

**“Asian-Pacific Bank”**  
**(Public joint stock company)**

**Consolidated Interim Condensed**  
**Financial Information**  
**for the six-month period ended**  
**30 June 2016**  
**(unaudited)**

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JSC "KPMG"  
10 Presnenskaya Naberezhnaya  
Moscow, Russia 123112  
Telephone +7 (495) 937 4477  
Fax +7 (495) 937 4400/99  
Internet www.kpmg.ru

## **Auditors' Report on Review of Consolidated Interim Condensed Financial Information**

To the Shareholders and Board of Directors

"Asian-Pacific Bank" (Public joint stock company)

### **Introduction**

We have reviewed the accompanying consolidated interim condensed statement of financial position of "Asian-Pacific Bank" (Public joint stock company) and its subsidiaries (the "Group") as at 30 June 2016, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: "Asian-Pacific Bank" (Public joint stock company).

Registered by the Central Bank of the Russian Federation on 14 February 1992, Registration No. 1810.

Entered in the Unified State Register of Legal Entities on 22 August 2002 by Amur Regional Tax Inspectorate of the Ministry of Taxes and Duties of the Russian Federation, Registration No. 1022800000079, Certificate series 28 No. 000749008.

Address of the audited entity: 225 Amurskaya St., Blagoveshchensk, Amur region, Russian Federation, 675000.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.



**"Asian-Pacific Bank" (Public joint stock company)**

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### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2016 and for the six - month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

### **Other Matter**

The corresponding figures for the six - month period ended 30 June 2015 are not reviewed.

Kolosov A.E.

Director (power of attorney dated 24 March 2016 No.12/16)

JSC "KPMG"

29 August 2016

Moscow, Russian Federation



**PJSC "Asian-Pacific Bank"**  
**Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income**  
**for the six-month period ended 30 June 2016**

	Notes	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)
Interest income		8 533 298	9 131 992
Interest expense		(4 900 066)	(5 548 300)
<b>Net interest income</b>		<b>3 633 232</b>	<b>3 583 692</b>
Deposit insurance expenses		(143 349)	(118 194)
<b>Net interest income after deposit insurance expenses</b>		<b>3 489 883</b>	<b>3 465 498</b>
Fee and commission income		1 567 153	1 085 449
Fee and commission expense		(234 240)	(182 596)
<b>Net fee and commission income</b>		<b>1 332 913</b>	<b>902 853</b>
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		441 731	191 142
Net foreign exchange gain		265 348	403 202
Net gain on operations with precious metals		41 638	16 976
Other operating income		603 579	571 589
<b>Operating income</b>		<b>6 175 092</b>	<b>5 551 260</b>
Impairment losses	4	(1 960 390)	(5 155 254)
Personnel expenses		(1 811 171)	(1 603 709)
Other general administrative expenses		(1 066 620)	(1 009 070)
<b>Profit (loss) before income tax</b>		<b>1 336 911</b>	<b>(2 216 773)</b>
Income tax (expense) benefit		(288 247)	429 388
<b>Profit (loss) for the period</b>		<b>1 048 664</b>	<b>(1 787 385)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Revaluation reserve for available-for-sale financial assets			
- Net change in fair value		655 472	469 250
- Net change in fair value transferred to profit and loss		(493 126)	(71 966)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>162 346</i>	<i>397 284</i>
<b>Other comprehensive income for the period, net of income tax</b>		<b>162 346</b>	<b>397 284</b>
<b>Total comprehensive income (loss) for the period</b>		<b>1 211 010</b>	<b>(1 390 101)</b>

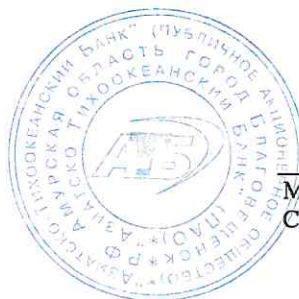
The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

**PJSC "Asian-Pacific Bank"**  
**Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income**  
**for the six-month period ended 30 June 2016**

	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)
Notes		
<b>Profit (loss) for the period attributable to:</b>		
-Bank's shareholders	1 052 880	(1 787 385)
-non-controlling interest	(4 216)	-
	<u>1 048 664</u>	<u>(1 787 385)</u>
<b>Total comprehensive income (loss) for the period attributable to:</b>		
-Bank's shareholders	1 215 226	(1 390 101)
-non-controlling interest	(4 216)	-
	<u>1 211 010</u>	<u>(1 390 101)</u>

The consolidated interim condensed financial information was approved by the Management Board on 29 August 2016.

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Mr. A.V. Novikov  
Chairman of the Management Board



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Ms. Y.E. Komova  
Chief Accountant

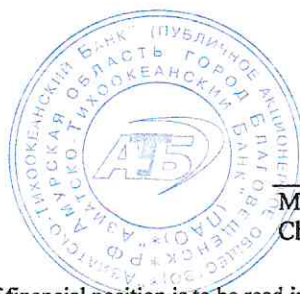
The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.



**PJSC "Asian-Pacific Bank"**  
**Consolidated Interim Condensed Statement of Financial Position as at 30 June 2016**

	Notes	30 June 2016 RUB'000 (unaudited)	31 December 2015 RUB'000
<b>ASSETS</b>			
Cash and cash equivalents		18 141 767	17 333 745
Obligatory reserves with the Central Bank of the Russian Federation		654 046	638 293
Financial instruments at fair value through profit or loss		154 288	413 626
Available-for-sale financial assets		15 689 139	20 506 720
Due from banks		409 480	717 022
Amounts receivable under reverse repurchase agreements		3 485 548	9 617 023
Loans to customers	5	77 065 067	74 914 701
Net investments in finance leases	6	1 312 277	1 393 857
Investments in associates		575 000	575 000
Held-to-maturity investments		4 387 386	7 035 062
Deferred tax asset		91 954	103 016
Property, equipment, intangible assets and investment property		5 705 252	5 137 753
Other assets		6 377 469	4 682 966
<b>Total assets</b>		<b>134 048 673</b>	<b>143 068 784</b>
<b>LIABILITIES</b>			
Derivative financial instruments		239 920	198 507
Deposits and balances from banks		3 707 514	3 972 106
Amounts payable under repurchase agreements		4 585 893	8 160 886
Current accounts and deposits from customers	7	99 077 428	104 026 865
Debt securities issued	8	2 931 802	4 684 558
Subordinated borrowings	9	4 749 613	5 385 283
Deferred tax liability		286 115	8 253
Other liabilities		1 204 269	736 486
<b>Total liabilities</b>		<b>116 782 554</b>	<b>127 172 944</b>
<b>EQUITY</b>			
Share capital		585 414	585 414
Treasury shares		(10 307)	(10 307)
Share premium		1 778 739	1 778 739
Additional capital		2 200 000	2 200 000
Revaluation reserve for available-for-sale financial assets		163 667	1 321
Revaluation surplus for buildings		1 606 004	1 614 979
Retained earnings		10 787 549	9 725 694
<b>Total equity attributable to the Bank's shareholders</b>		<b>17 111 066</b>	<b>15 895 840</b>
Non-controlling interests		155 053	-
<b>Total equity</b>		<b>17 266 119</b>	<b>15 895 840</b>
<b>Total liabilities and equity</b>		<b>134 048 673</b>	<b>143 068 784</b>

Mr. A.V. Novikov  
Chairman of the Management Board



Ms. Y.E. Komova  
Chief Accountant

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

**PJSC "Asian-Pacific Bank"**  
*Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2016*

	Notes	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (unaudited) (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest receipts		8 439 191	8 465 430
Interest payments		(5 698 644)	(4 813 275)
Fee and commission receipts		1 533 689	1 066 250
Fee and commission payments		(233 009)	(184 406)
Net receipts from financial instruments at fair value through profit or loss and available-for-sale financial instruments		442 495	251 258
Net (payments) receipts from foreign exchange		(75 866)	113 086
Other income receipts		602 820	571 589
Net receipts from operations with precious metals		41 638	16 976
General administrative expenses payments		(2 613 493)	(2 423 422)
<b>(Increase) decrease in operating assets</b>			
Obligatory reserves with the CBR		(15 753)	32 719
Financial instruments at fair value through profit or loss		313 724	(505 020)
Available-for-sale financial assets		4 945 460	(776 644)
Due from banks		274 176	356 004
Amounts receivable under reverse repurchase agreements		5 760 784	(1 589 214)
Loans to customers		(5 289 322)	(1 479 740)
Net investments in finance leases		72 458	340 847
Other assets		(1 232 047)	(290 330)
<b>Increase (decrease) in operating liabilities</b>			
Deposits and balances from banks		(93 281)	(2 171 216)
Amounts payable under repurchase agreements		(3 220 746)	(20 202)
Current accounts and deposits from customers		(2 716 673)	852 147
Promissory notes		225 221	301 026
Other liabilities		261 170	94 873
<b>Net cash flows from operating activities before income tax paid</b>		<b>1 723 992</b>	<b>(1 791 264)</b>
Income tax (paid) received		(31 143)	85 520
<b>Net cash flows from operating activities</b>		<b>1 692 849</b>	<b>(1 705 744)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net repayments (purchases) of held-to-maturity investments		2 323 983	(1 380 562)
Investments in associate companies		-	(1 500 000)
Net purchases of property and equipment and intangible assets		(709 788)	(115 857)
Acquisition of the subsidiary		11 897	-
<b>Net cash flows from investing activities</b>		<b>1 626 092</b>	<b>(2 996 419)</b>

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.



**PJSC "Asian-Pacific Bank"**  
*Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2016*

	Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (unaudited) (restated)
Notes		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments of bonds	(1 894 301)	(381 379)
Cash contribution from shareholders	-	1 500 000
<b>Net cash flows from financing activities</b>	<b>(1 894 301)</b>	<b>1 118 621</b>
Net increase (decrease) in cash and cash equivalents	1 424 640	(3 583 542)
Effect of changes in exchange rates on cash and cash equivalents	(616 618)	14 162
Cash and cash equivalents as at the beginning of the period	17 333 745	13 973 022
<b>Cash and cash equivalents as at the end of the period</b>	<b>18 141 767</b>	<b>10 403 642</b>

\_\_\_\_\_  
 Mr. A.V. Novikov  
 Chairman of the Management Board



\_\_\_\_\_  
 Ms. Y.E. Komova  
 Chief Accountant

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

**PJSC "Asian-Pacific Bank"**  
*Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2016*

RUB'000	Attributable to the Bank's shareholders								Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Additional capital	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings	Total		
<b>Balance as at 1 January 2015</b>	<b>585 414</b>	<b>(10 307)</b>	<b>1 778 739</b>	<b>-</b>	<b>(423 758)</b>	<b>1 618 659</b>	<b>11 306 839</b>	<b>14 855 586</b>	<b>-</b>	<b>14 855 586</b>
<b>Total comprehensive loss for the period (unaudited)</b>										
Loss for the period (unaudited)	-	-	-	-	-	-	(1 787 385)	(1 787 385)	-	(1 787 385)
<b>Other comprehensive income, net of income tax (unaudited)</b>										
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 117 313 thousand (unaudited)	-	-	-	-	469 250	-	-	469 250	-	469 250
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 17 992 thousand (unaudited)	-	-	-	-	(71 966)	-	-	(71 966)	-	(71 966)
Transfer of revaluation surplus on disposal of buildings previously revalued, net of deferred tax of RUB 62 thousand (unaudited)	-	-	-	-	-	(248)	248	-	-	-
<b>Total comprehensive loss for the period, net of income tax (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>397 284</b>	<b>(248)</b>	<b>(1 787 137)</b>	<b>(1 390 101)</b>	<b>-</b>	<b>(1 390 101)</b>
<b>Transactions with owners, recorded directly in equity</b>										
Cash contribution from shareholders (note 11)	-	-	-	1 500 000	-	-	-	1 500 000	-	1 500 000
<b>Total transactions with owners (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 500 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 500 000</b>	<b>-</b>	<b>1 500 000</b>
<b>Balance as at 30 June 2015 (unaudited)</b>	<b>585 414</b>	<b>(10 307)</b>	<b>1 778 739</b>	<b>1 500 000</b>	<b>(26 474)</b>	<b>1 618 411</b>	<b>9 519 702</b>	<b>14 965 485</b>	<b>-</b>	<b>14 965 485</b>

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

**PJSC "Asian-Pacific Bank"**  
Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2016

RUB'000	Attributable to the Bank's shareholders							Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Additional capital	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings		
Balance as at 1 January 2016	585 414	(10 307)	1 778 739	2 200 000	1 321	1 614 979	9 725 694	15 895 840	15 895 840
<b>Total comprehensive income for the period (unaudited)</b>									
Profit for the period (unaudited)	-	-	-	-	-	-	1 052 880	1 052 880	1 048 664
<b>Other comprehensive income, net of income tax (unaudited)</b>									
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 163 868 thousand (unaudited)	-	-	-	-	655 472	-	-	655 472	655 472
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 123 282 thousand (unaudited)	-	-	-	-	(493 126)	-	-	(493 126)	(493 126)
Transfer of revaluation surplus on disposal of buildings previously revalued, net of deferred tax of RUB 2 244 thousand (unaudited)	-	-	-	-	-	(8 975)	8 975	-	-
<b>Total comprehensive income for the period, net of income tax (unaudited)</b>	-	-	-	-	162 346	(8 975)	1 061 855	1 215 226	1 211 010
<b>Transactions with owners, recorded directly in equity</b>									
Acquisition of the subsidiary (unaudited) (note 1)	-	-	-	-	-	-	-	159 269	159 269
<b>Total transactions with owners (unaudited)</b>	-	-	-	-	-	-	-	159 269	159 269
<b>Balance as at 30 June 2016 (unaudited)</b>	<b>585 414</b>	<b>(10 307)</b>	<b>1 778 739</b>	<b>2 200 000</b>	<b>163 667</b>	<b>1 606 004</b>	<b>10 787 549</b>	<b>17 111 066</b>	<b>17 266 119</b>

Mr. A.V. Novikov  
Chairman of the Management Board



Ms. Y.E. Komova  
Chief Accountant

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

# 1 Background

## Organisation and operations

This consolidated interim condensed financial information includes the financial information of PJSC “Asian-Pacific Bank” (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint stock company in 1992 under the name Amurpromstroybank as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint stock company to an open joint stock company and renamed to Asian-Pacific Bank by decision of the shareholders. On 7 May 2010 LLC “PPFIN Region”, being a common majority shareholder for OJSC “Asian-Pacific Bank”, OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”, merged the operations of these entities and therefore granted full control over OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” to OJSC “Asian-Pacific Bank”. In July 2015 the Bank was reorganised from an open joint stock company to a public joint stock company.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the CBR). The Bank has a general banking license, and is a member of the state deposit insurance system in the Russian Federation.

The Bank has 210 (31 December 2015: 224) offices from which it conducts business throughout the Russian Federation including a head office, 4 regional branches, 36 additional office and 169 operational offices. The legal address of the head office is 225, Amurskaya Street, Blagoveschensk, 675000. The majority of the assets and liabilities are located in the Russian Federation.

The Group operates in industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

As at 30 June 2016 and 31 December 2015, the following shareholders held the issued shares of PJSC “Asian-Pacific Bank”:

<b>Shareholder</b>	<b>30 June 2016, % (unaudited)</b>	<b>31 December 2015, %</b>
LLC “PPFIN Region” (Russian Federation)	59.17	59.17
East Capital Financials Fund AB (Sweden)	17.91	17.91
TECHSUN ENTERPRISES LIMITED (Cyprus)	8.41	8.41
International Financial Corporation	6.71	6.71
Aksenov E.V.	3.08	3.08
LLC “Expo-Leasing” (a 100% owned subsidiary of the Bank)	1.76*	1.76*
Others	2.96	2.96
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

\* *Treasury shares*

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			30 June 2016 (unaudited)	31 December 2015
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	100%
CUIF “Celena”	Russian Federation	Unit investment fund	51.58%	-
CJSC “Mortgage agent APB”	Russian Federation	Mortgage agent	see below	see below
CJSC “Mortgage agent APB 2”	Russian Federation	Mortgage agent	see below	see below

On 1 October 2010 100% of the shares of LLC “Expo-Leasing” were acquired by the Bank.

LLC “Expo-Leasing” was registered in 2002 in Russia. Its head office is in Moscow and it has 11 branches comprising a head office and 10 separate offices (31 December 2015: 10 branches comprising a head office, 1 regional branch and 8 separate offices).

CJSC “Mortgage agent APB” and CJSC “Mortgage agent APB 2” (MA APB and MA APB 2) are structured entities established to facilitate the Bank’s issue of mortgage backed securities (refer to note 8). These entities are not owned by the Group. Control arises through the predetermination of the entities’ activities, having rights to obtain the majority of benefits of the structured entities, and retaining the majority of the residual risks related to the entities.

On 4 May 2016 51,58% of the shares of CUIF “Celena” were received by the Bank as a result of non-performance of REPO agreement with PJSC “BaikalBank”. CUIF “Celena” was registered in 2010 in Russia. Management company of CUIF “Celena” as at reporting date is LLC “Management company “Finance Trade Asset Management”, it received the licence for investment mutual fund management in 2008.

The fair value amounts of identifiable assets and liabilities of the CUIF “Celena” were as follows at the date of control acquisition:

	RUB’000 (unaudited)
<b>Fair value of identifiable net assets:</b>	
Cash and cash equivalents	11 897
Long-term assets held-for-sale	308 151
Other assets	10 354
Other liabilities	(1 469)
<b>Total fair value of identifiable net assets</b>	<b>328 933</b>
Share acquired, %	51,58%
<b>Acquired share of identifiable net assets</b>	<b>169 664</b>
Fair value of consideration transferred	194 040
<b>Goodwill</b>	<b>24 376</b>



## **Russian business environment**

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

## **Risk management**

Management of risk is fundamental to the business of banking and forms an essential element of the Group’s operations. The major (significant) risks faced by the Group are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

The Group’s policy and procedures of risk management comply with the policy and procedures described and applied in the consolidated financial statements of the Group for the year ended 31 December 2015.

There were not significant changes to major risk positions of the Group in comparison to the disclosed in the consolidated financial statements of the Group for the year ended 31 December 2015.

## **2 Basis of preparation of the consolidated interim condensed financial information**

### **Statement of compliance**

The accompanying consolidated interim condensed financial information is prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. As a result, it does not include all of the information required for full consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2015, as these consolidated interim condensed financial information provides an update of previously reported consolidated financial statements.

### **Basis of measurement**

The consolidated interim condensed financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale financial assets are stated at fair value, and buildings are stated at revalued amounts.

## **Functional and presentation currency**

The functional currency of the Bank and its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of this consolidated interim condensed financial information.

Financial information presented in RUB is rounded to the nearest thousand.

## **Use of estimates and judgments**

The preparation of consolidated interim condensed financial information in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments, estimates and assumptions that affect the application of accounting policies made by management for the preparation of this consolidated interim condensed financial information were the same as for complete consolidated financial statements as at 31 December 2015 and for the year ended 31 December 2015.

## **3 Significant accounting policies**

The accounting policies applied by the Group in the preparation of this consolidated interim condensed financial information are consistent with those applied by the Group in the consolidated financial statements as at 31 December 2015 and for the year ended 31 December 2015.

Certain amendments to IFRS became effective from 1 January 2016 and have been adopted by the Group since that date. These changes do not have a significant effect on the Group’s consolidated interim condensed financial information.

## **Presentation of comparative information**

Comparative information of the consolidated interim condensed statement of cash flows for the six-month period ended 30 June 2015 was restated by the Group.

## **4 Impairment losses**

	<b>Six-Month Period Ended 30 June 2016 RUB’000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB’000 (unaudited)</b>
Loans to customers	1 930 322	5 135 031
Net investments in finance leases	9 122	58 306
Available-for-sale financial assets	6 796	-
Other assets	14 150	(38 083)
	<b>1 960 390</b>	<b>5 155 254</b>

## 5 Loans to customers

	<b>30 June 2016</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2015</b> <b>RUB'000</b>
<b>Loans to corporate customers</b>	<b>43 084 138</b>	<b>38 910 840</b>
<b>Loans to retail customers</b>		
Consumer loans	44 289 890	48 407 227
Mortgage loans	6 229 521	6 693 989
<b>Total loans to retail customers</b>	<b>50 519 411</b>	<b>55 101 216</b>
<b>Gross loans to customers</b>	<b>93 603 549</b>	<b>94 012 056</b>
Impairment allowance	(16 538 482)	(19 097 355)
<b>Net loans to customers</b>	<b>77 065 067</b>	<b>74 914 701</b>

Movements in the loans to customers impairment allowance for the six-month period ended 30 June 2016 are as follows:

	<b>Total</b> <b>RUB'000</b> <b>(unaudited)</b>
<b>Balance at the beginning of the period</b>	<b>19 097 355</b>
Net charge	1 930 322
Write-offs	(4 489 195)
<b>Balance at the end of the period</b>	<b>16 538 482</b>

Movements in the loans to customers impairment allowance for the six-month period ended 30 June 2015 are as follows:

	<b>Total</b> <b>RUB'000</b> <b>(unaudited)</b>
<b>Balance at the beginning of the period</b>	<b>13 127 938</b>
Net charge	5 135 031
Write-offs	(514 727)
<b>Balance at the end of the period</b>	<b>17 748 242</b>

## 6 Net investments in finance leases

Net investments in finance leases comprise:

	<b>30 June 2016</b> <b>RUB'000</b> <b>(unaudited)</b>	<b>31 December 2015</b> <b>RUB'000</b>
Gross investments in finance leases	1 827 406	1 900 879
Less unearned finance lease income	(244 496)	(245 511)
	<b>1 582 910</b>	<b>1 655 368</b>
Less allowance for impairment	(270 633)	(261 511)
<b>Net investments in finance leases</b>	<b>1 312 277</b>	<b>1 393 857</b>

Movements in the impairment allowance are as follows:

	<b>Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)</b>
<b>Balance at the beginning of the period</b>	261 511	149 251
Net charge	9 122	58 306
Write-offs	-	(446)
<b>Balance at the end of the period</b>	<b>270 633</b>	<b>207 111</b>

## 7 Current accounts and deposits from customers

	<b>30 June 2016 RUB'000 (unaudited)</b>	<b>31 December 2015 RUB'000</b>
Current accounts and demand deposits		
- Retail	6 165 414	4 679 390
- Corporate	11 485 720	11 152 065
Term deposits		
- Retail	69 600 762	69 531 129
- Corporate	11 825 532	18 664 281
	<b>99 077 428</b>	<b>104 026 865</b>

## 8 Debt securities issued

	<b>30 June 2016 RUB'000 (unaudited)</b>	<b>31 December 2015 RUB'000</b>
Bonds	2 094 810	4 058 906
Promissory notes	836 992	625 652
	<b>2 931 802</b>	<b>4 684 558</b>

Bonds as at 30 June 2016 are presented by 2 issues made by MA APB and MA APB 2.

In December 2012, the Group issued RUB 1 521 863 thousand of mortgage backed securities with a coupon rate of 8.75% and maturity date not later than 26 April 2045 with partially repayments each quarter.

In February 2014, the Group issued RUB 2 553 000 thousand of mortgage backed securities with a coupon rate of 9% and maturity date not later than 1 October 2046 with partially repayments each quarter.

On 19 February 2016, the Group repaid RUB 1 119 621 thousand of bonds issued in February 2013 with the total initial amount of RUB 3 000 000 thousand according to the terms of maturity.

## 9 Subordinated borrowings

	<b>30 June 2016 RUB'000 (unaudited)</b>	<b>31 December 2015 RUB'000</b>
Subordinated loan	4 749 613	5 385 283
	<b>4 749 613</b>	<b>5 385 283</b>

On 21 November 2012 the Bank attracted a subordinated loan in the amount of USD 30 million from one of the Bank’s shareholders - IFC. The loan with interest rate of 12.92% as at 30 June 2016 mature by tranches until 16 December 2019.

According to the terms of the agreement the Group is subject to a debt covenant stating that at the end of each quarter the Group should comply with a number of financial and non-financial covenants. As at 31 December 2014 and later the Group breached financial covenants that led to the increase of interest rate on the agreement in 2015 year. Subordinated debt is not payable on demand as at 30 June 2016 and 31 December 2015.

On 10 July 2014, the Group issued subordinated Loan Participation Notes in the amount of USD 42 million for 5.5 years with interest rate of 11.00% through SCI Finance B.V., partially consolidated structured entity incorporated in the Netherlands. This entity was partially consolidated because portion of the entity is a deemed separate entity which is in substance “ring-fenced” from the rest of the entity, and the Group has control over deemed separate entity. The Group consolidated only those assets and returns related to the issue of Loan Participation Notes.

## 10 Analysis by segment

The Group has seventeen divisions located in different regions of the Russian Federation, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units the chief operating decision maker reviews internal management reports on at least a monthly basis. The Group combined branches into three reporting units based on geographical location: Far East region, Siberia region and West region.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are based on statutory financial information and that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries.

Segment breakdown of assets and liabilities is set out below:

	<b>30 June 2016</b> <b>RUB’000</b> <b>(unaudited)</b>	<b>31 December 2015</b> <b>RUB’000</b>
<b>ASSETS</b>		
Far East region	48 876 372	47 693 297
West region	53 648 661	66 035 984
Siberia region	24 869 876	23 524 815
<b>Total assets</b>	<b>127 394 909</b>	<b>137 254 096</b>
<b>LIABILITIES</b>		
Far East region	80 128 171	82 704 378
West region	11 904 213	18 610 502
Siberia region	21 957 019	22 980 386
<b>Total liabilities</b>	<b>113 989 403</b>	<b>124 295 266</b>



Segment information for the main reportable segments for the six-month period ended 30 June 2016 is set below:

<b>RUB'000 (unaudited)</b>	<b>Far East region</b>	<b>Siberia region</b>	<b>West region</b>	<b>Total</b>
External interest income	3 503 688	2 275 512	1 776 808	7 556 008
Fee and commission income	995 840	299 966	101 614	1 397 420
Net gain on operations with financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets (including interest income)	(1 582)	-	1 634 129	1 632 547
Net foreign exchange gain	2 090 980	86 026	(1 832 014)	344 992
Other operating income	208 595	71 034	38 082	317 711
<b>Revenue</b>	<b>6 797 521</b>	<b>2 732 538</b>	<b>1 718 619</b>	<b>11 248 678</b>
Impairment losses	893 998	1 608 589	680 975	3 183 562
Interest expense	3 355 400	921 341	532 209	4 808 950
Fee and commission expense	49 999	19 882	3 725	73 606
General administrative expenses	2 778 734	266 185	22 109	3 067 028
<b>Segment result</b>	<b>(280 610)</b>	<b>(83 459)</b>	<b>479 601</b>	<b>115 532</b>
Income tax benefit				42 852
<b>Profit for the period after income tax</b>				<b>158 384</b>

Segment information for the main reportable segments for the the six-month period ended 30 June 2015 is set below:

<b>RUB'000 (unaudited)</b>	<b>Far East region</b>	<b>Siberia region</b>	<b>West region</b>	<b>Total</b>
External interest income	4 085 251	2 409 072	1 420 243	7 914 566
Fee and commission income	598 793	250 221	131 806	980 820
Net gain on operations with financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets (including interest income)	(1 430)	-	1 185 637	1 184 207
Net foreign exchange gain	376 990	138 926	(15 155)	500 761
Other operating income	1 721 448	107 407	8 403	1 837 258
<b>Revenue</b>	<b>6 781 052</b>	<b>2 905 626</b>	<b>2 730 934</b>	<b>12 417 612</b>
Impairment losses	1 858 634	2 651 517	171 701	4 681 852
Interest expense	3 380 654	961 411	1 066 301	5 408 366
Fee and commission expense	39 269	18 450	5 937	63 656
General administrative expenses	2 255 722	261 431	27 050	2 544 203
<b>Segment result</b>	<b>(753 227)</b>	<b>(987 183)</b>	<b>1 459 945</b>	<b>(280 465)</b>
Income tax expense				(67 184)
<b>Loss for the period after income tax</b>				<b>(347 649)</b>

## Reconciliations of reportable segment profit or loss

	<b>Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)</b>
<b>Profit or loss</b>		
Total profit (loss) for reportable segments	158 384	(347 649)
IFRS accounting policy adjustments:		
- interest income on loans to customers and net investments in finance lease	54 903	356 683
- allowance for impairment of loans to customers, net investments in finance leases and other assets	1 223 170	(473 402)
- depreciation and amortisation of property and equipment and intangible assets	31 972	11 118
- financial instruments at fair value	(119 935)	(40 170)
- contribution from shareholders	-	(1 500 000)
- other adjustments	(299 830)	206 035
<b>Consolidated profit (loss) for the period</b>	<b>1 048 664</b>	<b>(1 787 385)</b>

## 11 Related party transactions

### (a) Control relationships

The Group's parent company is LLC “PPFIN Region” (Russian Federation). As at 30 June 2016 and 31 December 2015, the ultimate beneficial collective owners of the Group were Mr. Andrey Vdovin (the owner of 22.528%), Mr. Alexey Maslovsky (the owner of 22.528%), Mr. Peter Hambro (the owner of 22.528%).

### (b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration to the members of the Board of Directors and the Management Board included in personnel expenses for the six-month period ended 30 June is as follows:

	<b>Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)</b>
Short term benefits to the members of the Board of Directors and the Management Board	63 740	52 328
	<b>63 740</b>	<b>52 328</b>

The outstanding balances and average effective interest rates as at 30 June 2016 and 31 December 2015 for transactions with the members of the Board of Directors and the Management Board are as follows:

	<b>30 June 2016 RUB'000 (unaudited)</b>	<b>Average effective interest rate, % (unaudited)</b>	<b>31 December 2015 RUB'000</b>	<b>Average effective interest rate, %</b>
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	199 665	15.48%	208 438	15.23%
Other assets	2 284	-	1 345	-
<b>LIABILITIES</b>				
Current accounts and deposits from customers	86 005	10.27%	66 025	10.73%
Other liabilities	5 231	-	2	-
<b>Commitments</b>				
Credit commitments	2 401	-	2 030	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with the members of the Board of Directors and the Management Board for the six-month period ended 30 June are as follows:

	<b>Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)</b>
<b>Consolidated interim condensed statement of profit or loss and other comprehensive income</b>		
Interest income	15 688	3 111
Interest expense	(2 722)	(7 279)
Impairment recovery (charge)	215	(540)

### **(c) Transactions with shareholders**

The outstanding balances and average effective interest rates as at 30 June 2016 and 31 December 2015 for transactions with shareholders owning more than 10% of share capital are as follows:

	<b>30 June 2016 RUB'000 (unaudited)</b>	<b>Average effective interest rate, % (unaudited)</b>	<b>31 December 2015 RUB'000</b>	<b>Average effective interest rate, %</b>
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	4 875 143	11.86%	5 578 540	9.90%
Other assets	385 545	-	437 296	-
<b>LIABILITIES</b>				
Current accounts and deposits	3	-	6	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with shareholders for the six-month period ended 30 June are as follows:

	<b>Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)</b>
<b>Consolidated interim condensed statement of profit or loss and other comprehensive income</b>		
Interest income	385 888	268 983
Impairment recovery (charge)	19 630	(2 702)

In March 2015 the shareholder of the Group (LLC “PPFIN Region”) contributed cash to the additional capital in the amount of RUB 1 500 000 thousand.

#### **(d) Transactions with other related parties**

Other related parties are represented by companies controlled by management, shareholders and the ultimate beneficial collective owners of the Group.

The outstanding balances and average effective interest rates as at 30 June 2016 and 31 December 2015 for transactions with other related parties are as follows:

	<b>30 June 2016 RUB'000 (unaudited)</b>	<b>Average effective interest rate, % (unaudited)</b>	<b>31 December 2015 RUB'000</b>	<b>Average effective interest rate, %</b>
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Cash and cash equivalents	6 497 633	13.51%	1 005 167	13.00%
Amounts receivable under reverse repurchase agreements	-	-	251 785	11.10%
Loans to customers	5 745	22.94%	7 712	22.94%
Investments in associates	575 000	-	575 000	-
Other assets	1 796 235	-	1 744 294	-
<b>LIABILITIES</b>				
Derivative financial instruments	87	-	6 930	-
Deposits and balances from banks	57 560	0.16%	8 040	-
Current accounts and deposits from customers	732 003	6.89%	547 615	11.17%
Other liabilities	3 943	-	6 614	-
<b>Commitments</b>				
Undrawn loan commitments and overdraft	50	-	50	-

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with other related parties for the six-month period ended 30 June are as follows:

	<b>Six-Month Period Ended 30 June 2016 RUB'000 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2015 RUB'000 (unaudited)</b>
<b>Consolidated interim condensed statement of profit or loss and other comprehensive income</b>		
Interest income	422 311	59 730
Interest expense	(28 594)	(1 831)
Commission income	133 093	-
Impairment recovery	100	212

## **12 Financial assets and liabilities: fair values and accounting classifications**

### **(a) Accounting classifications and fair values**

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The estimated fair value of all financial instruments as at 30 June 2016 approximates their carrying value except for the following financial instruments:

<b>RUB'000 (unaudited)</b>	<b>Balance value</b>	<b>Fair value</b>
Loans to customers	77 065 067	76 875 871
Held-to-maturity investments	4 387 386	4 409 117
Deposits and balances from banks	3 707 514	3 592 785
Current accounts and deposits from customers	99 077 428	98 979 680
Debt securities issued	2 931 802	2 870 147

The estimated fair value of all financial instruments as at 31 December 2015 approximates their carrying value except for the following financial instruments:

<b>RUB'000</b>	<b>Balance value</b>	<b>Fair value</b>
Loans to customers	74 914 701	76 263 327
Held-to-maturity investments	7 035 062	6 999 962
Deposits and balances from banks	3 972 106	3 916 276
Current accounts and deposits from customers	104 026 865	104 440 814
Debt securities issued	4 684 558	4 440 920



## **(b) Fair value hierarchy**

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group has a control framework with respect to the measurement of fair values. This framework includes a Market Risks Department function, which reports directly to the Deputy Chairman of the Management Board, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing
- re-performance of model valuations
- analysis and investigation of significant daily valuation movements.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Market Risks Department assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet IFRS requirements. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The table below analyses financial instruments measured at fair value as at 30 June 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

<b>RUB '000 (unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Financial instruments at fair value through profit or loss			
- Derivative assets	-	154 288	154 288
- Derivative liabilities	-	(239 920)	(239 920)
Available-for-sale financial assets	14 789 148	-	14 789 148

Unquoted investments available-for-sale are stated at cost. As at 30 June 2016, unquoted investments available-for-sale amount to RUB 899 991 thousand. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry

The table below analyses financial instruments measured at fair value as at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

<b>RUB '000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	-	348 578	348 578
- Derivative assets	-	65 048	65 048
- Derivative liabilities	-	(198 507)	(198 507)
Available-for-sale financial assets	20 506 720	-	20 506 720

Fair value of all other financial instruments not measured at fair value categorised in level 3.

## **13 Events after the reporting date**

Starting from 8 July 2016, the Group is the owner of 100% shares of PJSC M2M Private Bank, controlled by the ultimate beneficial collective owners of the Group. The Group acquired 25% of shares on 27 October 2015 and 75% of shares on 8 July 2016 from LLC “Prosop Invest” at total price of RUB 2 300 000 thousand.

On 16 August 2016 the Extraordinary general shareholders meeting took decision to increase share capital of the Bank by RUB 128 800 000 by issue of 1 150 000 000 000 000 additional ordinary shares of the Bank.