Independent auditor's report
on the financial statements of
Credit Agricole CIB AO
for the year ended 31 December 2017

April 2018

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Credit Agricole CIB AO

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Independent auditor's report

To the Shareholders and Board of Directors of
Credit Agricole CIB AO

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Agricole CIB AO (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017 and its financial performance and its cash flows for 2017 in accordance with International Financial Reporting Standards (IFRSs).

Basis for 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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:

- Identify and assess the risks of material misstatement of the 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.
- 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Bank'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 Bank to cease to continue as a going concern.
- 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 those charged with governance 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.

Report in accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activities* of 2 December 1990

Management of the Bank is responsible for the compliance of the Bank with the mandatory prudential ratios established by the Central Bank of the Russian Federation (hereinafter, the "Bank of Russia") and for the conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the Bank of Russia in respect of such systems.

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In accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activities* of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the Bank's financial statements for the year ended 31 December 2017, we determined:

1) Whether the Bank complied as at 1 January 2018 with the obligatory ratios established by the Bank of Russia;

2) Whether internal control and organization of the risk management systems of the Bank conformed to the requirements set forth by the Bank of Russia for such systems in respect of the following:

   - Subordination of the risk management departments;
   - The existence of methodologies, approved by the Bank's respective authorized bodies, for detecting and managing risks that are significant to the Bank and for performing stress-testing; the existence of a reporting system at the Bank pertaining to its significant risks and capital;
   - Consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to the Bank;
   - Oversight performed by the Board of Directors and executive management of the Bank in respect of the Bank's compliance with risk limits and capital adequacy requirements set forth in the Bank's internal documents, and effectiveness and consistency of the application of the Bank's risk management procedures.

This work included procedures selected based on our judgment, such as inquiries, analysis, reading of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, and the recalculation, comparison and reconciliation of numerical values and other information.

The findings from our work are provided below.

Compliance by the Bank with the obligatory ratios established by the Bank of Russia

We found that the values of the obligatory ratios of the Bank as of 1 January 2018 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of accounting data of the Bank, except for those procedures we considered necessary to express our opinion on the fair presentation of the Bank's financial statements.

Conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the Bank of Russia in respect of such systems

- We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2017 the Bank's internal audit division was subordinated and accountable to the Board of Directors, and the Bank's risk management departments were not subordinated or accountable to the departments that take the relevant risks.

- We found that the Bank's internal documents effective as at 31 December 2017 that establish the methodologies for detecting and managing credit, market, operational and liquidity and concentration risks that are significant to the Bank and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2017, the Bank had a reporting system pertaining to credit, market, operational and liquidity and concentration risks that were significant to the Bank and pertaining to its capital.
- We found that the frequency and consistency of reports prepared by the Bank's risk management departments and internal audit division during the year ended 31 December 2017 with regard to the management of credit, market, operational and liquidity and concentration risks of the Bank complied with the Bank's internal documents, and that those reports included observations made by the Bank's risk management departments and internal audit division in respect of the effectiveness of relevant risk management methodologies as well as recommendations on their improvement.
- We found that, as at 31 December 2017, the authority of the Board of Directors and executive management bodies of the Bank included control over compliance of the Bank with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by the Bank during the year ended 31 December 2017, the Board of Directors and executive management bodies of the Bank regularly reviewed the reports prepared by the Bank's risk management departments and internal audit division.

The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purpose of determining the conformity of certain elements of the internal control and organization of the risk management systems of the Bank, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

D.E. Weinstein
Partner
Ernst & Young LLC

7 June 2018

Details of the audited entity

Name: Credit Agricole CIB AO
Record made in the State Register of Legal Entities on 3 September 2002, State Registration Number 1027800000953.
Address: Russia 191186, Saint-Petersburg, Nevsky pr., 12.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Statement of financial position

as of 31 December 2017

(thousands of Russian Roubles)

	Notes	2017	2016
Assets			
Cash and cash equivalents	5	17 720 688	14 769 658
Mandatory cash balances with the Central Bank of the Russian Federation		336 918	374 196
Derivative financial instruments	6	4 022 275	13 022 907
Loans and advances to customers	7	20 678 471	27 915 000
Securities available for sale	8	3 055 044	2 174 240
Fixed assets	9	1 209 705	1 254 034
Current income tax asset	10	39 261	39 478
Other assets	11	68 777	77 761
Total assets		**47 131 039**	**59 627 184**
Liabilities			
Due to other banks	12	2 720 395	8 624 120
Derivative financial instruments	6	4 077 942	13 032 514
Customer accounts	13	27 242 519	25 532 557
Deferred income tax liability	10	189 502	190 673
Other liabilities	11	298 596	305 561
Subordinated debt	14	5 991 070	6 306 951
Total liabilities		**41 520 384**	**53 992 376**
Equity			
Share capital	15	2 959 679	2 959 679
Share premium	15	734 148	734 148
Revaluation reserve for premises		691 220	675 600
Revaluation reserve for securities available for sale		9 713	24 126
Retained earnings		1 215 895	1 241 255
Total equity		**5 610 655**	**5 634 808**
Total equity and liabilities		**47 131 039**	**59 627 184**

Signed and authorised for release on behalf of the Management Board of the Bank

Erik Koebe — President

Alla Astyukevich — Chief Accountant

07 June 2018

The accompanying notes on pages 12 to 52 are an integral part of these financial statements.

Statement of profit or loss

for the year ended 31 December 2017

(thousands of Russian Roubles)

	Note	2017	2016
Interest income	17		
Loans and advances to customers		1 627 387	1 725 875
Due from other banks		773 425	983 700
Securities available for sale		147 883	108 728
		2 548 695	**2 818 303**
Interest expense	17		
Customer accounts		(316 234)	(1 190 008)
Due to other banks		(169 434)	(47 584)
Customer deposits		(1 576 488)	(1 489 583)
		(2 062 156)	**(2 727 175)**
Net interest income		**486 539**	**91 128**
Fee and commission income	18	371 135	365 788
Fee and commission expense	18	(109 546)	(117 229)
Losses less gains from operations with securities available for sale		–	9 328
(Losses less gains) / gains less losses from trading in foreign currencies		(505 800)	2 143 888
Foreign exchange translation (losses less gains) / gains less losses	19	1 372 214	(879 531)
Losses less gains from operations with interest rate derivatives		(40 710)	(3 070)
Reversal of allowance for impairment of premises	9	3 720	(1 856)
Other operating income		31 291	45 190
Non-interest income		**1 122 304**	**1 562 508**
Administrative and other operating expenses	20	(1 263 676)	(1 287 897)
Non-interest expense		**(1 263 676)**	**(1 263 676)**
Profit before income tax expense		**345 167**	**365 739**
Income tax expense	10	(106 064)	(119 649)
Profit for the year		**239 103**	**246 090**

The accompanying notes on pages 12 to 52 are an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2017

(thousands of Russian Roubles)

	Note	2017	2016
Profit for the year		**239 103**	**246 090**
Other comprehensive income			
Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met			
Gains/(losses) arising during the year from revaluation of available for sale securities		(18 017)	27 561
Income tax influence		3 604	(5 512)
Net other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met		**(14 413)**	**22 049**
Other comprehensive income not to be reclassified subsequently to profit or loss			
Revaluation of premises		19 525	(9 738)
Income tax expense recorded in other comprehensive income		(3 905)	1 948
Net other comprehensive income not to be reclassified subsequently to profit or loss		**15 620**	**(7 790)**
Other comprehensive income for the year, net of tax		**1 207**	**14 259**
Total comprehensive income for the year		**240 310**	**260 349**

The accompanying notes on pages 12 to 52 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2017

(thousands of Russian Roubles)

	Share capital	Share premium	Revaluation reserve of premises	Revaluation reserve for available for sale securities	Retained earnings	Total
31 December 2015	**2 959 679**	**734 148**	**683 390**	**2 077**	**1901 538**	**6 280 832**
Profit for the year	–	–	–	–	246 090	**246 090**
Other comprehensive income for the year	–	–	(7 790)	22 049	–	**14 259**
Total comprehensive income for the year	**–**	**–**	**(7 790)**	**22 049**	**–**	**260 349**
Dividends to shareholders of the Bank (Note 26)	–	–	–	–	(906 373)	**(906 373)**
31 December 2016	**2 959 679**	**734 148**	**675 600**	**24 126**	**1 241 255**	**5 634 808**
Profit for the year	–	–	–	–	239 103	**239 103**
Other comprehensive income for the year	–	–	15 620	(14 413)	–	**1 207**
Total comprehensive income for the year	**–**	**–**	**15 620**	**(14 413)**	**239 103**	**240 310**
Dividends to shareholders of the Bank (Note 26)	–	–	–	–	(246 463)	**(246 463)**
31 December 2017	**2 959 679**	**734 148**	**691 220**	**9 713**	**1 215 895**	**5 610 655**

The accompanying notes on pages 12 to 52 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2017

(thousands of Russian Roubles)

	Note	2017	2016
Cash flows from operating activities			
Interest received		2 559 253	2 852 221
Interest paid		(1 753 821)	(2 387 077)
Fees and commissions received		338 456	374 897
Fees and commissions paid		(113 357)	(115 527)
Gains/(losses) received from trading in foreign currencies		(505 800)	2 143 888
Gains received from operations with interest rate derivatives		(42 074)	7 159
Other operating income received		30 627	81 343
Administrative and other operating expenses paid		(1 183 587)	(1 258 647)
Cash flows from operating activities before changes in operating assets and liabilities		**(670 303)**	**1 698 257**
Net (increase)/decrease in operating assets			
Mandatory cash balances with Central Bank of the Russian Federation		37 278	3 550
Due from other banks		12 422	798 399
Loans and advances to customers		6 905 318	(12 209 209)
Other assets		(1 292)	8 135
Net increase/(decrease) in operating liabilities			
Due to other banks		(5 814 565)	7 853 149
Customer accounts		2 644 605	(16 206 972)
Other liabilities		(4 452)	134 505
Net cash flows from operating activities before income tax		**3 001 687**	**(18 034 310)**
Income tax paid		(107 324)	(97 854)
Net cash from / (used in) operating activities		**2 894 364**	**(18 132 164)**
Cash flows from investing activities			
Securities available for sale	8	(890 053)	(289 705)
Acquisition of fixed assets	9	(11 619)	(18 290)
Proceeds from disposal of fixed assets		1 388	5 870
Net cash from / (used in) investing activities		**(900 284)**	**(302 125)**
Cash flows from financing activities			
Dividends paid	21	(264 463)	(906 373)
Interest paid on subordinated debt		(316 554)	(325 010)
Net cash from / (used in) financing activities		**(581 017)**	**(1 231 383)**
Effect of exchange rates changes on cash and cash equivalents		1 430 645	(2 454 750)
Net increase/(decrease) in cash and cash equivalents		**2 951 032**	**(22 022 568)**
Cash and cash equivalents, beginning	5	14 769 658	36 792 226
Cash and cash equivalents, ending	5	**17 720 688**	**14 769 658**

The accompanying notes on pages 12 to 52 are an integral part of these financial statements.

(thousands of Russian Roubles)

1. Principal activities

These financial statements of Credit Agricole CIB AO (the “Bank”) have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2017.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations. The Bank’s shareholders are Credit Agricole CIB France (former Calyon S.A.) (“the Parent Bank”) holding 82,4% of share capital and Credit Agricole CIB Global Banking (former Calyon Global Banking S.A.) holding 17,6% of share capital (2015: Credit Agricole CIB France holding 82,4% of share capital and Credit Agricole CIB Global Banking holding 17,6% of share capital). Credit Agricole CIB AO is a part of Credit Agricole CIB Group. The ultimate shareholder of the Bank is Crédit Agricole SA.

The Bank’s shareholders do not have the power to amend the financial statements after the issue.

The Bank’s principal business activity is corporate and investment banking operations within the Russian Federation. The Bank has been operating under a full general banking license issued by the Central Bank of the Russian Federation (“CBR”) since 1993. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law No. 177-FZ *On Insurance of Individuals Deposits in the Russian Federation* dated 23 December 2003.

ACRA assigned to Credit Agricole CIB AO a credit rating under the national scale for the Russian Federation on 9 August 2017 at the level of AAA(RU), outlook Stable.

The Bank’s registered address is Russian Federation, Saint Petersburg, Nevsky prospekt, 12. The Bank has one (2016: one) branch in Moscow.

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, available-for-sale securities, derivative financial instruments, buildings have been measured at fair value.

These financial statements are presented in thousands of Russian Roubles (“RUB”), except per share amounts and unless otherwise indicated.

3. Summary of accounting policies

Changes in accounting policies

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Bank has provided the information for both the current and the comparative period.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Application of the amendments has no effect on the Bank’s financial position and performance as the Bank has no deductible temporary differences or assets that are in the scope of the amendments.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements

The amendments clarify that certain disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified as held for sale or included in a disposal group. These amendments did not affect the Bank's financial statements.

Fair value measurement

The Bank measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 33.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the statement of profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- A financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- Other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Mandatory reserves on the Central Bank of Russia (the CBR) account

Mandatory cash balances with the CBR are carried at amortised cost and represent non-interest bearing deposits which are not available to finance the Bank’s day-to-day operations.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements (“repos”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Repurchase and reverse repurchase agreements and securities lending (continued)

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Leases

i. Finance − Bank as lessee

The Bank recognises finance leases as assets and liabilities in the statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Bank incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

ii. Finance − Bank as lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

iii. Operating − Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iv. Operating − Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- In all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition coast and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is reclassified from other comprehensive income to the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Guarantees

In the ordinary course of business, the Bank gives guarantees. Financial guarantees are contracts that reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees include letters of credit, acceptances and guarantees of contractual payments.

Guarantees also include performance guarantees, which provide compensation if a specified party fails to perform under a contract, guarantees provided to tender participants, guarantees of customs payments and other types of guarantees. Such contracts do not transfer credit risk.

Guarantees are initially recognised in the financial statements at fair value, in “Other liabilities”, being the premium received. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of profit or loss. The premium received is recognised in profit or loss on a straight-line basis over the life of the guarantee.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Russian Federation.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Russia also has various operating taxes, that are assessed on the Bank’s activities. These taxes are included as a component of other operating expenses.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Property and equipment

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Leasehold improvements	20
Equipment	3-10

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Bank 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 significant post-employment benefits.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Foreign currency translation

The financial statements are presented in Russian Roubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but restating comparative information is not compulsory.

The Bank plans to adopt the new standard by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018 and will not restate comparative information. Currently the Bank is in the process of qualitative estimation of the effect of IFRS 9 application.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are held to collect contractual cash flows are measured at amortised cost;
- Instruments that are held to collect contractual cash flows and for sale are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are held for other reasons will be measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remain largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL.

The Bank does not expect significant changes in measurement and classification of financial assets.

(b) Impairment

IFRS 9 requires the Bank to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Bank plans to adopt the new standard using the modified retrospective method by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018, without restating comparative information.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, interest and fee income integral to financial instruments and leases will fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (IFRS 9 and IFRS 16 *Leases*). As a result, the majority of the Bank's income will not be impacted by the adoption of this standard.

The Bank currently does not expect a material effect from initial application of IFRS 15.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Bank will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Bank will assess the potential effect of IFRS 17 on its financial statements, including treatment of non-financial guarantees issued by the Bank.

(thousands of Russian Roubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Annual improvements 2014-2016 cycle (issued in December 2016)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Since the Bank's current practice is in line with the Interpretation, the Bank does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation also addresses the assumptions an entity makes about the examination of tax treatments by taxation authorities, as well as how it considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply interpretation from its effective date. Since the Bank operates in a complex tax environment, applying the Interpretation may affect its financial statements and the required disclosures. In addition, the Bank may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

4. Significant accounting judgments and estimates

The Bank applies estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated on the basis of management's experience and other factors, including expectations regarding future events that management considers reasonable under the current circumstances. In the process of applying the accounting policies, management use professional judgments and estimates. Professional judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities during the next financial year include:

Going concern

Management prepared these financial statements on a going concern basis. In making this judgment management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Bank.

Impairment losses on loans and advances

The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the Statement of Profit and Loss and Other Comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan portfolio before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As at 31 December 2017 the Bank estimates the quality of loan portfolio as high with no problem-/substandard-/distressed-exposures forced to be restructured caused by the borrower insolvency.

(thousands of Russian Roubles)

4. Significant accounting judgments and estimates (continued)

Derivative financial instruments and certain other instruments

Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 23.

Initial recognition of related party transactions

In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party transactions are disclosed in Note 24.

Revaluation of premises

Fair value of premises is determined with valuation techniques. Valuation is based on the market value. Market value of the Bank's premises is obtained from the report of independent appraiser, who hold a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. Market value was based on the direct comparison of the revalued object with other objects sold or offered for sale. For details please refer to Note 10. If the assessed change in the fair value of the Bank's premises differs by 10%, the fair value change of the Bank's premises would be approximately RUB 100 712 thousand (before deferred tax) as at 31 December 2017 (2016: RUB 100 396 thousand).

Frequency of revaluation of premises

The premises of the Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Bank's management uses judgment for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

Operating lease contract

The Bank has an operating lease contract dated 1992 to lease a building located in St. Petersburg. To classify the lease contract as an operating lease the Bank applied criteria set in IAS 17 *Leases*. Specifically the Bank considers that the lease does not transfer substantially all the risks and rewards incidental to ownership to the Bank and that the fair value of the building at the inception of the lease was significantly more than the present value of the minimum lease payments.

Tax legislation

Tax, currency and custom legislation of the Russian Federation is subject to varying interpretations. Refer to note 16.

5. Cash and cash equivalents

Cash and cash equivalents include:

	2017	2016
Cash on hand	44 714	46 334
Cash balances with the CBR (other than mandatory reserve deposits)	8 166 183	414 172
Overnight placements with the CBR	7 204 253	1 900 934
Correspondent accounts and overnight placements with other banks		
- Russian Federation	14 677	29 929
- Other countries	1 457 235	11 992 015
Settlement accounts with trading systems	833 501	16 853
Placements with other banks with original maturities of less than three months	125	369 421
Total cash and cash equivalents	**17 720 688**	**14 769 658**

Correspondent accounts, overnight placements with other banks and placements with other banks with original maturities of less than three months are placed with large Russian and European banks.

(thousands of Russian Roubles)

5. Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances excluding cash on hand may be summarised based on internal credit ratings as described in Note 22 as follows at 31 December 2017:

	Cash balances with the CBR (other than mandatory reserve deposits)	Overnight placements with CBR	Correspon-dent accounts and overnight placements with other banks	Settlement accounts with trading systems	Placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired						
A+	–	–	1 354 195	–	1	**1 354 196**
A	–	–	8 897	–	–	**8 897**
B+	–	–	94 143	–	–	**94 143**
C	8 166 183	7 204 253	–	–	–	**15 370 436**
C-	–	–	14 677	833 501	124	**848 302**
Total cash and cash equivalents, excluding cash on hand	**8 166 183**	**7 204 253**	**1 471 912**	**833 501**	**125**	**17 675 974**

The credit quality of cash and cash equivalents balances excluding cash on hand may be summarised based on internal credit ratings as described in Note 22 as follows at 31 December 2016:

	Cash balances with the CBR (other than mandatory reserve deposits)	Overnight placements with CBR	Correspon-dent accounts and overnight placements with other banks	Settlement accounts with trading systems	Placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired						
A+	–	–	11 629 576	–	–	**11 629 576**
A	–	–	192 600	–	–	**192 600**
B+	–	–	163 204	–	–	**163 204**
B	–	–	6 673	–	–	**6 673**
C	414 172	1 900 934	–	–	–	**2 315 106**
C-	–	–	29 891	16 853	369 421	**416 165**
Total cash and cash equivalents, excluding cash on hand	**414 172**	**1 900 934**	**12 021 944**	**16 853**	**369 421**	**14 723 324**

(thousands of Russian Roubles)

6. Derivative financial instruments

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The deals are short-term in nature.

		2017		2016	
	Note	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards: fair values, at the reporting date					
- USD receivable on settlement (+)		11 198 258	3 938 068	12 870 970	1 312 441
- USD payable on settlement (-)		(1 720 762)	(10 421 046)	(1 384 242)	(12 868 797)
- Euros receivable on settlement (+)		10 334 409	6 848 276	23 522	12 017 907
- Euros payable on settlement (-)		(6 998 801)	(9 697 663)	(16 442 386)	(23 522)
- RUB receivable on settlement (+)		9 870 303	17 305 555	17 902 759	6 020 001
- RUB payable on settlement (-)		(18 725 734)	(11 990 360)	(6 020 001)	(13 232 510)
- Other receivable on settlement (+)		1 632 505	923 406	–	1 298 545
- Other payable on settlement (-)		(1 707 839)	(842 742)	(1 481 465)	–
Net fair value of foreign exchange forwards		**3 882 339**	**(3 936 506)**	**5 469 157**	**(5 475 935)**
Interest rate swaps: fair values, at the reporting date					
Pay fixed in USD, receive floating in USD		–	(139 936)	6 279	–
Pay floating in RUB, receive fixed in RUB		139 936	–	–	–
Pay fixed in EUR, receive floating in EUR		–	(1 500)	–	(2 829)
Pay fixed in RUB, receive floating in USD		–	–	–	(6 279)
Net fair value of interest rate swaps		**139 936**	**(141 436)**	**6 279**	**(9 108)**
Cross currency interest rate swaps: fair values, at the reporting date					
- Receive fixed in RUB		–	–	–	7 585 877
- Pay fixed in RUB		–	–	(7 585 877)	–
- Receive floating in USD		–	–	15 133 348	–
- Pay floating in USD		–	–	–	(15 133 348)
Net fair value of cross currency interest swaps		–	–	**5 469 157**	**(5 475 935)**
Net fair value of derivatives financial Instruments	23	**4 022 275**	**(4 077 942)**	**13 022 907**	**(13 032 514)**

At 31 December 2017 fair value of derivative financial assets and liabilities was RUB 4 022 275 thousand and RUB 4 077 942 thousand, respectively (2016: 13 022 907 thousand and RUB 13 032 514 thousand, respectively). Refer to Note 23.

(thousands of Russian Roubles)

7. Loans and advances to customers

Loans and advances to customers include:

	2017	2016
Corporate loans	17 818 798	23 420 117
Structured finance loans	2 859 673	4 494 883
Total loans and advances to customers	**20 678 471**	**27 915 000**

Corporate loans represent loans issued to finance borrower's working capital needs and operating expenses. Structured finance loans represent loans issued to finance capital expenditure related to development and new construction and trade finance operations of the borrowers.

As at 31 December 2017, 13,8% were syndicated loans in amount RUB 2 859 673 thousand (2016: 16,1% were syndicated loans in amount RUB 4 494 883 thousand), which were included into structured finance loans.

There were no past due nor impaired loans as at 31 December 2017 or 31 December 2016, the Bank did not create provision for loan impairment at 31 December 2017 and 31 December 2016.

As at 31 December 2017, 99,6% of total loans and advances to customers were collateralized by guarantees received from Credit Agricole Group in the total amount of RUB 20 603 059 thousand (2016: 99,8% or RUB 27 848 136 thousand). Refer to Note 24.

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2017 based on internal credit ratings as described in Note 22 is as follows:

	Corporate loans	Structured finance loans	Total
Current and not impaired			
C	6 851 267	–	**6 851 267**
C-	8 798 987	–	**8 798 987**
C+	2 065 223	–	**2 065 223**
D	47 304	–	**47 304**
D+	56 017	2 859 673	**2 915 690**
Total loans and advances to customers	**17 818 798**	**2 859 673**	**20 678 471**

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2016 based on internal credit ratings as described in Note 22 is as follows:

	Corporate loans	Structured finance loans	Total
Current and not impaired			
C	5 765 939	1 496 137	**7 262 076**
C-	14 795 591	2 998 746	**17 794 337**
C+	2 784 984	–	**2 784 984**
D	52 303	–	**52 303**
D+	21 300	–	**21 300**
Total loans and advances to customers	**23 420 117**	**4 494 883**	**27 915 000**

(thousands of Russian Roubles)

7. Loans and advances to customers (continued)

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
Trade	6 133 496	30%	4 887 380	18%
Financial services and insurance	5 442 088	26%	4 010 914	14%
Manufacturing	4 964 235	24%	13 240 273	47%
Energy, utilities and mining	3 696 226	18%	2 998 746	11%
Rent	437 450	2%	984 724	4%
Construction	–	–	294 626	1%
Chemicals	–	–	1 496 137	5%
Other	4 976	0%	2 200	0%
Total loans and advances to customers	**20 678 471**	**100%**	**27 915 000**	**100%**

At 31 December 2017 the Bank had 8 groups of related borrowers (2016: 13 groups of related borrowers) with the total amount of loans issued to the group of related borrowers more than RUB 600 000 thousand. The aggregate balance of these loans was RUB 18 190 284 thousand (2015: RUB 27 144 748 thousand) or 88,0% of the gross loan portfolio (2016: 97,2%).

Breakdown of loans and advances to customers by type of collateral at 31 December 2017 is as follows:

	Corporate loans	**Structured finance loans**	**Total**
Unsecured loans	72 025	3 387	**75 412**
Loans collateralized by guarantees received from Credit Agricole Group	17 746 773	2 856 286	**20 603 059**
Total loans and advances to customers	**17 818 798**	**2 859 673**	**20 678 471**

Breakdown of loans and advances to customers by type of collateral at 31 December 2016 is as follows:

	Corporate loans	**Structured finance loans**	**Total**
Unsecured loans	64 336	2 528	**66 684**
Loans collateralized by guarantees received from Credit Agricole Group	23 355 781	4 492 355	**27 848 136**
Total loans and advances to customers	**23 420 117**	**4 494 883**	**27 915 000**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralized assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralized assets”).

(thousands of Russian Roubles)

7. Loans and advances to customers (continued)

The effect of collateral at 31 December 2017:

	2017		2015	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Corporate loans	17 746 773	17 746 773	23 355 781	23 355 781
Structured finance loans	2 856 286	2 856 286	4 492 355	4 492 355
Total loans and advances to customers	**20 603 059**	**20 603 059**	**27 848 136**	**27 848 136**

At 31 December 2017 the estimated fair value of loans and advances to customers was RUB 20 678 471 thousand (2016: RUB 27 915 000 thousand). Refer to Note 23. Interest rate and maturity analysis of loans and advances to customers are disclosed in Note 22.

8. Securities available for sale

	2017	**2016**
Federal loan bonds (OFZ bonds)	522 255	2 174 240
Bonds of CBR	2 532 789	–
Total securities available for sale	**3 055 044**	**2 174 240**

OFZ bonds are Russian rouble denominated government securities issued by the Ministry of Finance of the Russian Federation OFZ-26216-PD. As at 31 December 2017 OFZ bonds have maturity dates in April and May 2019, coupon rate of 6,7% and yield to maturity of 6,79%. As at 31 December 2017, OFZ bonds were not rated as per Standard and Poor's credit rating scale.

As at 31 December 2016 OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation OFZ-25080-PD and OFZ-26202-PD. As at 31 December 2016 OFZ bonds have maturity dates in April and June 2017, coupon rates of 7,4% and yield to maturity of 8,39% and 8,17%. As at 31 December 2016, OFZ bonds are rated BBB- as per Standard and Poor's credit rating scale.

Bonds of CBR are the securities (bonds) issued by Bank of Russia placed and circulated among credit institutions. As at 31 December 2017, the Bank of Russia's Debt obligations have maturities of February and June 2018, coupon income of 7,8% and 8,5%, and yield to maturity of 7,75%. As at 31 December 2017, these bonds were not rated on the Standard and Poor's rating scale.

The main factor that the Bank takes into account when considering the impairment of debt securities is their overdue status. As of 31 December 2017 and 31 December 2016 debt securities available-for-sale were not past due and not impaired.

(thousands of Russian Roubles)

8. Securities available for sale (continued)

The movements in investment securities available for sale are as follows:

	Note	2017	2016
Carrying amount at 1 January		**2 174 240**	**1 841 161**
Gains less losses / (losses less gains) arising during the year from revaluation of available for sale securities charged to other comprehensive income		(18 017)	27 561
Interest income accrued		112 305	108 728
Interest income received		(103 537)	(102 243)
Purchases		3 006 820	2 116 767
Disposal		(2 152 399)	(1 827 062)
Gains less losses / (losses less gains) from operations with securities available for sale		35 632	9 328
Carrying amount at 31 December		**3 055 044**	**2 174 240**

To obtain intraday credit and overnight credit in correspondent account in the framework of the General credit agreement for providing Bank of Russia loans secured by pledge (blocking) of securities, OFZ bonds issued by the Ministry of Finance of the Russian Federation 3 017 674 items in amount of RUB 3 055 044 thousand are blocked in “Blocked by CBR” Bank’s depo accounts in NKO ZAO NRD.

At 31 December 2017 fair value of the securities available for sale is RUB 3 055 044 thousand (31 December 2016: RUB 2 174 240 thousand). Refer to Note 23.

At 31 December 2017 and 31 December 2016 the debt securities are not collateralized.

Interest rate and maturity analysis of securities available for sale are disclosed in Note 22.

9. Property and equipment

The movements in property and equipment were as follows:

	Premises	Leasehold improvements	Office and computer equipment	Total
Cost or revalued amount				
31 December 2016	**1 003 960**	**824 631**	**332 912**	**2 161 503**
Additions			11 619	**11 619**
Disposals	–	(64)	(4 129)	**(4 193)**
Charge to profit and loss	3 720	–	–	**3 720**
Revaluation	19 525	–	–	**19 525**
Depreciation write off on revalued premises	(20 079)	–	–	**(20 079)**
31 December 2017	**1 007 126**	**824 567**	**340 402**	**2 172 095**
Accumulated depreciation				
31 December 2016	**–**	**(685 462)**	**(222 007)**	**(907 469)**
Depreciation charge	(20 079)	(15 465)	(42 956)	**(78 500)**
Depreciation on disposed assets	–	–	3 500	**3 500**
Depreciation write off on revalued premises	20 079	–	–	**20 079**
31 December 2017	**–**	**(700 927)**	**(261 463)**	**(962 390)**
Net book value				
31 December 2016	**1 003 960**	**139 169**	**110 905**	**1 254 034**
31 December 2017	**1 007 126**	**123 640**	**78 939**	**1 209 705**

(thousands of Russian Roubles)

9. Property and equipment (continued)

	Premises	Leasehold improvements	Office and computer equipment	Total
Cost or revalued amount				
31 December 2015	**1 036 280**	**824 631**	**332 912**	**2 161 503**
Additions	–	–	18 290	**18 290**
Disposals	–	–	(22 468)	**(22 468)**
Charge to profit and loss	(1 856)	–	–	**(1 856)**
Revaluation	(9 738)	–	–	**(9 738)**
Depreciation write off on revalued premises	(20 726)	–	–	**(20 726)**
31 December 2016	**1 003 960**	**824 631**	**332 912**	**2 161 503**
Accumulated depreciation				
31 December 2015	**–**	**(669 997)**	**(189 320)**	**(859 317)**
Depreciation charge	(20 726)	(15 465)	(49 919)	**(86 110)**
Depreciation on disposed assets	–	–	17 232	**17 232**
Depreciation write off on revalued premises	20 726	–	–	**20 726**
31 December 2016	**–**	**(685 462)**	**(222 007)**	**(907 469)**
Net book value				
31 December 2015	**1 036 280**	**154 634**	**147 770**	**1 338 684**
31 December 2016	**1 003 960**	**133 169**	**110 905**	**1 254 034**

Premises were independently valued at 31 December 2017 and 31 December 2016. The valuation was carried out by an independent firm of valuers Jones Lang LaSalle LLC and CB Richard Ellis, LLC, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value.

Definition of the market value is based on the direct comparison of the revalued object with other objects sold or offered for sale. The market value of premises is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of premises was estimated based on information on sales or offered for sale of the comparable items that took place in the market.

During 2008 investment property in the amount of RUB 234 925 thousand was transferred to owner occupied premises due to intention of the Bank to occupy this property itself and termination of lease agreement. At 31 December 2008, the cumulative decrease of investment property as a result of a revaluation was recognised in profit and loss in amount of RUB 93 221 thousand. The subsequent increase/decrease of the premises prior disclosed as investment property shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recorded in profit or loss.

At 31 December 2017, the carrying amount of premises would have been RUB 127 810 thousand (2016: RUB 132 136 thousand) had the assets been carried at cost less depreciation.

10. Taxation

The corporate income tax expense comprises:

	2017	2016
Current tax charge	107 536	130 709
Deferred tax charge/(credit) – origination and reversal of temporary differences	(1 472)	(11 060)
Income tax expense	**106 064**	**119 649**

(thousands of Russian Roubles)

10. Taxation (continued)

Russian legal entities have to file individual corporate income tax declarations. Standard corporate income tax rate for companies (including banks) comprised 20% for 2017 and 2016. Corporate income tax rate applicable to interest (coupon) income on state and mortgage-backed bonds in 2017 and 2016 was 15% while corporate income tax rate applicable to interest (coupon) income on municipal bonds in 2017 and 2016 was 9%. Dividends are taxed at the standard corporate income tax rate of 9%, which could be reduced to 0% subject to certain criteria.

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

	2017	2016
Profit/(loss) before tax	**345 167**	**365 739**
Statutory tax rate	20%	20%
Theoretical income tax expense/(benefit) at the statutory rate	**69 033**	**73 148**
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	42 646	51 937
- Income on government securities taxed at different rates	(5 615)	(5 436)
Income tax expense	**106 064**	**119 649**

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	1 January 2017	Credited/ (charged) to profit or loss	(Charged)/ credited directly to equity	31 December 2017
Tax effect of deductible/(taxable) temporary differences				
Fixed assets	(228 296)	6 419	(3 905)	(225 782)
Revaluation of derivatives	1 922	9 211	–	11 133
Revaluation of securities available for sale	(6 484)	–	3 604	(2 880)
Accrued staff costs	27 526	(8 468)	–	19 058
Other	14 659	(5 690)	–	8 969
Net deferred tax liability	**(190 673)**	**1 472**	**(301)**	**(189 502)**

	1 January 2016	Credited/ (charged) to profit or loss	(Charged)/ credited directly to equity	31 December 2016
Tax effect of deductible/(taxable) temporary differences				
Fixed assets	(229 887)	(357)	1 948	(228 296)
Revaluation of derivatives	3 715	(1 793)	–	1 922
Revaluation of securities available for sale	(972)	–	(5 512)	(6 484)
Accrued staff costs	20 297	7 229	–	27 526
Other	8 679	5 980	–	14 659
Net deferred tax liability	**(198 168)**	**11 059**	**(3 564)**	**(190 673)**

(thousands of Russian Roubles)

11. Other assets and liabilities

Other assets comprise:

	2017	2016
Prepayments for services	49 055	49 299
Accrued income receivable	17 397	24 718
Taxes other than on income	376	1 359
Other	1 849	2 295
Other assets	**68 677**	**77 671**

Other liabilities comprise:

	2017	2016
Accrued employee benefit costs	182 561	163 202
Accrued IT expenses	52 327	74 534
Taxes other than on income payable	14 709	13 389
Other accrued expenses related to fixed assets	10 284	16 309
Commissions and fee payable	9 976	13 788
Accrued audit and consulting expenses	8 752	5 423
Accrued rent expenses	6 465	5 377
Deferred income on credit related commitments	2 051	3 051
Other	11 831	10 488
Other liabilities	**298 956**	**305 561**

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2017	2016
Term placements of other banks	2 002 149	2 158 629
Correspondent accounts	718 246	6 465 491
Amounts due to credit institutions	**2 720 395**	**8 624 120**

As at 31 December 2017, term borrowings from Credit Agricole CIB Group amounted to RUB 1 901 182 thousand or 95,0% from term placements of other banks (2016: RUB 1 547 524 thousand or 71,7%). The remaining amount of term deposits was attracted from Russian banks.

At 31 December 2017, correspondent accounts with Credit Agricole SA and Credit Agricole CIB amounted to RUB 87 017 thousand or 12,1% and RUB 341 012 thousand or 47,5% and from correspondent accounts (2016: correspondent accounts with Credit Agricole CIB Group and Credit Agricole SA amounted to RUB 80 627 thousand or 1,2% and to RUB 6 384 847 thousand or 98,7%, respectively).

The carrying value of each class of due to other banks approximates fair value at 31 December 2017 and 31 December 2016. At 31 December 2017, the estimated fair value of due to other banks was RUB 2 720 395 thousand (2016: RUB 8 624 120 thousand). Refer to Note 23.

(thousands of Russian Roubles)

13. Amounts due to customers

Customer accounts include:

	2017	2016
- Current/settlement accounts	10 982 462	9 722 824
- Term deposits	17 259 833	15 809 497
- Accounts of individuals	224	236
Total customer accounts	**28 242 519**	**25 532 557**
Held as security against letters of credit	661 383	–

At 31 December 2017, the Bank had 13 groups of related customers (2016: 9 groups of related customers) with balances above RUB 600 000 thousand (2016: above RUB 600 000 thousand). The aggregate balance of these customers was RUB 21 384 790 thousand or 75,7% (2016: RUB 18 795 030 thousand or 73,6%) of total customer accounts.

At 31 December 2017, the estimated fair value of customer accounts was RUB 28 242 519 thousand (2016: RUB 25 532 557 thousand). Refer to Note 23. Interest rate and maturity analysis of customer accounts are disclosed in Note 22.

Economic sector concentrations within customer accounts are as follows:

	2017		2016	
	Amount	%	Amount	%
Manufacturing	13 423 528	48%	7 933 298	31%
Construction	6 795 994	24%	476 457	2%
Trade	4 294 662	15%	9 397 572	37%
Financial services and insurance	1 474 415	5%	1 476 786	6%
Telecommunication and transport	498 444	2%	193 498	1%
Mining	44 043	0%	3 572	0%
Energy and utilities	13 238	0%	4 918 465	19%
Other	1 698 195	6%	1 132 909	4%
Total customer accounts	**28 242 519**	**100%**	**25 532 557**	**100%**

14. Subordinated debt

In November 2004, the Bank attracted a subordinated loan in the amount of USD 14 500 thousand with maturity in December 2012. In October 2007 the amount of loan was increased up to USD 103 500 thousand and this loan was extended till November 2017. In 2013 the loan was prolonged till November 2022. In February 2015 the Appendix to subordinated loan agreement was signed and changes the interest rate on this loan to 6M Libor + 3,9% since 1 December 2014. The loan was prolonged till November 2025.

The lender of this subordinated loan was Credit Agricole CIB Group. As at 31 December 2017, the carrying value of this loan was USD 104 011 thousand, the equivalent of RUB 5 991 070 thousand (2016: the carrying value of this loan was USD 103 977 thousand, the equivalent of RUB 6 306 951 thousand).The interest rate on this loan is 6M Libor + 3,9% (2016: 6M Libor + 3,9%). As at 31 December 2016, the interest rate was 5,08% (2016: 5,19%). The debt ranks after all other creditors in case of liquidation of the Bank.

At 31 December 2017, the estimated fair value of subordinated debt was RUB 5 991 070 thousand (2016: RUB 6 306 951 thousand). Refer to Note 23. Interest rate and maturity analysis of subordinated debt are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

(thousands of Russian Roubles)

15. Equity

In thousands of RUB except for number of shares	**Number of outstanding shares**	**Nominal amount of ordinary shares**	**Inflation adjusted amount of ordinary shares**	**Inflation adjusted amount of share premium**	**Total**
At 1 January 2016	240 250	2 883 000	2 959 679	734 148	**3 693 827**
At 31 December 2016	240 250	2 883 000	2 959 679	734 148	**3 693 827**
At 31 December 2017	240 250	2 883 000	2 959 679	734 148	**3 693 827**

All shares were paid in cash, except for shares issued in May 2001 for the total nominal amount of RUB 220 000 thousand which were paid in accordance with the Russian statutory legislation by means of capitalisation of statutory revaluation of fixed assets. All ordinary shares have a nominal value of RUB 12 thousand per share (2016: RUB 12 thousand per share) and rank equally. Each share carries one vote. During 2017 and 2016 the Bank did not issue shares.

16. Commitments and contingencies

Legal

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

Taxation

Russian tax legislation is subject to varying interpretations and changes, which can occur at short notice and may apply retrospectively. Current trends within the Russian Federation suggest that tax administration is gradually toughening and, thus, the tax authorities may be taking a more assertive position in their interpretation of legislation and conduct of tax audits than before. Moreover, on 19 August 2017, amendments were made to the tax legislation prohibiting taxpayers from reducing the tax base by misrepresenting business facts, including taxable items, or by conducting operations with a primary objective of non-paying or underpaying taxes. As there is no well-established practice for applying the above provisions and due to the latest trends in law enforcement practices, there is an overall uncertainty regarding interpretation by the Russian tax authorities of the Bank’s operations as they may challenge the economic feasibility of certain types of transactions and operations (and, consequently, income received and losses incurred on such transactions), sufficiency of documentation and the existence of a business purpose for these transactions and operations.

The Russian tax legislation effective since 1 January 2015 was extended by inclusion of the “tax resident” conceptions applicable to foreign legal entities and the “beneficial owner”, and deployment of the taxation rules regarding retained earnings of foreign controlled companies in Russian Federation. Enactment of this law represents increase of administrative and tax burdens for Russian taxpayers, with foreign subsidiaries and/or paying-out revenues from Russian Federation based sources in favour of foreign companies. Mentioned changes do not impact Bank’s financial statements as at 31 December 2017.

The Russian transfer pricing legislation effective since 1 January 2012 aligned to a large extent with the international principles developed by the Organization for Economic Cooperation and Development. This legislation allows tax authorities to perform transfer pricing adjustments and accrue additional tax liabilities in respect of controlled transactions (transactions with related parties and specific types of transactions with unrelated parties), provided that the transaction price is not on an arm’s length basis. The management of the Bank implemented internal control procedures to comply with the transfer pricing legislation requirements. In 2017 the Bank has determined tax liabilities resulting from the controlled transactions based on their actual prices related to transfer pricing regulations.

As at 31 December 2017 the management of the Bank considers Bank’s position in respect of tax legislation to be fully in compliance and supportive with interpretation of the law. The management of the Bank believes that all relevant taxes are accrued and paid.

Capital expenditure commitments

At 31 December 2017 and 31 December 2016 the Bank does not have contractual capital commitments.

(thousands of Russian Roubles)

16. Commitments and contingencies (continued)

Operating lease commitments

Operating lease commitments include commitments arising from operating lease of a building in Saint Petersburg (contract matures in 2041) and operating lease of land in Moscow (contract matures in 2046). Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
Operating lease commitment		
Not later than 1 year	29 026	28 457
Later than 1 year and not later than 5 years	127 472	127 000
Later than 5 years	817 466	947 090
Operating lease commitments related to building	**973 964**	**1 102 547**
Not later than 1 year	16 993	15 657
Later than 1 year and not later than 5 years	83 944	77 261
Later than 5 years	1 863 213	1 886 888
Operating lease commitments related to land	**1 964 150**	**1 979 806**
Total operating lease commitments	**2 938 114**	**3 082 353**

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

	2017	2016
Import letters of credit	2 498 911	406 274
Financial guarantees issued	1 974 593	1 937 743
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	647 051	1 222 867
Export letters of credit	14 786	–
Total credit related commitments	**5 135 341**	**3 566 884**

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.
Fair value of guarantees issued was RUB 1 974 593 thousand at 31 December 2017 (2016: RUB 1 937 743 thousand).
Fair value of commitments to extend credit approximates equals their carrying amount.

(thousands of Russian Roubles)

16. Commitments and contingencies (continued)

Credit related commitments (continued)

Credit related commitments are denominated in currencies as follows:

	2017	2016
Euro	3 504 906	2 154 135
US Dollars	920 708	263 990
Russian Roubles	709 727	1 148 759
Total	**5 135 341**	**3 566 884**

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Bank faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Bank uses historical data and have automatic systems of internal control that allow us to monitor timeliness and completeness of execution of such payments, corresponding to the nature and scale of issued guarantees. Claims must be made before the contract matures and most claims are settled within short term. This allows the Bank to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Bank manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Bank has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

The exposure and concentration of performance guarantees expressed at the amounts guaranteed is as follows:

	2017	2016
Customs and Tax guarantees	858 953	1 238 222
First demand performance guarantees	673 336	1 525 309
Total guaranteed amounts	**1 532 289**	**2 763 531**

The Bank did not create provision for performance guarantees at 31 December 2017 and 31 December 2016.

(thousands of Russian Roubles)

17. Interest income and expenses

	2017	2016
Interest income		
Loans and advances to customers	1 627 387	1 725 875
Cash and cash equivalents		
- Placements with other banks	694 686	795 625
- Placements with the Central bank of Russia	63 493	129 976
- Correspondent accounts	15 246	58 099
Securities available for sale	147 883	108 728
Total interest income	**2 548 695**	**2 818 303**
Interest expense		
Current/settlement accounts	316 234	1 190 008
Term placements of other banks	167 865	47 584
Term placements of CB RF	1 569	–
Term deposits of legal entities	1 576 488	1 489 583
Total interest expense	**2 062 156**	**2 727 175**
Net interest income	**486 539**	**91 128**

18. Net fee and commission income

Net fee and commission income comprises:

	2017	2016
Currency control	119 172	129 662
Foreign currency transactions	99 031	58 317
Commission on settlement transactions	73 359	74 526
Commission on trade finance operations	34 333	41 977
Guarantees issued	20 256	35 434
Cash transactions	1 417	1 491
Other	23 567	24 381
Total fee and commission income	**371 135**	**365 788**
Guarantees received	83 786	86 663
Commission on settlement and cash transactions	10 737	10 922
Brokerage services	7 842	12 275
Other	7 181	7 369
Total fee and commission expense	**109 546**	**117 229**
Net fee and commission income	**261 589**	**248 559**

(thousands of Russian Roubles)

19. Foreign exchange translation (losses less gains) / gains less losses

	2017	2016
Translation differences, net	1 324 939	(1 249 378)
Fair value adjustment on derivative financial instruments	47 275	369 847
Total foreign exchange translation (losses less gains) / gains less losses	**1 372 214**	**(879 531)**

20. Administrative and other operating expenses

	2017	2016
Staff costs	704 983	686 522
Services provided by the participants of Credit Agricole CIB Group	142 568	169 500
IT expenses	89 731	87 544
Depreciation of fixed assets	78 500	86 110
Taxes other than on income	46 517	51 412
Other expenses related to fixed assets	42 801	43 061
Operating lease expense for premises and land	36 265	35 848
Travel and entertainment expenses	21 310	31 071
Telecommunication expenses	22 368	19 703
Professional services	29 387	26 409
Office stationary and typographic services	7 424	8 371
Other	41 822	42 346
Total administrative and other operating expenses	**1 263 676**	**1 287 897**

Included in staff costs are contributions to the social security fund, pension fund and obligatory medical insurance in the amount of RUB 102 098 thousand for 2016 (2016: RUB 94 365 thousand).

21. Dividends

	2017		2016	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January				
Dividends declared during the year	264 463	–	906 373	–
Dividends paid during the year	(264 463)	–	(906 373)	–
Dividends payable at 31 December	**–**	**–**	**–**	**–**
Dividends per share declared during the year	**1,10**	**–**	**3,77**	**–**

All dividends are declared and paid in Russian Roubles.

(thousands of Russian Roubles)

22. Financial risk management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. Risk management policy of the Bank is monitored by the Risk Management Department based on the practice of Credit Agricole CIB Group in respect of risk management.

Credit risk

The Bank is exposed to credit risk, which is the risk that one of the parties to a transaction with a financial instrument losses due to non-fulfillment by other party of contractual obligations in accordance with the terms of the contract. Credit risk arises from credit and other operations of the Bank with counterparties, which give rise to financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For credit related commitments, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 26.

Credit operations are governed by a set of policies and procedures to ensure that all aspects of credit risk are adequately covered. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers.

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components:

- The "probability of default" by the client or counterparty on its contractual obligations;
- Current exposures to the counterparty and its likely future development, from which the Bank derives the "exposure at default" and
- The likely recovery ratio on the defaulted obligations (the "loss given default").

The Bank determines the level of credit risk by allocating limits to individual borrowers or groups of borrowers. The Bank uses the internal rating system of Credit Agricole CIB Group as follows:

Investment grade

- "A+" – exceptional quality of the borrower. Superior asset quality. Debtors have exceptional debt capacity and coverage.
- "A" – excellent quality of the borrower. Superior asset quality. Debtors have excellent debt capacity and coverage.
- "B+" – very good quality of the borrower. Very good asset quality and liquidity. Debtors have strong debt capacity, very reputed management.
- "B" – good quality of the borrower. Good asset quality and liquidity. Large debt capacity. Very reputable management. The debtor shows no weaknesses.
- "C+" – fairly good quality of the borrower. Good asset quality and liquidity. Debtors have very good management and moderate indebtedness. The debtor may show one average or weak external or internal factor which does not impair it.
- "C" – acceptable quality of the borrower. Satisfactory asset quality and liquidity. Debtors have moderate indebtedness, good management, average size and position in the industry, not more than two weak factors and which are well compensated by strong sides.
- "C-" – medium quality of the borrower. Satisfactory asset quality and liquidity. Debtors have moderate indebtedness and good management, average size and position in the industry. Contrary to "C", it may have also one weak external or internal factor that makes higher the risk of being downgraded to speculative.

(thousands of Russian Roubles)

22. Financial risk management (continued)

Credit risk (continued)

Non-investment grade

- "D+" – reasonable quality of the borrower. Acceptable asset quality. Debtors have modest debt capacity or highly leveraged and good management. Two weak external or internal factors do not make it eligible to an investment-grade status.
- "D" – mediocre quality of the borrower. Acceptable asset quality, though illiquid. Debtors are highly or fully leveraged. Debtor is not strong enough to sustain major setbacks.
- "D-" – very mediocre quality of the borrower. Concentrated and rather illiquid assets. Debtors are highly or fully leveraged. Debtors are undersized comparing to competitors and not strong enough to sustain major setbacks.
- "E+" – weak watch quality of the borrower. Debtors are highly leveraged. Weak management do not make it an acceptable debtor without specific external support.
- "E" – poor quality of the borrower, debtors are in the watchlist. Illiquid assets. Debtors are fully leveraged but no default reported.
- "E-" – poor quality of the borrower, debtors are in the watchlist. Illiquid assets. Debtors are fully leveraged. Delay in payments incurred or loan covenants were breached.
- "F/Z" – default situation because of an overdue (3 month) or the bank's doubt on the debtor's capacity to pay. "F" grade indicates transfer of borrower to default category. "Z" grade indicates that litigation against borrower was brought to court.

For internal assessment of credit risk, the Bank applies procedures and methodology of Credit Agricole Group, which includes financial analysis, industry analysis, market analysis, management quality analysis, country analysis, etc. Based on the assessment, a rating is assigned to each client. The Bank monitors credit risks on a daily basis and each borrower is reassessed regularly.

For the management of credit risk concentration by industrial and economic sector and by territory, the Bank uses regulations of Credit Agricole Group. Loans issued by the Bank are normally secured by guarantees received from Credit Agricole Group.

Credit risk exposure (counterparty risk) in respect of derivative financial instruments is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making off-balance sheet items as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk

Market risk is the risk that the Bank's financial losses as a result of changes in market value of financial instruments and foreign exchange rates. Limits are set by the Credit Agricole Group in relation to the level of risk taken and compliance with them is monitored on a daily basis. This approach is a standard practice of risk management among market participants, however, it does not prevent losses in case of significant changes in the market.

The Bank applies the "value at risk" ("VAR") method separately for currency and interest rate risks in estimating the market risk of the positions held and the maximum losses expected, based on a number of assumptions concerning various changes in the market conditions. Credit Agricole Group's Global Market Risk Management Department (DRM) sets the limits for acceptable risk for the Bank which are monitored on a daily basis.

The daily market VAR is a 99%-reliable estimate of the potential loss, provided that the current positions do not change over the following business day. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

Since VAR constitutes an integral part of the Bank's market risk controls, VAR limits are established for all trading and portfolio operations. The management assesses the actual risk exposure against the limits on a daily basis. However daily monitoring of VAR limits does not protect the Bank from losses arising from significant market movements. At the local level Capital Markets department of the Bank monitors market risk by determination that VAR and sensitivities are in the limits defined by Credit Agricole Group.

(thousands of Russian Roubles)

22. Financial risk management (continued)

Currency risk

In respect of currency risk, the Bank sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of Russian Roubles	At 31 December 2017 Monetary financial assets	Monetary financial liabilities	Deriva-tives	SPOT	Net position	At 31 December 2016 Monetary financial assets	Monetary financial liabilities	Deriva-tives	SPOT	Net position
Russian Roubles	31 544 042	23 787 111	(3 540 235)	(313 361)	**4 526 215**	23 294 605	23 033 919	4 670 890	(377 271)	**4 554 305**
US Dollars	6 947 193	9 982 272	2 994 518	(40 927)	**366**	8 962 231	9 061 826	(69 629)	171 285	**2 061**
Euros	2 497 838	3 389 469	484 721	(424 090)	**17 180**	12 610 978	8 407 991	(4 427 308)	212 163	**(12 158)**
Other	818 723	(189 003)	5 330	782 215	**242 355**	391 177	(21 821)	(183 561)	(9 541)	**219 896**
Total	**41 807 796**	**36 969 849**	**(55 666)**	**3 837**	**4 786 116**	**45 258 991**	**40 481 915**	**(9 608)**	**(3 364)**	**4 764 104**

Derivatives and spot deals in each column represent the gross settlements at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty.

The amounts by currency of derivatives are presented gross as stated in Note 27. The net total represents fair value of the currency derivatives.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. The Bank performs currency risk sensitivity analysis on the basis of its forecast of possible changes in exchange rates:

In thousands of Russian Roubles	Impact on profit or loss At 31 December 2017	At 31 December 2016
US Dollar strengthening by 20% (2016: 20%)	73	412
US Dollar weakening by 20% (2016: 20%)	(73)	(412)
Euro strengthening by 20% (2016: 20%)	3 436	(2 432)
Euro weakening by 20% (2016: 20%)	(3 436)	2 432

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk

The Bank assumes interest rate risk, representing the risk of financial losses (damages) as a result of adverse changes in interest rates on the Bank's operations caused, in particular, the mismatch of maturity of assets and liabilities as well as the types of interest rates on active and passive transactions and financial instruments. Monitoring of positions on is performed on a daily basis by setting the limits. The table below summarises the interest rate risk of the Bank. It also shows the total amounts of financial assets and liabilities at carrying amount by dates of revision of interest rates in accordance with contracts or maturity periods, whichever of these dates is earlier.

(thousands of Russian Roubles)

22. Financial risk management (continued)

Interest rate risk (continued)

The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2017					
Total financial assets	29 701 285	8 148 463	3 943 378	4 039 516	**45 832 642**
Total financial liabilities	35 056 726		5 991 070	–	**41 047 796**
Net interest sensitivity gap at 31 December 2017	**(5 355 441)**	**8 148 463**	**(2 047 692)**	**4 039 516**	**4 784 846**
31 December 2016					
Total financial assets	41 629 415	8 546 461	1 215 583	6 891 555	**58 283 014**
Total financial liabilities	46 904 479	–	6 612 059	2 372	**53 518 910**
Net interest sensitivity gap at 31 December 2016	**(5 275 064)**	**8 546 461**	**(5 396 476)**	**6 889 183**	**4 764 104**

The table below summarises the Bank's exposure to interest risk at the end of the each reporting period:

	At 31 December 2017			At 31 December 2016		
In thousands of Russian Roubles	Net position	Reasonable shift	Impact on statement of comprehen-sive income	Net position	Reasonable shift	Impact on statement of comprehen-sive income
Balance sheet						
On demand and less than 1 month	(5 355 441)	4,0%	(196 366)	(5 275 065)	4,0%	(193 419)
From 1 to 6 months	(8 148 463)	4,0%	244 454	8 546 461	4,0%	256 394
From 6 to 12 months	(2 047 692)	4,0%	(20 477)	(5 396 476)	4,0%	(53 965)
More than 1 year	4 039 516	4,0%	13 465	6 889 183	4,0%	22 964
Total	**4 784 846**	**–**	**41 076**	**4 764 103**	**–**	**31 974**

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	2017			2016		
In % p.a.	RUB	USD	Euro	RUB	USD	Euro
Assets						
Cash and cash equivalents	8,54	0,67	–	9,88	0,13	–
Due from other banks	8,44	1,16	0,02	10,42	0,56	0,05
Loans and advances to customers	9,88	4,20	2,10	11,62	3,85	2,24
Securities available for sale	5,81	–	–	9,06	–	–
Liabilities						
Due to other banks	8,72	1,08	0,05	9,66	0,66	0,05
Customer accounts						
- current and settlement accounts	3,38	0,14		7,59	0,01	–
- term deposits	7,77	0,14	–	8,72	0,01	–
Subordinated debt	–	5,27	–	–	4,70	–

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

(thousands of Russian Roubles)

22. Financial risk management (continued)

Liquidity risk

Liquidity risk is a risk of not getting in a defined time the resources necessary for the implementation of the Bank liabilities is the payment deadline. The liquidity risk may be viewed as one of the following occurrence:

- The involvement of the expensive resources necessary for the Bank activity;
- The reducing of the volume of active operations, in order to bring them in line with the actually available funding;
- A combination of above mentioned options.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. The Bank was in compliance with normative value of liquidity ratios at 31 December 2016 and 31 December 2015.

The Treasury Department of the Bank receives information about the liquidity profile of the financial assets and liabilities and then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities and deposits with banks, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Credit Agricole CIB Group's Risk Management Department.

The table below shows liabilities at 31 December 2016 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including contractual amounts to be paid on gross settled currency derivatives and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the each reporting period.

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
Liabilities						
Due to other banks	2 721 750	–	376	138	–	**2 722 264**
Customer accounts – individuals	224	–	–	–	–	**224**
Customer accounts – corporate entities	28 278 345	–	–	–	–	**28 278 345**
Gross settled derivatives						
- Payables	*40 488 850*	*28 188 947*	*5 970 233*	*64 572 766*	–	***139 220 796***
- Receivables	*(40 257 214)*	*(26 928 856)*	*(5 970 233)*	*(64 572 766)*	–	***(137 729 069)***
Other financial liabilities	13 849	295	784	942	–	**15 870**
Subordinated debt	157 947	–	–	1 254 134	7 189 144	**8 601 225**
Total future payments on financial liabilities	**31 403 751**	**1 260 386**	**1 160**	**1 255 214**	**7 189 144**	**41 109 655**
Off-balance sheet and contingent liabilities						
Credit related commitments	368 160	2 958 485	1 808 696	–	–	**5 135 341**
Total potential future payments for financial obligations	**368 160**	**2 958 485**	**1 808 696**	**–**	**–**	**5 135 341**

(thousands of Russian Roubles)

22. Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Liabilities						
Due to other banks	8 291 323	–	336 101	51	–	**8 627 475**
Customer accounts – individuals	236	–	–	–	–	**236**
Customer accounts – corporate entities	25 572 277	17	–	–	–	**25 572 294**
Gross settled derivatives						
- *Payables*	16 634 929	23 607 478	56 436 480	25 985 590	–	**122 664 477**
- *Receivables*	(16 637 115)	(23 606 610)	(56 435 491)	(25 984 468)	–	**(122 663 684)**
Other financial liabilities	20 335	586	1 262	1 165	–	**23 348**
Subordinated debt	–	174 882	148 339	1 177 843	7 430 841	**8 931 905**
Total future payments on financial liabilities	**33 881 985**	**176 353**	**486 691**	**1 180 181**	**7 430 841**	**43 156 051**
Off-balance sheet and contingent liabilities						
Credit related commitments	203 197	2 877 156	486 531	–	–	**3 566 884**
Total potential future payments for financial obligations	**203 197**	**2 877 156**	**486 531**	**–**	**–**	**3 566 884**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors contractual maturities, which may be summarised as follows at 31 December 2017.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	17 720 688	–	–	–	–	–	**17 720 688**
Mandatory cash balances with the Central Bank of the Russian Federation	336 918	–	–	–	–	–	**336 918**
Due from other banks	–	–	–	–	–	–	**–**
Loans and advances to customers	9 774 498	4 652 299	1 177 470	81 230	4 992 974	–	**20 678 471**
Securities available for sale	1 320 033	1 212 756	–	522 255	–	–	**3 055 044**
Derivative financial instruments	3 652 001	186 133	20 609	18 757	144 775	–	**4 022 275**
Other financial assets	18 733	476	37	–	–	–	**19 246**
Total financial assets	**32 822 871**	**6 051 664**	**1 198 116**	**622 242**	**5 137 749**	**–**	**45 832 642**
Liabilities							
Due to other banks	2 720 395	–	–	–	–	–	**2 720 395**
Customer accounts	28 242 519	–	–	–	–	–	**28 242 519**
Derivative financial instruments	3 646 204	246 831	21 024	18 757	145 126	–	**4 077 942**
Other financial liabilities	13 849	295	784	902	40	–	**15 870**
Subordinated debt	–	–		–	–	5 991 070	**5 991 070**
Total financial liabilities	**34 622 967**	**247 126**	**21 808**	**19 659**	**145 166**	**–**	**41 047 796**
Net liquidity gap	**(1 800 096)**	**5 804 538**	**1 176 308**	**602 583**	**4 992 583**	**(5 991 070)**	**4 784 846**
Cumulative liquidity gap	**(1 800 096)**	**4 004 442**	**5 180 750**	**5 783 333**	**10 775 916**	**4 784 846**	

(thousands of Russian Roubles)

22. Financial risk management (continued)

Liquidity risk (continued)

As at 31 December 2017 and 31 December 2016 securities available for sale were represented by securities that are included in Lombard list of CBR. Refer to Note 9.

The liquidity position of the Bank at 31 December 2016 is set out below:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	14 769 658	–	–	–	–	–	**14 768 658**
Mandatory cash balances with the Central Bank of the Russian Federation	374 196	–	–	–	–	–	**374 196**
Due from other banks	–	–	–	–	–	–	**–**
Loans and advances to customers	15 014 495	3 881 739	584 807	3 258 626	5 175 333	–	**27 915 000**
Securities available for sale	–	2 174 240	–	–	–	–	**2 174 240**
Derivative financial instruments	310 715	499 388	7 724 430	4 482 095	6 279	–	**13 022 907**
Other financial assets	26 458	469	81	5	–	–	**27 013**
Total financial assets	**30 495 522**	**6 555 836**	**8 309 318**	**7 740 726**	**5 181 612**	**–**	**58 283 014**
Liabilities							
Due to other banks	8 289 803	–	334 318	–	–	–	**8 624 121**
Customer accounts	25 532 557	–	–	–	–	–	**25 532 557**
Derivative financial instruments	321 022	495 859	7 724 887	4 484 467	6 279	–	**13 032 514**
Other financial liabilities	19 754	586	1 262	548	617	–	**22 767**
Subordinated debt	–	–	–	–	–	6 306 951	**6 306 951**
Total financial liabilities	**34 163 136**	**496 445**	**8 060 467**	**4 485 015**	**6 896**	**6 306 951**	**53 518 910**
Net liquidity gap	**(3 667 614)**	**6 059 391**	**248 851**	**3 255 711**	**5 174 716**	**(6 306 951)**	**4 764 104**
Cumulative liquidity gap	**(3 667 614)**	**2 391 777**	**(2 640 628)**	**5 896 339**	**11 071 055**	**4 764 104**	

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank 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, since many of these commitments will expire or terminate without being funded.

23. Fair value measurements

The results of the fair value measurement are analyzed and classified according to the levels of the fair value hierarchy as follows: (i) Level 1 financial instruments − those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities, (ii) Level 2 financial instruments − those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data (e.g. prices), (iii) Level 3 financial instruments − those that include unobservable input. To classify financial instruments by categories of the fair value hierarchy, management uses professional judgments. If observable inputs that require significant adjustments are used to fair value measurement, this measurement is classified to Level 3. The significance of the inputs used is assessed for all of the fair value measurement.

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(thousands of Russian Roubles)

23. Fair value measurements (continued)

(a) Recurring fair value measurements

Multiple fair value measurements are estimates required or permitted by other IFRS in the statement of financial position at the end of each reporting period. The table below shows the levels of hierarchy in the fair value, which includes multiple estimates the fair value:

	31 December 2017				31 December 2016			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets								
Securities available for sale								
Federal loan bonds (OFZ bonds)	522 255	–	–	**522 255**	2 174 240	–	–	**2 174 240**
Municipal bonds	2 532 789	–	–	**2 532 789**	–	–	–	**–**
Derivative financial instruments								
Foreign exchange forwards and swaps	–	3 882 339	–	**3 882 339**		5 469 157	–	**5 469 157**
Interest rate swaps	–	139 936	–	**139 936**	–	6 279	–	**6 279**
Cross currency interest rate swaps	–	–	–	**–**	–	7 547 471	–	**7 547 471**
Non-financial assets					–			
Premises	–	–	1 007 126	**1 007 126**	–	–	1 003 960	**1 003 960**
Total assets recurring fair value measurements	**3 055 044**	**4 022 275**	**1 007 126**	**8 084 445**	**2 174 240**	**13 022 907**	**1 003 960**	**16 201 107**

	31 December 2017				31 December 2016			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value								
Financial liabilities								
Derivative financial instruments								
Foreign exchange forwards and swaps	–	(3 936 506)	–	**(3 936 506)**	–	(5 475 935)	–	**(5 475 935)**
Interest rate swaps	–	(141 436)	–	**(141 436)**	–	(9 108)	–	**(9 108)**
Cross currency interest rate swaps	–	–	–	**–**	–	(7 547 471)	–	**(7 547 471)**
Total liabilities recurring fair value measurements	**–**	**(4 077 942)**	**–**	**(4 077 942)**	**–**	**(13 032 514)**	**–**	**(13 032 514)**

The table below sets out the valuation techniques and inputs used in the fair value measurement for the Level 2 estimates as of 31 December 2017:

	Fair value			
In thousands of Russian Roubles	31 December 2017	31 December 2016	Valuation technique	Inputs used
Assets at fair value financial assets				
Derivative financial instruments				
Foreign exchange forwards and swaps	3 882 339	5 469 157	Discounted cash flows	Basis curves
Interest rate swaps	139 936	6 279	Discounted cash flows	LIBOR curves
Cross currency interest rate swaps	–	7 547 471	Discounted cash flows	BOR curves + Basis curves
Total recurring fair value measurements at Level 2	**4 022 275**	**13 022 907**		
Liabilities carried at fair value				
Financial liabilities				
Derivative financial instruments				
Foreign exchange forwards and swaps	3 936 506	5 475 935	Discounted cash flows	Basis curves
Interest rate swaps	141 436	9 108	Discounted cash flows	LIBOR curves
Cross currency interest rate swaps	–	7 547 471	Discounted cash flows	BOR curves + Basis curves
Total recurring fair value measurements at Level 2	**4 077 942**	**13 032 514**		

The valuation technique employed by the Bank for derivative deals assumes applying discounted cash flows. Discounting of future cash flow at present value is built using independent mid quote prices (broker sources such as ICAP). BOR (interbank offered rate) curves are mainly built using BOR fixing rate and/or Money Market rates for short end, Futures prices for mid-term end, BOR swap rates for long tenor. BASIS curves which are used to discount cash flow of cross currency products are built with a dedicated pricer using independent market data such as reference curve (e.g. LIBOR USD 3M), Overnight Index Rate curve, Spot Rate, Pips.

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2017 (2016: none).

(thousands of Russian Roubles)

23. Fair value measurements (continued)

(a) Recurring fair value measurements (continued)

Premises of the Bank were independently revalued at 31 December 2017. Definition of the market value is based on the sales comparison approach. Using this approach, the subject property is compared to those deemed similar or comparable. Taking into account certain adjustments, which reflect specific advantages and disadvantages over comparable properties, the market value of the subject property can be determined.

To reflect the differences between the subject property and each comparable property, adjustments have been made to the comparable sales data. The following elements of comparison identify specific characteristics of properties considered and the associated price variations:

- -15% – adjustment to the asking price allowing for negotiations;
- 0% to 5% – adjustment for differences in location;
- -8% to -3% – adjustment for the size of the premises;
- -5% to 0% – adjustment for age/date of refurbishment;
- 3% – adjustment for the physical condition, internal lay-out, engineering systems and inclusion of vault;
- -5 to 10% – adjustments for the parking ratio.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2017 (2016: none).

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2017 is as follows:

	Premises	
In thousands of Russian Roubles	**2017**	**2016**
Fair value at 1 January	**1 003 960**	**1 036 280**
Gains or losses recognised in profit or loss for the year	(16 359)	(22 582)
Gains or losses recognised in other comprehensive income	19 525	(9 738)
Fair value at 31 December	**1 007 126**	**1 003 960**

The premises of the Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Bank's management uses judgment for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

(thousands of Russian Roubles)

23. Fair value measurements (continued)

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

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

	31 December 2017				31 December 2016			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial assets								
Cash and cash equivalents	**44 714**	**17 675 974**	**–**	**17 720 688**	**46 334**	**14 723 324**	**–**	**14 769 658**
- Cash on hand	44 714	–	–	44 714	46 334	–	–	46 334
- Cash balances with the CBR	–	8 166 183	–	8 166 183	–	414 172	–	414 172
- Overnight placements with CBR	–	7 204 253	–	7 204 253	–	1 900 934	–	1 900 934
- Correspondent accounts and overnight placements	–	1 471 912	–	1 471 912	–	12 021 944	–	12 021 944
- Settlement accounts with trading systems	–	833 501	–	833 501	–	16 853	–	16 853
- Placements with other banks with original maturities of less than three months	–	125	–	125	–	369 421	–	369 421
Mandatory cash balances with the Central Bank of the Russian Federation	**–**	**336 918**	**–**	**336 918**	**–**	**374 196**	**–**	**374 196**
Loans and advances to customers	**–**	**–**	**20 678 471**	**20 678 471**	**–**	**–**	**27 915 000**	**27 915 000**
- Corporate loans	–	–	17 818 798	17 818 798	–	–	23 420 117	23 420 117
- Structured finance loans	–	–	2 859 673	2 859 673	–	–	4 494 883	4 494 883
Other financial assets	**–**	**–**	**19 246**	**19 246**	**–**	**–**	**27 013**	**27 013**
- Accrued income receivable	–	–	17 397	17 397	–	–	24 718	24 718
- Other	–	–	1 849	1 849	–	–	2 295	2 295
Total	**44 714**	**18 012 892**	**20 697 717**	**38 755 323**	**46 334**	**15 097 520**	**27 942 013**	**43 085 867**

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

	31 December 2017				31 December 2016			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial liabilities								
Due to other banks	**–**	**–**	**2 720 395**	**2 720 395**	–	–	**8 624 120**	**8 624 120**
- Term placements of other banks	–	–	2 002 149	2 002 149	–	–	2 158 629	2 158 629
- Correspondent accounts	–	–	718 246	718 246	–	–	6 465 491	6 465 491
Customer accounts	**–**	**–**	**28 242 519**	**28 242 519**	–	–	**25 532 557**	**25 532 557**
- Current/settlement accounts of legal entities	–	–	13 947 938	13 947 938	–	–	9 722 824	9 722 824
- Term deposits of legal entities	–	–	14 294 357	14 294 357	–	–	15 809 497	15 809 497
- Current/settlement accounts of Individuals	–	–	224	224	–	–	236	236
Other financial liabilities	**–**	**–**	**15 870**	**15 870**	–	–	**22 766**	**22 766**
- Accrued expenses	–	–	9 976	9 976	–	–	13 788	13 788
- Deferred income on credit related commitments	–	–	2 051	2 051	–	–	3 051	3 051
- Other	–	–	3 843	3 843	–	–	5 527	5 927
Subordinated debt	**–**	**5 991 070**	**–**	**5 991 070**	–	**6 306 951**	**–**	**6 306 951**
Total	**–**	**5 991 070**	**30 978 784**	**36 969 854**	**–**	**6 306 951**	**34 179 443**	**40 486 394**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

(thousands of Russian Roubles)

23. Fair value measurements (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

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

For assets, the Bank used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Bank's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank.

The fair value of these liabilities reflects these credit enhancements.

24. Related party disclosures

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties include other companies of Credit Agricole Group.

At 31 December 2017, the outstanding balances with related parties were as follows:

	2017	
	Shareholders	**Other related parties**
Cash and cash equivalents		
- Correspondent accounts and overnight placements (0,0%)	–	1 354 195
- Placements with other banks with original maturities of less than three months (0,1%)	–	1
Derivative financial instruments (assets)	214 223	8 902
Other assets		
- Accrued income receivable	14 069	2 777
Due to other banks (0,0-5,0%)	2 242 194	377 386
Derivative financial instruments (liabilities)	3 735 658	–
Subordinated debt (4,55%)	5 991 070	–
Other liabilities		
- Accrued fees	9 976	–
- Deferred income on credit related commitments	51	146
- Accrued IT expenses	29 859	9 510

At 31 December 2016, the outstanding balances with related parties were as follows:

	2016	
	Shareholders	**Other related parties**
Cash and cash equivalents		
- Correspondent accounts and overnight placements (0,0%)	39 214	11 590 325
- Placements with other banks with original maturities of less than three months (0,1%)	22	15
Derivative financial instruments (assets)	97 739	–
Other assets		
- Accrued income receivable	21 168	2 997
Due to other banks (1,5-11,75%)	1 547 507	6 465 494
Derivative financial instruments (liabilities)	12 924 472	–
Subordinated debt (5,27%)	6 306 951	–
Other liabilities		
- Accrued fees	13 741	47
- Deferred income on credit related commitments	10	198
- Accrued IT expenses	54 308	7 236

(thousands of Russian Roubles)

24. Related party disclosures (contiuned)

Aggregate amounts lent to/borrowed from and repaid by/to related parties during 2017 were:

	Shareholders	Other related parties
Amounts lent to related parties during the period	912 398 993	493 549 244
Amounts repaid by related parties during the period	912 438 207	493 580 718
Amounts borrowed from related parties during the period	104 402 617	14 885 908
Amounts repaid to related parties during the period	104 100 929	20 984 018

Aggregate amounts lent to/borrowed from and repaid by/to related parties during 2016 were:

	Shareholders	Other related parties
Amounts lent to related parties during the period	2 193 312 770	868 907 710
Amounts repaid by related parties during the period	2 201 915 830	868 874 791
Amounts borrowed from related parties during the period	93 656 847	9 339 619
Amounts repaid to related parties during the period	94 004 321	2 958 509

The income and expense items with related parties for the year 2017 and 2016 were as follows:

	2017		2016	
	Shareholders	Other related parties	Shareholders	Other related parties
Interest income	78 519	50 940	54 196	78 190
Interest expense	340 288	20 007	353 701	5 372
Fee and commission income	139 623	14 076	28 157	24 683
Fee and commission expense	83 784	3 433	86 610	3 531
Gains less losses / (losses less gains) from trading in foreign currencies	–	–	(2 734 103)	123 817
Foreign exchange translation (losses less gains) / gains less losses	9 054 563	8 907	2 419 662	818
(Losses less gains) / gains less losses from operations with interest rate derivatives	84 823	–	3 815 288	–
Other operating income	9 727	2 698	11 327	2 908
Administrative and other operating expenses	157 604	7 078	169 140	14 444

At 31 December 2017 and at 31 December 2016, other rights and obligations with related parties were as follows:

	2017		2016	
	Shareholders	Other related parties	Shareholders	Other related parties
Guarantees received by the Bank at the year end	303 657 380	8 260 611	293 345 631	20 673 826
Guarantees issued by the Bank at the year end	228 493	331 877	246 584	743 139

Key management compensation is presented below:

	2017		2017	
	Expense	Accrued liability	Expense	Accrued liability
Salaries and short-term bonuses	189 519	44 443	173 386	27 653
Total	**189 519**	**44 443**	**173 386**	**27 653**

(thousands of Russian Roubles)

24. Related party disclosures (contiuned)

At 31 December 2017 contributions to the social security fund, pension fund and obligatory medical insurance fund from salaries and short-term bonuses equal to RUB 8 296 thousand (2016: RUB 9 191 thousand).

Short-term bonuses are to be paid in full within twelve months after the end of the period in which management rendered correspondent services.

25. Adequacy of capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Bank's ability to continue as a going concern. The amount of regulatory capital that the Bank managed as of 31 December 2017 was RUB 11 743 534 thousand (2016: RUB 12 107 643 thousand). Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored daily with reports outlining their calculation reviewed and signed by the Bank's President and Chief Accountant.

Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets N1.0 ("statutory capital ratio") above a prescribed minimum level. The level of capital adequacy ratio as at 31 December 2017 and 2016 are presented in the table below:

	2017	**2016**
Capital adequacy ratio (N1.0)	51,6	42,8
Minimum acceptable level (N1.0)	min 8,0%	min 8,0%

Regulatory capital is based on the Bank's reports prepared under the requirements of the Russian legislation and comprises:

	2017	**2016**
Base capital	4 358 338	4 362 497
Additional capital	7 385 196	7 745 146
Total regulatory capital	**11 743 534**	**12 107 643**

26. Events after the reporting period

There is nothing to disclose.