

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

**Consolidated Interim Condensed
Financial Information
for the three-month period ended
31 March 2018
(unaudited)**

Contents

Consolidated interim condensed statement of profit or loss and other comprehensive income	3
Consolidated interim condensed statement of financial position.....	4
Consolidated interim condensed statement of cash flows	5
Consolidated interim condensed statement of changes in equity	7

Notes to the consolidated interim condensed financial information

1 Background.....	9
2 Basis of preparation of the consolidated interim condensed financial information.....	12
3 Significant accounting policies.....	12
4 Impairment losses.....	13
5 Loans to customers	13
6 Net investments in finance leases	14
7 Investments in associates and other investments	14
8 Current accounts and deposits from customers	15
9 Debt securities issued	15
10 Subordinated borrowings.....	15
11 Related party transactions.....	16
12 Financial assets and liabilities: fair values and accounting classifications	18
13 Events after the reporting date.....	20

PJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2018

	Notes	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Interest income		3 043 590	3 344 312
Interest expense		(1 330 540)	(1 764 419)
Net interest income		1 713 050	1 579 893
Deposit insurance expenses		-	-
Net interest income after deposit insurance expenses		1 713 050	1 579 893
Fee and commission income		936 307	594 585
Fee and commission expense		(83 483)	(80 465)
Net fee and commission income		852 824	514 120
Net gain on financial instruments at fair value through profit or loss and realised gain on available-for-sale financial assets		22 279	23 900
Loss from equity-accounted investee		(8 971)	(8 968)
Net foreign exchange gain		343 427	52 217
Net gain on operations with precious metals		12 080	58 457
Other operating income		138 611	176 707
Operating income		3 073 300	2 396 326
Impairment losses	4	(1 658 991)	(738 956)
Personnel expenses		(817 104)	(816 189)
Other general administrative expenses		(604 577)	(429 219)
Profit before income tax		(7 372)	411 962
Income tax expense		(1 024 258)	14 240
Profit for the period		(1 031 630)	426 202
Other comprehensive income, net of income tax			
<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		(86 748)	110 454
- Net change in fair value transferred to profit and loss		(70 230)	(44 117)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>(156 978)</i>	<i>66 337</i>
Other comprehensive income for the period, net of income tax		(156 978)	66 337
Total comprehensive income for the period		(1 188 608)	492 539

Mr. D.V. Mecheryakov
 Deputy Head of Temporary Administration



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 31 March 2018

	Notes	31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000
ASSETS			
Cash and cash equivalents		10 566 821	10 099 024
Obligatory reserves with the Central Bank of the Russian Federation		643 907	661 225
Financial instruments at fair value through profit or loss		4 462	4 018
Available-for-sale financial assets		14 874 659	15 158 890
<i>including assets pledged under repurchase agreements</i>		538 225	93 364
Due from banks		379 581	532 822
Amounts receivable under reverse repurchase agreements		402 318	2 640 964
Loans to customers	5	50 098 627	57 603 789
Net investments in finance leases	6	1 373 729	1 344 986
Investments in associates and other investments	7	99 760	108 731
Held-to-maturity investments		1 987 828	2 764 013
<i>including assets pledged under repurchase agreements</i>		1 649 835	2 423 085
Deferred tax asset		923 462	978 682
Property, equipment, intangible assets and investment property		6 774 834	6 892 189
Other assets		3 662 060	4 538 166
Total assets		91 792 048	103 327 499
LIABILITIES			
Derivative financial instruments		416 955	876 662
Deposits and balances from banks		438 425	1 527 288
Amounts payable under repurchase agreements		1 994 283	2 377 631
Current accounts and deposits from customers	8	74 878 445	79 141 900
Debt securities issued	9	1 022 048	1 229 719
Subordinated borrowings	10	3 875 766	3 920 516
Other liabilities		867 837	1 136 126
Total liabilities		83 493 759	90 209 842
EQUITY			
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		32 555	189 533
Revaluation surplus for buildings		1 815 311	1 816 992
Retained earnings		1 896 577	6 557 286
Total equity		8 298 289	13 117 657
Total liabilities and equity		91 792 048	103 327 499

Mr. D.V. Mecheryakov
Deputy Head of Temporary Administration



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.

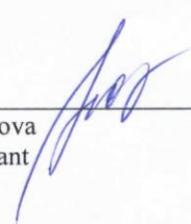
PJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Cash Flows for the three-month period ended
31 March 2018

Notes	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	3 028 435	3 226 379
Interest payments	(1 529 473)	(1 808 699)
Fee and commission receipts	984 634	599 339
Fee and commission payments	(82 283)	(80 414)
Net receipts from financial instruments at fair value through profit or loss and available-for-sale financial instruments	132 754	139 924
Net payments from foreign exchange	347 430	(14 487)
Other income receipts	189 106	176 335
Net receipts from operations with precious metals	12 080	55 014
Personnel and general administrative expenses payments	(1 428 613)	(1 285 150)
(Increase) decrease in operating assets		
Obligatory reserves with the CBR	17 318	101 017
Financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	(19 173)	(554 618)
Due from banks	(343 020)	637
Amounts receivable under reverse repurchase agreements	2 238 646	(198 275)
Loans to customers	2 679 618	3 210 745
Net investments in finance leases	(30 258)	55 866
Other assets	822 707	665 631
Increase (decrease) in operating liabilities		
Financial instruments at fair value through profit or loss	416 954	-
Deposits and balances from banks	(1 095 098)	(333 374)
Amounts payable under repurchase agreements	(381 816)	(2 704 111)
Current accounts and deposits from customers	(4 108 666)	(949 091)
Promissory notes	9 776	(65 155)
Other liabilities	(964 508)	(164 000)
Net cash flows from operating activities before income tax paid	896 550	73 513
Income tax paid	(21 683)	(6 864)
Net cash flows from operating activities	874 867	66 649
CASH FLOWS FROM INVESTING ACTIVITIES		
Net repayments of held-to-maturity investments	-	15 002
Net purchases of property and equipment and intangible assets	(7 734)	(563 826)
Net cash flows from investing activities	(7 734)	(548 824)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments of bonds	(217 376)	(160 945)
Payments of subordinated loans	(266 112)	-
Net cash flows from financing activities	(483 488)	(160 945)

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 three-month period ended
31 March 2018

Notes	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Net increase in cash and cash equivalents	383 645	(643 120)
Effect of changes in exchange rates on cash and cash equivalents	84 152	(225 466)
Cash and cash equivalents as at the beginning of the period	10 099 024	11 358 076
Cash and cash equivalents as at the end of the period	10 556 821	10 489 492

<p>  Mr. D.V. Mecheryakov Deputy Head of Temporary Administration </p> 	<p>  Ms. Y.E. Komova Chief Accountant </p>
--	---

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.

RUB'000	Share capital	Treasury shares	Share premium	Additional capital	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2017	585 414	(10 307)	1 778 739	2 200 000	93 977	1 866 378	7 663 065	14 177 266
Total comprehensive income for the period (unaudited)								
Profit for the period (unaudited)	-	-	-	-	-	-	426 202	426 202
Other comprehensive income, net of income tax (unaudited)								
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 27 614 thousand (unaudited)	-	-	-	-	110 454	-	-	110 454
Net change in fair value of available-for-sale financial assets, transferred in profit and loss, net of deferred tax of RUB 11 029 thousand (unaudited)	-	-	-	-	(44 117)	-	-	(44 117)
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	66 337	-	426 202	492 539
Balance as at 31 March 2017 (unaudited)	585 414	(10 307)	1 778 739	2 200 000	160 314	1 866 378	8 089 267	14 669 805
Balance as at 1 January 2018	585 414	(10 307)	1 778 739	2 200 000	189 533	1 816 992	6 557 286	13 117 657
Influence of IFRS 9	-	-	-	-	-	-	(3 630 760)	(3 630 760)
Adjusted balance as at 1 January 2018	585 414	(10 307)	1 778 739	2 200 000	189 533	1 816 992	2 926 526	9 486 897
Total comprehensive income for the period (unaudited)								
Profit for the period (unaudited)	-	-	-	-	-	-	(1 031 630)	(1 031 630)
Other comprehensive income, net of income tax (unaudited)								
Net change in fair value of available-for-sale financial assets, net of deferred tax of RUB 88 553 thousand (unaudited)	-	-	-	-	(86 748)	-	-	(86 748)
Net change in fair value of available-for-sale financial assets, transferred to profit and loss, net of deferred tax of RUB 43 563 thousand (unaudited)	-	-	-	-	(70 230)	-	-	(70 230)

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.

RUB'000	Share capital	Treasury shares	Share premium	Additional capital	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings	Retained earnings	Total equity
Transfer of revaluation surplus on disposal of buildings, revalued before, net of deferred tax (unaudited)	-	-	-	-	-	(1 681)	1 681	-
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	(156 978)	(1 681)	(1 029 949)	(1 188 608)
Balance as at 31 March 2018 (unaudited)	585 414	(10 307)	1 778 739	2 200 000	32 555	1 815 311	1 896 577	8 298 289

Mr. D.V. Mecheryakov
Deputy Head of Temporary Administration



Ms. Y.E. Komova
Chief Accountant

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 200 (31 December 2017: 200) offices from which it conducts business throughout the Russian Federation including a head office, 5 regional branches, 13 additional office and 181 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.

As at 31 March 2018 and 31 December 2017, the following shareholders held the issued shares of PJSC “Asian-Pacific Bank”:

Shareholder	31 March 2018, % (unaudited)	31 December 2017, %
LLC “PPFIN Region” (Russian Federation)	59.17	59.17
East Capital Financials Fund AB (Sweden)	17.91	17.91
SHELMER HOLDING LTD (British Virgin Islands)	8.41	8.41
International Financial Corporation (USA)	6.71	6.71
EPIC VISION LTD (Marshall Islands)	2.64	2.64
LLC “Expo-Leasing” (a 100% owned subsidiary of the Bank)	1.76*	1.76*
Others	3.40	3.40
Total	100.00	100.00

* *Treasury shares*

In connection with the fact, that the shareholder of the Bank “East Capital Financials Fund AB” (Sweden) and the controlling parties of LLC “PPFIN Region” received the order from the CBR to decrease the shares of these parties to no more than 10% of the Bank’s shares and until that the voting power of “East Capital Financials Fund AB” and LLC “PPFIN Region” is limited to 10% of Bank’s shares at shareholders’ general meetings, the factual shares of the Bank are allocated as at 31 March 2018 and 1 January 2018 as follows:

Shareholder

	<u>%</u>
LLC “PPFIN Region” (Russian Federation)	8.24
East Capital Financials Fund AB (Sweden)	10.00
SHELMER HOLDING LTD (British Virgin Islands)	31.81
International Financial Corporation (USA)	25.38
EPIC VISION LTD (Marshall Islands)	9.97
LLC “Expo-Leasing” (a 100% owned subsidiary of the Bank)	1.76
Others	12.84
Total	<u>100.00</u>

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Ownership, %</u>	
			<u>31 March 2018, (unaudited)</u>	<u>31 December 2017</u>
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	100%
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
LLC “Specialized financial company APB 2”	Russian Federation	Asset-backed securitisation	see below	see below
CUIF “Celena”	Russian Federation	Unit investment fund	41.09%	40.99%
PJSC “M2M Private Bank”	Russian Federation	Banking	100%*	100%*
LLC “Katerina Park”	Russian Federation	Hotel industry	100%*	100%*
LLC “Pride M”	Russian Federation	Freight services	100%*	100%*

* The Bank does not actually control these companies due to withdrawal of license from PJSC “M2M Private Bank”.

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. It has 4 branches (31 December 2017: 5 branches), comprising a head office and 3 separate offices.

CJSC “Mortgage agent APB”, CJSC “Mortgage agent APB 2” and LLC “Specialized financial company APB 2” (“MA APB”, “MA APB 2” and “LLC SFC APB 2”) are structured entities established to ensure asset-backed securitisation (refer to note 9). 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. All bonds in the amount of RUB 1 390 000 thousand, issued by LLC SFC APB 2, were repurchased by the Bank.

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. On 30 December 2016, CUIF “Celena” issued 58 533 additional investment units totaling RUB 64 140 thousand which resulted in the decrease of the Bank’s share down to 40.99%.

On 8 July 2016, the Group acquired 100% control over PJSC M2M “Private Bank”, previously controlled by the ultimate beneficial owners of the Group. In 2015 the Group in accordance with the PJSC “M2M Private Bank” share purchase agreement terms paid for 100% of shares amounting to RUB 2 300 000 thousand. The Group received 25% of shares on 27 October 2015 and 75% of shares on 8 July 2016 from LLC “Prosop Invest”. PJSC “M2M Private Bank” held 100% interest in the share capitals of LLC “Katerina Park” (starting from 21 December 2015) and

LLC “Pride M” (starting from 10 June 2016). On 9 December 2016, the Group lost control over PJSC “M2M Private Bank” and its subsidiaries due to withdrawal of its banking license and imposing of temporary administration. PJSC “M2M Private Bank” has not been consolidated over the control period as Management of the Group does not deem the effect to have significant impact on the amounts stated in the consolidated financial statements. Investments in PJSC “M2M Private Bank” are included in “Investments in associates and other investments”.

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 risks 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 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 implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. This consolidated interim condensed financial information reflects management’s assessment of the possible impact of the existing terms of the financial and business operations on the results of the activity and the financial position of the Group. The subsequent development of the conditions for the implementation of financial and business activities may differ from the management’s assessment.

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 2017.

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 2017.

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 2017, 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 2017 and for the year ended 31 December 2017.

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 2017 and for the year ended 31 December 2017, except for adoption IFRS 9.

The Group has adopted IFRS 9 starting from 1 January 2018. In accordance with the selected transfer methods, comparative information is not recalculated. As a result of the application of IFRS 9, the Group changed the procedure for representation of certain items.

4 Impairment losses

	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Loans to customers	1 161 614	901 242
Net investments in finance leases	1 515	1 101
Available-for-sale financial assets	(91 595)	(3 239)
Due from banks	500 198	(136 761)
Credit related commitments	85 490	(43 670)
Other assets	1 769	20 283
	1 658 991	738 956

5 Loans to customers

	31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000
Loans to corporate customers	28 230 600	29 796 847
Loans to retail customers		
Consumer loans	39 215 022	40 916 298
Mortgage loans	3 548 958	3 820 645
Total loans to retail customers	42 763 980	44 736 943
Gross loans to customers	70 994 580	74 533 790
Impairment allowance	(20 895 953)	(16 930 001)
Net loans to customers	50 098 627	57 603 789

Movements in the loans to customers impairment allowance for the three-month period ended 31 March 2018 are as follows:

	Total RUB'000 (unaudited)
Balance at the beginning of the period	16 930 001
Effect of IFRS 9	4 538 453
Net charge	1 161 614
Write-offs	(1 734 115)
Balance at the end of the period	20 895 953

Movements in the loans to customers impairment allowance for the three-month period ended 31 March 2017 are as follows:

	Total RUB'000 (unaudited)
Balance at the beginning of the period	17 083 236
Net charge	901 242
Write-offs	(57 849)
Balance at the end of the period	17 926 629

6 Net investments in finance leases

Net investments in finance leases comprise:

	31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000
Gross investments in finance leases	1 939 202	1 888 132
Less unearned finance lease income	(471 701)	(450 889)
	1 467 501	1 437 243
Less allowance for impairment	(93 772)	(92 257)
Net investments in finance leases	1 373 729	1 344 986

Movements in the impairment allowance are as follows:

	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Balance at the beginning of the period	92 257	259 052
Net charge	1 515	1 101
Write-offs	-	(219)
Balance at the end of the period	93 772	259 934

7 Investments in associates and other investments

Associates and other investments comprise the following:

Name	Country of incorporation	Main activity	Ownership %		31 March 2018 Carrying value RUB'000 (unaudited)	31 December 2017 Carrying value RUB'000
			31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000		
PJSC “M2M Private Bank”	Russian Federation	Banking	100%	100%	2 300 000	2 300 000
CUIF “Celena”	Russian Federation	Unit investment fund	41.09%	40.99%	99 760	108 731
Impairment allowance					(2 300 000)	(2 300 000)
					99 760	108 731

The following table summarises the financial information of CUIF “Celena” as at 31 March 2018 and 31 December 2017 and for the three months, ended 31 March 2018 and 31 March 2017, and reconciliation of carrying amount of the Group’s interest in associate:

	31 March 2018 RUB'000	31 December 2017 RUB'000
Total assets	267 437	271 207
Total liabilities	(24 624)	(5 941)
Net assets	242 813	265 266
Group’s share of net assets	99 760	108 731

	31 March 2018 RUB'000	31 December 2017 RUB'000
Net loss for the year	(8 971)	(13 087)
Total comprehensive loss for the year	(8 971)	(13 087)

8 Current accounts and deposits from customers

	31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000
Current accounts and demand deposits		
- Retail	8 212 326	7 016 255
- Corporate	9 295 259	10 752 784
Term deposits		
- Retail	52 804 006	55 862 087
- Corporate	4 566 854	5 510 774
	74 878 445	79 141 900

9 Debt securities issued

	31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000
Bonds	983 750	1 201 126
Promissory notes	38 298	28 593
	1 022 048	1 229 719

Bonds as at 31 December 2017 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.

10 Subordinated borrowings

	31 March 2018 RUB'000 (unaudited)	31 December 2017 RUB'000
Subordinated loan	3 875 766	3 920 516
	3 875 766	3 920 516

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 31 December 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 31 March 2018 and 31 December 2017.

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.

11 Related party transactions

(a) Control relationships

The Group’s parent company is LLC “PPFIN Region” (Russian Federation). As at 31 March 2018 and 31 December 2017, the ultimate beneficial collective owners of the Group were Mr. Andrey Vdovin (the owner of 19.724%), Mr. Alexey Maslovsky (the owner of 19.724%), Mr. Peter Hambro (the owner of 19.724%).

(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 three-month period ended 31 March is as follows:

	Three-Month Period Ended 31 March 2018 RUB’000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB’000 (unaudited)
Short term benefits	15 917	47 767
Long term benefits	1 559	1 557
	17 476	49 324

The outstanding balances and average effective interest rates as at 31 March 2018 and 31 December 2017 for transactions with the members of the Board of Directors and the Management Board are as follows:

	31 March 2018 RUB’000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2017 RUB’000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Other assets	30	-	60	-
LIABILITIES				
Current accounts and deposits from customers	5 053	6.30%	17 721	4.81%
Other liabilities	40 620	-	39 061	-

Other 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 three-month period ended 31 March are as follows:

	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	-	35 230
Interest expense	-	(26)
Impairment recovery (loss)	-	3 843

(c) Transactions with shareholders

The outstanding balances and average effective interest rates as at 31 March 2018 and 31 December 2017 for transactions with shareholders owning more than 10% of share capital and the ultimate beneficial collective owners of the Group are as follows:

	31 March 2018 RUB'000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2017 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	338	13.13%	4 707 815	13.25%
<i>(including impairment allowance)</i>	<i>(5 641 116)</i>	-	<i>(841 711)</i>	-
Other assets	770	-	671	-
LIABILITIES				
Current accounts and deposits	657 939	-	438 130	0.94%
Subordinated loans	1 426 641	12.92%	1 390 343*	12.92%

* includes a subordinated loan in the amount USD 30 million from IFC, issued on 21 November 2012

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with shareholders and the ultimate beneficial collective owners of the Group for the three-month period ended 31 March are as follows:

	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	95 711	95 711
Interest expense	(43 880)	(56 363)
Impairment loss (recovery)	(4 799 403)	157

(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 31 March 2018 and 31 December 2017 for transactions with other related parties are as follows:

	31 March 2018 RUB'000 (unaudited)	Average effective interest rate, % (unaudited)	31 December 2017 RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Investments in associates	99 760	-	108 731	-
Other assets	60 475	-	127 329	-
LIABILITIES				
Current accounts and deposits from customers	5 299	-	9 753	4.05%
Other liabilities	1 801	-	3 102	-
Commitments				
Undrawn loan commitments and overdraft	10 000	-	10 000	-

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 three-month period ended 31 March are as follows:

	Three-Month Period Ended 31 March 2018 RUB'000 (unaudited)	Three-Month Period Ended 31 March 2017 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Interest income	-	2 327
Interest expense	-	(226)
Commission income	4 122	13 907
Loss from equity-accounted investee	(8 971)	(8 968)

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 31 March 2018 approximates their carrying value except for the following financial instruments:

RUB’000 (unaudited)	Balance value	Fair value
Loans to customers	50 098 627	50 131 109
Held-to-maturity investments	1 987 828	1 936 868
Deposits and balances from banks	438 425	408 041
Current accounts and deposits from customers	74 878 445	74 892 828
Debt securities issued	1 022 048	1 038 803

The estimated fair value of all financial instruments as at 31 December 2017 approximates their carrying value except for the following financial instruments:

RUB’000	Balance value	Fair value
Loans to customers	57 603 789	57 517 223
Held-to-maturity investments	2 764 013	2 766 930
Deposits and balances from banks	1 527 288	1 491 334
Current accounts and deposits from customers	79 141 900	79 213 333
Debt securities issued	1 229 719	1 246 861

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 member of the Temporary administration, and which has 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 31 March 2018, 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:

RUB '000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Derivative assets	-	4 462	-	4 462
- Derivative liabilities	-	(416 955)	-	(416 955)
Available-for-sale financial assets	13 513 833	-	-	13 513 833

Unquoted investments available-for-sale are stated at cost. As at 31 March 2018, unquoted investments available-for-sale amount to RUB 1 360 826 thousand (31 December 2017: RUB 1 237 642 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.

Fair value of loans to customers, subordinated borrowings and debt securities issued relates to Level 3. Fair value of all other financial instruments at amortised cost is categorised in Level 2.

13 Events after the reporting date

(The information of the Press service of the CBR dated 26 April 2018 is used)

*About implementation of measures on increasing financial sustainability of
PJSC “Asian-Pacific Bank”*

The CBR approved the Plan of participation of the Bank of Russia in the implementation of measures to prevent bankruptcy of PJSC “Asian-Pacific Bank”.

As part of measures aimed at ensuring the continuity of the Bank's activity in the banking services market and increasing its financial sustainability, it is planned that the CBR will participate as an investor using the funds of the Banking Sector Consolidation Fund. The CBR provides for the provision of funds to the Bank to maintain liquidity.

The Board of Directors of the CBR made a decision to guarantee the activity of PJSC “Asian-Pacific Bank” on a going concern basis during the implementation of Plan of participation of the CBR in providing measures to prevent bankruptcy of the Bank.

In order to implement all the necessary measures to support and further develop the Bank's

activity, the order of the CBR No OD-1076 dated 25 April 2018 has stipulated entrustment of functions of the Temporary Administration for the management of PJSC “Asian-Pacific Bank” to LLC “Managing Company of the Banking Sector Consolidation Fund” starting from 26 April 2018.

The Bank continues its normal operations fulfilling its obligations and making new deals. A moratorium on the satisfaction of creditors' claims is not introduced.