and at least once a month. In addition, monitoring of the monetary policy of the Central Bank of the Russian Federation, current level of the key rate, inflation rate, information on the maximum interest rate on 10 largest credit institution that attract the largest amount of money is implemented on the quarterly basis.

The main methods of assessment and monitoring of interest rate risk are:

- determining the amount of the interest margin (spread), the calculation and assessment of the current and sufficient spread;
- definition of the gap (GAP) between assets and liabilities sensitive to changes in interest rates, and evaluation of sensitivity to changes in interest rates.

Spread is understood as the difference between the average interest rates for assets and liabilities, taking into account their structure in the balance sheet. Calculations of the current interest spread and the sufficient interest spread required to ensure a given return on equity.

To determine the gap (in terms of the time) between assets and liabilities, off-balance sheet instruments that are sensitive to changes in the level of interest rates, the reporting data in form 0409127 "Information on interest rate risk" is used. In the context of time intervals and within a year, the value of GAP and the brake coefficients are estimated. For the brake coefficient calculated by the cumulative total within a year, the recommended range is set, exceeding the limits of which signals an increased level of risk. To assess the Bank's preparedness for the crisis in relation to interest-bearing GAP, stress testing is conducted, according to which the GAP is subjected to a stress test that involves concentration risk and interest rate changes at a level corresponding to the stress scenario parameter.

The applied risk assessment models do not assume significant assumptions. The data used for valuation under Form 0409127 "Information on interest rate risk" may have a number of assumptions, for example, some of these assumptions may include the following: funds placed on correspondent accounts opened with correspondent credit institutions, as well as funds on correspondent accounts of credit organizations-respondents opened in a credit institution-correspondent, for which interest is calculated, are related to sensitive to changes in the interest rate and are reflected in the time interval "Up to 30 days" of the reporting without accruals of interest; to interest-sensitive loans to credit institutions include interbank loans and discounted bills; Interbank loans are reflected on the time intervals, with the rest of the debt reflected in the interval corresponding to the date of the termination of the contract, and the interest is increased until that date; discounted bills are reflected in the interval corresponding to the date of presentation of the bill at nominal value.
Stress testing takes into account the concentration of interest requirements and liabilities on certain sources, namely: stress testing takes into account the concentration of interest requirements and liabilities on certain sources, namely: the non-return of a part of assets to the maturity date and the early call for a part of the resources - all this will eventually lead to an increase in the gap.

Control systems as a risk management instrument is based on principles of broad coverage of all organizational subdivisions of the Bank by control procedures and a multi-level type of internal control.
It is possible to distinguish the following key moments of control in relation to interest rate risk in the bank portfolio:

- Monitoring compliance with established procedures for managing interest risk, including requirements of the Bank of Russia, and implementation of recommendations on the results of inspections;
- Control compliance with a single interest rate policy;

- Control of the structure of assets and liabilities exposed to interest rate risk;
- Control compliance with limits for active operations;
- Controlling the size of a sufficient interest spread and GAP;
- Level of interest rate.

The next units can implement control: responsible executors, heads of structural divisions of the Bank whose decisions affect the interest rate risk, the management bodies of the Bank, the internal control and audit services of the Bank.

In order to minimize interest rate risk, the Bank follows a single policy of setting interest rates.

The Bank seeks to reduce the level of interest risk by minimising GAP at all analysed periods and maintaining the gap in the recommended range. The resolution of the Bank's authorized body on the admissibility of the gap should be based on a reasonable expectation of a positive change in the market rates for the Bank (growth in the case of a positive GAP and a decrease in the case of a negative GAP).

In order to reduce the risk, by the decision of the authorized body of the Bank, limits on the gaps in sensitive assets and liabilities may be established. The size of the limit is determined by the influence of the following factors:

- Directly by the size of gaps;
- Market conditions and the prospects for changes in interest rates (mainly by the directions of changes);
- The priority task of maintaining liquidity;
- Results of stress testing of the gap.

In order to avoid taking on an increased risk, the Bank sets an internal limit on the annual GAP, which is the acceptable ratio of the results of stress testing of changes in interest rates to operating profit.

Also, in order to reduce the level of risk, the Bank seeks a parity between the current and sufficient interest spread or the superiority of the current over the sufficient.

Combining data on weighted average interest rates on attracted and placed funds with analysis of GAPs and analysis of market conditions, the Bank determines the areas of greatest vulnerability for interest rate risks and applies methods for their prevention, and in this case, determines the optimal value of interest rates on its instruments.
Eventually, methods aimed at reducing interest risk in the banking portfolio are aimed at building a balanced structure of interest-bearing assets and liabilities, off-balance instruments, and fulfilling the Bank's strategic goal of profit and profitability.

Based on the results of monitoring of interest rate risk in the banking portfolio of the Bank as at 31 December 2017, the gap between assets and liabilities, off-balance sheet instruments (including ruble equivalent of balances in foreign currencies), an accruing result in the year-end amounted to 3,431,350 (31 December 2016: 2,413,728). The internal limit of potential losses in relation to the Bank's operating profit was not exceeded. The value of the current spread in December 2017 was 0.68 percentage points exceeded the level of sufficient spread (for December 2016 by 0.88 percentage points), the interest margin is sufficient to meet the planned profitability indicators with the current balance sheet structure.

As part of the internal procedures for assessing the capital adequacy of the Bank, the amount of losses from the implementation of interest rate risk in the bank portfolio, calculated according to a moderate stress scenario, is added to the capital buffer. Based on the valuation results for 31 December 2017 the change in interest rate risk may affect the financial result and own funds (capital) of the Bank in the amount of 57,357 (the value is calculated taking into account the ruble equivalent of balances in foreign currencies, which occupy an insignificant share in the aggregate amount of claims and liabilities). As at 31 December 2016, the potential load on capital was 63,517. Own funds are enough to cover the potential losses, in addition, this amount is embedded in the buffer of capital to cover risks.

as at 31 December 2017 (in thousands of Russian rubles)

The analysis of the Group's weighted average interest rates of interest bearing assets and liabilities by reference to the next interest rate re-fixing date as at 31 December 2017 is presented below.

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue
Assets					
Due from other banks	8.13	-	-	-	-
Securities at fair value through profit or loss	8.68	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Financial assets available for sale	9.16	-	-	-	-
Loans and advances to customers	12.57	13.03	10.84	13.43	36.66
Liabilities					
Due to other banks	6.50	-	-	-	-
Customer accounts	6.09	6.97	6.81	6.54	-
Debt securities issued	7.25	7.03	9.07	15.20	-
Other liabilities	-	-	-	-	-

The analysis of the Group's weighted average interest rates of interest bearing assets and liabilities by reference to the next interest rate re-fixing date as at 31 December 2016 is presented below.

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue
Assets					
Due from other banks	10.39	-	-	-	-
Securities at fair value through profit or loss	9.97	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Financial assets available for sale	9.24	-	-	-	-
Loans and advances to customers	15.36	14.04	14.15	15.69	26.37
Net investment in finance lease	28.04	28.04	31.00	-	-
Liabilities					
Due to other banks	8.46	8.98	8.31	9.04	-
Customer accounts	7.28	8.98	8.02	7.42	-
Debt securities issued	3.38	5.52	7.23	10.39	-
Other liabilities	-	-	-	-	-

Assuming the financial assets and liabilities as at 31 December 2017 were to remain until maturity or settlement without any action by the Bank to alter the resulting interest rate risk exposure, an immediate and sustained for one year reasonably possible positive change of 5% in market interest rates across all maturities and currencies would increase profit for the current year by approximately 97,001 as a result of higher interest expense (as at 31 December 2016: decrease by 111,544 as a result that interest-bearing assets exceed interest-based liabilities).

In the table below given is the analysis of the interest rate fluctuation risk to which the Bank is exposed as at 31 December 2017. In the table shown are the amounts of interest assets and liabilities in their balance cost existing for the reporting date referred to different categories from the earliest of the following dates set in the agreement of interest rate fluctuation or maturity.

as at 31 December 2017 (in thousands of Russian rubles)

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue/ no stated maturity	Total
Assets						
Due from other banks	1,676,316	-	-	-	-	**1,676,316**
Securities at fair value through profit or loss	4,794,554	-	-	-	-	**4,794,554**
Financial assets available for sale	987,700	-	-	-	-	**987,701**
Loans and advances to customers	512,391	1,987,504	3,709,688	4,225,681	167,154	**10,602,418**
Net investment in finance lease	-	-	-	-	-	**-**
Total assets	**7,970,961**	**1,987,504**	**3,709,688**	**4,225,681**	**167,154**	**18,060,988**
Liabilities						
Due to other banks	50,000	-	-	-	-	**50,000**
Customer accounts	3,255,039	3,996,880	4,597,392	2,144,242	-	**13,993,553**
Debt securities issued	750	3,228	242	2,307	-	**6,527**
Total liabilities	**3,305,789**	**4,000,108**	**4,597,634**	**2,146,549**	**-**	**14,050,080**
Net liquidity	**4,665,172**	**(2,012,604)**	**(887,946)**	**2,079,132**	**167,154**	**4,010,908**
Accumulated gap as at 31 December 2017	**4,665,172**	**2,652,568**	**1,764,622**	**3,843,754**	**4,010,908**	
Accumulated gap as at 31 December 2016	**4,224,478**	**2,595,993**	**1,789,976**	**3,065,297**	**3,244,478**	

The table given below shows the average interest rates by currencies on major interest monetary financial instruments. The following analysis is prepared on the basis of average weighted interest rates in accordance with agreements in the effect on the end of the reporting year:

	2017			2016		
	RUB	**USD**	**EUR**	**RUB**	**USD**	**EUR**
Interest bearing assets						
Due from other banks	8.13	-	-	10.39	-	-
Securities at fair value through profit or loss	9.42	5.24	-	10.77	6.62	4.00
Financial assets held to maturity	-	-	-	-	-	-
Financial assets available for sale	9.41	5.38	-	10.34	4.88	-
Loans and advances to customers	14.01	-	-	15.49	-	-
Net investment in finance lease	-	-	-	28.55	-	-
Interest bearing liabilities						
Due to other banks	6.50	-	-	8.90	-	-
Customer accounts	6.84	1.37	0.35	8.44	1.88	1.24
Debt securities issued	10.02	-	-	6.75	-	-
Other liabilities	-	-	-	-	-	-

Operational Risk

Operational risk – defined as the risk of loss resulting from incompliance with the type and scale of the Bank's activity and /(or) with requirements of current legislation of internal policies and from violations by the Bank's employees and /(or) other individuals (due to incompetence, unintentional or deliberate acts), lack of functional capabilities of the Bank's information, technological and other types of systems and /(or) their failures, and also from the influence of external events. When the control system stops functioning, operational risks can damage Group's reputation; have legal consequences or lead to financial loss.

as at 31 December 2017 (in thousands of Russian rubles)

The Bank manages operational risk on an ongoing basis. The main method of measuring operational risk is identification of operational risk events and evaluation of indicators (database of events and indicators of operational risk, as well as losses from the sale of operational risk is generated).

The main methods the Bank uses to minimize operational risk are the following:

- development of organizational structure, internal rules and procedures of banking operations and other transactions in such a way as to eliminate or minimise the possibility of operational risk. Observance of the principles of segregation of duties, authorisation procedure (approval) and reporting on Group's transactions;
- modernisation of banking systems automation and information protection. Minimisation of manual document processing;
- effective realisation of the Bank's human resources practice in a sphere of personnel rationalisation, training, hiring, motivation and increasing of corporate culture of all Bank's employees;
- organisation of work on developing employees' awareness of operational risk, that might arise from their working performance;
- usage of traditional types of property and life insurance by the Bank;
- system of measures development to provide going concern of Group's operations, including plans of action in case of unexpected circumstances.

The value of the operational risk of participants of the banking group is calculated annually as at 1 January of the year following the reporting year in the order that is established by Regulation No. 346-P of the Bank of Russia of November 3, 2009 "On the procedure for calculating the amount of operational risk".

The operational risk on the basis of the Bank's reports prepared under Russian legislation as at 31 December 2017 is presented in the following table:

	2016	**2015**	**2014**
Net interest income	1,166,012	1,014,624	917,520
Net non-interest income	739,928	487,141	521,129
Income	**1,905,940**	**1,501,765**	**1,438,649**

Operational risk as at 31 December 2017 was 242,318.

The operational risk on the basis of the Group's reports prepared under Russian legislation as at 31 December 2016 is presented in the following table:

	2015	**2014**	**2013**
Net interest income	988,909	887,458	711,854
Net non-interest income	633,194	695,136	610,299
Income	**1,622,103**	**1,582,594**	**1,322,153**

Operational risk as at 31 December 2016 is 226,343.

30. Capital Management

The Bank's policy is aimed to maintain the level of capital sufficient to keep trust of investors, creditors and the market in general, as well as for the future development of the Bank's operations.

The Central Bank of the Russian Federation sets capital requirements to the Bank and monitors compliance with these requirements. The Bank has to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a certain minimum level established at the rate of 8% (taking into account the increase to maintain the capital adequacy in 2017 — 9.25%). At the same time the internal procedures of capital adequacy assessment the Bank maintains capital adequacy, designed to cover expected and unexpected risks, at a level above the specified aggregate risk potential.

Determination of own funds (capital) of the Bank under the RAS carried out in accordance with the requirements established for credit institutions to Bank of Russia Regulation dated 28 December 2012 No. 395-P "On the method of determining the own funds (capital) of credit organizations ("Basel III")", with the features established by Bank of Russia dated 3 December 2015 No. 509-P "On calculation of own funds (capital), the required ratios and sizes (limits) of open currency positions of banking groups." In determining the value of own funds (capital), the Bank complies with the provisions of the transitional period established by Regulation No. 395-P.

Regulatory capital is based on the report of the Bank prepared in accordance with the requirements of the Russian legislation. Regulatory capital is disclosed in the form 0409808, which is given in this note, p. 52.

The main reason explaining the difference between the amount of capital calculated under the CBR requirements and equity presented in these non-consolidated financial statements is an additional provision for loans and other assets, recognised under the RAS.
During 2017 and 2016 the Bank's/Group's capital adequacy ratio was in line with regulations.

Capital (net assets) deficit of a non-consolidated structured entity "Khlynov-Invest" LLC as at 31 December 2016 amounted to 1,890.

The minimum values of capital adequacy requirements for banks and banking groups, set by the Bank of Russia are as follows:

base capital adequacy ratio, set at 4,5%,
capital adequacy ratio, set at 6%,
equity capital adequacy ratio, set at 8%.

The values of capital adequacy ratios of the Bank and information on the amount of the Bank's assets, risk weighted (under RAS) used for purposes of calculating the adequacy ratio of own funds (capital) of the bank. Details disclosed in the forms 0409808, 0409813, which is given in this note, p. 52, 63.

as at 31 December 2017 (in thousands of Russian rubles)

The information on the Bank's assets as at 31 December 2017 and those of the Group as at 31 December 2016 weighted by risk level (under RAS) is given in the following table:

Indicator	As at 31 December 2017	As at 31 December 2016
Total assets, risk weighted for purposes of calculating the base capital adequacy ratio (Ap_1)	8,909,222	8,906,615
$Ap1_1$	-	-
$Ap2_1$	438,394	286,744
$Ap3_1$	10,154	-
$Ap4_1$	8,460,674	8,619,871
$Ap5_1$	-	-
Total assets, risk weighted for purposes of calculating the capital adequacy ratio (Ap_2)	8,909,222	8,906,615
$Ap1_2$	-	-
$Ap2_2$	438,394	286,744
$Ap3_2$	10,154	-
$Ap4_2$	8,460,674	8,619,871
$Ap5_2$	-	-
Total assets, risk weighted for purposes of calculating the equity capital adequacy ratio (Ap_0)	9,014,577	8,999,443
$Ap1_0$	-	-
$Ap2_0$	438,394	286,744
$Ap3_0$	10,154	-
$Ap4_0$	8,566,029	8,712,699
$Ap5_0$		-
Assets with high risk factor for the purposes of calculating the base capital adequacy ratio	1,811,631	1,604,602
Assets with high risk factor for the purposes of calculating the capital adequacy ratio	1,811,631	1,604,602
Assets with high risk factor for the purposes of calculating the equity capital adequacy ratio	1,811,631	1,604,602
Consumption loans	205,976	40,747
Clearing participants' requirements	257,653	238,704
Market risk for the purposes of calculating the base capital adequacy ratio, including	4,103,399	4,673,352
Market risk for the purposes of calculating the capital adequacy ratio, including	4,103,399	4,673,352
Market risk for the purposes of calculating the equity capital adequacy ratio, including	4,103,399	4,673,352
Amount of credit risk for credit related commitments:	X	X
- for the purposes of calculating the base capital adequacy ratio	1,329,979	1,454,496
- for the purposes of calculating the capital adequacy ratio	1,329,979	1,454,496
- for the purposes of calculating the equity capital adequacy ratio	1,329,979	1,454,496
Amount of operational risk	242,318	226,343

The Bank can apply some measures in case of insufficiency of capital, such as: an additional share issue, asset sales and reduction in lending. Allocation of capital between individual operations and activities is mostly motivated by the desire to increase the level of profitability (profit margin) for the capital allocation. Despite the fact that the decisive factor in allocating capital to individual transactions or activities is to maximize the return on capital given the risk, this is not the only factor when deciding on the allocation of capital. Appropriate activities of the Bank's long-term management plans and prospects are taking into calculation. The Bank's capital management and its distribution are regularly analysed by the Directors of the Bank during the review and approval of annual budget.

Risk and Capital Management are carried out by the Bank also through internal capital adequacy assessment procedures (ICAAP). Acting as basis for the development of ICAAP are guidelines for the development of business and planned (target) levels of capital as defined in the Bank's development strategy. Results of ICAAP, in turn, are used in the development of future policies and the establishment of the Group's risk potential.

In order to implement the current assessment of needs of capital the Bank sets methods for determining the amount of capital required to cover possible losses from the realization of each of the major types of risks in their internal documents. It also provides the formation of a capital buffer to cover insignificant and the potential risks.

In order to assess the adequacy of internal capital, the Bank uses standard (baseline) risk assessment techniques, the use of which is established by the Bank of Russia regulations, procedures and the results of stress testing the stability of the Bank in relation to internal and external risk factors.

The parent organization of the Bank determines the value of the total potential risks on the basis of the objectives set in the development strategy of the Bank, the planned targets of business development.
Based on the risk tolerance the Bank determines the estimated (target) level of capital, planned capital structure, sources of its formation, planned (target) level of capital adequacy.
In order to control the accepted amount of significant risks the Bank determines the estimated (target) risk levels, target risk profile.
In order to control the adequacy of own funds (capital) the Bank allocates capital through a system of limits on activities, the types of significant risks, divisions performing functions in connection with the adoption of significant risks.
By 1 January 2017 ICAAP of the Bank is given in compliance with Direction of Bank of Russia dated 15.04.2015 No. 3624-U "On requirements to risk management system and capital of credit organizations and banking groups" (hereinafter referred to as Direction No. 3624-U).

31. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the reporting period the Bank entered into a number of banking transactions in the normal course of business with various related parties.

Information about the balances on transactions with major related parties as at 31 December 2017 and the income and expenditure for the year 2017 are presented below:

as at 31 December 2017 (in thousands of Russian rubles)

	Share-holders	Key management personnel	Other related parties	Total	Total per category in the consolidated financial statement
Statement of Financial Position					
Loans and advances to customers					
At beginning of the year	-	11,266	543,597	**554,863**	**11,378,756**
Disposal of subsidiary	-	(367)	74,656	**74,289**	**-**
Granted during the year	-	33,853	602,094	**635,947**	**-**
Repaid during the year	-	(34,653)	(569,267)	**(603,920)**	**-**
At the end of the year	-	**10,099**	**651,080**	**661,179**	**12,843,579**
Provision for losses	**-**	**(386)**	**(145,599)**	**(145,985)**	**(2,111,865)**
Current accounts					
At beginning of the year	98	6,390	11,979	**18,467**	**4,057,300**
Disposal of subsidiary	-	(7)	2,428	**2,421**	**-**
Opened during the year	97,206	187,500	6,001,980	**6,286,686**	**-**
Repaid during the year	(96,867)	(188,153)	(6,002,316)	**(6,287,336)**	**-**
At the end of the year	**437**	**5,730**	**14,071**	**20,238**	**4,750,925**
Term deposits					
At beginning of the year	-	9,345	39,901	**49,246**	**11,167,369**
Opened during the year	-	25,784	1,141,614	**1,167,398**	**-**
Repaid during the year	-	(20,505)	(1,135,574)	**(1,156,079)**	**-**
At the end of the year	-	**14,624**	**45,941**	**60,565**	**12,559,523**
Guarantees issued	**-**	**-**	10,000	**10,000**	**1,234,069**
Statement of Profit or Loss and other Comprehensive Income					
Interest income on loans	-	1,550	37,544	**39,094**	**1,561,359**
Income from bank guarantees issuance	-	-	51	**51**	**19,967**
Commission income					
From settlement operations	36	30	893	**959**	**302,399**
Interest expense					
Term deposits	-	675	4,065	**4,740**	**856,166**
Current accounts	-	263	303	**566**	**59,163**
Salary and bonuses	-	86,893	3,637	**90,530**	**448,473**
Other operation income	-	2	40	**42**	**30,154**
Administrative and other operational expenses	3,611	376	9,823	**13,810**	**393,552**

as at 31 December 2017 (in thousands of Russian rubles)

Information about the balances on transactions with major related parties as at 31 December 2016 and the income and expenditure for the year 2016 are presented below:

	Share-holders	Key management personnel	Other related parties	Total	Total per category in the consolidated financial statement
Statement of Financial Position					
Loans and advances to customers					
At beginning of the year	-	15,552	453,386	**468,938**	**11,940,307**
Granted during the year	-	22,120	607,299	**629,419**	**-**
Repaid during the year	-	(26,406)	(517,088)	**(543,494)**	**-**
At the end of the year	-	**11,266**	**543,597**	**554,863**	**11,378,756**
Provision for losses		**(774)**	**(85,896)**	**(86,670)**	**(1,881,719)**
Current accounts					
At beginning of the year	644	9,239	13,060	**22,943**	**3,059,339**
Opened during the year	55,573	115,203	5,194,554	**5,365,330**	**-**
Repaid during the year	(56,119)	(118,052)	(5,195,635)	**(5,369,806)**	**-**
At the end of the year	**98**	**6,390**	**11,979**	**18,467**	**4,057,300**
Term deposits					
At beginning of the year	-	17,520	9,456	**26,976**	**10,254,954**
Opened during the year	-	9,247	56,654	**65,901**	**-**
Repaid during the year	-	(17,422)	(26,209)	**(43,631)**	**-**
At the end of the year	-	**9,345**	**39,901**	**49,246**	**11,167,369**
Guarantees issued			5,000	**5,000**	**1,327,167**
Statement of Profit or Loss and other Comprehensive Income					
Interest income on loans	-	1,647	45,599	**47,246**	**1,705,141**
Income from bank guarantees issuance	-	-	76	**76**	**46,950**
Commission income					
From settlement operations	33	36	2,327	**2,396**	**252,529**
Interest expense					
Term deposits	-	992	1,240	**2,232**	**937,879**
Current accounts	-	251	225	**476**	**37,195**
Salary and bonuses	-	64,855	2,750	**67,605**	**393,216**
Other operation income	-	7	15	**22**	**5,205**
Administrative and other operational expenses	5	279	7,964	**8,248**	**381,124**

In 2017, salaries, other short term and other long term deferred payments to the members of the Board of Directors and members of the Executive Board, Chief Accountant, who are employed with the Bank amounted to 61,781 (2016: 42,505), including salaries 15,678 (2016: 11,336), other short-term payments 36,868 (2016: 20,974), other long term deferred payments 9,235 (2016: 10,195). In 2017, other short-term payments to the members of the Board of Directors of the Bank, who are not employed with the Bank, amounted to 4,231 (2016: 3,896).

32. Information on the Procedure and System of Remuneration

Information about the procedure and system of remuneration are presented in accordance with the requirements of clause 1.7.4. of Instruction 3876-U.

Bodies of the Bank supervisory remuneration of the employees of the Bank are: the Board of Directors of the Bank (hereinafter the Board of Directors), the Remuneration Committee of the Board of Directors, the Chairman of the Board of the Bank (hereinafter the Chairman of the Board), the Bank's Board (hereinafter the Board).

The competence of the Board of Directors shall include consideration of issues on arranging monitoring and control of the system of remuneration; preparation of resolutions being passed on arrangement for, monitoring, and control of the system of remuneration lies within the competence of the Remuneration Committee of the Board of Directors.

The competence of the persons responsible for the said issues complies with the requirements of the Bank of Russia.

There were 5 members in the Board of Directors as at 31 December 2017.
There were 3 members in the Remuneration Committee as at 31 December 2017.
There were 7 members in the Board as at 31 December 2017.

Tasks of the Board of Directors related to remuneration of employees of the Bank are:

- to approval staff policy;
- to approval policy of remuneration;
- to control over the implementation of staff policy in the part of remuneration;
- to control over the payments of large rewards.

The task of the Remuneration Committee of the Board of Directors related to remuneration of employees of the Bank is to prepare decisions of the Board of Directors on the organization, monitoring and control of the remuneration system, assessment of its compliance strategy, nature and scope of transactions, performance results, level and combination of risks accepted, including:

- the procedure for determining of salaries (official salaries), compensatory, stimulating and social payments are not related to the results of activity (hereinafter - the fixed part of the remuneration) of the sole Executive body and members of collegial Executive body (hereinafter - the members of Executive bodies), the order of definition of size, forms and charges to members of Executive bodies and other managers (employees) making decisions on the implementation of the operations and other transactions, the results of which can affect observance with mandatory standards or occurrence of other situations that threaten the interests of depositors and creditors, including the grounds for implementing measures to prevent insolvency (bankruptcy) (hereinafter - other employees, taking risks), as well as employees of departments responsible for internal control, and units engaged at the level of individual portfolios, activities, and overall identifying and assessing risks, establishing risk limits, determining the capital requirements for their coverage, as well as control over compliance with specified restrictions (hereinafter - the unit responsible for risk management), compensation and incentive payments related to the results of their activities;
- maintaining or reconsideration of documents on the system of remuneration (subject to approval by the Board of Directors), depending on the change activities, including in connection with changes in strategy, the nature and extent of its operations, results of operations, level and combination of risks assumed (which are considering at least once per calendar year);
- determination of the size of the wage fund;
- consideration of the proposals of the divisions responsible for internal control, and units engaged in risk management, improving the system of remuneration (in the presence of such proposals) and reporting of units (divisions), which has a mandate to monitor the pay system (which are considering at least once per calendar year);
- consideration of independent assessments of the system of remuneration;
- determination of the size and structure of large rewards;

- consideration of payment of large rewards, recognized as such in accordance with the internal documents specifying the wage system;
- evaluation of the performance of executive bodies;
- other issues in the area of remuneration and HR policy.

Tasks of the Chairman of the Board related to remuneration of employees of the Bank are:

- to approve the staffing, to establish salaries (with the exception of the Chairman, his deputies, Board members and other managers (employees) responsible for the adoption and management of risks, the chief accountant, employees of the internal audit service).

Tasks of the Board related to remuneration of employees of the Bank are:

- to determine the amount and form of compensation and stimulating payments to employees associated with the results of their activities (with the exception of the Chairman, his deputies, Board members and other managers (employees) who are responsible for taking and managing risk, and the chief accountant, heads of business unit in charge of bank risk management, internal control service and internal audit service, and employee responsible for counteraction of the legitimization (laundering) of proceeds of crime. For these employees, the decision in the field of remuneration is made by Board of Directors);
- to make decisions on payment of bonuses and premiums within the limits approved by the Board of Directors, the size of the wage Fund and the approved procedure of calculation and payment of remunerations.

The main objectives of the policy on remuneration applicable to employees of the Bank are:

- to achieve the financial targets set in the strategy;
- to ensure financial sustainability;
- compliance system of remuneration of the nature and scope of its operations, the results of its operations, the level and combination of risks taken.

For 2017, the Bank's system of remuneration was independently evaluated by auditing company FBK LLC, following which it was concluded as follows: the internal regulatory documents regulating the system of remuneration generally comply with the requirements of instruction of the Bank of Russia dated 17 June 2014 No. 154-I "On the procedure of evaluation of the remuneration system in a credit organization and the order of sending credit institution an order to eliminate violations in its system of remuneration" (hereinafter Instruction No. 154-I) and promote building of the system of remuneration subject to a risk-oriented approach. No proposals or recommendations to improve the system of remuneration prepared following such evaluation were received.

Category of employees who make decisions on transactions and other deals whose results may impact on compliance with prudential ratios of the Bank or the emergence of other situations threatening interests of depositors and creditors of the Bank are the sole and collective executive bodies and other employees responsible for risk-taking.
In the composition of the Board for the reporting period, in this category of employees were the Chairman of the Board and Board members (with the exception of persons carrying out the risk management and internal control).
Other employees in this category were persons included in the composition of the committees responsible for risk-taking.
The category of employees which are responsible for internal control and risk management are internal audit, internal control, risk management and financial analysis, employee responsible for counteraction of the legitimization (laundering) of proceeds of crime and the financing of terrorism.

The total staff number of employees responsible for risk taking was 8 persons as at 31 December 2017.
The total staff number of employees exercising internal control and risk management, who received a non-fixed part of remuneration during 2017, was 33 persons as at 31 December 2017.

The system of remuneration and financial incentives for employees of CB Khlynov JSC is used in all internal structural units of the Bank and covers the Board members and the Chairman of the Board of the Bank.

Approval of principles and criteria for determining amount and procedure of remuneration paid to members of the executive bodies — the Board of the Bank and the Chairman of the Board of the Bank — lies within the competence of the Board of Directors of the Bank. The system of remuneration paid to the Board members of the Bank and the Chairman of the Board of the Bank complies with the labour legislation of Russia, concluded employment agreements and additional agreements thereto; it is regulated by the following documents:

- Policy of Remuneration at CB Khlynov JSC;
- Regulation on Staff Policy at CB Khlynov JSC;
- Regulation on Bonuses and Financial Incentives to Management at CB Khlynov JSC;
- Procedure for Calculation of Performance Indicators Applied for Adjustment to Deferred Part of Long-Term Benefits of Employees at CB Khlynov JSC, Included in the List of Employees Taking Risks;
- Regulation on Social Policy for Staff at CB Khlynov JSC.

In accordance with the effective Policy of Remuneration at CB Khlynov JSC, salaries to employees, including members of the executive bodies of the Bank (except for the Board of Directors of the Bank), consist of fixed and non-fixed parts. A fixed part of a salary includes: constant component determined by the grade system, additional payments, increments, and other compensation payments.

A non-fixed part of remuneration includes payments depending on employees' performance (or bonus payments) being employees' performance indicators reflected in the Bank's financial result. Such payments are either short-term or long-term. Short-term payments within the reporting period are made within a year inclusively. Long-term deferred benefits within deferred period are made within no less than three years from the end date of the reporting year and are accrued to employees based on their performance for the reporting period. Long-term deferred benefits are calculated in accordance with the Procedure for Calculation of Performance Indicators Applied for Adjustment to Deferred Part of Long-Term Benefits of Employees at CB Khlynov JSC, Included in the List of Employees Taking Risks.

There are no agreements for payments, except for salaries paid to members of the Board of Directors of the Bank being employees of the Bank and members of the Board of the Bank.

The system of remuneration paid to other employees of the Bank is regulated by the Policy of Remuneration, the Regulation on Staff Policy, the Procedure for Calculation of Performance Indicators Applied for Adjustment to Deferred Part of Long-Term Benefits of Employees at CB Khlynov JSC, Included in the List of Employees Taking Risks, the Regulation on Social Policy for Staff, and the Regulation on System of Remuneration and Financial Incentives to Employees at CB Khlynov JSC.

The total size of the bonus fund remuneration for the reporting period depended on achieving the Bank the following indicators (quantitative and qualitative), with a negative value of which award the employees of the Bank is not charged:

- the negative value of the operating profit of the Bank;
- violation in the reporting period, the minimum acceptable numeric values of the required ratios of H1.0, H2, H3, the maximum value of H4, established by Bank of Russia instruction No. 180-I dated 28.06.2017 "On the mandatory Bank ratios" (this group of indicators takes into account the overall level of accepted credit risk, market risk, operational risk and liquidity risk);
- the assignment of the Bank's evaluation of economic situation of banks in accordance with Direction of the Bank of Russia dated 03 April 2017 No. 4336-U "On assessing the economic position of banks" the following classification groups:
  - group 4, which characterizes the Bank as a credit institution, disorders in activities which pose a real threat to the interests of its depositors and creditors;

- group 5, which characterizes the Bank as a credit organization, which in the lack of action by governments and (or) shareholders (participants) of the Bank will terminate the Bank's activities in the market of banking services.

In the reporting period these indicators have taken a Bank acceptable value, the adjustment of the total size of the bonus fund remuneration for the reporting period was carried out.

The system of remuneration of employees of divisions responsible for internal control and risk management, built on the principles of independence of the size of the wage Fund these units from the financial results of the subdivisions (bodies) making a decision about banking and other transactions, and includes indicators to measure the quality performance of its entities and employees of these divisions of tasks. The fixed part of remuneration of employees of divisions responsible for internal control and risk management for the reporting period was at least 50%.
For the Bank's employees responsible for risk taking, the reward system is organized in accordance with the requirements of the Bank of Russia, included in the circuit system of risk management of the Bank and is built on mechanisms that motivate staff to implement the strategic objectives of the Bank. Risk management department of the Bank prepares proposals for such system improvement and development on a periodic basis.

For 12 months, the Board of Directors considered the following issues relating to the system of remuneration and financial incentives to employees at CB Khlynov JSC:

- Members of the Remuneration Committee were changed (termination of powers and election of a new member of the Remuneration Committee);
- Performance indicators for the employee responsible for AML/CTF were approved;
- Performance indicators for employees of the risk management and financial analysis department were added;
- The following issues are considered on a regular basis: improvement of the quality of managing a risk relating to financial incentives of the Bank's staff, proposals from departments exercising internal control and risk management for improvement of the system of remuneration, and reports of departments empowered to monitor the system of remuneration, control over major payments recognized as such in accordance with the internal documents, including in terms of actual performance indicators having an effect on adjustment to a deferred part of long-term employee benefits and adjustment amount of a deferred part of long-term benefits.

The Bank's system of remuneration is arranged in accordance with the requirements of Instruction No. 154-I.

The system of risk management and capital management is arranged in accordance with the requirements of Direction of the Bank of Russia dated 15 April 2015 No. 3624-U.

The list of risks recognized as significant (material) for the Bank is determined according to the procedure provided for in the Regulation on Risk Management Policy at CB Khlynov JSC. The list of risks recognized as significant for the Bank is reviewed by the risk management and financial analysis department as necessary (subject to changes in the internal and/or external conditions of the Bank's operations), but no less than once a year.
The list of significant risks is approved by the Board of Directors on an annual basis in the Strategy document.
The list of employees referred to those taking risks is approved by the Board of Directors of the Bank. Powers with regard to the procedure for determination and approval of the list of the Bank's departments performing operations bearing risks and the procedure for use of the procedures for the allocation of capital through a system of limits to departments in the motivation system are delegated to the Board of the Bank. Powers to approve limits on the types of significant risks, areas, and departments performing functions related to the acceptance of risks are delegated to the Chairman of the Board of the Bank.

For 2017, the Board of Directors approved the following list of significant risks: credit, market (interest rate and stock) risks, interest rate risk in the banking book, liquidity risk.

The indicators used for their accounting in the motivation system of the persons taking risks are stated in the Procedure for Calculation of Performance Indicators Applied for Adjustment to Deferred Part of Long-Term Benefits of Employees at CB Khlynov JSC, Included in the List of Employees Taking Risks.

The Guide for Performance Indicators of Employees and Departments at CB Khlynov JSC specifies the indicators having an effect on a non-fixed part of remuneration, departments performing functions related to the acceptance of risks, including compliance with capital limits.

The Policy of Remuneration at CB Khlynov JSC describes the procedure for annual monitoring of the system of remuneration, including for its compliance with the requirements of Instruction No. 154-I and with the Bank's risk profile.

For individuals who are members of Executive bodies, as well as related to other employees responsible for risk-taking was provided for the deferred payment constituting at least 40% of the non-fixed part of remuneration.

As at 31 December 2017, the deferred payments were accrued, reserved for future payments subject to adjustments, recognized on the relevant balance accounts for liabilities to pay long-term benefits to employees, and are to be paid after adjustments at the end of the deferred period in accordance with the below indicators.

To adjust the deferred part of long-term employee benefits included in the list of persons responsible for taking risks in the remuneration system of the Bank uses performance indicators that take into account all significant risks. These indicators include:

- the share of loans to low quality category in the portfolio (credit risk);
- level of overdue debts on loan portfolio (credit risk);
- the adequacy of Bank interest margin (interest rate risk in the banking book);
- adequacy of the internal capital of the Bank to cover all significant risks;
- the amount of capital required to cover losses from changes in value of financial instruments (market risk);
- the presence/absence of facts approaching the mandatory liquidity ratios to critical value (liquidity risk).

A measurement used for evaluating the performance of each employee, categorized as those responsible for risk taking, depending on the risk taken by them in implementing their daily activities.

At the end of 2016, the results of achieved statutory values of these indicators based on calculation of performance indicators for the persons taking risks were summed up, and it was resolved to adjust a deferred part of long-term benefits of employees at CB Khlynov JSC, included in the list of persons taking risks, for 2016 and for January to February 2017.
In accordance with clause 4.2 of the Procedure for Calculation of Performance Indicators Applied for Adjustment to Deferred Part of Long-Term Benefits of Employees at CB Khlynov JSC, Included in the List of Employees Taking Risks, the statutory values were not achieved for the following three performance indicators: "Share of loans of quality category 4 or 5", "Overdue debt rate on loans", and "Interest margin", i.e. the values exceeded the maximum allowable figures set for assessment of performance of the persons taking risks for the periods specified in the preceding paragraph.
The held-back remunerations due to the predetermined adjustment factors are specified in the table below.

The remuneration system of the Bank included impact on the amount of the bonuses paid to the Chairman of the management Board, his deputies, chief accountant of the Bank reached the value of the retained earnings of the Bank and the execution of the target values of the balance sheet profit in the reporting period.

as at 31 December 2017 (in thousands of Russian rubles)

All made payments relating to the non-fixed portion of remuneration were short-term benefits and were made to employees in the form of bonuses taking into account the Bank's performance in the reporting period. There were no bonus payments in the form of shares or other financial instruments for the reporting period, which is not provided for in the Policy of Remuneration.
During 2017, in order to control the remuneration paid by the Bank for the reporting period, there were: 5 meetings of the Board of Directors, 5 meetings of the Remuneration Committee, 18 meetings of the Board of the Bank.

The Bank's management bodies were paid the following monetary amounts: the Board of Directors received 5,076 KRUB and was reimbursed for the travel and accommodation expenses related to performance of the said functions amounting to 273 KRUB; the Board received 42,243 KRUB, including the non-fixed part of remuneration (bonus payments) amounting to 29,190 KRUB, while the fixed part of remuneration amounted to 13,053 KRUB. The remuneration of the Chairman of the Board related to performance of the functions of the member of the Board of Directors is included in the total remuneration paid to the Board of Directors. The activities of the Remuneration Committee were not paid for separately in 2017.

The number of members of Executive bodies and other employees of the units responsible for the acceptance and management of risks, who received the bonuses in the reporting period amounted to 41 people.

The total remuneration for these categories of personnel was 87,474 KRUB. The breakdown of payments made for 12 months of 2017 to the persons being members of executive bodies or other employees responsible for taking risks is provided in the table below.

Types of payments	2017	
	The members of the Executive bodies and other employees of the units responsible for risk-taking, KRUB	Employees responsible for risk management and internal control, KRUB
Total payments during the reporting period	62,623	24,851
The fixed part	13,688	16,366
The non-fixed part (bonuses, cash), including: - Deferred payments subject to discount rate	48,935	8,485
- Deferred payments before discount rate	19,472	–
- Total held-back remuneration due to the predetermined adjustment factors	19,644	–
- payment deferred, expected to be paid	12,121	–
	Non-existent	–

There were no payments to the Bank's employees in the form of guaranteed bonuses or severance payments, or incentive payments upon employment during 12 months.
The Bank has no branches, representative offices, or subsidiaries in foreign countries.

The remuneration system of the Bank applies to all employees of the Bank and does not provide for a combination of monetary and non-monetary motivation in connection with the fact that the current (fair) value of shares (equity financial instruments) the credit institution cannot be determined on the basis of market quotations or indicative prices (quotes) provided by brokers and (or) price services with appropriate qualifications and experience in the determination of the prices (quotes) of financial instruments.

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All non-fixed payments were made taking into account the risk-oriented approach and did not affect compliance by the Bank with mandatory standards or occurrence of other situations threatening the interests of depositors and creditors, including reasons for measures to prevent insolvency (bankruptcy) of the credit institution.

Signed and authorized for release on behalf of the Executive Board of the Group on 27 April 2018.

I. P. Prozorov
Chairman of the Executive Board

S. V. Kozlovskaya
Chief accountant

АО КБ «ХЛЫНОВ»