Independent auditor's report
on the annual financial statements of
JSC RN Bank
for 2016

March 2017

Translation of the original Russian version

Independent auditor's report
on the annual financial statements of
Joint Stock Company RN Bank

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Independent auditor's report

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To the Shareholder and Board of Directors of
Joint Stock Company RN Bank

Report on the annual financial statements

We have audited the accompanying annual financial statements of Joint Stock Company RN Bank (the Bank), which comprise the balance sheet (published form) as at 1 January 2017, statement of income (published form) for 2016 and appendices to the balance sheet and statement of income including report on capital adequacy to cover the risks, amount of reserves for possible losses on loans and other assets (published form) as of 1 January 2017, information on mandatory ratios, financial leverage indicator of short-term liquidity and ratios (published form) as of 1 January 2017, statement of cash flows (published form) as of 1 January 2017 and explanatory notes.

Audited entity's responsibility for the annual financial statements

The management of the Bank is responsible for the preparation and fair presentation of these annual financial statements in accordance with rules on the preparation of annual financial statements established in the Russian Federation and for the internal control system relevant to the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these annual financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. Audit procedures selection depends on the auditor's judgment based on the assessment of the risks of material misstatements of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Joint Stock Company RN Bank as at 1 January 2017, its financial performance and its cash flows for 2016 in accordance with rules on the preparation of financial statements established in the Russian Federation.

Other matters

The accompanying annual financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying annual financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Russian Federation.

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

Management of the Bank is responsible for the compliance of the Bank with the mandatory prudential ratios (hereinafter, the "obligatory 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.

In accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activity* of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the Bank's annual financial statements for 2016, we determined:

1) Whether the Bank complied as at 1 January 2017 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.

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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 2017 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 annual 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 2016 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 2016 that establish the methodologies for detecting and managing credit, market, operational and liquidity 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 2016, the Bank had a reporting system pertaining to credit, market, operational and liquidity 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 2016 with regard to the management of credit, market, operational and liquidity 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.

- We found that, as at 31 December 2016, 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 2016, 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.

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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.

O.V. YOUSHENKOV
Partner
Ernst & Young LLC

29 March 2017

Details of the audited entity

Name: Joint Stock Company RN Bank
Record made in the State Register of Legal Entities on 6 November 2002, State Registration Number 1025500003737.
Address: Russia, 109028, Moscow, Serebryanicheskaya naberezhnaya, 29.

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 naberezhnaya, 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.

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	Registration number (/index
45286	09808583	1025500003737

BALANCE SHEET
(published form)
as of 1 January 2017

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409806
Quarterly (Annual)
(kRUR)

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
	I. ASSETS			
1	Cash	5.1	10	10
2	Amounts due to credit institutions from the Central Bank of the Russian Federation	5.1	444,244	203,563
2.1	Obligatory reserves	5.1	29,397	11,646
3	Amounts due from credit institutions	5.1	137,838	53,041
4	Financial assets at fair value through profit or loss	5.2	136,743	2,881,955
5	Net loans receivable	5.3	59,007,852	48,553,613
6	Net investments in securities and other financial assets available for sale	5.4	202,703	200,321
6.1	Investments in subsidiaries and associates		0	0
7	Net investments in securities held to maturity		0	0
8	Current income tax asset		120,225	32,487
9	Deferred tax asset		313,472	166,048
10	Fixed assets, intangible assets and inventories	5.5	437,536	527,009
11	Non-current assets held for sale		0	0
12	Other assets	5.6	585,285	710,950
13	Total assets		61,385,908	53,328,997
	II. LIABILITIES			
14	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	5.7	0	2,000,000
15	Amounts due to credit institutions	5.8	26,905,331	26,495,636
16	Amounts due to customers other than credit institutions	5.9	12,926,815	13,479,245
16.1	Deposits of (amounts due to) individuals, including individual entrepreneurs	5.9	1,393,541	1,040,267
17	Financial liabilities at fair value through profit or loss	5.2	3,097,474	0
18	Debt obligations issued		5,000,000	0
19	Current income tax liability		0	0
20	Deferred tax liability		0	0
21	Other liabilities	5.11	2,438,716	1,753,606
22	Provisions for potential losses on credit-related contingent liabilities, other potential losses and transactions with offshore residents		0	0
23	Total liabilities		50,368,336	43,728,487
	III. EQUITY			
24	Shareholders' (participants') equity	5.12	3,269,000	3,269,000
25	Treasury shares		0	0
26	Share premium	5.12	5,580,800	5,580,800
27	Reserve fund	5.12	67,190	11,006
28	Fair value re-measurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)		546	173
29	Revaluation of fixed assets and intangible assets decreased by deferred tax liability		0	0
30	Revaluation of liabilities (claims) for the payment of long-term benefits		0	0
31	Revaluation of hedging instruments		0	0
32	Funds in the form of debt-free financing (contributions to assets)		0	0
33	Retained earnings (uncovered losses) of prior years		292,157	-384,144
34	Unutilized profit (loss) for the reporting period		1,807,879	1,123,675
35	Total equity		11,017,572	9,600,510
	IV. OFF-BALANCE SHEET LIABILITIES			
36	Irrevocable liabilities of the credit institution	5.13	28,917,508	21,485,693
37	Guarantees and sureties issued by the credit institution		0	0
38	Non-credit related contingent liabilities		0	0

Chairman of the Management Board **Bruno Kintzinger**

Chief Accountant **Daria A. Lvova**
Stamp

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

29 March 2017

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
45286	09808583	1025500003737

STATEMENT OF INCOME
(published form)
as of 31 December 2016

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409807
Quarterly (Annual)
kRUR

Section 1. Profit or loss

(kRUR)

No.	Item	Explanatory note	For the reporting period	For the corresponding period of the prior year
1	2	3	4	5
1	Total interest income, including from:	6.1	8,862,586	6,186,673
1.1	Deposits placed with credit institutions		667,590	470,147
1.2	Loans issued to customers other than credit institutions		8,175,463	5,707,967
1.3	Finance lease services		0	0
1.4	Investments in securities		19,533	8,559
2	Total interest expense, including:	6.1	3,115,773	2,230,696
2.1	Funds raised from credit institutions		2,438,445	2,030,782
2.2	Funds raised from customers other than credit institutions		422,328	199,914
2.3	Debt obligations issued		255,000	0
3	Net interest income (negative interest margin)	6.1	5,746,813	3,955,977
4	Total change in provision for potential losses on loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, including:	6.7	-840,849	-885,040
4.1	Change in provision for potential losses on accrued interest income		-53,791	-6,515
5	Net interest income (negative interest margin) after provision for potential losses		4,905,964	3,070,937
6	Net gains from financial assets at fair value through profit or loss	6.3	-6,625,822	3,761,470
7	Net gains from financial liabilities at fair value through profit or loss		0	0
8	Net gains from securities available for sale		-29	-60
9	Net gains from securities held to maturity		0	0
10	Net gains from dealing in foreign currencies	6.5	-261,092	-545,337
11	Net gains from foreign currency translation	6.6	4,247,931	-5,135,162
12	Net gains from transactions with precious metals		0	0
13	Income from interests in other legal entities		0	0
14	Fee and commission income	6.2	2,151,137	1,799,882
15	Fee and commission expense	6.2	128,150	134,645
16	Change in provision for potential losses on securities available for sale		0	0
17	Change in provision for potential losses on securities held to maturity		0	0
18	Change in provision for other losses		-134,789	0
19	Other operating income	6.8	96,922	28,476
20	Net income (expense)		4,252,072	2,845,561
21	Operating expenses	6.9	1,801,306	1,387,815
22	Profit (loss) before tax		2,450,766	1,457,746
23	Tax benefit (expense)	6.10	642,887	334,071
24	Profit (loss) from continuing operations		1,807,879	1,123,675
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period		1,807,879	1,123,675

Section 2. Comprehensive income

(kRUR)

No.	Item	Explanatory note	For the reporting period	For the corresponding period of the prior year
1	2	3	4	5
1	Profit (loss) for the reporting period		1,807,879	1,123,675
2	Other comprehensive income (loss)		X	X
3	Total for items not to be reclassified to profit or loss, including:		0	0
3.1	Change in revaluation reserve for fixed assets		0	0
3.2	Change in revaluation reserve for liabilities (claims) under defined benefit pension plans		0	0
4	Income tax relating to items not to be reclassified to profit or loss		0	0
5	Other comprehensive income (loss) not to be reclassified to profit or loss, less income tax		0	0
6	Total for items to be reclassified to profit or loss, including:	6.11	467	217
6.1	Change in revaluation reserve for financial assets available for sale	6.11	467	217
6.2	Change in cash flow hedge reserve		0	0
7	Income tax relating to items to be reclassified to profit or loss		0	0
8	Other comprehensive income (loss) to be reclassified to profit or loss, less income tax	6.11	467	217
9	Other comprehensive income (loss) less income tax	6.11	467	217
10	Financial result for the reporting period		1,808,346	1,123,892

Chairman of the Management Board **Bruno Kintzinger**

Chief Accountant **Daria A. Lvova**

Stamp

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» · РОССИЯ Г.МОСКВА · ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018

29 March 2017

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/sequential number)
45286	09808583	1025500003737

STATEMENT OF CAPITAL ADEQUACY TO COVER RISKS, AND PROVISIONS FOR POTENTIAL LOSSES ON LOANS AND OTHER ASSETS
(published form)
as of 1 January 2017

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)
Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409808
Quarterly (Annual)

Section 1. Information on capital adequacy

(kRUR)

No.	Instrument (indicator)	Explanatory note	Value of instrument (indicator) at the reporting date		Value of instrument (indicator) at the beginning of the reporting year	
			Included in the calculation of capital	Not included in the calculation of capital during the period up to 1 January 2018	Included in the calculation of capital	Not included in the calculation of capital during the period up to 1 January 2018
1	2	3	4	5	6	7
Core capital						
1	Total share capital and share premium, including:	8.1	8,849,800	X	8,849,800	X
1.1	Ordinary shares (interests)		8,849,800	X	8,849,800	X
1.2	Preferred shares		0	X	0	X
2	Retained earnings (loss):		292,157	X	722,324	X
2.1	Prior years		292,157	X	-384,144	X
2.2	Reporting year		0	X	1,106,468	X
3	Reserve fund		67,190	X	11,006	X
4	Parts of share capital to be gradually excluded from the calculation of equity (capital)		Not applicable	X	Not applicable	X
5	Core capital instruments of subsidiaries, held by third parties		Not applicable	Not applicable	Not applicable	Not applicable
6	Total core capital (line 1 +/– line 2 + line 3 – line 4 + line 5)		9,209,147	X	9,583,130	X
Items decreasing core capital						
7	Adjustment to the trading portfolio		Not applicable	Not applicable	Not applicable	Not applicable
8	Goodwill less deferred tax liabilities		0	0	0	0
9	Intangible assets (except for goodwill and mortgage loan servicing rights) less deferred tax liabilities		251,388	167,592	206,504	309,757
10	Deferred tax assets that depend on future profit		0	0	0	0
11	Cash flow hedge reserves		Not applicable	Not applicable	Not applicable	Not applicable
12	Shortfall of provisions for potential losses		0	0	0	0
13	Gain from securitization		Not applicable	Not applicable	Not applicable	Not applicable
14	Gains and losses from changes in credit risk related to liabilities at fair value		Not applicable	Not applicable	Not applicable	Not applicable
15	Defined benefit pension plan assets		Not applicable	Not applicable	Not applicable	Not applicable
16	Investments in treasury shares (interests)		0	0	0	0
17	Mutual cross-shareholdings		Not applicable	Not applicable	Not applicable	Not applicable
18	Insignificant investments in core capital instruments of financial institutions		0	0	0	0
19	Significant investments in core capital instruments of financial institutions		0	0	0	0
20	Mortgage loan servicing rights		Not applicable	Not applicable	Not applicable	Not applicable
21	Deferred tax assets that are not dependent on future profit		0	0	0	0
22	Aggregate amount of significant investments and deferred tax assets exceeding 15% of core capital, total, including:		0	0	0	0
23	Significant investments in core capital instruments of financial institutions		0	0	0	0
24	Mortgage loan servicing rights		Not applicable	Not applicable	Not applicable	Not applicable
25	Deferred tax assets that are not dependent on future profit		0	0	0	0
26	Total for other items decreasing core capital, established by the Bank of Russia, including:		0	0	0	0
26.1	Items to be gradually excluded from the calculation of equity (capital)		0	X	0	X
27	Negative amount of additional paid-in capital		454,294	X	309,757	X
28	Total for items decreasing core capital (sum of lines from 7 to 22 and lines 26 and 27)		705,682	X	516,261	X
29	Total core capital (line 6 – line 28)		8,503,465	X	9,066,869	X
Additional paid-in capital						
30	Total for additional paid-in capital instruments and share premium, including:		0	X	0	X
31	Classified as capital		0	X	0	X
32	Classified as liabilities		0	X	0	X
33	Additional paid-in capital instruments to be gradually excluded from the calculation of equity (capital)		0	X	0	X
34	Total for additional paid-in capital instruments of subsidiaries, held by third parties, including:		Not applicable	X	Not applicable	X
35	Additional paid-in capital instruments of subsidiaries to be gradually excluded from the calculation of equity (capital)		Not applicable	X	Not applicable	X
36	Total additional paid-in capital (line 30 + line 33 + line 34)		0	X	0	X
Items decreasing additional paid-in capital						
37	Investments in treasury additional paid-in capital instruments		0	0	0	0
38	Mutual cross-holdings of additional paid-in capital instruments		Not applicable	Not applicable	Not applicable	Not applicable
39	Insignificant investments in additional paid-in capital instruments of financial institutions		0	0	0	0
40	Significant investments in additional paid-in capital instruments of financial institutions		0	0	0	0
41	Total for other items decreasing additional paid-in capital, established by the Bank of Russia, including:		454,294	X	309,757	X
41.1	Total for items to be gradually excluded from the calculation of equity (capital), including:		454,294	X	309,757	X
41.1.1	Intangible assets		167,592	X	309,757	X
41.1.2	Treasury shares		0	X	0	X
41.1.3	Shares (interests) of subsidiary and associate financial institutions and resident credit institutions		0	X	0	X
41.1.4	Equity in the form of inappropriate assets		0	X	0	X

1	2	3	4	5	6	7
41.1.5	Negative amount of additional capital resulting from adjusting the equity (capital) for additional capital in the form of inappropriate assets		286702	X	0	X
42	Negative amount of additional capital		0	X	0	X
43	Total for items decreasing additional paid-in capital (sum of lines from 37 to 42)		454,294	X	309,757	X
44	Total additional paid-in capital (line 36 – line 43)		0	X	0	X
45	Total main capital (line 29 + line 44)		8,503,465	X	9,066,869	X
Additional capital						
46	Additional capital instruments and share premium		1,798,045	X	0	X
47	Additional capital instruments to be gradually excluded from the calculation of equity (capital)		0	X	0	X
48	Total for additional capital instruments of subsidiaries, held by third parties, including:		Not applicable	X	Not applicable	X
49	Additional capital instruments of subsidiaries to be gradually excluded from the calculation of equity (capital)		Not applicable	X	Not applicable	X
50	Provisions for potential losses		Not applicable	X	Not applicable	X
51	Total additional capital (line 46 + line 47 + line 48 + line 50)		1,798,045	X	0	X
Items decreasing additional capital						
52	Investments in treasury additional capital instruments		2,084,747	0	0	0
53	Mutual cross-holdings of additional capital instruments		Not applicable	Not applicable	Not applicable	Not applicable
54	Insignificant investments in additional capital instruments of financial institutions		0	0	0	0
55	Significant investments in additional capital instruments of financial institutions		0	0	0	0
56	Total for other items decreasing additional capital, established by the Bank of Russia, including:		0	X	0	X
56.1	Total for items to be gradually excluded from the calculation of equity (capital), including:		0	X	0	X
56.1.1	Capital in the form of inappropriate assets		0	X	0	X
56.1.2	Accounts receivable past due by more than 30 calendar days		0	X	0	X
56.1.3	Subordinated loans issued to resident credit institutions		0	X	0	X
56.1.4	Excess of the total amount of loans, bank guarantees and sureties provided to participants (shareholders) and insiders over the maximum amount		0	X	0	X
56.1.5	Investments in the construction and purchase of fixed assets and inventories		0	X	0	X
56.1.6	Difference between the actual value of the withdrawing participants' interest and the value at which the interest was sold to another participant		0	X	0	X
57	Total for items decreasing additional capital (sum of lines from 52 to 56)		2,084,747	X	0	X
58	Total additional capital (line 51 – line 57)		0	X	0	X
59	Total equity (capital) (line 45 + line 58)		8,503,465	X	9,066,869	X
60	Risk weighted assets:		X	X	X	X
60.1	To be gradually excluded from the calculation of equity (capital)		0	X	0	X
60.2	Required to determine the core capital adequacy ratio		67,650,240	X	50,755,943	X
60.3	Required to determine the main capital adequacy ratio		67,650,240	X	50,755,943	X
60.4	Required to determine the equity (capital) adequacy ratio		67,646,317	X	50,755,943	X
Equity (capital) adequacy ratios and markups for equity (capital) adequacy prudential ratios, %						
61	Core capital adequacy ratio (line 29 : line 60.2)		12.5697	X	17.8637	X
62	Main capital adequacy ratio (line 45 : line 60.3)		12.5697	X	17.8637	X
63	Equity (capital) adequacy ratio (line 59 : line 60.4)		12.5705	X	17.8637	X
64	Total for markups for equity (capital) adequacy prudential ratios, including:		0.625	X	0.625	X
65	Markup for maintaining capital adequacy		0.625	X	0.625	X
66	Anti-cyclical markup		0	X	0	X
67	Markup for systemically important banks		0	X	0	X
68	Core capital available for maintaining markups for equity (capital) adequacy ratios		4.5705	X	9.8637	X
Equity (capital) adequacy prudential ratios, %						
69	Core capital adequacy prudential ratio		0	X	0	X
70	Main capital adequacy prudential ratio		0	X	0	X
71	Equity (capital) adequacy prudential ratio		0	X	0	X
Items decreasing capital and not exceeding established materiality thresholds						
72	Insignificant investments in capital instruments of financial institutions		0	X	0	X
73	Significant investments in capital instruments of financial institutions		0	X	0	X
74	Mortgage loan servicing rights		Not applicable	X	Not applicable	X
75	Deferred tax assets that are not dependent on future profit		0	X	0	X
Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital						
76	Provisions for potential losses included in the calculation of additional capital for items with credit risk calculated using the standardized approach		Not applicable	X	Not applicable	X
77	Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital when using the standardized approach		Not applicable	X	Not applicable	X
78	Provisions for potential losses included in the calculation of additional capital for items with credit risk calculated using an approach based on internal models		0	X	0	X
79	Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital when using an approach based on internal models		Not applicable	X	Not applicable	X
Instruments to be gradually excluded from the calculation of equity (capital) (effective from 1 January 2018 to 1 January 2022)						
80	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in core capital		0	X	0	X
81	Part of instruments not included in core capital due to the restriction		0	X	0	X
82	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in additional paid-in capital		0	X	0	X
83	Part of instruments not included in additional paid-in capital due to the restriction		0	X	0	X
84	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in additional capital		0	X	0	X
85	Part of instruments not included in additional capital due to the restriction		0	X	0	X

Note.

The balance sheet data used to prepare section 1 of the statement
is explained in the accompanying information for Form 0409808, Note 5.12

Section 2. Information on the level of credit, operational and market risks covered by capital

Subsection 2.1. Credit risk under the standardized approach

(kRUR)

No.	Item	Explanatory note	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments) assessed using the standardized approach	Assets (instruments) less provisions for potential losses	Value of risk weighted assets (instruments)	Value of assets (instruments) assessed using the standardized approach	Assets (instruments) less provisions for potential losses	Value of risk weighted assets (instruments)
1	2	3	4	5	6	7	8	9
1	Credit risk related to assets recorded on balance sheet accounts	8.4	62.515.998	60.571.102	57.230.991	50.581.047	49.469.505	46.821.445
1.1	Total assets with a risk factor [1] of 0 percent, including:		1.643.222	1.643.222	0	703,573	703,573	0
1.1.1	Cash and obligatory reserves deposited with the Bank of Russia		361.285	361.285	0	203,573	203.573	0
1.1.2	Credit and other claims secured by the guarantees of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia, and by the pledge of the state debt securities of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia		0	0	0	0	0	0
1.1.3	Credit and other claims on the central banks or governments of the countries classified in categories 0 or 1[2], including those secured by the guarantees of the countries		0	0	0	0	0	0
1.2	Total assets with a risk factor of 20 percent, including:		2,481,326	2,121,111	424,222	2,513,298	2,430,609	486,122
1.2.1	Credit and other claims on the constituent entities of the Russian Federation, municipalities and other entities, secured by the guarantees of the constituent entities of the Russian Federation and municipalities and by the pledge of their securities		0	0	0	0	0	0
1.2.2	Credit and other claims on the central banks or governments of the countries classified in category 2, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.2.3	Credit and other claims on credit institutions which are residents of the countries classified in categories 0 or 1 and which have a long-term credit rating [3], including those secured by their guarantees		79.889	79.889	15.978	33,067	33,067	6,613
1.3	Total assets with a risk factor of 50 percent, including:		0	0	0	0	0	0
1.3.1	Credit and other foreign currency-denominated claims secured by the guarantees of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia, and by the pledge of the state debt securities of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia denominated in foreign currencies		0	0	0	0	0	0
1.3.2	Credit and other claims on the central banks or governments of the countries classified in category 3, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.3.3	Credit and other claims on credit institutions which are residents of the countries classified in categories 0 or 1 and which do not have long-term credit ratings, and credit and other claims on credit institutions which are residents of the countries classified in category 2, including those secured by their guarantees		0	0	0	0	0	0
1.4	Total assets with a risk factor of 100 percent, including:	8.5	58.391.450	56.806.769	56.806.769	47,364,176	46.335.323	46.335.323
1.4.1	Loans receivable from and similar debt of legal entities		13.205.095	12.787.041	12.787.041	10.569.133	10.244.247	10,244,247
1.4.2	Loans receivable from and similar debt of individuals		43.152.884	42.145.962	42.145.962	34,367,522	33,748,414	33,748,414
1.4.3	Investments in securities available for sale and held to maturity		20.553	20.553	20.553	13	13	13
1.4.4	Interbank loans		900.000	810.000	810.000	1,722,000	1,664,600	1,664,600
1.4.5	Balances on correspondent accounts		82.969	82.969	82.969	0	0	0
1.4.6	Other assets		1.029.949	960.244	960.244	705.508	678,049	678,049
1.5	Assets with a risk factor of 150 percent – credit and other claims on the central banks or governments of the countries classified in category 7		0	0	0	0	0	0
2	Total assets with other risk factors, including:	X	X	X	X	X	X	X
2.1	Total assets with decreased risk factors, including:		0	0	0	0	0	0
2.1.1	Mortgage loans with a risk factor of 50 percent		0	0	0	0	0	0
2.1.2	Mortgage loans with a risk factor of 70 percent		0	0	0	0	0	0
2.1.3	Claims of clearing participants		0	0	0	0	0	0
2.2	Total assets with increased risk factors, including:		335.594	335.591	619,423	244,497	244,492	376.767
2.2.1	With a risk factor of 110 percent		0	0	0	0	0	0
2.2.2	With a risk factor of 130 percent		128136	128133	120152	178078	178073	210719
2.2.3	With a risk factor of 150 percent		19375	19375	29063	0	0	0
2.2.4	With a risk factor of 250 percent		188083	188083	470208	66419	66419	166048
2.2.5	Total assets with a risk factor of 1,250 percent, including:		0	0	0	0	0	0
2.2.5.1	Assignment of receivables, including those certified by mortgage notes, to mortgage agents or specialized companies		0	0	0	0	0	0
3	Total consumer loans, including:		0	0	0	0	0	0
3.1	With a risk factor of 140 percent		0	0	0	0	0	0
3.2	With a risk factor of 170 percent		0	0	0	0	0	0
3.3	With a risk factor of 200 percent		0	0	0	0	0	0
3.4	With a risk factor of 300 percent		0	0	0	0	0	0
3.5	With a risk factor of 600 percent		0	0	0	0	0	0
4	Total credit risk related to credit-related contingent liabilities, including:		0	0	0	0	0	0
4.1	High-risk financial instruments		0	0	0	0	0	0
4.2	Medium-risk financial instruments		0	0	0	0	0	0
4.3	Low-risk financial instruments		0	0	0	0	0	0
4.4	Risk-free financial instruments		0	0	0	0	0	0
5	Credit risk related to derivative financial instruments		23.307.462	X	299.015	21.833.930	X	904.533

Subsection 2.1 1. Credit risk measured using the approach based on internal ratings

(kRUR)

No.	Item	Explanatory note	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments) measured using the approach based on internal ratings	Assets (instruments) less provisions for potential losses	Aggregate credit risk	Value of assets (instruments) measured using the approach based on internal ratings	Assets (instruments) less provisions for potential losses	Aggregate credit risk
1	2	3	4	5	6	7	8	9
1	Credit risk calculated using the basic approach based on internal ratings							
2	Credit risk calculated using the advanced approach based on internal ratings							

Subsection 2.2. Operational risk

(kRUR (number))

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
6	Total operational risk, including:	10.5	631,360	160,983
6.1	Total income used for calculating capital to cover operational risk, including:		12,627,196	3,219,659
6.1.1	Net interest income		3,513,805	601,769
6.1.2	Net non-interest income		9,113,391	2,617,890
6.2	Number of years preceding the date of the operational risk calculation		3	3

Subsection 2.3. Market risk

(kRUR)

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
7	Total market risk, including:	10.3	1,604,888	640,910
7.1	Total interest rate risk, including:		92,961	11,752
7.1.1	General risk		92,282	9,943
7.1.2	Specific risk		679	1,809
7.1.3	Gamma risk and vega risk on options included in the calculation of interest rate risk		0	0
7.2	Total equity risk, including:		0	0
7.2.1	General risk		0	0
7.2.2	Specific risk		0	0
7.2.3	Gamma risk and vega risk on options included in the calculation of equity risk		0	0
7.3	Total foreign currency risk, including:		35,430	494,010
7.3.1	Gamma risk and vega risk on options included in the calculation of foreign currency risk		0	0
7.4	Total commodity risk, including:		0	0
7.4.1	Main commodity risk		0	0
7.4.2	Additional commodity risk		0	0
7.4.3	Gamma risk and vega risk on options included in the calculation of commodity risk		0	0

Section 3. Information on the amount of provisions for potential losses on loans and other assets

(kRUR)

No.	Item	Explanatory note	At the reporting date	Increase (+)/ decrease (-) for the reporting period	At the beginning of the reporting year
1	2	3	4	5	6
1	Total actual provisions for potential losses, including:	6.7	2,087,185	975,638	1,111,547
1.1	On loans receivable and similar debt		1,932,385	840,849	1,091,536
1.2	On other on-balance sheet assets exposed to losses, and other losses		154,800	134,789	20,011
1.3	On credit-related contingent liabilities and securities, the rights to which are certified by depositories, which do not meet the criteria of the Bank of Russia and are recorded on off-balance sheet accounts		0	0	0
1.4	On transactions with offshore residents		0	0	0

Section 4. Information on leverage ratio

No.	Item	Explanatory note	At the reporting date	At the date one quarter off the reporting date	At the date two quarters off the reporting date	At the date three quarters off the reporting date
1	2	3	4	5	6	7
1	Main capital, kRUR	8.1	8,503,465	8,803,918	8,771,243	9,128,951
2	On-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio, kRUR		61,521,452	59,660,285	60,997,075	59,120,513
3	Basel III leverage ratio, %		13.8	14.8	14.4	15.4

Section 5. Key characteristics of capital instruments

No	Characteristics	Issue of shares	Conversion of shares	Issue of shares	Issue of shares	Issue of shares	Issue of shares
1	2	3	4	5	6	7	8
1	Short corporate name of the capital instrument issuer	CJSC Bank Sibir	CJSC Bank Sibir	CJSC Bank Sibir	CJSC Bank Sibir	CJSC Bank Sibir	JSC RN Bank
2	Identification number of the instrument	10100170B	10200170B	10200170B01D	10200170B002D	10200170B003D	10200170B004D
3	Applicable law	Russia	Russia	Russia	Russia	Russia	Russia
	Regulatory framework						
4	Tier of capital in which the instrument is included during Basel III transition period	Core capital	Core capital	Core capital	Core capital	Core capital	Core capital
5	Tier of capital in which the instrument is included after the Basel III transition period	Core capital	Core capital	Core capital	Core capital	Core capital	Core capital
6	Level of consolidation at which the instrument is included in capital	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
7	Type of the instrument	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
8	Value of the instrument included in the capital calculation	7,000	9,800	309,799	849,800	6,849,800	8,849,800
9	Nominal value of the instrument	7,000	9,800	309,799	849,800	1,269,800	3,269,000
10	Classification of the instrument for accounting purposes	Share capital	Share capital	Share capital	Share capital	Share capital	Share capital
11	Date of issuing (raising, placing) the instrument	14 May 2002	30 December 2003	5 July 2006	26 July 2007	12 July 2013	16 September 2014
12	Tenor of the instrument	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Maturity date of the instrument	No stated maturity	No stated maturity	No stated maturity	No stated maturity	No stated maturity	No stated maturity
14	Right to early redemption (repayment) of the instrument, as agreed with the Bank of Russia	No	No	No	No	No	No
15	Initial date (dates) on which the right to early redemption (repayment) of the instrument may be exercised, terms of exercising the right and the amount of redemption (repayment)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16	Subsequent date (dates) of exercising the right to early redemption (repayment) of the instrument	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Interest/dividends/coupon						
17	Type of the instrument rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
18	Rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
19	Terms for terminating dividend payments on ordinary shares	No	No	No	No	No	No
20	Mandatory nature of dividend payments	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking
21	Terms for increasing payments on the instrument or other incentives for the early redemption (repayment) of the instrument	No	No	No	No	No	No
22	Nature of payments	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertibility of the instrument	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	Terms under which the instrument is converted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Full or partial conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Mandatory nature of conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Tier of capital into an instrument of which the instrument is converted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Short corporate name of the issuer of an instrument into which the instrument is converted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Option to write off the instrument to cover losses	No	No	No	No	No	No
31	Terms under which the instrument is written off	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	Full or partial write-off	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	Permanent or temporary write-off	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	Reversal mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Subordination of the instrument	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
36	Compliance with Regulation No. 395-P of the Bank of Russia and Regulation No. 509-P of the Bank of Russia	Yes	Yes	Yes	Yes	Yes	Yes
37	Description of noncompliances						

Note: full information on the terms of issuing (raising) capital instruments and up-to-date information for section 5 of the statement may be found in the Regulatory Information Disclosure section at www.rn-bank.ru

(reference to the website of the credit institution)

For reference:

Information on the movement in provision for potential losses on loans receivable and similar debt (No. of explanatory note 6.7).

1. Total accrual (additional accrual) of provision in the reporting period (kRUR) 19,967,176 includin due to:

1.1. Issue of loans 14,013,642

1.2. Change in loan quality 2,811,587

1.3. Changes in the official exchange rate of a foreign currency to the ruble set by the Bank of Russia 0

1.4. Other reasons 3,141,947

2. Total reversal of (decrease in) provision in the reporting period (kRUR) 19,126,327 includin due to:

2.1. Write-off of bad debts 0

2.2. Repayment of loan: 12,549,964

2.3. Change in loan quality 4,286,607

2.4. Changes in the official exchange rate of a foreign currency to the ruble set by the Bank of Russia 0

2.5. Other reasons 2,289,756

Chairman of the Management Board **Bruno Kintzinger**

Chief Accountant **Daria A. Lvova**

Stamp

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

29 March 2017

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/index number)
45286	09808583	1025500003737

INFORMATION ON PRUDENTIAL RATIOS, LEVERAGE RATIO AND CURRENT LIQUIDITY RATIO

(published form)

as of 1 January 2017

Credit institution (parent credit institution of the banking group) Joint Stock Company RN Bank, JSC RN Bank

(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409813

Quarterly (Annual)

Section 1. Information on prudential ratios

(%)

No.	Item	Explanatory note	Statutory ratio	Actual ratio	
				At the reporting date	At the beginning of the reporting
1	2	3	4	5	6
1	Core capital adequacy ratio of the bank (N1.1) or the banking group (N20.1)	8.6	4.5	12.6	17.9
2	Main capital adequacy ratio of the bank (N1.2) or the banking group (N20.2)	8.6	6.0	12.6	17.9
3	Equity (capital) adequacy ratio of the bank (N1.0) or the banking group (N20.0)	8.6	8.0	12.6	17.9
4	Equity (capital) adequacy ratio of the non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N1.3)		2.0	0	0
5	Instant liquidity ratio of the bank (N2)	9.1	15.0	140.1	91.7
6	Current liquidity ratio of the bank (N3)	9.1	50.0	234.1	291.8
7	Long-term liquidity ratio of the bank (N4)	9.1	120.0	77.8	60.1
8	Maximum risk per borrower or a group of related borrowers (N6)	10.2	25.0	Maximum 16.5 Minimum 0.9	Maximum 11.2 Minimum 1.1
9	Maximum exposure to large credit risks of the bank (N7) or the banking group (N22)	10.2	800.0	83.7	97.6
10	Maximum amount of loans, bank guarantees and sureties provided by the bank to its participants (shareholders) (N9.1)		50.0	0	0
11	Aggregate insider risk of the bank (N10.1)		3.0	0.0	0
12	Share of equity (capital) used by the bank to purchase shares (interests) in other legal entities (N12) or share of equity (capital) of the banking group used by the parent credit institution and participants of the banking group to purchase shares (interests) in other legal entities (N23)		25.0		
13	Ratio of liquid assets maturing within the next 30 calendar days to liabilities of the non-banking settlement credit institution (N15)		100.0		
14	Liquidity ratio of the non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N15.1)		100.0		
15	Maximum aggregate loans to customers that are parties to settlements for completing the settlements (N16)		100.0		
16	Loans issued by the non-banking settlement credit institution to borrowers, other than parties to settlements, on its own behalf and for its own account (N16.1)		0		
17	Minimum ratio of mortgage value to mortgage-backed bonds (N18)		100		
18	Maximum risk per borrower or a group of related borrowers of the banking group (N21)				

Section 2. Information on the leverage ratio calculation

Subsection 2.1. Calculation of the amount of on-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio

(kRUR)

No.	Item	Explanatory note	Amount
1	2	3	4
1	Total assets per balance sheet (published form)		61,385,908
2	Adjustment for investments in the capital of credit, financial, insurance and other entities whose reporting data are included in the consolidated financial statements but are not included in the calculation of equity (capital), prudential ratios and the amounts of (limits on) open currency positions of the banking group		Not applicable to the financial statements of a credit institution as a legal entity
3	Adjustment for fiduciary assets recorded in accordance with the accounting rules but not included in the calculation of the leverage ratio		0
4	Adjustment for derivative financial instruments		362,068
5	Adjustment for securities lending		0
6	Adjustment for credit-related contingent liabilities aligned to credit equivalent		0
7	Other adjustments		226,524
8	Total amount of on-balance sheet assets and off-balance sheet claims under risk, as adjusted to calculate the leverage ratio		61,521,452

Subsection 2.2. Calculation of the leverage ratio

(kRUR)

No.	Item	Explanatory note	Amount
1	2	3	4
	Risk related to on-balance sheet assets		
1	Total on-balance sheet assets		61,441,621
2	Downward adjustment for the items reducing the amount of main capital		418,980
3	Total on-balance sheet assets under risk, as adjusted (difference between line 1 and line 2)		61,022,641
	Risk related to derivative financial instruments		
4	Total current credit risk related to derivative financial instruments (less variation margin received)		136,743
5	Total potential counterparty credit risk related to derivative financial instruments		362,068
6	Adjustment for the nominal amount of collateral provided for derivative financial instruments, to be written off the balance sheet in accordance with the accounting rules		Not applicable in accordance with the Russian accounting rules
7	Downward adjustment for the amount of variation margin transferred, as applicable		0
8	Adjustment for claims of the bank acting as a clearing participant on the central counterparty in the clients' transactions		0
9	Adjustment to account for credit risk related to the underlying (basic) asset on credit derivatives issued		0
10	Downward adjustment for credit derivatives issued		0
11	Total risk related to derivative financial instruments, as adjusted (sum of lines 4, 5 and 9 minus lines 7, 8 and 10)		498,811
	Risk related to securities lending		
12	Total claims on securities lending (before netting)		0
13	Adjustment for cash netting (claims and liabilities) on securities lending		0
14	Counterparty credit risk related to securities lending		0
15	Risk related to guarantee securities lending		0
16	Total claims on securities lending, as adjusted (sum of lines 12, 14 and 15 minus line 13)		0
	Risk related to credit-related contingent liabilities (KRV')		
17	Total nominal amount of risk related to credit-related contingent liabilities (KRV')		0
18	Adjustment for credit equivalent ratios		0
19	Total risk related to credit-related contingent liabilities (KRV'), as adjusted (difference between line 17 and line 18)		0
	Capital and risks		
20	Main capital		8,503,465
21	Total on-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio (sum of lines 3, 11, 16 and 19)		61,521,452
	Leverage ratio		
22	Basel III leverage ratio (line 20 : line 21), %		13.8

Section 3. Information on the current liquidity ratio calculation

(kRUR)

No.	Item	Explanatory note	At ____ Amount of claims (liabilities)	Weighted amount of claims (liabilities)
1	2	3	4	5
HIGH QUALITY LIQUID ASSETS				
1	Highly liquid assets (HLA) with additional claims (assets) included in the numerator N26 (N27)		X	
EXPECTED CASH OUTFLOWS				
2	Total cash of individuals, including:			
3	Stable cash			
4	Unstable cash			
5	Total cash of customers raised without collateral, including:			
6	Operating deposits			
7	Non-operating deposits (other deposits)			
8	Unsecured debt obligations			
9	Total cash of customers raised with collateral		X	
10	Total additionally expected cash outflows, including:			
11	On derivative financial instruments and due to the potential need to provide additional collateral			
12	Related to the loss of funding under secured debt instruments			
13	On the bank's liabilities related to unused irrevocable and conditionally revocable credit and liquidity facilities			
14	Additionally expected cash outflows on other commitments			
15	Additionally expected cash outflows on other contingent liabilities			
16	Total cash outflow (line 2 + line 5 + line 9 + line 10 + line 14 + line 15)		X	
EXPECTED CASH INFLOWS				
17	Lending transactions collaterized by securities, including reverse repurchase transactions			
18	Contracts without breaches of the contractual maturities of liabilities			
19	Other inflows			
20	Total cash inflow (line 17 + line 18 + line 19)			
AGGREGATE ADJUSTED VALUE				
21	HLA less adjustments calculated considering the limits on the maximum amount of HLA-2B and HLA-2		X	
22	Net expected cash outflow		X	
23	Current liquidity ratio of the banking groups (N26) or the credit institution (N27), %		X	

Chairman of the Management Board **Bruno Kintzinger**

Chief Accountant **Daria A. Lvova**

Stamp

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

29 March 2016

Appendix 1
to Instructive Regulation No. 4212-U of the Bank of Russia
dated 24 November 2016

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/index number)

STATEMENT OF CASH FLOWS
(published form)
as of 01 January 2017

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Address (location) of the credit institution 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409814
Quarterly (Annual)

No.	Item	Explanatory note	Cash flows for the reporting period, kRUR	Cash flows for the corresponding reporting period of the year preceding the reporting year, kRUR
1	2	3	4	5
1	Net cash from (used in) operating activities			
1.1	Total cash from (used in) operating activities before changes in operating assets and liabilities, including:		5,189,743	5,028,074
1.1.1	Interest received		8,894,933	4,948,924
1.1.2	Interest paid		-2,512,121	-2,071,309
1.1.3	Fees and commissions received		2,197,768	2,904,020
1.1.4	Fees and commissions paid		-127,527	-132,030
1.1.5	Gains less losses from financial assets available for sale at fair value through profit or loss		0	0
1.1.6	Gains less losses from securities held to maturity		0	0
1.1.7	Gains less losses from dealing in foreign currencies		-1,044,257	1,395,172
1.1.8	Other operating income		100,220	103,106
1.1.9	Operating expenses		-1,582,581	-1,475,857
1.1.10	Tax expense (benefit)		-736,692	-643,952
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		-4,358,694	-5,693,414
1.2.1	Net increase (decrease) in obligatory reserves with the Bank of Russia		-17,751	104,050
1.2.2	Net increase (decrease) in investments in securities at fair value through profit or loss		0	0
1.2.3	Net increase (decrease) in loans receivable		-11,241,297	-13,905,013
1.2.4	Net increase (decrease) in other assets		-138,279	-62,870

1	2	3	4	5
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Bank of Russia		-2,000,000	1,000,000
1.2.6	Net increase (decrease) in amounts due to other credit institutions		3,084,432	5,996,583
1.2.7	Net increase (decrease) in amounts due to customers other than credit institutions		1,009,304	982,798
1.2.8	Net increase (decrease) in financial liabilities at fair value through profit or loss		0	0
1.2.9	Net increase (decrease) in debt obligations issued		5,000,000	0
1.2.10	Net increase (decrease) in other liabilities		-55,103	191,038
1.3	Total for section 1 (sum of lines 1.1 and 1.2)	7.1	831,049	-665,340
2	Net cash from (used in) investing activities			
2.1	Purchase of securities and other financial assets designated as available for sale		-100,673	-193,075
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available for sale		99,479	0
2.3	Purchase of securities designated as held to maturity		0	0
2.4	Proceeds from redemption of securities designated as held to maturity		0	0
2.5	Purchase of fixed assets, intangible assets and inventories		-110,023	-97
2.6	Proceeds from sale of fixed assets, intangible assets and inventories		-3,773	7,546
2.7	Dividends received		0	0
2.8	Total for section 2 (sum of lines from 2.1 to 2.7)	7.1	-114,990	-185,626
3	Net cash from (used in) financing activities			
3.1	Contributions of shareholders (participants) to share capital		0	0
3.2	Purchase of treasury shares		0	0
3.3	Sale of treasury shares		0	0
3.4	Dividends paid		-391,189	0
3.5	Total for section 3 (sum of lines from 3.1 to 3.4)	7.1	-391,189	0
4	Effect of changes in the official exchange rates of foreign currencies to the ruble set by the Bank of Russia on cash and cash equivalents	7.1	-17,143	-60,166
5	Increase (decrease) in cash and cash equivalents	7.1	307,727	-911,132
5.1	Cash and cash equivalents at the beginning of the reporting year	7.1	244,968	1,156,100
5.2	Cash and cash equivalents at the end of the reporting period	7.1	552,695	244,968

Chairman of the Management Board **Bruno Kintzinger**

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

Chief Accountant **Daria A. Lvova**

28 March 2017

Translation of the original Russian version

Explanatory notes
to the annual financial statements of

Joint Stock Company RN Bank

for the year 2016 and as of 1 January 2017

Translation of the original Russian version

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Introduction

These explanatory notes:

- constitute an integral part of the annual financial statements of JSC RN Bank for the year 2016 prepared in accordance with Instructive Regulation No. 3054-U of the Bank of Russia *On the Procedure for the Preparation of Annual Financial Statements by Credit Institutions* dated 4 September 2013 (hereinafter, "Instructive Regulation No. 3054-U") and Instructive Regulation No. 3081-U of the Bank of Russia *On the Disclosure of Information about Business Activities by Credit Institutions* dated 25 October 2013;

- disclose significant information about the activities of JSC RN Bank, which is not presented in the forms of the annual financial statements (hereinafter, "the annual statements");

- are based on the statutory reporting forms prepared in accordance with the requirements of Instructive Regulation No. 2332-U of the Bank of Russia *On the List, Forms and the Procedure for the Preparation and Submission of the Reporting Forms of Credit Institutions to the Central Bank of the Russian Federation* dated 12 November 2009 and other forms of JSC RN Bank (hereinafter, "the Bank") prepared on the basis of the Russian accounting rules;

- take into consideration events after the reporting date;

- are presented in thousands of Russian rubles, unless otherwise indicated;

- comprise comparable data for 2016 and 2015.

The annual statements of the Bank comprise the balance sheet, the statement of income, the statement of capital adequacy to cover risks, and provisions for potential losses on loans and other assets, information on prudential ratios, the leverage ratio and the current liquidity ratio, the statement of cash flows and the explanatory notes. The annual statements are posted on the official website of the Bank at: www.rn-bank.ru.

Translation of the original Russian version

1. General information

Full corporate name of the Bank: Joint Stock Company RN Bank.

Abbreviated corporate name of the Bank: JSC RN Bank.

Legal address: 109028, Russia, Moscow, Serebryanicheskaya nab., 29.

The Bank is not a member of a banking group.

As of 1 January 2017 and 1 January 2016, the Bank employed 168 and 179 people, respectively.

1.1. Shareholders of the Bank

Limited liability company BARN B.V. (the Netherlands) is the Bank's sole shareholder. Its interest in the Bank's share capital is 100.00%.

In 2016, the shareholders' structure of the Bank remained unchanged.

1.2. Details of changes in the share capital

As of 1 January 2017 and 2016, the Bank's share capital amounted to kRUR 3,269,000 and comprised 2,335,000 authorized, placed and fully paid ordinary book-entry registered shares with a nominal value of 1,400 rubles per share.

1.3. Details of changes in the composition of the Board of Directors

In 2016, the following changes took place in the composition of the Board of Directors:

According to Decision No. 1 of the Bank's sole shareholder dated 6 April 2016, the powers of Mr. Jett Harmon Jones as a member of the Bank's Board of Directors were terminated and Mr. Thierry Jean Louis Pieton was appointed as a member of the Bank's Board of Directors.

According to Decision No. 3 of the sole shareholder dated 27 June 2016, the powers of Mr. Thierry Jean Louis Pieton as a member of the Bank's Board of Directors were terminated and Mr. Roberto Carlos Delgado Trevizo was appointed as a member of the Bank's Board of Directors.

According to Decision No. 4 of the sole shareholder dated 28 November 2016, the powers of Mr. Patrick Jean Michel Claude and Mr. Dmitry Viktorovich Mokhnachev as members of the Bank's Board of Directors were terminated and Mr. Dominique Edmond Pierre Signora and Mr. Michele Ferdinando De Capitani da Vimercate were appointed as members of the Bank's Board of Directors.

As of 1 January 2017, the Board of Directors of the Bank comprises eight (8) members:

- Mikhail Yurievich Alexeev – Chairman of the Board of Directors.
- Gianluca De Ficchy – member of the Board of Directors.
- Roberto Carlos Delgado Trevizo – member of the Board of Directors.
- Graziano Cameli – member of the Board of Directors.
- Dominique Edmond Pierre Signora – member of the Board of Directors.
- Rakesh Kochhar – member of the Board of Directors.
- Silvano Silvestri – member of the Board of Directors.
- Michele Ferdinando De Capitani da Vimercate – member of the Board of Directors.

1.4. Details of changes in the composition of the Management Board

In 2016, there were no changes in the composition of the Bank's Management Board.

As of 1 January 2017, the Management Board of the Bank comprises four (4) members:

- Bruno Robert Louis Kintzinger – Chairman of the Management Board.
- Pierre-Yves Francois Guegan – Deputy Chairman of the Management Board.
- Olga Nikolaevna Bodnarchuk – member of the Management Board, Chief Risk Officer.
- Daria Alexandrovna Lvova – member of the Management Board, Chief Accountant.

2. Summary of the Bank's operations

2.1. Nature of the Bank's transactions and principal activities

The Bank is primarily engaged in banking transactions:

- Corporate transactions: providing financing to official dealers of the Renault-Nissan alliance, opening deposit accounts and rendering related financial services.
- Retail transactions: extending loans to purchase cars manufactured by the Renault-Nissan alliance and rendering related financial services.
- Transactions in financial markets: securities, derivative financial instruments, foreign currency, etc.

The Bank operates on the basis of Banking License No. 170 issued by the Bank of Russia on 16 December 2014. The Bank also has a license for taking deposits from individuals.

The Bank has been a member of the deposit insurance system since 3 February 2005, Certificate No. 551. According to Russian legislation, the Bank makes insurance contributions to the obligatory deposit insurance fund on a quarterly basis.

The rating assigned to the Bank by Fitch Ratings is shown below:

	1 January 2017	*1 January 2016*
Long-term foreign currency rating	BB+, Positive Outlook	BB+, Positive Outlook

2.2. Key indicators of the activities in 2016

The Bank had the following economic indicators at the end of 2016:

	1 January 2017	*1 January 2016*
Assets	61,385,908	53,328,997
Capital	8,503,465	9,066,869

	2016	*2015*
Profit before tax	2,450,766	1,457,746
Profit after tax	1,807,879	1,123,675

Capital is calculated in accordance with Regulation No. 395-P *On the Methodology for Determining the Amount and Assessing the Adequacy of Equity (Capital) of Credit Institutions (Basel III)* approved by the Bank of Russia on 28 December 2012.

Assets and liabilities

	1 January 2017	*1 January 2016*
Assets		
Cash and cash equivalents	582,092	256,614
Net loans receivable	59,007,852	48,553,613
Net investments in securities available for sale	202,703	200,321
Financial assets at fair value through profit or loss	136,743	2,881,955
Current income tax assets	120,225	32,487
Deferred tax asset	313,472	166,048
Fixed assets, intangible assets and inventories	437,536	527,009
Other assets	585,285	710,950
Total assets	**61,385,908**	**53,328,997**
Liabilities		
Amounts due to the Bank of Russia	–	2,000,000
Amounts due to credit institutions	26,905,331	26,495,636
Amounts due to customers	12,926,815	13,479,245
Debt obligations issued	5,000,000	–
Financial assets at fair value through profit or loss	3,097,474	–
Other liabilities	2,438,716	1,753,606
Sources of equity	11,017,572	9,600,510
Total liabilities	**61,385,908**	**53,328,997**

Financial ratios (%)	*1 January 2017*	*1 January 2016*
Equity (capital) adequacy ratio	12.6%	17.9 %
Overdue debt / Loan portfolio	0.5%	0.3 %
Provisions for potential losses / Loan portfolio	3.2%	0.2 %

Operating performance indicators	*Change (%)*	*1 January 2017*	*1 January 2016*
Movements in equity (capital)	(6.2%)	8,503,465	9,066,869
Movements in interbank loans	(4.3%)	4,500,000	4,700,000
Movements in corporate loans	25.1%	13,224,470	10,569,133
Movements in retail loans (car loans)	25.6%	43,154,438	34,368,478
Movements in amounts due to customers	(5.1%)	39,832,146	41,974,881

In 2016, the Bank's assets adjusted for risk grew by 15% to kRUR 61,385,908 (2015: kRUR 53,328,997). The assets grew due to an increase in loans to retail and corporate customers. The state program for subsidizing car loan interest rates which has been effective since 1 April 2015 continued to have a positive impact on the Bank's financial position in 2016.

The Bank issued bonds in July 2016 to fund its lending operations. Other sources of funding for the Bank include borrowings from the Bank of Russia and credit institutions and corporate deposits.

In 2016, the Bank's equity (capital) calculated in accordance with Regulation No. 395-P of the Bank of Russia decreased by 6% to kRUR 8,503,465. Capital decreased as the Bank of Russia adopted a new calculation methodology according to which credit institutions should exclude inappropriate sources (income) from the calculation of capital, if these sources are funded by credit institutions. The Bank excluded from the calculation of capital the fees from insurance companies received under agency agreements for insurance amounts paid by retail customers using loans provided by the Bank.

As a result of the above decrease in capital, the equity adequacy ratio decreased by 5.3 pp to 12.6%.

Operating performance indicators	*Change (%)*	*1 January 2017*	*1 January 2016*
Movements in net interest income	45.3%	5,746,813	3,955,977
Movements in net fee and commission income	21.5%	2,022,987	1,665,237
Movements in operating expenses	29.8%	1,801,306	1,387,815

In 2016, the Bank's profit before tax increased by 68% to kRUR 2,450,766 (2015: kRUR 1,457,746). Profit after tax amounted to kRUR 1,807,879 (2015: kRUR 1,123,675). The main profit driver is net interest income which increased by 45% to kRUR 5,746,813 (2015: kRUR 3,955,977).

The Bank's interest income increased by 43% to kRUR 8,862,586 (2015: kRUR 6,186,673). The Bank's interest expense increased by 40% to kRUR 3,115,773 (2015: kRUR 2,230,696). Interest expense grew due to an increase in the amount of funding, including as a result of issuing bonds. The Bank's fee and commission income increased by 20% to kRUR 2,151,137 (2015: kRUR 1,799,882).

2.3. *Factors that affected the Bank's financial results in 2016*

The Bank operates primarily in the Russian Federation. As a result, the Bank is exposed to economic and financial risks at the Russian markets that possess characteristics of emerging markets. Emerging markets are exposed to economic, political, social, legal and legislative risks that are different from risks in more developed markets. Laws and regulations governing business operations in the Russian Federation are subject to rapid change and arbitrary interpretation. Future development in the Russian Federation largely depends on the national tax and monetary policy, adopted laws and regulations, and political changes in the country.

The Russian economy remains in recession. The economic indicators for 2016 show that the economy continued to suffer from the main negative factors. However, 2016 saw some positive trends.

According to the Russian Ministry for Economic Development, the decline in GDP slowed to 0.2% (2015: 2.8%).

The industrial production index increased by 3.2% in December, having demonstrated the highest growth rate for the year. As a result, the industrial production index grew by 1.1% in 2016 from the previous year.

Influenced by the market saturation measures taken by the Government of the Russian Federation and the tariff and monetary policies, consumer inflation decreased in 2016 to 5.4% and consumer prices grew on average by 7.1% (2015: 12.9% and 15.5%, respectively).

The unemployment rate in 2016 was 5.5% (2015: 5.6%).

A further 5.2% reduction in retail sales in 2016 (2015: 10%) was due to a further 5.9% decrease in the real income of households in 2016 (2015: 3.2%) and the propensity to save among households.

Despite the fact that the Bank's management is taking all appropriate measures to support the sustainability of business, economic and regulatory environment may have an adverse effect on the Bank's operating results.

3. Summary of the principles underlying the preparation of the annual statements and significant accounting policies of the Bank

3.1. Principles and methods of measuring and accounting for significant transactions and events

The Bank maintains its accounting records in accordance with the applicable Russian legislation, Regulation No. 385-P of the Bank of Russia *On the Rules for Maintaining Accounting Records in Credit Institutions Located in the Russian Federation* dated 16 July 2012 (hereinafter, "Regulation No. 385-P of the Bank of Russia"), and other regulations of the Bank of Russia governing the Bank's activities.

The Bank maintains accounting records and prepares its annual statements on the basis of key principles of going concern, income and expense recognition on accrual basis, consistency and comparability of the applied accounting rules, prudence, timely recognition of transactions, separate recognition of assets and liabilities, continuity of the balance sheet, and substance over form.

According to Regulation No. 385-P of the Bank of Russia, assets and liabilities are carried at their historical cost at the time of their acquisition or incurrence. The historical cost does not change until they are written off, sold or purchased, unless otherwise stipulated by the legislation of the Russian Federation and the regulations of the Bank of Russia. It should be noted that:

- Assets and liabilities denominated in foreign currencies (other than advances issued and received and prepayments for goods provided, work performed and services rendered which are recorded on balance sheet accounts used to account for settlements with non-resident organizations on business transactions) are remeasured to reflect changes in the exchange rate in accordance with the regulations of the Bank of Russia.

The official exchange rates of foreign currencies to Russian ruble effective at the end of the reporting period used by the Bank to prepare its annual statements are presented below:

	Units	*31 December 2016*	*31 December 2015*
RUR / USD	1 / 1	60.6569	72.8827
RUR / EUR	1 / 1	63.8111	79.6972
RUR / JPY	1 / 100	51.8324	60.5087

- The cost of fixed assets changes in the event of the modernization, reconstruction, capital repair, revaluation, impairment or partial liquidation of the respective assets in accordance with the regulations of the Bank of Russia. The Bank carries all groups of fixed assets at cost less accumulated depreciation and accumulated impairment losses.
- Since 1 January 2016, fixed assets must be tested for impairment at the end of each reporting year and upon occurrence of any events significantly affecting their value. The amount of impairment losses is determined when there are indicators of impairment.
- Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are tested for impairment annually at the end of the reporting year in accordance with the legislation of the Russian Federation and the regulations of the Bank of Russia. The amount of impairment losses is determined when there are indicators of impairment.
- Labor tools and input materials which were received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined are measured annually at the end of the reporting year at the lower of:
  - The historical cost at the date when the assets were recognized as labor tools which were received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined
  - The fair value less costs to sell.
- Securities are recognized at actual acquisition cost. The actual acquisition cost of interest-bearing (coupon) securities includes not only the cost of securities at the acquisition price determined by the terms of the contract (transaction) but also the interest (coupon) income paid on its acquisition. If securities are purchased under a contract representing a derivative financial instrument, the cost of securities is determined taking into account the cost of the derivative financial instrument.
- After initial recognition, the value of debt obligations is adjusted for interest income accrued and received after the initial recognition of debt obligations. Interest (coupon) income is accrued and recorded on the last working day of the month, upon the sale of a debt obligation, upon the full or partial repayment of a debt obligation or at the date of the reclassification of income based on the principle of certainty or uncertainty with respect to receiving the income.

- Securities accounted for as categories "at fair value through profit or loss" and "available for sale" are remeasured as follows:
  - On the last working day of the month;
  - If the securities of a respective issue (issuer) are traded during the month, all securities "at fair value through profit or loss" and securities "available for sale" of this issue (issuer) must be remeasured;
  - If the current (fair) value of the securities of a respective issue (issuer) changes significantly during the month, all securities "at fair value through profit or loss" and securities "available for sale" of this issue (issuer) must be remeasured. A change in the current (fair) value of securities is significant, if the value becomes higher or lower than the carrying amount of these securities by more than 5%.
- Debt obligations may be reclassified from the category "held to maturity" to the category "available for sale", if one of the following conditions is met:
  - As a result of an event beyond the Bank's control (the event was extraordinary and could not be reasonably anticipated by the Bank);
  - For the purpose of selling less than three months before the maturity;
  - For the purpose of selling of no more than 5% of the total amount of the portfolio of securities "held to maturity".

  When securities are transferred from the portfolio of securities "held to maturity" to the portfolio of securities "available for sale" and when none of the above conditions are met, all securities from the portfolio of securities "held to maturity" must be transferred to the portfolio of securities "available for sale." In this case, the Bank may not build a portfolio of securities "held to maturity" during two years following the year of such transfer.
- Derivative financial instruments are measured at fair value from the date of initial recognition and are remeasured as follows:
  - At the date of initial recognition;
  - On the last working day of the month;
  - At the date when payment claims and (or) liabilities arise in accordance with an agreement for interim payments to be made during the term of the agreement;
  - At the date of derecognition.
- Non-credit related contingent liabilities from disputes, disagreements and litigations which are not settled as of the reporting date and which may be resolved only in the subsequent reporting periods are recorded if there is a high probability (more than 50%) that the Bank will have to pay these amounts.
- According to Regulation No. 385-P of the Bank of Russia, income and expenses are recorded on an "accrual" basis, i.e. the financial results of operations (income and expenses) are recorded when earned and incurred and not when cash or cash equivalents are received or paid. Income and expenses are recorded in the period to which they relate.
- The receipt of income on loans and assets (claims) included in quality categories I and II is deemed certain (the probability of receiving income is absolute and (or) high). It is assumed that there is no uncertainty with respect to receiving income on loans and assets (claims) included in quality category III. This principle is applied to all loans and assets (claims) in quality category III without any exceptions.

  Recognized income on loans and assets (claims) included in quality categories I, II and III are recorded in balance sheet accounts.
- Interest income (expenses) on transactions involving the placement (raising) of funds must be taken to income on the day when they are to be received in accordance with the terms of the contract and on the last working day of the month.
- Upon disposal (sale) of the securities of the same issue or securities that have the same International Securities Identification Number (ISIN), the respective amounts are written off the second-order balance sheet accounts using the FIFO method. Under the FIFO method, the Bank writes off investments in the security that was purchased first relative to the date of sale. The FIFO method is applied within each portfolio of securities.
- The Bank charges depreciation and amortization on fixed assets and intangible assets on a monthly basis. The Bank charges depreciation and amortization based on their useful lives.
- The Bank determines the useful lives of fixed assets in accordance with Decree No. 1 of the Government of the Russian Federation *On the Classification of Fixed Assets Included in Depreciation Groups* dated 1 January 2002. The useful lives of intangible assets are determined on the basis of the expected lives of assets during which economic benefits are expected to be derived. Intangible assets are not amortized if their useful lives cannot be reliably estimated.

3.2. The nature of assumptions and key sources of estimation uncertainty at the end of the reporting period

The Bank applies a number of assumptions and estimates which affect the amounts of assets and liabilities reported in the annual statements and the value of assets and liabilities in the next reporting period. Estimates and assumptions are continuously assessed and are based on the experience of the Bank's management and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Assumptions which have the most significant effect on the amounts reported in the financial statements, and estimates which may result in significant adjustments of the current value of assets and liabilities in the next reporting period are presented below.

Provision for potential losses on loans receivable and similar debt

The Bank accrues provisions for potential losses on loans receivable and similar debt in accordance with Regulation No. 254-P of the Bank of Russia *On the Procedure for the Creation of Provisions for Potential Losses on Loans Receivable and Equivalent Debt by Credit Institutions* dated 26 March 2004 (hereinafter, "Regulation No. 254-P of the Bank of Russia").

The Bank assesses loans on a portfolio and individual basis.

The assessment of a loan classified individually and the determination of the amount of estimated provision are based on a professional judgment for a specific loan, which is made following a comprehensive analysis of the borrower's activities, taking into account its financial position, debt servicing quality and other significant factors. The Bank regularly monitors credit risk factors affecting the amount of provision in order to classify (reclassify) loans and create (adjust) provisions for individual loans in a timely manner.

Professional judgment is made and documented at the moment when a loan is issued. Further, it is made with respect to the following:

- separate loans issued to individuals – at least once a quarter as of the reporting date;
- separate loans issued to legal entities other than credit institutions – at least within one month after the end of the reporting period (the period for submission of the annual statements and corporate income tax declaration) to tax authorities as of the reporting date;
- separate loans issued to credit institutions – at least once a month as of the reporting date.

If legislation of the country, where non-resident borrower is located, does not require quarterly (monthly) reporting, then, in order to comply with regularity requirement for assessing the borrower's financial position stipulated by this paragraph (at least once a quarter / month), it is required to use the financial statements, which is submitted with regularity stipulated by legislation of the country, where the borrower is located, as well as all additional information concerning the borrower.

With respect to loans included in homogeneous loan portfolio, the provision is accrued based on professional judgment made on homogeneous loan portfolio without making a professional judgment with respect to the level of credit risk for each separate loan. Homogeneous loan portfolios include loans with similar credit risk characteristics. For each portfolio of homogeneous loans, the Bank applies a provisioning rate which is required to cover expected portfolio losses and which is not lower than the rates set by Regulation No. 254-P of the Bank of Russia. The Bank does not include in the homogeneous loan portfolio (excludes from the homogeneous loan portfolio) loans that have evidence of individual impairment.

At least once a quarter, the Bank documents and includes in homogeneous loan portfolio records the information on general analysis performed to check the borrowers' financial position and results thereof, including the Bank's professional judgment concerning the level of credit risk related to homogeneous loan portfolio and information on provision calculation.

Provisions for potential losses

The Bank accrues provisions for potential losses in accordance with Regulation No. 283-P of the Bank of Russia *On the Procedure for the Creation of Provisions for Potential Losses by Credit Institutions* dated 20 March 2006 (hereinafter, "Regulation No. 283-P of the Bank of Russia"). In complying with the requirements of the regulator, the Bank's regulation provides for individual classification and criteria for inclusion in homogeneous claim portfolio / portfolio of estimation base elements of provision for potential losses.

Individual classification of estimation base elements implies that an individual professional judgment should be made with respect to the level of risk based on assessment of credit risk exposure of a counterparty; the Bank performs this classification based on the risk factors identified following the analysis of the counterparty's financial statements, and other information on the counterparty's financial position and performance.

Estimation base elements of provision for potential losses are included in the homogeneous claim portfolio based on the principle of immateriality of the amount of estimation base element without making a professional judgment with respect to each individual element. The provision is accrued based on professional judgment made with respect to homogeneous claim portfolio.

The amount of provision is determined based on one of the five quality categories and the provision rate within the range set for the category in accordance with Regulation No. 283-P of the Bank of Russia.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant state authorities.

The Russian transfer pricing tax legislation allows the tax authorities to apply transfer pricing adjustments and impose additional income tax and value added tax liabilities in respect of all controlled transactions if the transaction price differs from the market price and unless the Bank is able to demonstrate the use of market prices with respect to the controlled transactions. Due to the absence of law enforcement precedents based on the new rules, consequences of any disputes with tax authorities relating to prices cannot be estimated reliably, but may influence the Bank's financial results and performance. In 2016, the Bank determined its tax liabilities arising from these "controlled" transactions using actual transaction prices. Management believes that the Bank complies with the requirements of the Russian transfer pricing legislation with regard to controlled transactions, including proper preparation and presentation of notifications and, if necessary, transfer pricing documentation to the tax authorities, confirming that the Bank used market prices in performing controlled transactions.

The taxation rules for controlled foreign companies and the concepts of beneficial owner of income and tax residency of foreign legal entities entered into force on 1 January 2015. Overall, the adoption of this law will increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries and / or conduct transactions with foreign companies.

The introduction of these regulations and the interpretation of some other provisions of Russian tax legislation together with the latest trends in the application and interpretation of certain provisions of Russian tax legislation suggest that the tax authorities may take a more assertive position in their interpretation and application of the legislation and conducting tax audits, and may impose additional tax requirements. Consequently, the tax authorities may challenge the transactions and methods of accounting which have not been challenged before. As a result, significant additional taxes, penalties and fines may be assessed. Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year during which the tax audit decision was made. Under certain circumstances tax reviews may cover longer periods.

When determining the amount of deferred tax assets which may be recognized in the financial statements, the Bank's management assesses the probability of use of the deferred tax asset in full. The use of the deferred tax asset depends on taxable profit obtained in periods when temporary differences may be used against it. When conducting such an assessment the management takes into account the planned write-off of deferred tax liability, future expected taxable profit, as well as tax planning strategies.

Management believes that as of 1 January 2017 its interpretation of the provisions of the tax legislation applicable to the Bank is appropriate and that the Bank's tax, currency and customs positions will be sustained by supervising authorities.

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the market price. The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. The fair value of financial instruments that are not quoted in an active market is determined using valuation methodologies. The Bank's Management uses all available market information in estimating the fair value of financial instruments.

3.3. Information on adjusting events after the reporting date

Pursuant to Instructive Regulation No. 3054-U, an event after the reporting date is an event that occurs in the course of the Bank's activities during the period after the reporting date and the date of the preparation of the annual statements and that has or may have an effect on its financial position.

Information is considered material if its non-presentation or misstatement may influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size of an item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a qualitative characteristic which information must have to be useful.

Adjusting events after the reporting date represent events confirming the existence, as of the reporting date, of conditions in which the Bank operated. Adjusting events after the reporting date must be recorded before the date the annual statements are prepared.

Adjusting events	*After EARD*	*Before EARD*	*Difference*
Interest income	8,862,586	8,862,842	(256)
Interest expense	(3,115,773)	(3,115,773)	–
Net interest income	**5,746,813**	**5,747,069**	**(256)**

Adjusting events	*After EARD*	*Before EARD*	*Difference*
Fee and commission income	2,151,137	1,978,839	172,298
Fee and commission expense	(128,150)	(115,524)	(12,626)
Net fee and commission income	**2,022,987**	**1,863,315**	**159,672**
Net gains from financial assets	(6,625,822)	(6,625,822)	–
Net gains from securities available for sale	(29)	(29)	–
Net gains from dealing in foreign currencies	(261,092)	(261,092)	–
Net expense from foreign currency translation	4,247,931	4,247,931	–
Change in provision for potential losses	(975,638)	(839,096)	(136,542)
Other operating income	96,922	96,922	–
Operating expenses	1,801,306	1,778,442	22,864
Profit before tax	**2,450,766**	**2,450,756**	**10**
Tax benefit (expense)	642,887	684,943	(42,056)
Financial result after tax	1,807,879	1,765,813	42,066

3.4. Description of the nature of non-adjusting events after the reporting date

Non-adjusting events after the reporting date represent events attesting to the origination, after the reporting date, of new conditions in which the Bank operates. Non-adjusting events after the reporting date are not recorded.

There were no non-adjusting events during the period after the reporting date and the date of the preparation of the annual statements.

3.5. Changes in the Bank's accounting policies for the next year

The Bank's accounting policies for 2017 was approved by Order No. 2016-107 dated 30 December 2016. No significant changes were made to the accounting policies for 2017. The working chart of accounts for 2017 was brought into line with Instructive Regulation No. 4065-U of the Bank of Russia dated 8 July 2016.

3.6. Nature and amount of adjustments related to changes in accounting policies and estimates which have an effect on comparability of individual performance indicators of the Bank

Due to changes in the procedure of accounting for fixed assets and intangible assets, which were introduced on 1 January 2016 in accordance with Regulation No. 448-P of the Bank of Russia *On Accounting by Credit Institutions for Fixed Assets, Intangible Assets, Real Property Temporarily Not Used in Core Activities, Long-term Assets Held for Sale, Inventories, Labor Tools and Input Materials Which Were Received under Accord and Satisfaction Agreements or Pledge Agreements and Whose Purpose is Undefined* dated 22 December 2014, and taking into account the principles of the International Financial Reporting Standards, the Bank revised its approach to the recognition of intangible assets in 2016. As a result of this revision, expenses for the creation of intangible assets in the amount of kRUR 513,754, which were previously recorded in deferred expenses accounts, were transferred to accounts for capital investments in the creation and purchase of intangible assets with the subsequent transfer to intangible assets accounts.

In 2016, due to changes in the procedure of determining income, expenses and other comprehensive income, which were introduced on 1 January 2016 in accordance with Regulation No. 446-P of the Bank of Russia *On the Procedure for Determining Income, Expenses and Other Comprehensive Income of Credit Institutions* dated 22 December 2014 (hereinafter, "Regulation No. 446-P"), the Bank included commissions on factoring transactions in interest income and recorded the respective amounts under the respective symbols of part 1 "Interest income and income from adjustments and reversal of (decrease in) provisions for potential losses" of the statement of income. In view of the above, the Bank made adjustments in the amount of kRUR 1,043,556 as of 1 January 2016 in its annual statements in connection with the revision of the approach to the recognition of commission income from factoring transactions.

Due to changes in the procedure of determining income, expenses and other comprehensive income, which were introduced on 1 January 2016 in accordance with Regulation No. 446-P, the Bank also made adjustments in the amount of kRUR 217 to other comprehensive income as of 1 January 2016 in its statement of income for 2015.

The above adjustments result in a fairer presentation of the Bank's financial position in the annual statements.

3.7. Material errors in the annual statements

According to the Bank's accounting policy, an error is deemed material if such error, individually or in combination with other errors for the same reporting period, influences the Bank's financial result in the amount more than 5% of an item amount as of the reporting date.

The items reported in the annual statements of prior periods do not contain any material errors and do not have to be revised, corrected or replaced.

4. Prior period adjustments and changes in classification

The Bank made adjustments in its balance sheet as of 1 January 2016 and in its statement of income for 2015 to bring them into line with the respective forms for 2016 as of 1 January 2017 (see Note 3.6). The form of the financial statements for 2016 gives a fairer presentation of the Bank's financial position.

The table below presents the adjustments in the balance sheet as of 1 January 2016.

Item of the balance sheet	*Previously recorded amount*	*Amount of the adjustment*	*Amount after the adjustment*
10. Fixed assets, intangible assets and inventories	13,255	513,754	527,009
12. Other assets	1,224,704	(513,754)	710,950

The table below presents the adjustments in the statement of income for 2015.

Item of the statement of income	*Previously recorded amount*	*Amount of the adjustment*	*Amount after the adjustment*
Section 1. Profit or loss			
1. Total interest income, including from:	5,143,117	1,043,556	6,186,673
1.2 Loans issued to customers other than credit institutions	4,664,411	1,043,556	5,707,967
14. Fee and commission income	2,843,438	(1,043,556)	1,799,882
Section 2. Other comprehensive income			
1. Profit (loss) for the reporting period	1,123,675	–	1,123,675
6. Total for items to be reclassified to profit or loss, including:	–	217	217
6.1 Change in revaluation reserve for financial assets available for sale	–	217	217
8. Other comprehensive income (loss) to be reclassified to profit or loss, less income tax	–	217	217
9. Other comprehensive income (loss) less income tax	–	217	217
10. Financial result for the reporting period	1,123,675	217	1,123,892

5. Accompanying information for balance sheet items

5.1. Cash and cash equivalents

	1 January 2017	*1 January 2016*
Cash on hand	10	10
Accounts with the Bank of Russia	414,847	191,917
Correspondent accounts with Russian credit institutions	48,553	11,305
Correspondent accounts with foreign banks	89,285	41,736
Total cash and cash equivalents	**552,695**	**244,968**

As of 1 January 2017 and 1 January 2016, balances of obligatory reserves with the CBR amounted to kRUR 29,397 and kRUR 11,646, respectively. The Bank is required to maintain an obligatory reserve deposit with the Bank of Russia at all times. The amount of obligatory reserves depends on the amount of funds raised by the Bank from customers. The regulatory documents of the Bank of Russia impose tight restrictions on the use of obligatory reserve balances by the Bank.

5.2. Financial assets and liabilities at fair value through profit or loss

The table below presents the structure of financial assets at fair value through profit or loss by type of financial assets:

	1 January 2017	*1 January 2016*
Total derivative financial instruments, including:	**136,743**	**2,881,955**
Swap		
Foreign currency (foreign exchange swaps)	–	412,836
Foreign currency and interest rate (cross-currency interest rate swaps)	–	–
Interest rate (interest rate swaps)	136,743	2,469,119
Total investments in financial assets at fair value through profit or loss	**136,743**	**2,881,955**

The table below presents the structure of financial liabilities at fair value through profit or loss by type of financial liabilities:

	1 January 2017	*1 January 2016*
Total derivative financial instruments, including:	**3,097,474**	–
Swap		
Foreign currency (foreign exchange swaps)	233,301	–
Foreign currency and interest rate (cross-currency interest rate swaps)	–	–
Interest rate (interest rate swaps)	2,864,173	–
Total financial liabilities at fair value through profit or loss	**3,097,474**	–

Derivative financial instruments measured using valuation techniques based on observable market inputs provided by information systems widely known in the market comprise foreign exchange swaps, cross-currency interest rate swaps and interest rate swaps. Swaps are valued using techniques for determining the present values of future flows.

5.3. Loans receivable and similar debt

Net loans receivable comprise loans issued to credit institutions, other legal entities and individuals. The Bank issues loans primarily to the residents of the Russian Federation.

Information by type of borrowers and economic activity:

	1 January 2017	*1 January 2016*
Deposits with the Bank of Russia	**1,500,000**	**500,000**
Loans to resident banks	3,000,000	**4,200,000**
*Provisions for potential losses**	*(450,000)*	*(140,000)*
Loans to resident legal entities	**19,171**	–
- Trade in automotive vehicles	19,171	–
Provisions for potential losses*	–	–
Financing to resident legal entities against monetary claim assignment (factoring)	**13,205,299**	**10,569,133**
- Trade in automotive vehicles	13,205,299	10,568,719
- Financial intermediation	–	414
*Provisions for potential losses**	*(418,054)*	*(324,886)*
Loans to resident individuals	**43,154,438**	**34,368,478**
- Car loans	43,154,438	34,368,478
*Provisions for potential losses**	*(1,003,002)*	*(619,112)*
Total loans receivable	**60,878,908**	**49,637,611**
*Total provisions for potential losses**	*(1,871,056)*	*(1,083,998)*
Total net loans receivable	**59,007,852**	**48,553,613**

* *Amounts decreasing the item.*

Information by term to maturity:

	1 January 2017	*1 January 2016*
Deposits with the Bank of Russia	**1,500,000**	**500,000**
- Up to 30 days	1,500,000	500,000
Loans to banks	3,000,000	**4,200,000**
- Up to 30 days	3,000,000	4,200,000
*Provisions for potential losses**	*(450,000)*	*(140,000)*
Loans to legal entities	**19,171**	–
Current (not past due) debt, including:	–	–
- From 31 to 90 days	19,171	–
*Provisions for potential losses**	–	–
Financing against monetary claim assignment (factoring)	**13,205,299**	**10,569,133**
Current (not past due) debt, including:	13,201,590	10,502,291
- Up to 30 days	1,376,413	918,791
- From 31 to 90 days	10,679,896	8,153,483
- From 91 to 180 days	1,139,513	1,430,017
- From 181 days to 1 year	5,768	–
Past due debt, including:	3,709	66,842
- With indefinite maturity	3,709	66,842
*Provisions for potential losses**	*(418,054)*	*(324,886)*

Loans to individuals	**43,154,438**	**34,368,478**
Current (not past due) debt, including:	42,864,852	34,264,371
- Up to 30 days	1,764,748	1,364,291
- From 31 to 90 days	3,190,511	2,347,446
- From 91 to 180 days	4,703,881	2,948,853
- From 181 days to 1 year	9,123,833	5,959,107
- From 1 and 3 years	21,450,793	19,006,483
- From 3 and 5 years	2,460,938	2,587,819
- Over 5 years	139,346	37,152
- With indefinite maturity	30,802	13,220
Past due debt, including:	289,586	104,107
- With indefinite maturity	289,586	104,107
*Provisions for potential losses**	*(1,003,002)*	*(619,112)*
Total loans receivable	**60,878,908**	**49,637,611**
*Total provisions for potential losses**	*(1,871,056)*	*(1,083,998)*
Total net loans receivable	**59,007,852**	**48,553,613**

* *Amounts decreasing the item*

As of 1 January 2017 and 1 January 2016, all issued loans were denominated in Russian rubles.

5.4. Financial investments in securities available for sale

Information by type of securities and term to maturity:

	1 January 2017	*1 January 2016*
Debt obligations of the Russian Federation (OFZ), including:	**102,052**	–
- Up to 30 days	–	–
- From 31 to 90 days	–	–
- From 91 to 180 days	49,897	–
- From 181 days to 1 year		–
- From 1 and 3 years	52,155	–
Debt obligations of resident banks, including:	**100,651**	**200,321**
- Up to 30 days	–	24,843
- From 31 to 90 days	–	74,236
- From 91 to 180 days	41,308	–
- From 181 days to 1 year	–	–
- From 1 and 3 years	59,343	101,242
Total securities available for sale	**202,703**	**200,321**

Investments in securities available for sale are carried at current (fair) value. The revaluation results are recorded in additional capital within other comprehensive income.

As of 1 January 2017 and 2016, securities available for sale are included in the lombard list of the Bank of Russia and may be used as collateral for the refinancing transactions of the Bank of Russia.

As of 1 January 2017 and 2016, the Bank had no securities provided as collateral under sale and repurchase agreements.

During 2016, the Bank did not reclassify securities available for sale.

5.5. Fixed assets, intangible assets and inventories

Information as of 1 January 2017:

	Office equipment and computers	*Vehicles*	*Inventories*	*Intangible assets*	*Capital investments*	*Total*
Cost at 1 January 2016	33,897	3,090	261	3,411	–	40,659
Accumulated depreciation / amortization	24,419	2,081	–	904	–	27,404
Net book value at 1 January 2016	**9,478**	**1,009**	**261**	**2,507**	**–**	**13,255**
Reclassification	–	–	–	513,754	–	513,754
Net book value at 1 January after reclassification	**9,478**	**1,009**	**261**	**516,261**	**–**	**527,009**

	Office equipment and computers	Vehicles	Inventories	Intangible assets	Capital investments	Total
Additions	19,171	2,112	12,368	94,168	–	127,819
Disposals at cost	–	–	12,606	–	–	12,606
Disposals of accumulated depreciation / amortization	–	–	–	–	–	–
Depreciation / amortization charges	12,187	1,050	–	191,449	–	204,686
Net book value at 1 January 2017	**16,462**	**2,071**	**23**	**418,980**	**–**	**437,536**
Cost at 1 January 2017	53,068	5,202	23	611,333	–	669,626
Accumulated depreciation / amortization	36,606	3,131	–	192,353	–	232,090

Information as of 1 January 2016:

	Office equipment and computers	Vehicles	Inventories	Intangible assets	Capital investments	Total
Cost at 1 January 2015	37,677	3,090	492	3,084	–	44,343
Accumulated depreciation / amortization	13,555	1,047	–	242	–	14,844
Net book value at 1 January 2015	**24,122**	**2,043**	**492**	**2,842**	**–**	**29,499**
Additions	1,492	–	14,951	327	–	16,770
Disposals at cost	5,272	–	15,182	–	–	20,454
Disposals of accumulated depreciation / amortization	1,500	–	–	–	–	1,500
Depreciation / amortization charges	12,364	1,034	–	662	–	14,060
Net book value at 1 January 2016	**9,478**	**1,009**	**261**	**2,507**	**–**	**13,255**
Cost at 1 January 2016	33,897	3,090	261	3,411	–	40,659
Accumulated depreciation / amortization	24,419	2,081	–	904	–	27,404

As of 1 January 2017 and 2016, the Bank had no fixed assets that were temporarily not used in principal activities, including those pledged as collateral for liabilities.

5.6. Other assets

	1 January 2017	*1 January 2016*
Other financial assets		
Interest on loans	223,458	182,768
Accrued fees and commissions	198,358	196,476
Receivables under car loans subsidizing program	51,155	128,935
Other receivables	5,407	752
Total other financial assets	**478,378**	**508,931**
Other non-financial assets		
Taxes and payroll settlements	20,601	37,426
Social insurance and security settlements	890	–
Settlements with suppliers (advance payments)	144,956	174,762
Prepaid expenses	10,380	531,134
Total other non-financial assets	**176,827**	**743,322**
Total other assets before provision for potential losses	**655,205**	**1,252,253**

	1 January 2017	1 January 2016
*Provisions for potential losses on other assets**	*(69,920)*	*(27,549)*
Total other assets	**585,285**	**1,224,704**

* *Amounts decreasing the item*

Information by type of other assets and term to maturity:

	1 January 2017	1 January 2016
Other financial assets	**478,378**	**508,931**
Current (not past due) debt, including:	468,010	501,261
- Up to 30 days	462,603	500,509
- With indefinite maturity	5,407	752
Past due debt, including:	10,368	7,670
- With indefinite maturity	10,368	7,670
*Provisions for potential losses**	*(65,955)*	*(8,118)*
Other non-financial assets	**176,827**	**743,322**
Current (not past due) debt, including:	176,827	723,891
- Up to 30 days	36,024	107,112
- From 31 to 90 days	87,754	40,589
- From 91 to 180 days	–	22,821
- From 181 days to 1 year	32,946	18,971
- From 1 and 3 years	20,103	520,156
- From 3 and 5 years	–	14,242
- With indefinite maturity	–	–
Past due debt, including:		
- With indefinite maturity	–	19,431
*Provisions for potential losses**	–	*(19,431)*
Total other assets before provision for potential losses	**655,205**	**1,252,253**
*Provisions for potential losses on other assets**	*(69,920)*	*(27,549)*
Total other assets	**585,285**	**1,224,704**

As of 1 January 2017 and 2016, all other assets were denominated in Russian rubles.

Other assets in the balance sheet as of 1 January 2016 were adjusted for an amount of kRUR 513,754 due to the revision of the approach to the recognition of intangible assets (see Note 3.6).

5.7. Deposits received from the Bank of Russia

Analysis of deposits received from the Bank of Russia by term to maturity:

	1 January 2017	1 January 2016
Deposits received from the Bank of Russia, including:	–	**2,000,000**
- From 31 to 90 days	–	–
- From 91 to 180 days	–	2,000,000
Total deposits received from the Bank of Russia	–	**2,000,000**

5.8. Amounts due to credit institutions

Information by term to maturity:

	1 January 2017	1 January 2016
Loans and deposits received from resident banks, including:	**13,505,000**	**16,135,000**
- Up to 30 days	–	635,000
- From 31 to 90 days	5,500,000	2,500,000
- From 91 to 180 days	2,005,000	9,500,000
- From 181 days to 1 year	4,000,000	2,000,000
- From 1 and 3 years	2,000,000	1,500,000
Loans and deposits received from non-resident banks, including:	**13,400,331**	**10,360,636**
- From 31 to 90 days	–	–
- From 91 to 180 days	–	–
- From 181 days to 1 year	3,828,666	–
- From 1 and 3 years	9,571,665	10,360,636
Total amounts due to credit institutions	**26,905,331**	**26,495,636**

5.9. *Amounts due to customers other than credit institutions*

Information by type of funding and term to maturity:

	1 January 2017	*1 January 2016*
Resident legal entities, including:	**703,442**	**47,412**
Settlements on factoring transactions, including:	12,265	9,212
- Up to 30 days	12,265	9,212
Term deposits, including:	650,625	38,200
- Up to 30 days	8,400	–
- From 31 to 90 days	2,620	–
- From 91 to 180 days	178,830	–
- From 181 days to 1 year	460,775	38,200
- From 1 and 3 years	–	–
Demand deposits:	40,552	–
Non-resident legal entities, including:	**10,829,832**	**12,391,566**
Term deposits, including:	10,829,832	12,391,566
- Up to 30 days	–	–
- From 31 to 90 days	–	–
- From 91 to 180 days	–	–
- From 181 days to 1 year	3,628,268	–
- From 1 and 3 years	7,201,564	12,391,566
Resident individuals, including:	**1,393,541**	**1,040,267**
Current accounts, including:	1,393,541	1,040,267
- With indefinite maturity	1,393,541	1,040,267
Total amounts due to customers	**12,926,815**	**13,479,245**

Information by type of economic activity:

	1 January 2017	*1 January 2016*
Resident legal entities, including:	**703,442**	**47,412**
- Trade in automotive vehicles	112,890	47,412
- Financial intermediation	590,552	–
Non-resident legal entities, including:	**10,829,832**	**12,391,566**
- Financial intermediation	10,829,832	12,391,566
Resident individuals	**1,393,541**	**1,040,267**
Total amounts due to customers	**12,926,815**	**13,479,245**

5.10. *Debt securities issued*

Information on the amount and structure of securities issued as of 1 January 2017:

Bonds		*Date of placement*	*Date of maturity*	*Coupon rate per annum, %*	*Principal amount, kRUR*	*Interest / discount accrued, kRUR*	*Total, kRUR*
Series	*Number*						
01	40100170B	5 July 2016	9 July 2021, offer – 7 July 2018	10.4% – the rate is determined for 4 coupon periods. The rate for the subsequent coupon periods will be determined in accordance with the issuance documents.	5,000,000	255,000	5,255,000

As of 1 January 2017 and 2016, the Bank had no overdue or restructured debt obligations.

5.11. Other liabilities

	1 January 2017	*1 January 2016*
Other financial liabilities		
Interest payable	1,181,844	833,192
Interest and coupons payable on securities issued	255,000	–
Other accounts payable	15,214	13,930
Total other financial liabilities	**1,452,058**	**847,122**
Other non-financial liabilities		
Taxes payable	257,726	4,478
VAT payable	722	149,295
Trade payables	513,269	570,723
Social insurance and security settlements	13,431	–
Payables to the Deposit Insurance Agency	1,483	885
Long-term employee benefits payable	53,818	181,103
Dividends payable	–	–
Non-credit related provisions	146,209	–
Total other non-financial liabilities	**986,658**	**906,484**
Total other liabilities	**2,438,716**	**1,753,606**

Analysis of other liabilities by remaining maturities:

	1 January 2017	*1 January 2016*
Other financial liabilities	**1,452,058**	**847,122**
- Up to 30 days	269,034	134,751
- From 31 to 90 days	383,378	58,495
- From 91 to 180 days	151,211	349,838
- From 181 days to 1 year	380,608	115,282
- From 1 and 3 years	265,895	187,789
- With indefinite maturity	1,932	967
Other non-financial liabilities	**986,658**	**906,484**
- Up to 30 days	208,194	6,455
- From 31 to 90 days	578,347	153,773
- From 91 to 180 days	–	–
- From 181 days to 1 year	–	–
- From 1 and 3 years	53,818	163,492
- With indefinite maturity	146,209	582,764
Total other liabilities	**2,438,716**	**1,753,606**

As of 1 January 2017, the major portion of other liabilities was denominated in Russian rubles. As of 1 January 2016, other liabilities denominated in foreign currency amounted to kRUR 138,641.

5.12. Sources of equity

	1 January 2017	*1 January 2016*
Shareholders' (participants') equity	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Reserve fund	67,190	11,006
Fair value remeasurement of securities available for sale	546	173
Retained earnings (loss) of prior years	292,157	739,531
Unutilized profit for the reporting period	1,807,879	–
Total equity	**11,017,572**	**9,600,510**

As of 1 January 2017 and 2016, the structure of the Bank's share capital remained unchanged. During 2016, the Bank did not buy back its shares from shareholders. The Bank's share capital consists of 2,335,000 authorized placed ordinary book-entry registered shares with a nominal value of 1,400 rubles per share. Each ordinary share carries one vote. All issued ordinary shares are fully paid.

5.13. Off-balance sheet credit-related liabilities and derivative financial instruments

The Bank enters into transactions with derivative financial instruments. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their nominal value. The nominal value shows the volume of transactions outstanding at the year-end and does not indicate a credit risk.

Analysis of off-balance sheet liabilities by remaining maturities:

	Fair value		*Nominal value*	
At 1 January 2017	*Assets*	*Liabilities*	*Claims*	*Liabilities*
Total foreign exchange contracts, including:	–	**233,301**	**540,197**	**854,414**
Foreign exchange swaps				
- From 31 to 90 days	–	–	–	–
- From 91 to 180 days	–	–	–	–
- From 181 days to 1 year	–	–	–	–
- From 1 and 3 years	–	233,301	540,197	854,414
Total interest rate contracts, including:	**136,743**	**2,864,173**	**22,767,265**	**28,062,265**
Cross-currency interest rate swaps	–	–	–	–
- Up to 30 days	–	–	149,306	3,312,589
- From 31 to 90 days	–	–	127,405	–
- From 91 to 180 days	136,743	426,042	4,466,777	4,976,655
- From 181 days to 1 year	–	1,077,418	7,622,618	7,404,185
- From 1 to 3 years	–	1,360,713	10,401,159	12,368,836
Total undrawn loan facilities, including by term to maturity:	–	–	–	**829**
- With indefinite maturity	–	–	–	829
Total off-balance sheet liabilities	**136,743**	**3,097,474**	**23,307,462**	**28,917,508**

	Fair value		*Nominal value*	
At 1 January 2016	*Assets*	*Liabilities*	*Claims*	*Liabilities*
Total foreign exchange contracts, including:	**412,836**	–	**3,094,140**	**2,915,862**
Foreign exchange swaps				
- From 31 to 90 days	–	–	–	–
- From 91 to 180 days	143,903	–	622,722	498,716
- From 181 days to 1 year	268,933	–	2,471,418	2,417,146
Total interest rate contracts, including:	**2,469,119**	–	**18,739,790**	**18,569,831**
Cross-currency interest rate swaps	–	–	–	–
- From 181 days to 1 year	612,013	–	7,420,030	7,531,228
- From 1 to 3 years	1,857,106	–	11,319,760	11,038,603
Total off-balance sheet liabilities	**2,881,955**	–	**21,833,930**	**21,485,693**

The above swap transactions were entered into with foreign counterparties.

6. Accompanying information for the statement of income

6.1. Interest income and expense

	1 January 2017	*1 January 2016*
Interest income		
Loans to legal entities	1,975,266	1,353,609
Loans to individuals	6,200,197	4,354,358
Loans to banks	667,590	470,147
Securities available for sale	19,533	8,559
Total interest income	**8,862,586**	**6,186,673**
Interest expense		
*Deposits from legal entities**	*(422,328)*	*(199,914)*
*Deposits from banks**	*(2,438,445)*	*(2,030,782)*
*Debt obligations issued**	*(255,000)*	–
Total interest expense	***(3,115,773)***	***(2,230,696)***
Total net interest income	**5,746,813**	**3,955,977**

* *Amounts decreasing the item.*

6.2. *Fee and commission income and expense*

	1 January 2017	1 January 2016
Fee and commission income		
Fee on agency services	1,852,718	1,749,646
Other transactions	298,419	50,236
Total fee and commission income	**2,151,137**	**1,799,882**
Fee and commission expense		
*Foreign currency transactions**	–	–
*Money transfer services**	*(123,745)*	*(110,234)*
*Cash and settlement services**	*(1,455)*	*(1,318)*
*Depository services**	*(20)*	*(45)*
*Other transactions**	*(2,930)*	*(23,048)*
Total fee and commission expense	***(128,150)***	***(134,645)***
Total net fee and commission income	**2,022,987**	**1,665,237**

* *Amounts decreasing the item.*

6.3. *Net gains from financial assets at fair value through profit or loss*

	1 January 2017	1 January 2016
Gains from derivative financial instruments	131,323	3,943,436
*Losses from derivative financial instruments**	*(6,757,145)*	*(181,966)*
Total net gains from financial assets	**(6,625,822)**	**3,761,470**

* *Amounts decreasing the item.*

6.4. *Net gains from securities available for sale*

	1 January 2017	1 January 2016
Gains from securities available for sale	34	38
*Losses from securities available for sale**	*(63)*	*(98)*
Total net gains from securities	**(29)**	**(60)**

* *Amounts decreasing the item.*

6.5. *Net gains from dealing in foreign currencies*

	1 January 2017	1 January 2016
Gains from purchase and sale of foreign currency by electronic transfer	247	4,648
*Losses from purchase and sale of foreign currency by electronic transfer**	*(261,339)*	*(549,985)*
Total net gains from dealing in foreign currencies	**(261,092)**	**(545,337)**

* *Amounts decreasing the item.*

6.6. *Net gains from foreign currency translation*

	1 January 2017	1 January 2016
Gains from revaluation of amounts in foreign currency	31,714,487	19,591,044
*Losses from revaluation of amounts in foreign currency**	*(27,466,556)*	*(24,726,206)*
Total net gains from foreign currency translation	**4,247,931**	**(5,135,162)**

* *Amounts decreasing the item.*

6.7. *Information on charge (reversal) of provisions for potential losses*

	1 January 2017	1 January 2016
Charge of provisions for potential losses from loans receivable and similar debt, including:	**(787,058)**	**(878,525)**
Income from reversal of provisions for potential losses	18,417,154	4,930,140
*Charges to provisions for potential losses**	*(19,204,212)*	*(5,808,665)*
Charge of provisions for potential losses from interest income, including:	**(53,791)**	**(6,515)**
Income from reversal of provisions for potential losses	709,173	34,067
*Charges to provisions for potential losses**	*(762,964)*	*(40,582)*
Total charge of provisions for potential losses	**(840,849)**	**(885,040)**

* *Amounts decreasing the item.*

	1 January 2017	1 January 2016
Charge of provisions for other losses, including:	(134,789)	–
Income from reversal of provisions for potential losses	78,602	–
*Charges to provisions for potential losses**	(213,391)	–

* *Amounts decreasing the item.*

Analysis of movements in provisions for potential losses from loans receivable and similar debt, and other assets for 2016 is presented in the table below:

Balance at 1 January 2016, including:	**1,111,547**
- Loans receivable and similar debt	1,083,998
- Interest income	7,538
- Other assets	20,011
Change in provisions, including:	**975,638**
Charge of provisions, including:	20,180,567
- Issue of new loans	14,013,642
- Change in loan quality	2,811,587
- Changes in the official exchange rate of a foreign currency to the ruble	–
- Other reasons	3,355,338
Reversal of provisions, including:	(19,204,929)
- Write-off of bad debts	–
- Repayment of loans	(12,549,964)
- Change in loan quality	(4,286,607)
- Changes in the official exchange rate of a foreign currency to the ruble	–
- Other reasons	2,368,358
Balance at 1 January 2017, including:	**2,087,185**
- Loans receivable and similar debt	1,871,056
- Interest income	61,329
- Other assets	8,591
- Non-credit related provisions	146,209

* *Amounts decreasing the item*

6.8. *Other operating income*

	1 January 2017	1 January 2016
Other operating income		
Property lease	832	696
Other income	96,090	27,780
Total other operating income	**96,922**	**28,476**

6.9. Operating expenses

	1 January 2017	1 January 2016
Operating expenses		
Debt securities issued	22,719	–
Staff costs	397,473	445,981
Payroll related taxes	87,571	80,417
Depreciation / amortization	204,685	14,060
Repair and maintenance of fixed assets	19,702	23,148
Inventory write-off	7,986	4,376
Disposal (sale) of property	–	3,784
Non-exclusive rights for software	12,608	150,106
Rent expenses	72,937	90,965
Communication services	38,636	16,575
Security	1,702	1,703
Business travel expenses	21,871	16,309
Insurance	5,256	2,780
Audit	15,716	5,837
Advertising and marketing, entertainment	16,941	51,505
Training, participation in conferences	1,904	342
Information and technological services	68,006	53,838
Agency fee	222,533	311,528
Information and advisory services	54,325	42,325
Legal services	6,522	5,387
Business development and professional services	447,450	23,859
Other operating expenses	74,763	42,990
Total operating expenses	**1,801,306**	**1,387,815**

6.10. Tax expense

	1 January 2017	1 January 2016
Expenses by type of taxes and levies, including:		
Income tax	648,954	546,204
Increase in income tax by deferred income tax	–	84,707
*Decrease in income tax by deferred tax**	*(147,518)*	*(421,066)*
VAT	136,512	122,771
Property tax	216	165
Other taxes and levies	4,723	1,290
Total tax expense	**642,887**	**334,071**

* *Amounts decreasing the item*

6.11. Other comprehensive income

	1 January 2017	1 January 2016
Other comprehensive income, including:		
Increase in the fair value of securities available for sale	721	721
*Decrease in the fair value of securities available for sale**	*(288)*	*(542)*
Transfer of the accumulated decrease in the fair value of securities available for sale to profit or loss	34	38
Total other comprehensive income	**467**	**217**

* *Amounts decreasing the item*

7. Accompanying information for the statement of cash flows

7.1. Information on cash flows

	1 January 2017	1 January 2016
Net cash from (used in) operating activities	831,049	*(665,340)*
Net cash from (used in) investing activities	*(114,990)*	*(185,626)*
Net cash from (used in) financing activities	*(391,189)*	–

	1 January 2017	1 January 2016
Effect of changes in the official exchange rates of foreign currencies to the ruble set by the Bank of Russia on cash and cash equivalents	*(17,143)*	*(60,166)*
Increase (decrease) in cash and cash equivalents	***307,727***	***(911,132)***
Cash and cash equivalents at the beginning of the reporting period	244,968	1,156,100
Cash and cash equivalents at the end of the reporting period	552,695	244,968

In 2016 and 2015, the Bank had no cash unavailable for use, except for the amounts deposited with the Bank of Russia as the obligatory reserves fund.

The Bank conducts standard transactions in financial markets, including with the Bank of Russia, within the limits set by counterparties for each other and for each type of transactions.

In 2016, the Bank mainly used cash to purchase securities categorized as "available for sale", issue loans and pay interest. The main sources of cash in the reporting period were interest received and increases in customer accounts. The cash outflow for the Bank's financing activities is related to the payment of dividends on the Bank's shares for 2015 in the amount of kRUR 391,189.

8. Accompanying information for the statement of capital adequacy

8.1. Equity (capital)

The information on equity (capital) is presented in accordance with Regulation No. 395-P of the Bank of Russia:

	1 January 2017	1 January 2016
Share capital (ordinary shares)	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Reserve fund	67,190	11,006
Profit of prior years (audited)	292,157	739,531
*Loss of the current year**	–	(530,961)
*Loss of prior years**	–	–
*Intangible assets**	*(251,388)*	*(1,003)*
*Negative additional paid-in capital**	*(454,294)*	*(1,504)*
Core capital	**8,503,465**	**9,066,869**
*Intangible assets**	*(167,592)*	*(1,504)*
*Negative additional paid-in capital**	*(286,702)*	–
Additional paid-in capital	–	–
Main capital	**8,503,465**	**9,066,869**
Profit of the current year (unaudited)	1,798,045	–
Income not recognized as a source of capital and representing amounts due to the credit institution	*(2,080,824)*	–
Shortfall of provision on loans receivable	*(3,923)*	–
Additional capital	–	–
Equity (capital)	**8,503,465**	**9,066,869**

* *Amounts decreasing the item*

The Bank calculates the amount of Basel III regulatory capital on the basis of Regulation No. 395-P of the Bank of Russia.

Basel III establishes three tiers of capital: core, main and total. Main capital is the sum of core capital and additional paid-in capital. Total capital is the sum of main capital and additional capital.

The main sources of the Bank's core capital include the share capital and share premium of kRUR 8,849 800, the reserve fund of kRUR 67,190 and the prior years' retained earnings of kRUR 292,157. Intangible assets (60%) reduce the core capital by kRUR 251,388.

Currently, the Bank has no sources of additional paid-in capital (perpetual subordinated loans or perpetual subordinated bonds which may be accounted for within additional paid-in capital, as permitted by the Bank of Russia). 40% of intangible assets in the amount of kRUR 167,592 reduce the additional paid-in capital.

The Bank's additional capital is represented by:

- Profit for 2016 which is not confirmed by auditors (kRUR 1,807,879).
- Fair value remeasurement of securities available for sale (kRUR 482).

Sources reducing additional capital comprise:

- Prepaid expenses (kRUR 10,380).
- Income not recognized as a source of capital and representing amounts due to the credit institution (income from payments by insurance companies (agency fees) under the program for the insurance of borrowers (for insurance amounts paid by borrowers using the funds received from the credit institution)) (kRUR 2,080,824).
- Additional provision for loans receivable and similar debt in accordance with the instruction received from the Bank of Russia (kRUR 3,923).

8.2. Reconciliation of regulatory capital with accounting data

Item	*Balance sheet Form 0409806*	*Line No.*	*Statement of capital adequacy Form 0409808*	*Line No.*
Core capital	**9,209,147**		**9,209,147**	**6**
Share capital, share premium	8,849,800	24.26	8,849,800	1.1.1
Reserve fund	67,190	27	67,190	3
Profit of prior years (audited)	292,157	33	292,157	2.1
Instruments decreasing core capital	**705,682**		**705,682**	**28**
Intangible assets	251,388	10	251,388	9
Negative amount of additional paid-in capital	454,294	10, 12, 28, 34	454,294	27
Additional paid-in capital	**–**		**–**	**36**
Instruments decreasing additional paid-in capital	**454,294**		**454,294**	
Intangible assets	167,592	10	167,592	41.1.1
Negative amount of additional paid-in capital	286,702	12, 28, 34	286,702	41.1.5
Additional capital:	**1,798,527**		**1,798,527**	**46**
Profit of the current year (unaudited)	1,798,045	34	1,798,045	46
Fair value remeasurement of securities available for sale	482	28	482	46
Instruments decreasing additional capital	**2,095,127**		**2,095,127**	**46**
Prepaid expenses	10,380	12	10,380	46
Income not recognized as a source of capital and representing amounts due to the credit institution	2,080,824	33.34	2,080,824	46
Shortfall of provision on loans receivable	3,923	34	3,923	46
Total core capital	**8,503,465**	x	**8,503,465**	**29**
Total additional capital	**–**	x	**–**	**44**
Total main capital	**8,503,465**	x	**8,503,465**	**45**
Total equity (capital)	**8,503,465**	x	**8,503,465**	**59**

8.3. Information on capital instruments

	1 January 2017	*1 January 2016*
Ordinary shares		
Nominal value of cash paid for shares	3,269,000	3,269,000
Share premium	5,580,800	5,580,800

8.4. Information on risk weighted assets

	1 January 2017	*1 January 2016*
Total credit risk related to balance sheet assets, including	**57,850,414**	**48,102,745**
Credit risk related to balance sheet assets (standard)	57,230,991	46,821,445
Transactions with an increased risk factor	499,271	166,048
Credit risk related to off-balance sheet liabilities	–	–
Risk from related party transactions	120,152	210,719
Risk related to derivative financial instruments	299,015	904,533
Risk related to derivative financial instruments	**299,015**	**904,533**
Market risk	**1,604,888**	**640,910**
Operational risk	**7,892,000**	**2,012,288**
Total risk weighted assets	**67,646,317**	**50,755,943**

The amount of risk weighted assets includes credit, market and operational risks and is calculated in accordance with the following regulatory documents of the Bank of Russia:

- The credit risk calculation procedure is determined in Instruction No. 139-I of the Bank of Russia *On Prudential Bank Ratios* dated 3 December 2012. The calculation of risk weighted assets is based on the approach provided for by clause 2.3 of Instruction No. 139-I of the Bank of Russia.
- The market risk calculation procedure is determined in Regulation No. 511-P of the Bank of Russia *On the Procedure for Market Risk Calculation by Credit Institutions* dated 3 December 2015.
- The operational risk calculation procedure is determined in Regulation No. 346-P of the Bank of Russia *On the Procedure for Operational Risk Calculation* dated 3 November 2009.

8.5. Classification of risk weighted assets

	1 January 2017	*1 January 2016*
Assets of risk group I (risk factor of 0%)	–	–
Value of assets	1,643,222	703,573
Assets less provision	1,643,222	703,573
Assets of risk group II (risk factor of 20%)	**424,222**	**486,122**
Value of assets	2,481,326	2,513,298
Assets less provisions	2,121,111	2,430,609
Assets of risk group III (risk factor of 50%)	–	–
Value of assets	–	–
Assets less provisions	–	–
Assets of risk group IV (risk factor of 100%)	**56,806,769**	**46,335,323**
Value of assets	58,391,450	47,364,176
Assets less provisions	56,806,769	46,335,323
Assets of risk group V (risk factor of 150%)	–	–
Value of assets	–	–
Assets less provisions	–	–
Assets weighted for increased risk factors	**619,423**	**376,767**
Value of assets	335,594	244,497
Assets less provisions	335,591	244,492
Total credit risk related to assets recorded on balance sheet accounts	**57,850,414**	**47,198,212**

The calculation of risk weighted assets is based on the approach provided for by clause 2.3 of Instruction No. 139-I of the Bank of Russia.

8.6. Information on capital adequacy ratios

	1 January 2017	*1 January 2016*
Total risk weighted assets	67,646,317	50,755,943
Core capital	8,503,465	9,066,869
Main capital	8,503,465	9,066,869
Equity (capital)	8,503,465	9,066,869
Core capital adequacy ratio (N1.1) Regulatory value 4.5%	12.6%	17.9%
Main capital adequacy ratio (N1.2) Regulatory value 6.0%	12.6%	17.9%
Total capital adequacy ratio (N1.0) Regulatory value 8.0%	12.6%	17.9%

8.7. *Information on the classification of assets by risk group*

Risk weighted assets used for the calculation of the Bank's prudential ratios are presented below.

	1 January 2017	*1 January 2016*
Financial assets, including:		
Loans receivable from and similar debt of credit institutions	1,218,000	2,143,680
Loans receivable from and similar debt of legal entities	12,816,104	10,244,247
Loans receivable from and similar debt of individuals	42,146,635	33,749,645
Balances on correspondent accounts	127,860	11,806
Investments in securities available for sale	20,553	13
Total derivative financial instruments, including:	299,015	904,533
Credit risk on derivative instruments (KRS)	299,015	904,533
Other assets	1,521,262	1,048,821
Aggregate credit risk	**58,149,429**	**48,102,745**

In accordance with the Bank's capital adequacy management policy, capital adequacy management is aimed at ensuring the Bank's ability to reach its strategic asset growth goals in full compliance with capital adequacy requirements.

In order to comply with the capital adequacy ratios, the Bank uses the following valuation methods:

- Forecasting of capital adequacy ratios.
- Stress testing of capital adequacy.

The forecasting of capital adequacy ratios is the key method for the preventive identification of any breaches of capital adequacy requirements and the basis for timely decision-making.

In addition, the Bank regularly stress-tests capital adequacy ratios to analyze capital adequacy for potential crisis scenarios.

The main capital adequacy management tools are as follows:

- Business planning and the capital adequacy management plan.
- System of limits for capital adequacy ratios.
- Capital adequacy management plan for unforeseen circumstances.

There were no significant changes in the capital management policy and internal limits in 2016.

The calculation of planned capital adequacy ratios is an integral part of determining target business development indicators in the course of business planning and strategic planning. Compliance with the limits for capital adequacy ratios within the planning horizon is a mandatory requirement. Based on the business plan, the Bank annually develops a capital adequacy management plan which includes a list of capital management measures.

The Bank complied with capital adequacy ratios in 2016.

8.8. *Information on dividends*

	Ordinary shares
Dividends payable at 1 January 2017	–
Dividends paid during 2016	391,189
Dividends payable at 1 January 2016	–

All dividends were paid on 5 September 2016 in full and amounted to kRUR 391,189.

8.9. *Leverage ratio and current liquidity ratio*

	1 January 2017	*1 January 2016*
Main capital	8,503,465	9,066,869
On-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio	61,521,452	53,167,260
Basel III leverage ratio, %	13.8%	17.1%

The Bank calculated the leverage ratio in accordance with the recommendations contained in Letter No. 142-T of the Bank of Russia *On the Calculation of the Leverage Ratio* dated 30 July 2013, and recognized it in the financial statements as of 1 January 2017 in accordance with Instructive Regulation No. 3468-U of the Bank of Russia dated 2 December 2014.

As of 1 January 2017, the leverage ratio decreased by 3.3 pp mainly due to a decrease in main capital.

As of 1 January 2017, on-balance sheet assets used to calculate the leverage ratio amounts to kRUR 61,521,452. This item exceeds the amount of assets determined in accordance with the balance sheet by kRUR 498,811, as the amount of on-balance sheet assets increases by non-credit related provisions and credit risk related to derivative financial instruments.

9. Accompanying information for the statement of prudential ratios

9.1. Information on the values of prudential ratios

	1 January 2017	*1 January 2016*
Core capital adequacy ratio (N1.1) Regulatory value ≥ 4.5%	12.6%	17.9%
Main capital adequacy ratio (N1.2) Regulatory value ≥ 6%	12.6%	17.9%
Total capital adequacy ratio (N1.0) Regulatory value ≥ 8%	12.6%	17.9%
Instant liquidity ratio (N2) Regulatory value ≥ 15%	140.1%	91.7%
Current liquidity ratio (N3) Regulatory value ≥ 50%	234.1%	291.8%
Long-term liquidity ratio (N4) Regulatory value ≤ 120%	77.8%	60.1%
Maximum risk per borrower or a group of related borrowers (N6) Regulatory value ≤ 25%	16.5%	11.2%
Maximum exposure to large credit risks (N7) Regulatory value ≤ 800%	83.7%	68.8%
Maximum amount of loans, bank guarantees and sureties provided by the Bank to its shareholders (N9.1) Regulatory value ≤ 50%	0.0%	0.0%
Aggregate insider risk of the Bank (N10.1) Regulatory value ≤ 3%	0.0%	0.0%
Share of equity (capital) used to purchase shares (interests) in other legal entities (N12) Regulatory value ≤ 25%		

The Bank calculates prudential ratios in accordance with Instruction No.139-I.

10. Information on risks assumed by the Bank, risk assessment and risk and capital management procedures

10.1. General

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

In accordance with its internal risk management regulations, the most significant risks to which the Bank is exposed are the following: credit risk, liquidity risk and market risk which is in its turn classified into currency risk and interest rate risk. The Bank is also exposed to operational, legal, reputational and strategic risks.

The sources of the risk comprise the following:

- For credit risk – a debtor discharges its contractual financial obligations to the Bank in an untimely fashion or not in full.
- For liquidity risk – improper balance between the Bank's financial assets and liabilities or unforeseen need of immediate and simultaneous discharge of its financial obligations.
- For market risk – adverse changes in the market value of the financial instruments in the trading portfolio and derivative financial instruments of the Bank as well as foreign exchange rates.
- For currency risk – changes in exchange rates with respect to the Bank's open positions in foreign currencies.

- For interest rate risk – adverse changes in the market interest rates affecting the Bank's assets, liabilities and off-balance sheet instruments.
- For operational risk – inconsistency with the nature and scope of the Bank's business and/or non-compliance with applicable legislation of internal practices and procedures of banking and other transactions, their breach by the employees of the Bank and/or other persons, inappropriate (insufficient) functionalities (specifications) of IT and other systems applied by the Bank and/or their failures (malfunctions), or ensuing from the effect of external events.
- For legal risk – non-compliance with laws, regulatory requirements and signed agreements, and legal errors committed in carrying out its operations.
- For reputation risk – deterioration of the public opinion related to the Bank's financial stability, quality of its services and nature of its business in general.
- For strategic risk – mistakes in making decisions determining the Bank's operational and development strategy.

This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. Credit policy and other policies relating to lending and funding operations are also approved by the Board of Directors, as well as the procedures for significant risk management, banking risk management methods and models for qualitative risk assessment.

Management Board

The Management Board implements risk management system, approves powers of the Risk, Financial, Internal Control, Operating Risks and Compliance Committees, decides whether to accept certain risk types.

Risk Committee

The Bank's Risk Committee executes control over elements of risk management system, approves acceptable risk level as part of the approved development strategy, controls compliance of operations performed by the Bank's management with principle of the credit policy and policies relating to other lending operations, develops and bears responsibility for optimization of credit risks in the context of balance between risk and profitability and performs control over risk at portfolio level in general.

Credit Committee

The Bank's Credit Committee makes decisions regarding corporate and dealer financing, which includes approval of limits of financing and change of credit risk within the scope of their authority. In addition, while making decisions the Credit Committee of the Bank bears the responsibility for appropriate balance between risk and profitability including cases when the approval from a higher-level management is needed.

Financial Committee

The Financial Committee reviews and approves key macroeconomic indicators, core financial operations and changes in relations between the Bank and other banks, fulfills and forecasts financing plan, performs financial risk monitoring (rates, liquidity, currency exchange rates, counterparties) and projections of refinancing rate. The Committee controls market, interest rate and currency risk and stress-testing.

Treasury

The Bank's Treasury is responsible for managing the Bank's assets and liabilities. It is also primarily responsible for the liquidity risk and funding risk of the Bank.

Internal Control, Operational Risks and Compliance Committee

Internal Control, Operational Risks and Compliance Committee reviews the information on the activities of the Internal Audit Function and Internal Control Function, the results of internal audits and first level control. The Committee also deals with the issues related to operational risk, development of internal control rules on anti-money laundering and counter-terrorism financing, and other issues.

Risk Management Officer

Risk Management Officer executes overall credit risk management and on a regular basis ensures the implementation of common principles and methods for identifying, measuring, managing and reporting credit risk data. Risk Management Officer develops the methodology for risk measurement and performs independent risk analysis of products and programs submitted for approval and limits on specific clients / operations, performs portfolio analysis on credit risk and exercises credit risk control function: applies limits and exercises control over them, provides reports on the level of credit risk which are presented to the Board of Directors, the Management Board and the Risk Committee on a regular basis.

Internal Audit Function

Risk management processes throughout the Bank are reviewed by the Internal Audit Function that examines both the adequacy of the procedures and the Bank's compliance with the procedures.

The Internal Audit Function reports the examination results and suggests remedies for identified violations to the Board of Directors, Chairman of the Board and the Management Board and during the meeting of the Internal Control, Operational Risks and Compliance Committee. The Internal Audit Function performs an ongoing monitoring (follow-up control) over the performance of recommendations put forward by the Function based on the previous audits and over the compliance with the Action Plan to remove identified violations by the Bank's employees.

Internal Control Function

Internal Control Function is responsible for ensuring the compliance of the Bank's activities with the current legislation of the Russian Federation, the Bank's internal regulations and standards for self-regulating organizations. The Internal Control Function also reviews the Bank's documentation, performs assessment of regulatory risks, provides recommendations on risk mitigation and ensures the Bank's compliance with the Russian legislation and standards and taking measures aimed at protection of the Bank's business reputation.

The Internal Control Function reports on the work performed to the Chairman of the Management Board and to the Management Board at least once a year and communicates the performance results during the meeting of the Internal Control, Operational Risks and Compliance Committee.

Risk management system

The Bank's risk management system is based on the following components:

- strategy;
- methodology;
- procedures;
- control;
- updating.

The goal of risk management system is to maintain the overall risk accepted by the Bank at the level defined by the Bank subject to its strategic objectives. The priority is to ensure the maximum safety of assets and equity by mitigation of risk exposures which might lead to unexpected losses.

The goal of the risk management system is achieved through the use of a systemic and complex approach that focuses on the following:

- Risk identification and analysis of all risks arising in the course of the Bank's activities.
- Interpretation of approach to various risk types.
- Quantitative and qualitative assessment (measurement) of specific risk types.
- Establishing correlation between individual risks in order to assess the impact of the actions planned to be taken to limit a particular type of risk on the increase or decrease in the level of other risks.
- Performing full risk level analysis concerning operations planned and completed by the Bank to determine the total amount of risk level.
- Assessment of whether the total amount of risk level is acceptable and reasonable.
- Establishing a subsystem of risk monitoring at the origination phase of negative tendency and a subsystem of swift and adequate response aimed at preventing or mitigating the risk.

Each risk faced by the Bank must be indicated and recognized. The risks are classified into internal and external as well as controlled or not controlled by the Bank. Risks are regularly identified due to the fast-evolving internal and external environment.

The management of the Bank determines its approach towards all indicated risks. A part of the risks which the Bank is not ready to assume must be totally excluded, while the Bank terminates activities related to the indicated risks. With regard to the risks assumed, the Bank defines the maximum acceptable risk exposure. The Bank's strategy governs its risk approach.

The Bank's management strategy is based on the break-even principle and focuses on achieving optimum correlation between profitability of the Bank's business activities and level of assumed risks.

The Bank's risk management strategy involves:

- Compliance with the Bank's strategic goals set by the Board of Directors.
- Development of priority lending schemes.
- Effective capital management with the aim to maintain its adequate level.

Risk management strategy implies using the whole range of risk mitigation instruments and choosing each particular instrument depending on the risk type.

Evaluation of various risk types involves various methodologies which are set out in the Bank's internal documents.

The Bank complies with the requirements set by the Bank of Russia to risk and capital management systems and internal controls.

Risk Management Officer, Head of the Internal Audit Function, Head of the Internal Control Function comply with qualification criteria established by the Bank of Russia Instructive Regulation No. 3223-U *On Requirements for Leaders of a Risk Management Function, Internal Audit Function, Internal Control Function in a Credit Institution* dated 1 April 2014 and business reputation requirements set forth in accordance with the Federal Law No. 395-1.

Risk reporting

Information on various risks relevant to the Bank is analyzed with the aim of control and early identification of risks, and subsequent communication to the Bank's management.

Risk reporting with diverse level of detail and different time intervals is performed by the Bank's departments, including the Risk Management Department and Treasury in order to provide the personnel and management of the Bank with the up-to-date and necessary information on the level of risks relevant to the Bank.

Daily reports include information on the Bank's open currency position, gap analysis of the assets and liabilities maturity gap to assess the liquidity risk, calculation of statutory liquidity ratios, calculation of the maximum risk attributable to one borrower or a group of borrowers, calculation of the Bank's capital adequacy ratios.

Monthly report on interest rate risk testing is reviewed during the Financial Committee of the Bank's Management Board and includes gap analysis of the assets and liabilities maturity gap and the results of the basic scenario testing (change in the interest rate by 100 b.p.), results of the stress testing (change in the interest rate by 300-500 b.p.), analysis of changes in the external conditions of the Bank's activities in terms of macroeconomic trends and financial markets analysis.

Monthly report on credit risk testing is reviewed during the Risk Committee of the Bank's Management Board and provides information on the quality of the Bank's loan portfolio in aggregate and broken down by interbank loans, financing to car dealers (factoring), retail lending (car loans), state and changes in major quality indicators, overdue debts, their amount, dynamics, structure and timing, the amount of created provisions, collateral quality and credit risk concentration.

Internal Control Function and Department of Financial Monitoring on the quarterly basis provide to the Internal Control, Operational Risks and Compliance Committee information on operating and/or regulatory risks identified.

10.2. Credit risk

Credit risk is the risk that the Bank will incur a loss because its borrowers or counterparties failed to discharge their contractual obligations.

The Bank has developed credit policies and procedures for the financing of individuals (including employees), banks and dealers which provide guidelines on evaluation of the borrower's financial performance, procedure for risk level decision-making, approval of limits, control over timely repayment of loans, procedure for debt collecting, procedure for accruing provisions and their classification.

Credit risk management is performed through:

- monitoring;
- setting limits;
- diversification;
- analysis.

In accordance with the requirements of the Bank of Russia, the Bank limits risk concentrations per borrower or group of related borrowers, maximum large credit risk exposure, aggregate risk on Bank's insiders, maximum amount of loans, bank guarantees and sureties provided by the Bank to its participants (shareholders).

The Bank monitors compliance with limits on accepted exposure levels on a daily basis.

Collateral used as a credit risk enhancement

The main purpose of collateral agreements is to reduce possible loan losses when settling obligations under credit agreements. Collateral motivates borrowers to timely fulfill their obligations and strengthens the Bank's position. The Bank's policy regarding collateral is as follows: the higher is probability of default, the more valuable collateral should be provided. At the same time collateral is not the key factor to approve a loan request. The Bank considers collateral as a secondary source to discharge the borrower's obligations in case the latter is unable to do it in cash.

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate lending: charges over vehicles and spare parts, bank guarantees, guarantees and warranties from legal entities and individuals, the rights of claim under deposits of legal entities.
- For retail lending: sureties of individuals, charges over vehicles.

	1 January 2017		*1 January 2016*	
	Carrying amount of collateral	*Carrying amount of loans*	*Carrying amount of collateral*	*Carrying amount of loans*
Financing to legal entities against assignment of receivables				
- Vehicles	12,166,622		10,078,184	–
- Guarantees of credit institutions	680,860		206,165	–
- Pledge of receivables related to deposits of legal entities	100,625		38,200	–
- Pledge of goods in turnover	23,600		–	–
- Sureties of legal entities	45,511,339		41,446,339	–
- Sureties of individuals	13,671,020		10,570,900	–
Total financing to legal entities against assignment of receivables	**72,154,066**	**13,205,299**	**62,339,788**	**10,569,133**
Loans to individuals				
- Vehicles	96,349,980		68,505,416	–
- Sureties of individuals	91,659		108,644	–
Total loans to individuals	**96,441,639**	**43,154,438**	**63,746,676**	**34,368,478**
Total loans to customers	**168,595,705**	**56,359,737**	**130,953,848**	**44,937,611**

Collateral to decrease estimated provision

At 1 January 2017	*Amount of claim*	*Estimated provision*	*Estimated provision adjusted for collateral*	*Actual provision*	*Collateral to decrease estimated provision*
Deposits with the Bank of Russia	1,500,000	x	x	x	x
Loans to credit institutions	3,000,000	450,000	450,000	450,000	–
Loans to legal entities	19,171	–	–	–	–
Financing against monetary claim assignment (factoring)	13,205,299	605,409	418,054	418,054	187,355
Loans to individuals (car loans)	43,154,438	1,006,509	1,003,002	1,003,002	3,507
Interest receivable from deposits with the Bank of Russia	369	x	x	x	x
Interest receivable from loans to credit institutions	1,796	269	269	269	–
Interest receivable from loans to legal entities	204	–	–	–	–
Fees and commissions receivable from factoring transactions	198,358	2,333	2,333	2,333	–
Receivables under car loans subsidizing program	51,155	51,155	51,155	51,155	–

Interest receivable from loans to individuals	221,089	7,585	7,572	7,572	13
Other claims on legal entities	59,427	3,520	3,520	3,520	–
Other claims on individuals	5,852	5,071	5,071	5,071	–
Total	**61,417,158**	**2,131,851**	**1,940,976**	**1,940,976**	**190,875**

At 1 January 2016	*Amount of claim*	*Estimated provision*	*Estimated provision adjusted for collateral*	*Actual provision*	*Collateral to decrease estimated provision*
Loans to credit institutions	4,200,000	140,000	140,000	140,000	–
Financing against monetary claim assignment (factoring)	10,569,133	486,527	324,886	324,886	161,641
Loans to individuals (car loans)	34,368,478	659,329	619,111	619,112	40,218
Interest receivable from loans to credit institutions	3,781	151	151	151	–
Fees and commissions receivable from factoring transactions	196,476	2,333	2,333	2,333	–
Receivables under car loans subsidizing program	128,935	–	–	–	–
Interest receivable from loans to individuals	178,987	5,124	5,039	5,054	85
Other claims on legal entities	19,840	19,431	19,431	19,431	–
Other claims on individuals	580	580	580	580	–
Total	**49,666,210**	**1,313,475**	**1,111,531**	**1,111,547**	**201,944**

The Banks assesses the quality of loans receivable and similar debt in accordance with Regulation No. 254-P and Regulation No. 283-P.

As of 1 January 2017 and 2016, loss provisions for loans and similar debt were formed in the full amount in accordance with the established quality categories and provisioning rates.

Information on the quality of assets and the amount of estimated and actual provisions

	1 January 2017	*1 January 2016*
Deposits with the Bank of Russia	**1,500,000**	**500,000**
Total loans to credit institutions, including:	**3,000,000**	**4,200,000**
- Quality category I	–	700,000
- Quality category II	3,000,000	3,500,000
Total loans to legal entities (car loans), including:	**19,171**	**-**
- Quality category I	19,171	–
Financing against monetary claim assignment (factoring), including:	**13,205,299**	**10,569,133**
- Quality category I	8,595,023	6,478,273
- Quality category II	2,041,397	1,930,318
- Quality category III	2,484,072	2,151,536
- Quality category IV	81,098	–
- Quality category V	3,709	9,006
Loans to individuals (car loans), including:	**43,154,438**	**34,368,478**
- Quality category II	41,682,461	33,358,443
- Quality category III	632,965	449,105
- Quality category IV	172,771	154,675
- Quality category V	666,241	406,255
Total loans receivable	**60,878,908**	**49,637,611**
Total interest, fees and commissions receivable, including:	**421,816**	**379,244**
- Deposits with the Bank of Russia	369	–
- Quality category I	182,756	180,202
- Quality category II	217,678	179,615
- Quality category III	13,762	14,206
- Quality category IV	1,684	1,440
- Quality category V	5,567	3,781

	1 January 2017	1 January 2016
Receivables under car loans subsidizing program	**51,155**	**128,935**
- Quality category V	51,155	128,935
Other assets	**65,279**	**20,592**
- Quality category I	17,019	581
- Quality category II	38,153	–
- Quality category III	2,812	–
- Quality category V	7,295	20,011
Total other receivables	**538,250**	**528,771**
Total actual provision for potential losses on loans, including:*	***(1,871,056)***	***(1,083,998)***
- Quality category II	*(698,731)*	*(340,595)*
- Quality category III	*(456,864)*	*(341,112)*
- Quality category IV	*(76,974)*	*(49,583)*
- Quality category V	*(638,487)*	*(352,708)*
Total actual provision for potential losses on other receivables, including:*	***(69,920)***	***(27,549)***
- Quality category II	*(2,240)*	*(1,177)*
- Quality category III	*(3,984)*	*(2,369)*
- Quality category IV	*(596)*	*(451)*
- Quality category V	*(63,100)*	*(23,552)*
Loans receivable less provisions for potential losses	**59,007,852**	**48,553,613**
Other assets less provisions for potential losses	**468,330**	**501,222**

* *Amounts decreasing the item.*

Information on loans and other assets assessed individually and on a portfolio basis

	1 January 2017	1 January 2016
Total loans receivable and similar debt, including:	**61,417,158**	**50,166,382**
- Deposits with the Bank of Russia	1,500,000	500,000
- Interest receivable from deposits with the Bank of Russia	369	–
Total loans and other receivables assessed individually for provisioning purposes, including:	**17,156,976**	**15,286,152**
- Loans to credit institutions	3,000,000	4,200,000
- Loans to legal entities	19,171	–
- Financing against monetary claim assignment (factoring)	13,205,299	10,569,133
- Loans to individuals	622,363	294,738
- Interest receivable	205,004	202,098
- Receivables under car loans subsidizing program	51,155	–
- Other claims on legal entities	53,539	19,431
- Other claims on individuals	445	752
Provisions for potential losses on loans and other receivables assessed individually	*(1,308,510)*	*(686,447)*
Total debt grouped into portfolios of homogeneous loans and other receivables, including:	**42,759,813**	**34,380,230**
- Claims on legal entities	5,888	409
- Loans to individuals	42,532,075	34,073,740
- Receivables under car loans subsidizing program	–	128,936
- Interest receivable	216,443	177,145
- Other claims on individuals	5,407	–
Provisions for potential losses on loans and other receivables assessed on a portfolio basis	*(632,466)*	*(425,100)*
Total provisions for potential losses	***(1,940,976)***	***(1,111,547)***

Information on the amount and quality of loans receivable and debt with overdue payments broken down by delay period

	1 January 2017	*1 January 2016*
Total loans receivable, including:	**60,878,908**	**49,637,611**
- Not exposed to credit risk (deposits with the Bank of Russia)	1,500,000	500,000
- Quality category I	8,614,194	7,178,273
- Quality category II	46,723,858	38,788,761
- Quality category III	3,117,037	2,600,641
- Quality category IV	253,869	154,675
- Quality category V	669,950	415,261
Total loans with overdue payments	**1,256,466**	**867,516**
Percentage of total loans	*2.06%*	*1.75%*
- Up to 30 days	566,286	489,178
- From 31 to 90 days	193,294	158,204
- From 91 to 180 days	135,896	87,459
- Over 180 days	360,990	132,675
Actual provision for potential losses on loans	**1,871,056**	**1,083,998**

Information on overdue debt by type of counterparties and type of financial instruments

As of 1 January 2017

Financial instruments	*Total*	*Overdue debt*						*Estimated provision*	*Actual provision*
		Total	*Up to 30 days*	*From 31 to 90 days*	*From 91 to 180 days*	*From 181 days to 1 year*	*Over 1 year*		
Interbank loans	**4,500,000**	–	–	–	–	–	–	**450,000**	**450,000**
Loans to legal entities	**19,171**	–	–	–	–	–	–	**–**	**–**
Financing against monetary claim assignment (factoring)	**13,205,299**	3,709	–	–	–	–	3,709	**605,408**	**418,054**
Loans to individuals	**43,154,438**	289,586	17,032	13,982	17,870	52,805	187,897	**1,006,508**	**1,003,002**
Securities available for sale	**202,703**	–	–	–	–	–	–	**–**	**–**
Financial assets at fair value	**23,307,462**	–	–	–	–	–	–	**–**	**–**

As of 1 January 2016

Financial instruments	*Total*	*Overdue debt*						*Estimated provision*	*Actual provision*
		Total	*Up to 30 days*	*From 31 to 90 days*	*From 91 to 180 days*	*From 181 days to 1 year*	*Over 1 year*		
Interbank loans	**4,700,000**	–	–	–	–	–	–	**140,000**	**140,000**
Loans to legal entities	**–**	–	–	–	–	–	–	**–**	**–**
Financing against monetary claim assignment (factoring)	**10,569,133**	66,843	61,569	2,718	2,556	–	–	**486,527**	**324,886**
Loans to individuals	**34,368,478**	104,107	9,750	8,943	7,974	50,518	26,922	**659,329**	**619,112**
Securities available for sale	**200,321**	–	–	–	–	–	–	**–**	**–**
Financial assets at fair value	**21,833,930**	–	–	–	–	–	–	**–**	**–**

Restructured loans

As of 1 January 2017, the amount of restructured loans to individuals totaled kRUR 31,751, which is 0.07% of the total loans receivable from individuals.

As of 1 January 2016, the amount of restructured loans to individuals totaled kRUR 15,401, which is 0.04% of the total loans receivable from individuals.

For the purposes of this disclosure, a loan is considered to be a restructured loan if its material terms under the original agreement (the agreement on the basis of which the loan was issued) have been changed on the basis of additional agreements with the counterparties and if under such terms the counterparty receives the right to perform its obligations on more favorable conditions:

- Longer period for the repayment of principal.
- Reduced interest rate.
- Changes in the schedule for the repayment of principal or interest.

Foreclosure on property pledged as collateral

In 2016, the Bank filed 320 legal suits against individuals (borrowers) for the recovery of debt under loan agreements and foreclosure on property pledged as collateral. As of 1 January 2017, the amount of these legal claims against individuals totaled kRUR 184,359.

In 2016, the Bank filed 49 legal suits against individuals (borrowers) for the recovery of debt under loan agreements without foreclosure on property pledged as collateral. As of 1 January 2017, the amount of these legal claims totaled kRUR 32,823.

Information on large credit risks and maximum risk exposure per borrower or a group of related borrowers

Item (designation)	*1 January 2017*	*1 January 2016*
Total credit claims of the bank on a borrower or a group of related borrowers (Krz)	1,398,971	1,015,873
Total large credit risks (Kskr)	7,117,982	6,235,127
Equity (capital)	8,503,465	9,066,869
Maximum risk exposure per borrower, % (N6) (regulatory value <=25%)	**16.5%**	**11.2%**
Maximum exposure to large credit risks, % (N7) (regulatory value <=800%)	**83.7%**	**68.8%**

Information on large credit risk concentration (loans per borrower (a group of related borrowers)) exceeding 5% of the Bank's equity (capital)

	1 January 2017			*1 January 2016*		
	Total	*Balance sheet claims*	*Claims under derivative financial instruments*	*Total*	*Balance sheet claims*	*Claims under derivative financial instruments*
Total for borrowers other than credit institutions, including:	**6,199,982**	**6,199,982**	**–**	**4,157,623**	**3,752,198**	**405,425**
- Financing against monetary claim assignment (factoring)	6,199,982	6,199,982	–	3,752,198	3,752,198	–
- Other balance sheet claims	–	–	–	–	–	–
- Foreign exchange swaps	–	–	–	195,169	–	195,169
- Cross-currency interest rate swaps	–	–	–	210,256	–	210,256
Total for borrowers – credit institutions, including:	**918,000**	**918,000**	**–**	**2,077,504**	**1,774,080**	**303,424**
- Interbank loans	918,000	918,000	–	1,774,080	1,774,080	–
- Foreign exchange swaps	–	–	–	–	–	–
- Cross-currency interest rate swaps	–	–	–	303,424	–	303,424
Total large credit risks (Kskr)	**7,117,982**	**7,117,982**	**–**	**6,235,127**	**5,526,278**	**708,849**

Ten major related borrowers of the Bank comprise resident and non-resident credit institutions and legal entities.

Actual exposures against limits are monitored daily.

The Bank limits major risk concentrations for individual clients and groups of related clients through regular analysis and control of limits, and by changing these lending limits where appropriate.

10.3. Market risk

The Bank takes on exposure to market risk, which is defined as a risk of potential losses under balance sheet and off-balance sheet positions due to unfavorable movements in market prices: as a result of interest rate risks related to financial instruments and currency and equity risks of the Bank. Market risk arises both from trade operations – risk of the trading portfolio, and from assets and liabilities management – risk of balance sheet structure.

The Bank's exposure to market risk arises from dealing in derivative financial instruments, attracting and placing funds at floating and fixed rates and open currency position.

The objective of market risk management is to control the risk accepted by the Bank at the appropriate level defined by the current business strategy keeping the optimum level of income generation. Market risk is calculated and controlled in accordance with the Bank of Russia's Regulation No. 387-P *On the Procedure for Market Risk Calculation by Credit Institutions* dated 28 September 2013 (hereinafter, "Regulation No. 387-P").

The market risk management system is based on a system of limits ensuring compliance of the accepted risks with the established value and equity.

The decisions on market risk management strategy are taken by the Bank's Finance Committee and implemented by the structural units of the Bank within their functional duties. The Treasury regularly monitors currency risk. Interest rate risk is monitored by the Financial Planning and Analysis Department.

During the 12 months of 2016 and earlier, the Bank did not trade in equity securities, therefore as of 1 January 2017 and 2016, the Bank did not calculate equity risk.

	1 January 2017	*1 January 2016*
Total market risk, including:	**1,604,888**	**640,910**
Interest rate risk, including:	92,961	11,752
- Specific interest rate risk	*679*	*1,809*
- General interest rate risk	92,282	9,943
Equity risk, including:	–	–
- General equity risk	–	–
- Specific equity risk	–	–
Foreign currency risk	35,430	494,010

Foreign currency risk

Currency risk is the risk that the Bank may incur losses due to adverse changes in foreign exchange rates and cross rates. The Bank is exposed to currency risk which arises from mismatching assets and liabilities denominated in particular currency.

The Bank controls and limits the currency risk exposure by monitoring volatility of foreign exchange rates and by establishing limits on open positions in each foreign currency and on overall amount of open positions.

The Bank controls and limits total balance sheet and off-balance sheet positions in each currency and overall amount of open positions using the methodology established by the Bank of Russian in its Instruction No. 124-I *On Establishing Amounts (Limits) of Open Currency Positions, Calculation Methodologies and Specific Controls over their Compliance by Credit Institutions* dated 15 July 2005.

The Bank takes a conservative position to limit the accepted currency risk by maintaining minimum possible amount of open positions. The Bank has no significant currency positions opened to obtained speculative gains. Open currency positions are monitored on a daily basis.

1 January 2017	*RUR*	*USD*	*EUR*	*JPY*	*Total*
Assets					
Cash	10	–	–	–	10
Amounts due to credit institutions from the Bank of Russia	444,244	–	–	–	444,244
Amounts due from credit institutions	35,239	5,745	16,965	79,889	137,838
Financial assets at fair value through profit or loss	136,743	–	–	–	136,743
Net loans receivable	59,007,852	–	–	–	59,007,852
Net investments in securities and other financial assets available for sale	202,703	–	–	–	202,703
Current income tax assets	120,225	–	–	–	120,225
Deferred tax asset	313,472	–	–	–	313,472
Fixed assets, intangible assets and inventories	437,536	–	–	–	437,536
Other assets	585,285	–	–	–	585,285
Total assets	**61,283,309**	**5,745**	**16,965**	**79,889**	**61,385,908**

1 January 2017	RUR	USD	EUR	JPY	Total
Liabilities					
Loans, deposits and other amounts due to the Bank of Russia	–	–	–	–	–
Amounts due to credit institutions	13,505,000	–	13,400,331	–	26,905,331
Amounts due to customers other than credit institutions	3,596,983	–	–	9,329,832	12,926,815
Financial liabilities at fair value through profit or loss	3,097,474	–	–	–	3,097,474
Debt obligations issued	5,000,000	–	–	–	5,000,000
Other liabilities	2,201,696	–	20,927	216,093	2,438,716
Total liabilities	**27,401,153**	**–**	**13,421,258**	**9,545,925**	**50,368,336**
Off-balance sheet claims	**–**	**–**	**13,645,872**	**9,661,590**	**23,307,462**
Off-balance sheet liabilities	**28,916,679**	**–**	**–**	**–**	**28,916,679**
Net balance sheet position	33,882,156	5,745	(13,404,293)	(9,466,036)	11,017,572
Net term position	(28,916,679)	–	13,645,872	9,661,590	(5,609,217)
Total balance sheet position		5,745	(13,404,293)	(9,466,036)	–
Total off-balance sheet position		–	13,645,872	9,661,590	–
Open currency position		**5,745**	**241,579**	**195,554**	**–**
Open currency position, % of capital		0.0676	2.8409	2.2997	–
Total open currency positions					**442,878**
Total open currency positions, % of capital					**5.2082**

1 January 2016	RUR	USD	EUR	JPY	Total
Assets					
Cash	10	–	–	–	10
Amounts due to credit institutions from the Bank of Russia	203,563	–	–	–	203,563
Amounts due from credit institutions	2,118	4,846	13,010	33,067	53,041
Financial assets at fair value through profit or loss	2,881,955	–	–	–	2,881,955
Net loans receivable	48,553,613	–	–	–	48,553,613
Net investments in securities available for sale	200,321	–	–	–	200,321
Current income tax assets	32,487	–	–	–	32,487
Deferred tax asset	166,048	–	–	–	166,048
Fixed assets, intangible assets and inventories	13,255	–	–	–	13,255
Other assets	1,224,704	–	–	–	1,224,704
Total assets	**53,278,074**	**4,846**	**13,010**	**33,067**	**53,328,997**
Liabilities					
Loans, deposits and other amounts due to the Bank of Russia	2,000,000	–	–	–	2,000,000
Amounts due to credit institutions	16,135,000	–	10,360,636	–	26,495,636
Amounts due to customers other than credit institutions	2,587,679	–	–	10,891,566	13,479,245
Other liabilities	1,614,965	–	15,163	123,478	1,753,606
Total liabilities	**22,337,644**	**–**	**10,375,799**	**11,015,044**	**43,728,487**
Off-balance sheet claims	**–**	**–**	**10,609,400**	**11,224,530**	**21,833,930**
Off-balance sheet liabilities	**21,485,693**	**–**	**–**	**–**	**21,485,693**
Net balance sheet position	30,940,430	4,846	(10,362,789)	(10,981,977)	9,600,510
Net term position	(21,485,693)	–	10,609,400	11,224,530	348,237
Total balance sheet position		4,846	(10,362,789)	(10,981,977)	–
Total off-balance sheet position		–	10,609,400	11,224,530	–
Open currency position		**4,846**	**246,611**	**242,553**	**–**
Open currency position, % of capital		0.0534	2.7199	2.6752	–
Total open currency positions					**494,010**
Total open currency positions, % of capital					**5.4485**

The tables below summarize the effect on the statement of income of the assumed upward and downward changes in foreign exchange interest rates. The effect on equity does not differ from the effect on the statement of income. A negative amount in the table reflects a potential net reduction in the statement of financial results or equity, while a positive amount reflects net potential increase.

Currency	Open currency position at 1 January 2017	Increase in exchange rate at 1 January 2017	Effect on profit before tax at 1 January 2017	Open currency position at 1 January 2016	Increase in exchange rate at 1 January 2016	Effect on profit before tax at 1 January 2016
USD	5,745	20%	1,149	4,846	40%	1,938
EUR	241,579	20%	48,316	246,611	43%	106,043
JPY	195,554	24.5%	47,911	242,553	47%	114,000
Total	**442,878**		**97,376**	**494,010**		**221,981**

Currency	Open currency position at 1 January 2017	Decrease in exchange rate at 1 January 2017	Effect on profit before tax at 1 January 2017	Open currency position at 1 January 2016	Decrease in exchange rate at 1 January 2016	Effect on profit before tax at 1 January 2016
USD	5,745	20%	(1,149)	4,846	13%	(630)
EUR	241,579	20%	(48,316)	246,611	15%	(36,992)
JPY	195,554	24.5%	(47,911)	242,553	11%	(26,681)
Total	**442,878**		**(97,376)**	**494,010**		**(64,303)**

Debt investment risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The limit on the acceptable level of mismatch for interest rate revision is established at 400 basis points (4%). Sensitivity of fair value includes effect of expected movements in risk-free rates within a year. This parameter is assessed by reference to fair value of similar fixed rate instruments held as of 1 January 2017 and 2016. The assessment is performed based on the assumption that there are parallel shifts in the yield curve.

Currency	Increase in basis points	Change in net interest income at 1 January 2017	Change in equity at 1 January 2017	Change in net interest income at 1 January 2016	Change in equity at 1 January 2016
RUR	400	–	(8,108)	–	(8,013)
Total	**–**	**–**	**(8,108)**	**–**	**(8,013)**

Currency	Decrease in basis points	Change in net interest income at 1 January 2017	Change in equity at 1 January 2017	Change in net interest income at 1 January 2016	Change in equity at 1 January 2016
RUR	400	–	8,108	–	8,013
Total	**–**	**–**	**8,108**	**–**	**8 013**

Interest rate risk

Interest rate risk is the risk of financial losses due to unfavorable changes in interest rates. The Bank's net interest income and the market value of assets and liabilities that are sensitive to changes in interest rates may be subject to interest rate risk.

The Bank applies the method of interest rate assessment in accordance with the Procedure for Preparation and Submission of Reporting Form 0409127 *Information on Interest Rate Risk* provided for by the Bank of Russia's Instructive Regulation No. 2332-U dated 12 November 2009. The Bank includes all balance and off-balance sheet financial instruments sensitive to the changes in interest rate risk except for the off-balance sheet instruments which are subject to total interest rate risk assessment in accordance with Regulation No. 511-P dated 3 December 2015. Such off-balance sheet financial instruments include cross-currency interest rate swaps.

1 January 2017	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
Balance sheet assets							
Cash and cash equivalents	–	–	–	–	–	10	10
Amounts due from the Bank of Russia (other than obligatory reserves)	–	–	–	–	–	414,847	414,847
Obligatory reserves	–	–	–	–	–	29,397	29,397
Amounts due from credit institutions	–	–	–	–	–	137,838	137,838
Financial assets at fair value through profit or loss	–	–	–	–	–	136,743	136,743

	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
1 January 2017							
Net loans receivable and similar debt	6,722,050	13,045,743	5,315,881	8,513,757	25,017,172	202,387	58,816,990
Net investments in securities and other financial assets available for sale	–	–	49,897	–	52,155	100,651	202,703
Current income tax assets	–	–	–	–	–	120,225	120,225
Deferred tax asset	–	–	–	–	–	313,472	313,472
Fixed and intangible assets	–	–	–	–	–	437,536	437,536
Other assets	687,361	831,124	1,198,971	1,973,341	3,914,614	173,643	8,779,054
Off-balance sheet claims							
Foreign exchange swap – foreign	–	–	–	–	518,324	–	518,324
Total balance sheet assets and off-balance sheet claims	**7,409,411**	**13,876,867**	**6,564,749**	**10,487,098**	**29,502,265**	**2,066,749**	**69,907,139**
Assets, cumulative total	**7,409,411**	**21,286,278**	**27,851,027**	**38,338,125**	**x**	**x**	**x**
Balance sheet liabilities							
Loans, deposits and other amounts due to the Bank of Russia	–	–	–	–	–	–	–
Amounts due to credit institutions	5,742,999	13,157,332	15,405,331	17,400,331	16,676,553	–	68,382,546
Amounts in settlements	–	–	–	–	–	12,265	12,265
Deposits of legal entities	48,952	4,612,564	1,678,830	5,070,719	9,680,663	–	21,091,728
Current accounts of individuals	–	–	–	–	–	1,393,541	1,393,541
Financial liabilities at fair value through profit or loss	–	–	–	–	–	3,097,474	3,097,474
Debt obligations issued	–	–	–	–	–	5,000,000	5,000,000
Other liabilities	8,308	540,909	276,585	912,514	1,157,803	1,256,872	4,152,991
Equity (capital)	–	–	–	–	–	11,017,572	11,017,572
Off-balance sheet liabilities							
Foreign exchange swap – foreign	–	–	–	–	660,800	–	660,800
	–	–	–	–	–	829	829
Total balance sheet and off-balance sheet liabilities	**5,800,259**	**18,310,805**	**17,360,746**	**23,383,564**	**28,175,819**	**21,778,553**	**114,809,746**
Liabilities, cumulative total	**5,800,259**	**24,111,064**	**41,471,810**	**64,855,374**	**x**	**x**	**x**
Accumulated gap	1,609,152	(4,433,938)	(10,795,997)	(12,896,466)	1,326,446	x	x
Gap ratio (accumulated relative gap, cumulative total)	1.28	0.88	0.67	0.42	x	x	x
Change in net interest income							
+200 basis points	**30,841**	**(73,896)**	**(134,950)**	**(64,482)**	**x**	**x**	**x**
-200 basis points	**(30,841)**	**73,896**	**134,950**	**64,482**	**x**	**x**	**x**
Time factor	**0.9583**	**0.8333**	**0.6250**	**0.2500**	**x**	**x**	**x**

	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
1 January 2016							
Balance sheet assets							
Cash and cash equivalents	–	–	–	–	–	10	10
Amounts due from the Bank of Russia (other than obligatory reserves)	–	–	–	–	–	191,917	191,917
Obligatory reserves	–	–	–	–	–	11,646	11,646
Amounts due from credit institutions	–	–	–	–	–	53,041	53,041
Financial assets at fair value through profit or loss	633,837	1,047,615	143,903	268,933	787,667	–	2,881,955
Net loans receivable and similar debt	6,769,090	9,780,855	4,251,176	5,959,952	21,465,459	125,223	48,351,755
Net investments in securities and other financial assets available for sale	–	–	–	–	–	200,321	200,321
Current income tax assets	–	–	–	–	–	32,487	32,487
Deferred tax asset	–	–	–	–	–	166,048	166,048
Fixed and intangible assets	–	–	–	–	–	13,255	13,255
Other assets	824,960	1,149,675	1,042,129	1,768,069	3,527,482	846,949	9,159,264

1 January 2016	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
Off-balance sheet claims							
Foreign exchange swap – foreign	–	–	622,722	2,471,417	–	–	3,094,139
Total balance sheet assets and off-balance sheet claims	**8,227,887**	**11,978,145**	**6,059,930**	**10,468,371**	**25,780,608**	**1,640,897**	**64,155,838**
Assets, cumulative total	**8,227,887**	**20,206,032**	**26,265,962**	**36,734,333**	**x**	**x**	**x**
Balance sheet liabilities							
Loans, deposits and other amounts due to the Bank of Russia	–	–	2,000,000	–	–	–	2,000,000
Amounts due to credit institutions	6,025,916	10,469,720	19,860,636	12,360,636	17,439,440	–	66,156,348
Amounts in settlements	–	–	–	–	–	9,212	9,212
Deposits of legal entities	–	1,500,000	1,500,000	1,538,200	13,891,566		18,429,766
Current accounts of individuals	–	–	–	–	–	1,040,267	1,040,267
Other liabilities	15,849	147,299	28,022	759,930	1,828,492	920,414	3,700,006
Equity (capital)	–	–	–	–	–	9,600,510	9,600,510
Off-balance sheet liabilities							
Foreign exchange swap – foreign	–	–	498,716	2,417,146	–	–	2,915,862
Total balance sheet and off-balance sheet liabilities	**6,041,765**	**12,117,019**	**23,887,374**	**17,075,912**	**33,159,498**	**11,570,403**	**103,851,971**
Liabilities, cumulative total	**6,041,765**	**18,158,784**	**42,046,158**	**59,122,070**	**x**	**x**	**x**
Accumulated gap	2,186,122	(138,874)	(17,827,444)	(6,607,541)	(7,378,890)	x	x
Gap ratio (accumulated relative gap, cumulative total)	1.36	1.11	0.62	0.62	x	x	x
Change in net interest income							
+400 basis points	**83,798**	**(4,629)**	**(445,686)**	**(66,075)**	**x**	**x**	**x**
-400 basis points	**(83,798)**	**4,629**	**445,686**	**66,075**	**x**	**x**	**x**
Time factor	**0.9583**	**0.8333**	**0.6250**	**0.2500**	**x**	**x**	**x**

The tables below summarize the impact on the statement of income and equity of stress-testing scenarios of upward and downward changes in interest rates by 200 basis points in 2016 and 400 basis points in 2015. A negative amount in the table reflects a potential net reduction in the statement of financial results or equity, while a positive amount reflects net potential increase.

Analysis of the impact of interest rate risk on the Bank's profit before tax and equity

1 January 2017	*RUR*	*USD*	*EUR*	*JPY*	*Total*
Increase in basis points (+200)	300,400	–	(474,226)	(68,661)	**(242,487)**
Decrease in basis points (-200)	(300,400)	–	474,226	68,661	**242,487**

1 January 2016	*RUR*	*USD*	*EUR*	*JPY*	*Total*
Increase in basis points (+400)	247,043	–	(719,918)	40,282	**(432,592)**
Decrease in basis points (-400)	(247,043)	–	719,918	(40,282)	**432,592**

10.4. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal or stress circumstances. Liquidity risk results from improper balance between the Bank's financial assets and financial liabilities by period.

Liquidity risk is managed by the Treasury and is an integral part of the asset and liability management system comprising two components:

- instant (short-term) liquidity management on real-time basis;
- mid- and long-term liquidity management as part of the asset and liability management process to achieve the optimal profitability / risk level.

Risk liquidity appetites are regulated by the liquidity management policy approved by the Chairman of the Bank's Management Board.

The Bank uses prudential ratios to assess liquidity risk. To minimize liquidity risk, the Bank is committed to maintain the quality of its assets by continuous monitoring.

The Bank manages its liquidity risks using both conservative approach, i.e. maintaining a sufficient liquidity level to meet its obligations timely, and dynamic approach, i.e. raising funds at the capital markets due to open limits.

It is important to focus on the following liquidity management tasks:

- ensuring that the Bank can meet planned and unforeseen payment obligations at any time;
- structuring the Bank's assets and liabilities to maintain a balance between liquidity and profitability;
- assisting in increasing the Bank's profitability.

The Bank manages its liquidity risk using the below methods:

- analysis of actual values and dynamics of mandatory liquidity ratios;
- projecting the effect of performed operations on prudential ratios;
- limiting active operations by investment workstream depending on funding sources;
- gap analysis of maturities of assets and liabilities based on the most probable deadlines of their collections / repayment.

In order to fulfill these tasks, the Bank:

- sets up an organizational liquidity management structure with clearly defined roles and responsibilities;
- ensures that assets are sufficiently liquid;
- reduces risks by setting limits for the portfolio;
- ensures maximum increases in the profitability of treasury portfolios within the acceptable risk limits;
- has an action plan for unforeseen circumstances in the event of liquidity problems.

Liquidity risk is divided into three types:

- Risk of imbalance in liquidity:

  The risk of mismatch between the amounts or dates of cash receipts and disbursements. The risk of imbalance in liquidity is also known as structural liquidity risk. The risk of imbalance in liquidity depends on current financial needs.

- Unforeseen liquidity risk:

  The risk that future events may require a much larger amount of liquidity than that currently required by the bank. This may be due to a reduction in current funding, the need to finance new assets, difficulties with selling liquid assets or difficulties with raising new funds in the event of a liquidity crisis.

- Market liquidity risk:

  The risk that an entity may not be able to easily offset or sell liquid assets serving as a liquidity cushion without losses due to insufficient activity in the market or market disruption.

The Financial Committee recommends to the Bank's Management Board the Liquidity Management Policy and the Financial Policy which sets the powers and responsibilities for carrying out the Bank's treasury transactions. The Financial Committee monitors liquidity and compliance with the set limits, taking into account the reports that contain up-to-date and detailed information for the assessment of potential risks.

The Treasury is responsible for providing liquidity reports to the CFO and for communicating liquidity problems and risks which require new decisions.

The responsibility for liquidity management and financing rests with the Bank's Treasury. The Treasury is also responsible for the day-to-day performance of treasury transactions and for their compliance with the approved instructions and risk limits.

The Treasury regularly stress-tests liquidity risk applying various scenarios for gap analysis modeling.

The main stress testing scenario is modeling the situation without early payments and foreign currency funding.

The results of stress tests are discussed at the meetings of the Bank's Financial Committee.

In order to manage liquidity, the Treasury must:

- Analyze the daily payment position for correspondent accounts and the long-term payment position of the Bank;
- Analyze reports, assets, liabilities and prudential ratios (CBR's liquidity ratios N2, N3 and N4) on a regular basis;
- Determine measures and strategies required for compliance with the liquidity limits in the short, medium and long term;
- Support the development of liquidity management models;
- Determine the cost of funding for corporate and retail lending;
- Perform a comparative analysis of assets and liabilities.

The head of the Treasury is responsible for communicating liquidity management issues and other risks to the CFO and the Financial Committee for subsequent decision-making.

The Bank's liquidity management process consists of the following components:

- Liquidity Policy;
- Reporting and short-term and long-term payment position management;
- Reporting and management of the CBR's liquidity ratios N2, N3 and N4;
- Funding Policy and asset and liability management;
- Funding plan;
- Liquidity management plan;
- Liquidity management procedure for crisis situations;
- Liquidity disclosures.

The liquidity management plan is based on liquidity risk reports and contains measures required for the Bank to meet its liabilities and adhere to the Liquidity Policy. If the Bank's liquidity is not in compliance with the limits and (or) internal warning levels, the Treasury must prepare an action plan and have it approved by the CFO. If the planned measures extend beyond the Treasury's powers and limits, the draft action plan is submitted for approval to the Financial Committee and the Management Board in accordance with the Bank's Charter.

As a rule, in order to maintain liquidity, the Bank must implement one or several respective measures. The actions must be assessed for their impact on liquidity and expenses in a certain scenario.

The table below contains a brief description of the methods for reducing liquidity shortages.

Strategy	Periods	Instruments	Responsible department
Short-term	Up to 7 days	Receiving short-term and long-term interbank loans and loans from shareholders	Treasury
Medium-term	Up to 30 days	Conducting repurchase transactions with the Bank of Russia (according to Regulation No. 2936-U), providing guaranteed credit lines and taking deposits with longer maturities from new customers	Treasury Management Board
Long-term	More than 3 months	Receiving subordinated loans, restructuring current liabilities, issuing bonds in domestic markets and taking deposits with longer maturities from new customers	Treasury Management Board
Longer-term	More than 6 months	Attracting strategic investors and increasing share capital	Shareholders

The Bank assesses the importance of each measure and its feasibility and specifies implementation deadlines. The action plan is prepared by the Treasury and is approved by the members of the Financial Committee. If the plan needs to be updated due to market conditions, it is amended accordingly.

In crisis situations, RN Bank determines a management model that may be effectively implemented in accordance with the procedures established by the Bank's policies.

Depending on the severity of the crisis situation, the Bank may apply various types of crisis regimes.

Following the activation of any of the regimes, responsible persons arrange a meeting, assess the situation and decide what measures will be taken. The minutes of such meetings are retained and distributed among certain persons in the Bank.

The Bank measures and controls its liquidity risk using the Bank of Russia's Reporting Form 0409125 *The Information Relating to the Maturity of Assets and Liabilities by Maturity Dates* approved by Instructive Regulation No. 2332-U dated 12 November 2009, according to which liquid assets comprise assets of I and II quality categories less related loss provision determined in accordance with Regulation No. 254-P and Regulation No. 283-P. Assets and liabilities are also recognized including interest income (expense) accrued before expiry of the agreement. The amount of accrued interest on assets is adjusted for loss provision similar to the provision for potential losses concerning the corresponding asset.

Information on assets and liabilities concentrations by remaining maturities

1 January 2017	*On demand and up to 1 month*	*From 1 month to 1 year*	*From 1 to 3 years*	*More than 3 years*	*No stated maturity*	*Total*
Assets						
Cash	10	–	–	–	–	**10**
Amounts due from the Bank of Russia (other than obligatory reserves)	414,847	–	–	–	–	**414,847**

1 January 2017	On demand and up to 1 month	From 1 month to 1 year	From 1 to 3 years	More than 3 years	No stated maturity	Total
Obligatory reserves	–	–	–	–	29,397	29,397
Amounts due from credit institutions	137,838	–	–	–	–	137,838
Financial assets at fair value through profit or loss	–	136,743	–	–	–	136,743
Net loans receivable and similar debt	6,513,197	24,935,373	21,695,243	2,981,818	3,744	56,129,375
Net investments in securities available for sale	–	91,205	111,498	–	–	202,703
Current income tax assets	–	120,225	–	–	–	120,225
Deferred tax asset	–	–	–	–	313,472	313,472
Fixed and intangible assets	–	23	–	–	437,513	437,536
Other assets	716,218	4,027,158	3,302,427	419,756	15,775	8,481,334
Total balance sheet assets	**7,782,110**	**29,310,727**	**25,109,168**	**3,401,574**	**799,901**	**66,403,480**
Off-balance sheet claims						
Foreign exchange contracts (SWAP)	149,306	12,216,800	10,941,356	–	–	23,307,462
Total balance sheet assets and off-balance sheet claims	**7,931,416**	**41,527,527**	**36,050,524**	**3,401,574**	**799,901**	**89,710,942**
Liabilities						
Loans, deposits and other amounts due to the Bank of Russia	–	–	–	–	–	–
Amounts due to credit institutions	–	15,333,666	11,571,665	–	–	26,905,331
Amounts in settlements	12,265	–	–	–	–	12,265
Deposits of legal entities	8,400	4,270,493	7,201,564	–	40,552	11,521,009
Current accounts of individuals	1,393,541	–	–	–	–	1,393,541
Financial liabilities at fair value through profit or loss	–	1,503,460	1,594,014	–	–	3,097,474
Debt obligations issued	–	–	–	5,000,000	–	5,000,000
Other liabilities	485,535	2,308,445	1,211,621	–	147,390	4,152,991
Total balance sheet liabilities	**1,899,741**	**23,416,064**	**21,578,864**	**5,000,000**	**187,942**	**52,082,611**
Off-balance sheet liabilities						
Foreign exchange contracts (SWAP)	3,312,589	12,380,840	13,223,250	–	–	28,916,679
Undrawn credit lines	829	–	–	–	–	829
Total off-balance sheet liabilities	**3,313,418**	**12,380,840**	**13,223,250**	**–**	**–**	**28,917,508**
Total balance sheet and off-balance sheet liabilities	**5,213,159**	**35,796,904**	**34,802,114**	**5,000,000**	**187,942**	**81,000,119**
Net liquidity gap	**2,718,257**	**5,730,623**	**1,248,410**	**(1,598,426)**	**611,959**	
Cumulative liquidity gap	**2,718,257**	**8,448,880**	**9,697,290**	**8,098,864**	**8,710,823**	

1 January 2016	On demand and up to 1 month	From 1 month to 1 year	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets						
Cash	10	–	–	–	–	10
Amounts due from the Bank of Russia (other than obligatory reserves)	191,917	–	–	–	–	191,917
Obligatory reserves	–	–	–	–	11,646	11,646
Amounts due from credit institutions	53,041	–	–	–	–	53,041
Financial assets at fair value through profit or loss	633,837	1,460,451	787,667	–	–	2,881,955
Net loans receivable and similar debt	6,072,020	18,577,131	18,918,758	2,546,701	–	46,114,610
Net investments in securities available for sale	–	99,079	–	101,242	–	200,321
Current income tax assets	32,487	–	–	–	–	32,487
Deferred tax asset	–	–	–	–	166,048	166,048
Fixed and intangible assets	–	–	–	–	13,255	13,255
Other assets	726,350	3,580,634	3,237,433	314,209	846,949	8,705,575
Total balance sheet assets	**7,709,662**	**23,717,295**	**22,943,858**	**2,962,152**	**1,037,898**	**58,370,865**
Off-balance sheet claims						
Foreign exchange contracts (SWAP)	–	10,514,170	11,319,760	–	–	21,833,930
Total balance sheet assets and off-balance sheet claims	**7,709,662**	**34,231,465**	**34,263,618**	**2,962,152**	**1,037,898**	**80,204,795**
Liabilities						
Loans, deposits and other amounts due to the Bank of Russia	–	2,000,000	–	–	–	2,000,000
Amounts due to credit institutions	635,000	14,000,000	11,860,636	–	–	26,495,636
Amounts in settlements	9,212	–	–	–	–	9,212
Deposits of legal entities	–	38,200	12,391,566	–	–	12,429,766

1 January 2016	*On demand and up to 1 month*	*From 1 month to 1 year*	*From 1 to 3 years*	*More than 3 years*	*No stated maturity*	*Total*
Current accounts of individuals	1,040,267	–	–	–	–	1,040,267
Other liabilities	15,849	935,251	1,828,492	–	920,414	3,700,006
Total balance sheet liabilities	**1,700,328**	**16,973,451**	**26,080,694**	–	**920,414**	**45,674,887**
Off-balance sheet liabilities						
Foreign exchange contracts (SWAP)	–	10,447,090	11,038,603	–	–	21,485,693
Total balance sheet and off-balance sheet liabilities	**1,700,328**	**27,420,541**	**37,119,297**	–	**920,414**	**67,160,580**
Net liquidity gap	**6,009,334**	**6,810,924**	**(2,855,679)**	**2,962,152**	**117,484**	
Cumulative liquidity gap	**6,009,334**	**12,820,258**	**9,964,579**	**12,926,731**	**13,044,215**	

Information on the liquidity ratios used by the Bank

Item (designation)	*1 January 2017*	*1 January 2016*
Highly liquid assets (maturing within 1 calendar day) *(Lam)*	2,155,116	1,444,958
Liquid assets (maturing within 30 calendar days) *(Lat)*	7,666,866	7,001,104
Loans receivable in more than 365 or 366 calendar days *(Crd)*	25,097,935	20,012,729
Liabilities payable on demand *(OVM)*	1,538,250	1,576,152
Liabilities payable on demand and during next 30 days *(Ovt)*	3,274,538	2,399,160
Liabilities payable in more than 365 or 366 calendar days *(OD)*	23,773,229	24,252,202
Equity (capital)	8,503,465	9,066,869
Instant liquidity ratio, % (N2) (regulatory value >=15%)	**140.1%**	**91.7%**
Current liquidity ratio, % (N3) (regulatory value >=50%)	**234.1%**	**291.8%**
Long-term liquidity ratio, % (N4) (regulatory value <=120%)	**77.8%**	**60.1%**

The Bank measures and controls the liquidity ratios on a daily basis.

10.5. Operational risk

Operational risk is the risk that the Bank will incur losses as a result of errors in the Bank's processes, errors of employees or abuses by third parties, failures of information systems and external events. The operational risk management policy comprises definition and identification of operational risks on various stages of the Bank's operations, and development of measures to minimize and prevent their emergence.

As part of the operational risk management system, the Bank has implemented the processes for the collection of internal data on operational risk incidents, self-assessment and the scenario analysis of measures under the BC/DR Plan. To monitor the level of operational risk, the Bank uses a system of reports for management and collegial bodies involved in risk management processes.

The Internal Control, Operational Risks and Compliance Committee considers various results of operational risk management on a quarterly basis, including first level control results, identified operational risk events, results of the BC/DR Plan testing, an action plan developed based on the results of the BC/DR Plan testing, incidents in the Bank's information systems, and other issues.

Information on the identified instances of external fraud, respective measures taken, a number of fraud instances prevented by the Bank, statistics on the customer requests, their reasons and respective measures taken are considered at the meetings of the Operating Committee of the Bank's Management Board on a monthly basis.

The operational risk management strategy selected by the Bank determines that the Internal Control, Operational Risks and Compliance Committee and the Operating Committee of the Management Board should take primary responsibility for the operating management of operational risks.

The data on risk assessments and losses incurred allow the Bank to identify risk concentration areas for the subsequent development of a set of measures reducing the level of operational risk at the Bank. The risk reduction measures are of systemic nature and are aimed at improving the existing processes and technologies used for conducting transactions. The Bank's structural units, management and collegial bodies regularly monitor the implementation status and the level of residual risk.

The Bank determines capital requirements with respect to operational risk in accordance with Regulation No. 346-P of the Bank of Russia *On the Procedure for the Calculation of Operational Risk Exposure* dated 3 November 2009.

The table below contains information on the amount of income for the purposes of calculating capital to cover operational risk:

	1 January 2017	*1 January 2016*
Net interest income	**3,513,805**	**601,769**
Net non-interest income	**9,113,391**	**2,617,890**
Net gains from financial assets at fair value through profit or loss	4,839,130	1,079,119
Net gains from dealing in foreign currencies	6,690	6,692
Net gains from foreign currency translation	214	231
Net fee and commission income	4,227,229	1,518,229
Other operating income	40,128	13,619
Total income for the purposes of calculating capital to cover operational risk	**12,627,196**	**3,219,659**
Number of years preceding the date of operational risk calculation	3	3
Average income	4,209,065	1,073,220
Total operational risk (15%)	631,360	160,983

10.6. Geographical concentration

The geographical concentration of the Bank's assets and liabilities is set out below. The Bank is a resident of the Russian Federation, operates in the Russian Federation and, as of 1 January 2017, major part of its assets and liabilities is located in the Russian Federation, except for amounts due from/to credit institutions, deposits of legal entities, and assets and liabilities under derivative financial instruments.

Geographical concentration of the Bank's assets and liabilities

1 January 2017	*Russian Federation*	*Developed countries (OECD), total*	*Including France*	*Including Japan*	*Including UK*	*Including Netherlands*	*Including Switzerland*	*Including USA*	*Including other countries*	*Total*
Assets										
Cash	10	–	–	–	–	–	–	–	–	10
Amounts due from the Bank of Russia (other than obligatory reserves)	414,847	–	–	–	–	–	–	–	–	414,847
Obligatory reserves	29,397	–	–	–	–	–	–	–	–	29,397
Amounts due from credit institutions	48,552	89,286	9,397	79,889	–	–	–	–	–	137,838
Financial assets at fair value through profit or loss	–	136,743	136,743	–	–	–	–	–	–	136,743
Net loans receivable and similar debt	59,007,852	–	–	–	–	–	–	–	–	59,007,852
Net investments in securities available for sale	202,703	–	–	–	–	–	–	–	–	202,703
Current income tax assets	120,225	–	–	–	–	–	–	–	–	120,225
Deferred tax asset	313,472	–	–	–	–	–	–	–	–	313,472
Fixed and intangible assets	437,536	–	–	–	–	–	–	–	–	437,536
Other assets	585,085	200	–	–	200	–	–	–	–	585,285
Total assets	**61,159,679**	**226,229**	**146,140**	**79,889**	**200**	**–**	**–**	**–**	**–**	**61,385,908**
Liabilities										
Loans, deposits and other amounts due to the Bank of Russia	–	–	–	–	–	–	–	–	–	–
Amounts due to credit institutions	13,505,000	13,400,331	13,400,331	–	–	–	–	–	–	26,905,331
Amounts in settlements	12,265	–	–	–	–	–	–	–	–	12,265
Deposits of legal entities	691,177	10,829,832	–	9,329,832	–	–	–	1,500,000	–	11,521,009
Current accounts of individuals	1,393,541	–	–	–	–	–	–	–	–	1,393,541
Financial liabilities at fair value through profit or loss	687,156	2,410,318	1,730,248	–	–	–	680,070	–	–	3,097,474
Debt obligations issued	5,000,000	–	–	–	–	–	–	–	–	5,000,000
Other liabilities	2,183,490	255,226	20,927	216,093	–	–	–	18,206	–	2,438,716
Total liabilities	**23,472,629**	**26,895,707**	**15,151,506**	**9,545,925**	**–**	**–**	**680,070**	**1,518,206**	**–**	**50,368,336**

1 January 2017	Russian Federation	Developed countries (OECD), total	Including France	Including Japan	Including UK	Including Netherlands	Including Switzerland	Including USA	Including other countries	Total
Equity (capital)	–	8,503,465	–	–	–	8,503,465	–	–	–	8,503,465
Off-balance sheet claims	5,867,638	17,439,824	13,645,872	–	–	–	3,793,952	–	–	23,307,462
Off-balance sheet liabilities	7,374,365	21,542,314	16,784,150	–	–	–	4,758,164	–	–	28,916,679

1 January 2016	Russian Federation	Developed countries (OECD), total	Including France	Including Japan	Including UK	Including Netherlands	Including Switzerland	Including USA	Total
Assets									
Cash	10	–	–	–	–	–	–	–	10
Amounts due from the Bank of Russia (other than obligatory reserves)	191,917	–	–	–	–	–	–	–	191,917
Obligatory reserves	11,646	–	–	–	–	–	–	–	11,646
Amounts due from credit institutions	11,305	41,736	8,669	33,067	–	–	–	–	53,041
Financial assets at fair value through profit or loss	691,346	2,190,609	1,259,040	–	–	–	931,569	–	2,881,955
Net loans receivable and similar debt	48,553,613	–	–	–	–	–	–	–	48,553,613
Net investments in securities available for sale	200,321	–	–	–	–	–	–	–	200,321
Current income tax assets	32,487	–	–	–	–	–	–	–	32,487
Deferred tax asset	166,048	–	–	–	–	–	–	–	166,048
Fixed and intangible assets	13,255	–	–	–	–	–	–	–	13,255
Other assets	1,201,476	23,228	20,223	–	3,005	–	–	–	1,224,704
Total assets	**51,073,424**	**2,255,573**	**1,287,932**	**33,067**	**3,005**	**-**	**931,569**	**-**	**53,328,997**
Liabilities									
Loans, deposits and other amounts due to the Bank of Russia	2,000,000	–	–	–	–	–	–	–	2,000,000
Amounts due to credit institutions	16,135,000	10,360,636	10,360,636	–	–	–	–	–	26,495,636
Amounts in settlements	9,212	–	–	–	–	–	–	–	9,212
Deposits of legal entities	38,200	12,391,566	–	10,891,566	–	–	–	1,500,000	12,429,766
Current accounts of individuals	1,040,267	–	–	–	–	–	–	–	1,040,267
Other liabilities	1,614,965	138,641	15,163	123,478	–	–	–	20,032	1,753,606
Total liabilities	**20,837,644**	**22,890,843**	**10,375,799**	**11,015,044**	**-**	**-**	**-**	**1,520,032**	**43,728,487**
Equity (capital)	–	9,066,869	–	–	–	9,066,869	–	–	9,066,869
Off-balance sheet claims	6,172,781	15,661,149	10,609,399	–	–	–	5,051,750	–	21,833,930
Off-balance sheet liabilities	6,055,766	15,429,927	10,638,404	–	–	–	4,791,523	–	21,485,693

10.7. Legal risk

Legal risk is the risk that the Bank may incur financial losses or unplanned expenses, or that planned income may decrease due to the following reasons:

- Non-compliance of the Bank's organizational and administrative documents with laws, regulations and law enforcement practice;
- Disregarding (ignoring) judicial and law enforcement practices;
- Weaknesses of the legal system (contradictory legislation, lack of regulation for certain issues arising in the course of the Bank's activities);
- Lack of due diligence and care which must be exercised by lawyers in the course of activities (inadequate legal advice or improper preparation of the Bank's internal documents and contracts).

Legal risks inherent to the Bank's activities are as follows:

- Risks of performing transactions that are considered invalid in accordance with the applicable legislation of the Russian Federation;
- Risks of concluding agreements that may cause significant impairment of assets or increase liabilities of the Bank;

- Risks of unfavorable outcome of litigations involving the Bank;
- Risks arising from changes in applicable legislation and judicial practice pertaining to key business issues of the Bank.

Legal risk management is aimed at ensuring the sustainable development of the Bank in accordance with its development strategy and compliance of the Bank's activities and products with legislation and law enforcement practice.

The main factors / events that may increase the impact and scale of legal risk are presented below:

- Changes in laws, regulations and judicial and law enforcement practices;
- Inconsistencies in judicial and law enforcement practices and conflicting regulations;
- Increasing complexity of financial instruments and strategies and/or new products and technologies.

In order to support the decision making process and respond to changes in the level of legal risk in a timely manner, the Bank prepares up-to-date and standardized reports on losses incurred as a result of legal risk, the quality of legal risk management and the current status of measures aimed at minimizing legal risk.

The level of legal risk is compared with the data for the previous reporting periods. If there are significant deviations, the Bank analyzes the causes of a sharp increase or decrease in the respective indicator and, if necessary, prepares proposals for changing banking processes.

To manage the legal risk, the Bank applies internal rules for the approval and sign-off of legally significant documents. As regards its core activities, the Bank develops and uses standard contract templates as well as regularly monitors the effective legislation and promptly communicates key changes that are significant to the Bank to its management and personnel of the business units involved. The Bank has internal rules for the approval and sign-off of the Bank's responses to certain claims (complaints) made by its customers and requests submitted by state agencies. Moreover, the Bank has a process in place ensuring that new contracts that are significant to the Bank comply with effective legislation and may check whether the counterparties that are legal entities have appropriate legal capacity. The overall law enforcement practice applicable to the Bank's operations is being established.

Existing and potential lawsuits against the Bank

The Bank creates a non-credit related provision for potential losses in litigations, if the analysis of all circumstances and conditions shows that the probability of filing claims against the Bank for the non-performance or inadequate performance of its obligations, including those related to mandatory payments (including legal costs) exceeds 50%.

As of 1 January 2017, the non-credit related provision for potential legal expenses amounted to kRUR 7,868.

As of 1 January 2017, the Bank had no uncovered risks relating to court proceedings that might significantly impact the Bank's future financial and business performance.

10.8. Strategic risk

Strategic risk is the risk that the Bank may incur losses in more than one year as result of mistakes in making decisions determining the development strategy. Mistakes may include insufficient attention to potential threats to the Bank's operations, incorrect determination of promising business areas in which the Bank may achieve a competitive advantage and failures to receive all necessary resources and make all necessary management decisions which must ensure the attainment of strategic goals.

On 7 April 2016, the Bank approved its Development Strategy for the period 2016-2018. When developing it, the Bank analyzed possible macroeconomic scenarios, prepared several development scenarios for the Russian economy and determined the conditions of switching from one scenario to another scenario.

The Bank analyzes the "gaps" between the current and target conditions, implements initiatives aimed at eliminating them and adjusts short-term tasks within each business planning cycle based on a three-year rolling planning pattern with annual updates.

The process of determining benchmarks and goals for the Bank's development implies regular revision and, if necessary, amendment of the strategy and financial objectives due to the current state of the national economy and industry where the Bank operates.

Analysis of deviations from the Bank's development strategy, business plan and budget indicators is performed on a monthly basis and provided for the Management Board's consideration. The Management Board, in its turn, provides the results of the above analysis to the Board of Directors.

10.9. Reputational risk

The Bank regularly monitors reputational risk both for the Bank and for its shareholders, major customers and counterparties.

Measures to manage reputational risk include the following:

- control of compliance with the current legislation of the Russian Federation;
- control over anti-money laundering and counter-terrorism financing;
- adequate fulfillment of obligations by counterparties;
- quality control of services rendered to the customers;
- ongoing monitoring of negative references in mass media.

The Bank has consistent corporate reputation, promotes positive image of the Bank, quality of its services and nature of its business based on the actual operating results. The risk that the Bank may incur losses as a result of business reputation deterioration is assessed by management as minimal.

11. Internal control system

The Bank's internal control system corresponds to the types and scope of transactions, level and combination of assumed risks.

The objectives of the internal control in particular include the following:

- to ensure appropriate comprehensive assessment and management of risks, effective financial and business performance, asset and liability management;
- to ensure the appropriate level of reliability, safety and stability of the Bank in line with the types and scope of the Bank's transactions, protection of rights of the Bank's shareholders, clients and creditors;
- to ensure the accuracy, completeness, credibility and timeliness of preparing and presenting financial, accounting, statistical and other reports, and to ensure information security;
- to ensure compliance with regulatory legal acts, constituent documents and by-laws of the Bank;
- to ensure that neither Bank nor its employees are involved in illegal activities, including money laundering and terrorism financing, and to provide timely reports to the state agencies and the Bank of Russia.

The Bank's internal control system comprises:

- General Shareholders' Meeting.
- Board of Directors.
- Management Board.
- Chairman of the Management Board.
- Audit Commission (Auditor).
- Chief Accountant / Deputy Chief Accountant.
- Internal Control, Operational Risks and Compliance Committee.
- Internal Audit Function.
- Internal Control Function.
- Department of Financial Monitoring.
- Risk Management Department.
- Other personnel or divisions responsible for internal control within their scope of activities.

The Bank's internal control system includes the following areas of focus:

- Control over organization of Bank operations performed by the management bodies.
- Control over functioning of the banking risk management system and banking risk assessment.
- Control over distribution of powers with respect to banking operations and other transactions.
- Control over data flow management (information provision and communication) and information security assurance.
- Control over anti-money laundering and counter-terrorism financing.
- Ongoing monitoring of internal control system to assess its compliance with the Bank's operating objectives, detection of deficiencies, proposal development, and control over enhancement of the Bank's internal control system ("monitoring of internal control system").

Control and monitoring over the system of banking risk management and internal control are performed by the Bank on a regular basis as provided in its internal regulations.

The Bank takes appropriate measures to enhance internal control aimed at ensuring its effectiveness, including changing internal and external factors that affect the Bank's activities.

Monitoring of the internal control system is performed by the management and personnel of various business units, including departments responsible for banking operations and other transactions and their recognition in accounting and reporting as well as the Internal Audit Function, Internal Control Function and auditors engaged by the Bank's shareholders.

Frequency of monitoring of various types of banking activities is defined taking into account associated banking risks, frequency and nature of changes in the areas of the Bank's activities. Audit plans of the Internal Audit Function are annually approved by the Bank's Board of Directors.

The results of the review are documented and communicated to the respective managers of the Bank and its departments.

The Bank's Internal Audit Function is formed to perform the audit and assist the Bank's management bodies in ensuring the Bank's effective operation, protecting interests of the Bank's shareholders and customers and continuous monitoring and assessing the effectiveness and adequacy of internal controls, including:

- The effectiveness of financial and operating activities.
- The fairness of accounting records, accuracy, completeness and objectivity of financial statements.
- The effectiveness of the risk management system.
- Compliance with Russian statutory regulations, the Bank's founding and internal documents.
- The effectiveness of asset and liability management, including physical asset security.

The Bank has ensured consistency, independence and objectivity of the Internal Audit Function, professional qualification of its head and personnel. Also, environment has been established for the Internal Audit Function to comply with its duties efficiently and smoothly. The Internal Audit Function operates under direct control of the Board of Directors.

The Bank has established the procedures of:

- Control (including additional audits) over measures taken to eliminate violations identified by the Internal Audit Function.
- Reporting of Internal Audit Function at least semiannually on the measures taken to follow the recommendations and to eliminate the identified violations to the Board of Directors.

12. Segment information

The Bank determined operating segments based on its organizational structure.

For the purposes of this disclosure of "operating segments", the Bank applies IFRS 8 *Operating Segments*.

For the management purposes, the Bank's activities are divided into three operating segments:

Corporate banking – providing financing to car dealers and servicing term deposits provided to corporate customers.

Retail banking – providing loans to individuals for the purchase of cars (car loans) and rendering related financial services.

In-house (internal) transactions – interbank loans, transactions with securities, foreign currencies and derivative financial instruments, and other transactions.

The Bank's management analyzes the results of each operating segment to make decisions on resource allocation and performance assessment. Information on each segment is reviewed using the methods similar to those applied in making decisions on the resource allocation between segments and performance assessment and prepared according to the same procedure as financial statements.

The table below contains the breakdown of the Bank's assets and liabilities by operating segments:

	1 January 2017	*1 January 2016*
Assets		
Corporate banking	13,002,646	10,438,799
Retail banking	42,355,565	34,052,234
In-house transactions	6,027,697	8,837,964
Total assets	**61,385,908**	**53,328,997**

	1 January 2017	*1 January 2016*
Liabilities		
Corporate banking	722,075	47,413
Retail banking	1,059,992	1,054,197
In-house transactions	48,586,269	42,626,877
Total liabilities	**50,368,336**	**43,728,487**

The income and expenses of the Bank by segments as of 1 January 2017 are presented below:

1 January 2017	*Corporate transactions*	*Retail transactions*	*In-house transactions*	*Total*
Interest income	1,958,614	6,216,849	687,123	8,862,586
Interest expense	(623,155)	(2,492,618)	–	(3,115,773)
Net interest income / negative interest margin)	1,335,459	3,724,231	687,123	5,746,813
Fee and commission income	–	2,151,137	–	2,151,137
Fee and commission expense	–	(122,861)	(5,289)	(128,150)
Net gains from financial assets at fair value through profit or loss	(1,325,164)	(5,300,658)	–	(6,625,822)
Net gains from securities available for sale	–	–	(29)	(29)
Net gains from dealing in foreign currencies	–	–	(261,092)	(261,092)
Net gains from foreign currency translation	849,586	3,398,345	–	4,247,931
Provision for loan impairment	(93,167)	(434,011)	(448,460)	(975,638)
Operating income	–	–	96,922	96,922
Operating expenses	(432,313)	(1,368,993)	–	(1,801,306)
Profit before tax	**334,401**	**2,047,190**	**69,175**	**2,450,766**

The income and expenses of the Bank by segments as of 1 January 2016 are presented below:

1 January 2016	*Corporate transactions*	*Retail transactions*	*In-house transactions*	*Total*
Interest income	304,959	4,359,452	478,706	5,143,117
Interest expense	(513,060)	(1,717,636)	–	(2,230,696)
Net interest income / negative interest margin)	(208,101)	2,641,816	478,706	2,912,421
Fee and commission income	1,093,793	1,749,645	–	2,843,438
Fee and commission expense	–	(111,631)	(23,014)	(134,645)
Net gains from financial assets at fair value through profit or loss	865,138	2,896,332	–	3,761,470
Net gains from securities available for sale	–	–	(60)	(60)
Net gains from dealing in foreign currencies	(30,409)	(124,889)	(390,039)	(545,337)
Net gains from foreign currency translation	(1,236,087)	(3,899,075)	–	(5,135,162)
Provision for loan impairment	(249,908)	(593,132)	(42,000)	(885,040)
Operating income	–	–	28,476	28,476
Operating expenses	(186,061)	(1,149,685)	(52,069)	(1,387,815)
Profit before tax	**48,365**	**1,409,381**	**–**	**1,457,746**

13. Transactions with the related parties of the Bank

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely its organizational and legal form.

During 2016 and 2015, the Bank did not enter into any transactions with the members of the Supervisory Board and the Management Board of the Bank.

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial and operational decisions.

The Bank entered into transactions with related parties in the ordinary course of business. There is no increased risk of overdue debts or other unfavorable events resulting from such transactions.

The Bank determined the following categories of related parties:

- shareholders;
- other related parties;
- key management personnel – 4 individuals (members of the Bank's Management Board);
- insiders.

The direct owners of the Bank are presented below:

- UniCredit S.p.A., Italy – 40%.
- Renault S.A., France – 30%.
- Nissan Motor Co., Ltd., Japan – 30%.

The above interests are shown without the interest of Renault S.A., France, in the share capital of Nissan Motor Co., Ltd., Japan, which was 43% as of 31 December 2016.

	1 January 2017	*1 January 2016*
Shareholders	BARN B.V.	BARN B.V.
Other related parties	JSC UniCredit Bank	JSC UniCredit Bank
	LLC RN Finance RUS	LLC RN Finance RUS
	RNGM S.A.	Representative office of RCI Banque S.A.
	RCI Banque S.A.	RNGM S.A.
	Nissan Financial Services Co., Ltd.	RCI Banque S.A.
	Renault Finance S.A.	Nissan Financial Services Co., Ltd.
	LLC Nissan Manufacturing RUS	Renault Finance S.A.
	CJSC Renault Russia	LLC Nissan Manufacturing RUS
	DIAC	CJSC Renault Russia
	NISSAN MOTOR ACCEPTANCE Corporation	SOGESMA S.A.R.L.
	JSC NPF AVTOVAZ	

The balances of significant transactions with related parties are disclosed below.

1 January 2017	*Shareholders*	*Other related parties*	*Key management personnel (*)*	*Insiders*	*Total*
Assets					
Amounts due from credit institutions		57,950			57,950
Financial assets at fair value through profit or loss		136,743			136,743
Net loans receivable and similar debt				520	520
Other assets		229,243		4	229,247
Total assets		**423,936**		**524**	**424,460**
Liabilities					
Amounts due to credit institutions		26,900,331			26,900,331
Amounts in settlements		109			109
Amounts due to customers (other than credit institutions)		10,979,832			10,979,832
Current accounts of individuals				44	44
Financial liabilities at fair value through profit or loss		2,681,101			2,681,101
Other liabilities		1,174,567			1,174,567
Total liabilities		**41,735,940**		**44**	**41,735,984**
Claims and liabilities under derivative financial instruments		**47,248,863**			**47,248,863**
Claims under derivative financial instruments		21,176,568			21,176,568
Liabilities under derivative financial instruments		26,072,295			26,072,295

1 January 2016	*Shareholders*	*Other related parties*	*Key management personnel (*)*	*Insiders*	*Total*
Assets					
Amounts due from credit institutions		19,974			19,974
Financial assets at fair value through profit or loss		2,881,955			2,881,955
Net loans receivable and similar debt				947	947
Other assets		177,371		5	177,376
Total assets		**3,079,300**		**952**	**3,080,252**
Liabilities					
Amounts due to credit institutions		22,360,636			22,360,636
Amounts in settlements		1,845			1,845
Amounts due to customers (other than credit institutions)		12,391,566			12,391,566
Current accounts of individuals				44	44
Financial liabilities at fair value through profit or loss					
Other liabilities		761,086			761,086
Total liabilities		**35,515,133**		**44**	**35,515,177**
Claims and liabilities under derivative financial instruments		**43,319,623**			**43,319,623**
Claims under derivative financial instruments		21,833,930			21,833,930
Liabilities under derivative financial instruments		21,485,693			21,485,693

Income and expenses from transactions with related parties are disclosed below:

1 January 2017	*Shareholders*	*Other related parties*	*Key management personnel (*)*	*Insiders*	*Total*
Interest income		1,569,739		98	1,569,837
Interest expense		(2,539,182)			(2,539,182)
Changes in provisions for potential losses on loans and other assets				(2)	(2)
Net gains from financial assets at fair value		(5,593,169)			(5,593,169)
Net gains from securities available for sale		(20)			(20)
Net gains (losses) from dealing in foreign currencies		(829)			(829)
Net fee and commission income		236,677			236,677
Other operating income		1,060			1,060
Operating expenses		(59,775)	(88,154)		(147,929)
Tax expense		(1,182)			(1,182)

1 January 2016	*Shareholders*	*Other related parties*	*Key management personnel (*)*	*Insiders*	*Total*
Interest income		1,086,199		38	1,086,237
Interest expense	(392)	(1,370,300)			(1,370,692)
Changes in provisions for potential losses on loans and other assets				(5)	(5)
Net gains from financial assets at fair value		3,761,470			3,761,470
Net gains from securities available for sale		(60)			(60)
Net gains (losses) from dealing in foreign currencies		3,479			3,479
Net fee and commission income		48,318			48,318
Other operating income		1,497			1,497
Operating expenses		(33,292)	(89,543)		(122,835)
Tax expense		(18)			(18)

* *Information on benefits to key management personnel:*

Information on benefits to key management personnel includes short-term benefit payable to the members of the Bank's Management Board during the reporting period and one year after the end of the reporting period when the employees rendered the respective services. Short-term benefit includes salary and year-end bonuses.

In 2016, due to changes in the procedure of determining income, expenses and other comprehensive income, which were introduced on 1 January 2016 in accordance with Regulation No. 446-P of the Bank of Russia *On the Procedure for Determining Income, Expenses and Other Comprehensive Income of Credit Institutions* dated 22 December 2014 (hereinafter, "Regulation No. 446-P"), the Bank included commissions on factoring transactions in interest income within the item "Interest income." In view of the above, the Bank reclassified the items "Net fee and commission income" and "Interest income" in the amount of kRUR 1,043,001 in its annual statements as of 1 January 2016.

In 2016 and 2015, the Bank did not write off any uncollectible receivables from transactions with related parties.

14. Information on compensation system

The Bank's compensation and benefit system is a key factor for motivating employees to be involved in achieving corporate objectives. The Bank's approach to compensation is focused on performance, compliance with the business strategy, securing competitiveness and efficiency of the incentive system.

Therefore, the Bank implements an action plan to develop the system of applied indicators, amend regulations governing authority and issues related to compensations to employees, including employees taking risk and employees of controlling departments.

Departments that monitor compensation, internal control and risk management systems, as well as finance and legal departments of the Bank are directly involved in this process.

Compensation system and procedures are governed by the Regulation on Compensation to Employees. This regulation is developed in accordance with the Labor Code of the Russian Federation, Russian law, the Bank's regulations and the Bank's local regulations. The regulation establishes procedure and system of compensations and incentives in order to increase the Bank's employees' material interest in high performance, higher efficiency and quality of work, responsibility for performance of work, as well as in order to comply with the principle of correlation between salary and personal contribution of employees to operating performance of the Bank.

The Regulation is applicable to all the Bank's employees, including:

- members of the sole executive body, members of the collective executive body and members of committees of executive body;

- employees making decisions to perform operations or enter into other transactions / taking risks that may impact compliance with prudential ratios. The list of these employees is approved by the order of the Chairman of the Management Board;
- employees performing internal control functions;
- employees performing risk management functions.

The regulation governs the procedure of calculation and payment of fixed and variable parts of compensation to employees.

Fixed part of compensation includes the amounts of the base salary, reimbursements, incentives and social payments not based on performance.

Variable part of compensation includes reimbursements, incentives and social payments based on performance.

Variable part of compensation is not guaranteed and depends on meeting target performance indicators (quantitative and qualitative) established for an employee to the extent of risks accepted by the Bank and profitability.

Compensation to employees of internal control and risk management departments is arranged in such a way that the fixed part comprises at least 50% of the total amount of compensation to employees of these departments.

All members of the executive bodies and employees performing risk taking functions are informed of short-term targets for the calendar year. In 2016, the targets were met in full. Performance against the long-term targets that were set for this category of employees will be analyzed by the Compensation Committee in the first quarter of the year following the reporting period. Following the analysis, the Bank's Board of Directors receives a recommendation for the decision to adjust and pay or not to pay the deferred part of compensation.

The Bank measures current and future risks on the basis of short-term and long-term indicators specified in the internal regulatory documents. Upon expiry of a certain period, the Bank analyzes these indicators, and the collegial body of the Bank's Board of Directors decides to confirm or adjust the variable part of compensation paid to risk-taking employees.

The characteristics and types of quantitative and qualitative indicators used by the Bank to account for these risks, including risks that are hard to assess, as well as the ways in which they impact the amount of compensation must be approved by shareholders and the Bank of Russia, and the Bank selects a confidentiality strategy for them in terms of disclosing them to third parties.

The compensation to employees of these departments is not linked to the financial performance of departments that make decisions to perform banking and other operations.

Total base salary, reimbursements, incentives and social payments are approved annually by the Bank's Board of Directors as part of annual approval of the budget and business plans.

Employees' compensation is annually aligned with the market level based on labor market review provided by an independent research company. When necessary, the compensation system, is upgraded based on recommendations.

An independent assessment of the credit institution's compensation system is performed by the Compensation Committee (representatives of the parent companies of the three shareholders of the Bank) of the Bank's Board of Directors and by the Bank's Board of Directors. The current compensation system for the Bank's employees, including certain categories of risk-taking employees, was assessed as effective and meeting all objectivity and fair payment criteria, including the criteria and requirements of the local regulator, as confirmed in writing by the regulator.

In 2016, the Board of Directors did not revise the Bank's compensation system.

On 25 February 2016, based on the requirements of Instruction No. 154-I of the Bank of Russia *On Assessing a Credit Institution's Compensation System and Instructing a Credit Institution to Eliminate Irregularities in Its Compensation System* dated 17 June 2014, the Bank set up, on the basis of a decision of the Board of Directors, the Compensation Committee which is a permanent collegial body of the Board of Directors. The Compensation Committee is to organize, monitor and control the compensation system and to help the Board of Directors make decisions related to the organization, operation and assessment of the Bank's compensation system.

The Compensation Committee is responsible for the following matters:

1) preparation of the decisions of the Board of Directors for the approval of documents on the procedure for determining the amounts of the base salary, reimbursements, incentives and social payments not based on performance (fixed pay)

   for the sole executive body and members of the collegial executive body (hereinafter, "members of the executive bodies");

2) preparation of the decisions of the Board of Directors for the approval of documents on the procedure for determining the amounts, forms and accruals of reimbursements and incentives based on performance (variable pay) for the members of the executive bodies and other managers (employees) who make decisions on the Bank's operations and transactions

   that could affect the Bank's compliance with prudential ratios or lead to situations threatening the interests of depositors and creditors, including grounds for taking measures to prevent the Bank's insolvency (bankruptcy),

   and for the employees of departments engaged in internal control and departments engaged in identifying and assessing risks, determining their maximum values and the capital needed to cover them and monitoring compliance with the above limits at the level of individual portfolios, business activities and the Bank as a whole;

3) preparation of the decisions of the Board of Directors for the approval of the amount of the Bank's payroll;

4) preliminary review of suggestions made by departments engaged in internal control and risk management for improving the compensation system and preparation of the decisions of the Board of Directors, if necessary;

5) preliminary review of reports on the monitoring of the compensation system and preparation of the decisions of the Board of Directors with respect to its consideration;

6) preparation of information for the Board of Directors on large compensation payments recognized as such under the internal documents establishing the compensation system.

As of 31 December 2016, the Compensation Committee of the Bank comprises four (4) members:

- Mikhail Yurievich Alexeev – Chairman of the Board of Directors.
- Gianluca De Ficchy – member of the Board of Directors.
- Graziano Cameli – member of the Board of Directors.
- Rakesh Kochhar – member of the Board of Directors.

In 2016, the Compensation Committee met one time, and no compensation was paid to its members.

In 2016, the Bank paid no termination benefits, incentives to new hires or deferred benefits.

The Bank has an approved list of positions taking risks and employees that perform control and risk management functions.

As of 31 December 2016, the Bank has 12 risk-taking employees (4 of them are members of the Management Board).

Information on the Bank's structure of payments for the 12 months of 2016

Total amount of payments including bonuses and compensations	404,488
Fixed part of compensation to risk-taking employees	119,932
Variable short-term part of compensation to risk-taking employees	25,585
Variable long-term part of compensation to risk-taking employees	–
Severance pay to risk-taking employees	–

In 2016, no adjustments were made to compensation and large payments to risk-taking employees.

Chairman of the Management Board Bruno Kintzinger

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

Chief Accountant Daria Alexandrovna Lvova

29 March 2017