

Bank ICBC (joint-stock company)

**Annual financial statements prepared
in accordance with IFRS
for the year 2016,
and Auditor's Report**

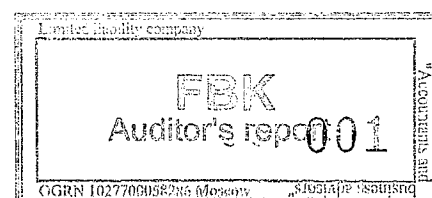
Moscow | 2017



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THE MANAGEMENT CONFIRMATION OF RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

The following confirmation, which is to be considered together with the description of the auditors' duties being a part of the independent auditors' report, is aimed at distinguishing the auditors' and the management's responsibility in respect of the financial statements of Bank ICBC (joint-stock company). (hereinafter - Bank).

The Management of the Bank is responsible for the preparation of the financial statements which present fairly in all material aspects the financial position, performance, cash flows and changes in the equity of the Bank for the year ended December 31, 2016 in accordance with the International Financial Reporting Standards (hereinafter - IFRS).

Preparing the financial statements the management is responsible for:

- Selection of appropriate accounting principles and their consistent apply;
- Apply of substantiated estimates and calculations;
- Compliance with IFRS requirements and disclosure of all material deviations from IFRS in notes to the financial statements; and
- Preparation of the financial statements based on the assumption that the company will operate in the foreseeable future, except for cases when this assumption is not lawful.

Besides, the management is responsible for:

- Elaboration, implementation and functioning of efficient and reliable internal control system in the Bank;
- Maintaining the accounting which enables at any time with the sufficient level of accuracy to prepare information of the Bank's financial position and to ensure the compliance of the financial statements with IFRS requirements;
- Keeping the accounting records according to the legislation and Russian Accounting Standards;
- Taking measures within its competence to retain the company's assets;
- Identification and prevention of fraud, errors and other wrongdoings.

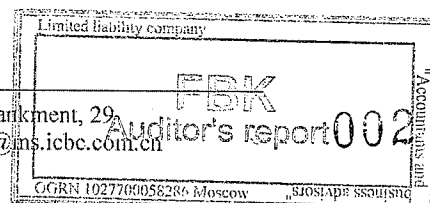
These financial statements for the year ended December 31, 2016 were approved by the Board of the Bank on April 28, 2017.

Li Wencong
President
Bank ICBC (joint-stock company)



Kuz'mina Natalia Viktorovna
Chief Accountant
Bank ICBC (joint-stock company)

April 28, 2017



Independent Auditor's Report

on annual financial statements of Bank ICBC
(Joint Stock Company)
for 2016

To the shareholder
of Bank ICBC (Joint Stock Company),
and other persons

Opinion

We have audited the accompanying annual financial statements of Bank ICBC (JSC) (hereinafter – the Bank) which comprise the statement of comprehensive income for the year ended 31 December 2016, the statement of financial position as at 31 December 2016, the statement of changes in equity for the year ended 31 December 2016, the statement of cash flows for the year ended 31 December 2016 and notes to the financial statements.

In our opinion the annual financial statements present fairly in all material respects the financial position of the Bank as at 31 December 2016, its financial performance for 2016 and cash flows for 2016 according to the International Financial Reporting Standards (IFRS).

Basis for opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibility according to these standards is described in the part "The auditor's responsibility for the audit of the annual financial statements" of this report. We are independent auditors for the audited entity according to the Rules of independent auditors and auditor organizations and the Code of professional ethics for auditors, which correspond to the Code of ethics for professional accountants designed by the Board on international standards of ethics for professional accountants and we have performed other duties according to these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to serve the basis for expressing our opinion.

**Responsibility of management and persons in charge of corporate management of the audited entity for annual financial statements**

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

In preparing the annual financial statements, management is responsible for making an assessment of the audited entity's ability to continue as a going concern, for disclosure in respective cases of information associated with going concern and for preparation of the financial statements on the basis of the assumption of a going concern except for cases when management is going to liquidate the audited entity, terminate its activities or when it has no other real choice other than liquidation or termination of activities.

Persons in charge of corporate management are responsible for supervision over preparation of annual financial statements of the audited entity.

Auditor's responsibility for audit of annual financial statements

Our aim is to obtain reasonable assurance that the annual financial statements are free from material misstatements whether due to fraud or error and to prepare independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that audit conducted according to International Standards on Auditing always reveals material misstatements if any. Misstatements can be a result of fraud or error and are believed to be material if it can be reasonably supposed that in separate or in aggregate, they can have an effect on economic decisions of users taken based on these annual financial statements.

In our audit conducted according to ISA we apply professional judgment and keep professional skepticism during the overall process of audit. Besides, we do the following:

- a) we identify and measure risks of material misstatement of the annual financial statements due to fraud or error; design and conduct audit procedures in response to these risks; obtain audit evidence being sufficient and appropriate to serve the basis for expressing our opinion. The risk of non-identification of material misstatement due to fraud is higher than the risk of non-identification of material misstatement due to error as fraud can include collusion, forgery, deliberate omission, misstatement of presented information or actions violating internal control system.
- b) we get insight into the internal control system which is relevant for audit for the purpose of designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion of the effectiveness of the internal control system of the audited entity;



c) we assess the appropriateness of the accounting policies applied, reasonableness of accounting estimates and respective disclosure prepared by management of the audited entity;

d) we make a conclusion of legitimacy of the assumption of a going concern applied by management of the audited entity, and based on the audit evidence obtained we make a conclusion whether there is material uncertainty due to events or conditions as a result of which substantial doubts may arise in the ability of the audited entity to operate as a going concern. If we make a conclusion that there is material uncertainty we have to direct attention in our independent auditor's report to the respective disclosure in the annual financial statements or if this disclosure is inappropriate to modify our opinion. Our conclusions are based on the audit evidence obtained before the date of our independent auditor's report. However future events or conditions can result in the loss of the audited entity's ability to operate as a going concern;

e) We estimate the overall presentation of the annual financial statements, its structure and contents including disclosure and whether operations and events being the basis of the financial statements are fairly presented.

We carry out informational cooperation with the persons in charge of corporate management of the audited entity informing them among others of the scheduled volume and deadline for the audit and material remarks according to the audit results including significant defects of the internal control system which are revealed in our audit.

Report on audit according to the requirements

Of Federal Law № 395-I of 2 December 1990

"On banks and banking activities"

Management of the Bank is responsible for compliance by the Bank with the obligatory ratios established by the Bank of Russia (the "obligatory ratios"), as well as for compliance of the Bank's internal control and risk management systems with the Bank of Russia (the Bank of Russia) requirements.

According to Article 42 of the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990 (the "Federal Law") in the course of our audit of the Bank's financial statements for 2016 we verified whether:

- the Bank is in compliance with the obligatory ratios established by the Bank of Russia as at 1 January 2017
- The Bank's internal control and the organization of the risk management system were in compliance with the requirements established by the Bank of Russia.



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

We report our findings below:

1) with respect to the Bank's compliance with the obligatory ratios established by the Bank of Russia:

the obligatory ratios as at 31 December 2016 were within the limits established by the Bank of Russia

We have not performed any procedures with respect to the Bank's financial information other than those we considered necessary to express our opinion on whether the financial statements of the Bank present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, its financial performance and its cash flows for 2016 ended in accordance with International Financial Reporting Standards.

2) with respect to compliance of the Bank's internal control and risk management systems with the Bank of Russia requirements:

a) in accordance with the CB RF requirements and recommendations as at 31 December 2016 the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors and the Bank's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the Bank of Russia;

b) as at 31 December 2016, the Bank had duly approved in accordance with the Bank of Russia requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

c) as at 31 December 2016, the Bank had a reporting system with regard to the Bank's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Bank's capital;

d) frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2016 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;



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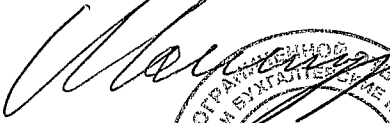
Grant Thornton

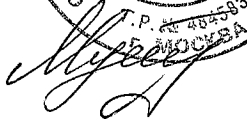
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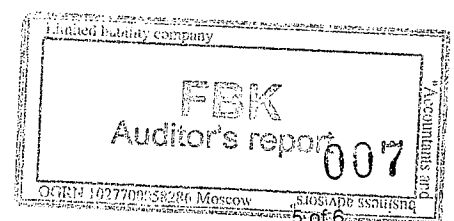
e) as at 31 December 2016, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over the Bank's compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Bank's risk management policies, during 2016 the Bank's Board of Directors and the Bank's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

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


 S.M. Shapiguzov
 On the basis of Charter,
 auditor's qualification certificate 01-
 001230, primary registration number of
 entry 21606043397
 President of LLC "FBK"


 N.P. Mushkarina
 auditor's qualification certificate
 № 01-000988 primary registration
 number of entry 21606041880
 Manager of audit

Date of auditor's report
 28 April 2017





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Audited entity**Name:**

Bank ICBC (Joint Stock Company)

Address:109028, Moscow, Serebryanicheskaya
embankment, 29**State registration:**

Entered in the Uniform State Register of
Legal Entities under the main state
registration number 1077711000157, the
certificate of registration of 30 August
2007. The license issued by the Bank of
Russia is № 3475.

Auditor**Name:**

Limited Liability Company "Financial
and accounting consultants" (LLC
"FBK").

Address:101990, Moscow, Myasnitskaya St., 44/1,
bld. 2AB.**State registration:**

Registered by Moscow Registration
Chamber on 15 November 1993,
certificate: series IO3 3 № 484.583 PII.
Entered in the Uniform State Register of
Legal Entities on 24 July 2002 under the
primary state number 1027700058286.

**Membership in self-regulated
organization of auditors:**

Self-regulatory organization of auditors
Non-profit partnership «Auditor
Association Sodruzhestvo».

**Number in register of auditor
organizations of self-regulated
organization of auditors:**

Membership certificate in self-regulatory
organization of auditors Non-profit
partnership «Auditor Association
Sodruzhestvo» № 7198 OPH3 –
11506030481.

Statement of Comprehensive Income
for the year ended December 31, 2016 and December 31, 2015
(in thousands of Russian Rubles)

	note	2016	2015
Interest income	5	2 836 647	1 778 147
Interest expense	5	(629 729)	(824 467)
Net interest income / (Net interest expense)		2 206 918	953 680
Change in provision for impairment of interest bearing assets	6	12 663	(391 296)
Net interest income / (expense) after change in provision for impairment		2 219 581	562 384
Operating Income		252 117	1 327 193
Income less expense from foreign currency transactions and financial derivatives		168 392	957 113
Income less expense from foreign currency revaluation		11 470	181 729
Commission income	7	75 639	202 983
Commission expense	7	(6 665)	(14 178)
Change in other provisions and change in estimated liabilities	6	(4 379)	(4 383)
Other operating income (expense)	8	7 660	3 929
Operating expense	9	(685 696)	(537 162)
Profit / (Loss) before taxes		1 786 002	1 352 415
(Expense) / Income tax recovery	10	(560 406)	(120 763)
NET PROFIT / (LOSS)		1 225 596	1 231 652
COMPREHENSIVE INCOME		1 225 596	1 231 652

Approved for release and signed on behalf of the Board of the Bank on April 28, 2017

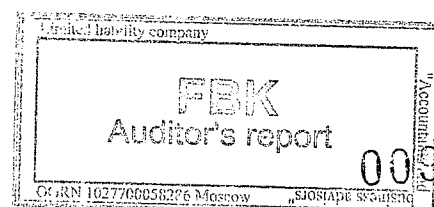
[] President

Li Wencong

[] Chief Accountant

Kuz'mina Natalia Viktorovna

Notes on pages 13 to 44 form an integral part of these financial statements.



Statement of Financial Position
as at December 31, 2016 and December 31, 2015
in thousands of Russian Rubles

	note	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	12	9 471 615	21 178 325
Mandatory cash balances with the Bank of Russia	27	776 622	390 558
Financial assets at fair value through profit or loss		2 989	-
Due from financial institutions	13	24 455 692	26 763 553
Loans and receivables	14	13 387 306	19 193 282
Held-to-maturity financial assets	15	1 719 039	2 112 743
Deferred tax asset	10	-	214 089
Property and equipment and intangible assets	16	60 449	13 499
Other assets	17	60 892	145 391
Total assets		49 934 604	70 011 440
LIABILITIES			
Due to financial institutions	18	16 663 898	19 164 802
Customer accounts	19	24 497 440	42 731 961
Deferred tax liability	10	-	-
Other liabilities and provisions	20	105 919	62 876
Subordinated loans	21	3 045 776	3 655 829
Total liabilities		44 313 033	65 615 468
EQUITY			
Share capital / Paid-in capital	22	2 309 500	2 309 500
Retained earnings /(Accumulated deficit)	23	3 312 071	2 086 475
Total equity		5 621 571	4 395 975
Total liabilities and equity		49 934 604	70 011 440

Approved for release and signed on behalf of the Board of the Bank on April 28, 2017

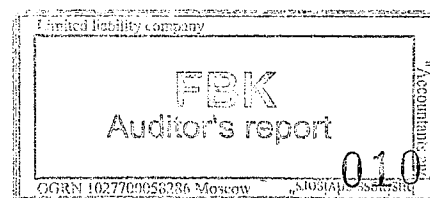
[] President

Li Wencong

[] Chief Accountant

Kuz'mina Natalia Viktorovna

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Bank ICBC (joint-stock company)
 Financial statements for the year ended December 31, 2016
 (in thousands of Russian Rubles, unless otherwise stated)

Statement of Changes in Equity
for the year ended December 31, 2016 and December 31, 2015
 (in thousands of Russian Rubles)

Note	Share capital / Paid-in capital	Treasury stock	Share premium	Available-for-sale financial asset revaluation reserve at fair value	Property and equipment revaluation reserve	Retained earnings / (Accumulated deficit)	Total equity
Opening balance as at January 1, 2015	2 309 500	-	-	-	-	854 823	3 164 323
Comprehensive income for the year ended December 31, 2015 after tax 23						1 231 652	1 231 652
Opening balance as at January 1, 2016	2 309 500	-	-	-	-	2 086 475	4 395 975
Comprehensive income for the year ended December 31, 2016 after tax 23		-	-	-	-	1 225 596	1 225 596
Ending balance as at December 31, 2016	2 309 500					3 312 071	5 621 571

Approved for release and signed on behalf of the Board of the Bank on April 28, 2017

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President



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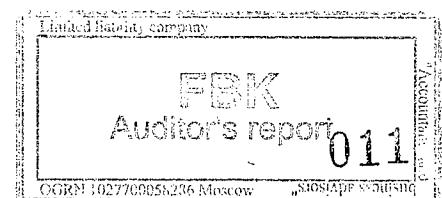
Chief Accountant

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Li Wencong

Kuz'mina Natalia Viktorovna

Notes on pages 13 to 44 form an integral part of these financial statements.



Bank ICBC (joint-stock company)
Financial statements for the year ended December 31, 2016
(in thousands of Russian Rubles, unless otherwise stated)

Statement of Cash Flows
for the year ended December 31, 2016 and December 31, 2015
(in thousands of Russian Rubles)

	note	2016	2015
<i>Operating cash flow</i>			
Interest received		2 995 928	1 542 154
Interest paid		(550 465)	(672 914)
Fees and commissions received		75 639	98 402
Fees and commissions paid		(6 665)	(14 178)
Income / (expense) from foreign currency transactions		66 252	957 113
Other operating income		7 533	3 929
Operating expense paid		(678 288)	(521 871)
(Income tax expense) / Income tax recovery		(346 317)	(409 444)
Cash flow from / (used in) operating activity before changes in operating assets and liabilities		1 563 617	983 191
<i>Increase / (decrease) in net cash flow from operating assets and liabilities</i>			
Net increase / (decrease) in mandatory cash balances with the Bank of Russia		(386 064)	122 895
Net (increase)/decrease from financial assets at fair value through profit or loss		(2 989)	-
Net increase / (decrease) in due from financial institutions		2 188 694	2 045 690
Net increase / (decrease) in loans and receivables		(254 651)	(11 651 650)
Net increase / (decrease) in other assets		131 305	53 038
Net increase / (decrease) in due to financial institutions		2 000 851	2 080 128
Net increase / (decrease) in customer accounts		(16 346 105)	7 634 709
Net increase / (decrease) in other liabilities		43 043	(17 688)
Net cash flow from / (used in) operating activity		(11 062 299)	1 250 313
<i>Investment cash flow</i>			
Acquisition of held-to-maturity financial assets		21 340	(1 625 133)
Sales revenue from held-to-maturity financial assets		102 140	(61 642)
Acquisition of property and equipment		(54 358)	(6 668)
Sales revenue from property and equipment		127	-
Net cash flow from / (used in) investment activity		69 249	(1 693 443)
<i>Financial cash flow</i>			
Change in subordinated loans		12 931	(844 843)
Net cash flow from / (used in) financial activity		12 931	(844 843)
Effect of changes in exchange rate on cash and cash equivalents		(726 591)	(6 436)
Net increase in cash and cash equivalents		(11 706 710)	(1 294 409)
Cash and cash equivalents at the beginning of the reporting period	12	21 178 325	22 472 734
Cash and cash equivalents at the end of the reporting period	12	9 471 615	21 178 325

Approved for release and signed on behalf of the Board of the Bank on April 28, 2017

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President

Li Wencong

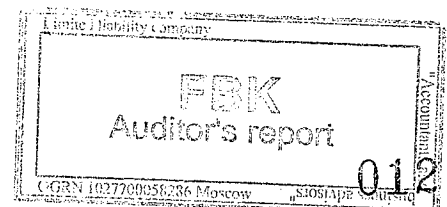
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Chief Accountant

Kuz'mina Natalia Viktorovna



Notes on pages 13 to 44 form an integral part of these financial statements.



Bank ICBC (joint-stock company)
Financial statements for the year ended December 31, 2016
(in thousands of Russian Rubles, unless otherwise stated)

Notes to Financial Statements
(in thousands of Russian Rubles)

1 Principal activity

Bank ICBC (joint-stock company) (hereinafter, the Bank) was established in 2007.

Industrial and Commercial Bank of China Limited – ICBC is the principal shareholder of the Bank.

Owners (shareholders) of the Bank are presented in the table below:

Owner (shareholder)	Note	December 31, 2016	December 31, 2015
Industrial and Commercial Bank of China Limited		100.00%	100.00%
Total		100.00%	100.00%

The Bank holds the following licenses issued by the Central Bank of the Russian Federation (the Bank of Russia):

- banking license No. 3475 issued on September 1, 2015.
- the license for attracting funds of individuals into deposits № 1009 in Rubles and foreign currency issued on November 17, 2016;

Also the Bank has licenses issued by the Federal Financial Markets Service to carry out the following types of activities as a professional securities market participant.

- brokerage activities, license № 045-13990-100000 issued on August 18, 2016;
- depository activities, license № 045-13992-000100 issued on August 18, 2016;
- dealer's activities, license № 045-13991-010000 issued on August 18, 2016.

The Bank participates in the State Deposit Insurance System, certificate № 1009 of November 17, 2016.

Principal banking transactions of the Bank are as follows:

Attracting legal entities' and individuals funds into deposits (on demand and for a specific term); placement of raised funds of legal entities and individuals on its behalf and at its own expense; opening and operating bank accounts of legal entities and individuals; making settlements by order of legal entities and individuals including correspondent banks on their bank accounts; collection of cash and settlement documents, cash servicing of individuals and legal entities and individuals; sale and purchase of foreign currencies in cash and non-cash; issue of bank guarantees; money transfer by order of individuals without opening bank accounts (except for postal transfer), carrying out professional activities at the securities market.

The Bank has a branch of Bank ICBC (Joint Stock Company) in Saint-Petersburg at the following address: 191024, Russian Federation, Saint-Petersburg, Khersonskaya street, 12-14, A.

The principal place of business of the Bank is Moscow.

The Chairman of the Board of Directors/Supervisory Board is Cui Liang.

In 2016 the average number of employees was 118 persons (2015: 106 persons). As at December 31, 2016, the number of persons employed was 126 persons (2015: 117 persons).

2 Economic environment in which the Bank operates

The Bank primarily operates in the Russian Federation.

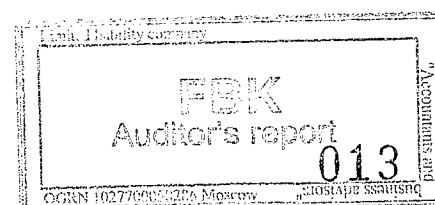
In 2016 the Russian economy was stable on the whole. Inflation rates kept going down, the economy gradually switched to the recovery growth phase although the production activity remained heterogeneous. The speed of inflation retardation and inflation risks decreased to some extent. Monthly price growth rates adjusted for seasons dropped. Deflation trends became more homogeneous for different groups of commodities and services. Such temporary factors as Rouble strengthening and favourable situation in the agricultural sector in Russia partly contributed to inflation retardation. There was still a restraining effect of demand however there were signs of its decline seen on the background of positive yearly real wage increase rates. At the same time despite the ongoing actual inflation retardation, decrease in inflation expectations remained unstable and their level increased. An agreement was reached as to restriction of oil production made by the oil supplying countries which had an effect on the situation in the world commodity markets, and it became probable that the scenario with higher world oil prices could be realized. However one should be really cautious speaking about fundamental changes at the market. There are still factors which can serve the basis for surplus of offers at the oil market: increased elasticity of oil supply including out of non-traditional sources, high level of accumulated oil reserves, slow growth of the world economy. Higher volatility at the world commodity and financial markets did not have a significant effect on the inner conditions in the Russian economy. GDP decline rates per year kept slowing down accompanied by the appeared signs of the recovery of the economic activity including separate industries and regions. Under the restrained growth of the world economy and the relatively stable internal financial conditions the Russian economy saw an ongoing decline retardation. According to Federal State Statistics Service in the third quarter of 2016 the GDP decline rate was 0,4% per year (after 0,6% in the previous quarter). And the quarterly GDP growth rate season-adjusted left the negative area according to the Bank of Russia estimate which highlights the implications for the recovery of the economic activity in the very near future. It is still probable that oil prices in 2017-2019 will go down. At the same time the trend in the oil market in 2017 can turn out to be more favourable. The world organizations in 2016 left their world economy growth forecasts nearly unchanged. Against the predicted slow world economy growth in the countries being trade partners inflation will remain low, also the forecast for world prices on food does not say that they will rise significantly compared to the average level for 2016.

3 Basis of financial statements preparation

The Bank maintains its accounting records in the currency of the Russian Federation according to the requirements of the Russian banking regulations. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to be in accordance with IFRS in all material aspects. The management has prepared these financial statements based on going concern principle - See Note 35 "Impact of estimates and assumptions on recognized assets and liabilities".

The financial statements are presented in the currency of the Russian Federation (Russian Rouble), which is the Bank's functional currency and the presentation currency. Unless otherwise indicated all the figures in the financial statements are presented in thousands of Russian Rubles. The Bank did not apply a voluntary reclassification during the reporting period and the period prior to it.

Certain new IFRS's have become mandatory for the Organization during the period from 1 January to 31 December 2016. New and revised standards and interpretations which are now applied to the Organization's activities and their impact on the accounting policies are set out below. All changes in accounting policies have been implemented retrospectively unless otherwise indicated.



Bank ICBC (joint-stock company)
 Financial statements for the year ended December 31, 2016
 (In thousands of Russian Rubles, unless otherwise stated)

IFRS 14 Regulatory Deferral Accounts - IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Organization is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests - The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Organization as the Organization has no joint arrangements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Organization given that the Organization has not used a revenue-based method to depreciate its non-current assets.

Annual IFRS improvements. These improvements become effective for annual periods beginning on or after 1 January 2016. They comprise the following:

IFRS 7 Financial Instruments: Disclosures – servicing contracts. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Amendment to IAS 19 - Employee Benefits. The amendment clarifies that with respect to post-employment benefit obligations decisions on the choice of the discount rate, existence of the deep market of high-quality corporate bonds or what government bonds should be used as a benchmark are based on the currency in which the liabilities are denominated and not in the currency in which these liabilities occur.

Amendments to IAS 1 Disclosure Initiative The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted.

The Bank believes that these standards and interpretations will not have a significant impact on its financial statements at their first-time adoption.

Financial statements require estimates and assumptions that influence volume of assets and liabilities to be recognised, disclosures to contingent assets and liabilities at the date of financial statements, and also income and expense during the reporting period.

Estimates made by the Bank's direction during the adoption of the accounting policies that have a significant impact on amounts recognised in the financial statements and that are most significant for the financial statements are disclosed in note 28.

4 Accounting principles

4.1 Key Valuation Techniques

When recognizing financial instruments, the Banks applies the following valuation techniques:

- at fair value,
- at amortized cost, or
- at cost

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

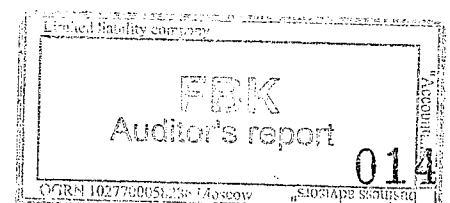
Financial instruments are regarded as quoted in an active market if their quoted prices are readily and regularly available from an exchange through information analysis systems or from other information sources and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value of quoted financial instruments is based on:

- quoted market prices for, as a rule, financial instruments trading through the organizers of the trading;
- the asking price for financial assets and the bid price for financial liabilities and the estimated fair value based on the information and analytical systems (such as Reuters and Bloomberg), market dealers and other institutions.

If the market for a financial instrument is not active, the following information can be used for fair value measurement:

- recent quoted market price (asking (bid) price) from independent sources if no significant changes occurred in the economic situation to the reporting date;
- actual price of the transaction made by the Bank in the common course of business if no significant changes occurred from the transaction date to the reporting date.



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In the event of significant changes, the most recent quoted price (transactions price) shall be adjusted to the change in the quoted price (transaction price) for similar financial instruments. The recent quoted price (transaction price) of debt securities can be adjusted with account on the circulation period of the debt security.

Fair value measurement is based on a going concern principle of an entity that has neither the intention nor the need to liquidate or curtail materially the scale of its operations or perform transaction on unfavorable conditions. Thus, the fair value is not equal to the amount that the Bank receives at an involuntary transaction, liquidation procedure or at going-out-of-business sell.

The fair value of financial instruments when quoted market prices from external resources are not available is measured by such techniques as discounted cash flow and financial analysis of investment objects. Any valuation technique widely applied by market participants and evidencing reliability of measurement and pricing resulted from actual market transactions may be applied for measuring the price of financial instruments.

A valuation technique may be chosen for any individual measurement of fair value; and if not justified otherwise techniques based on the quoted market prices and bid and asking prices are applied. The fair value of financial instruments is measured depending on various factors, circumstances and requires professional judgments.

The Bank classifies information used to measure the fair value of a financial instrument depending on the materiality of input data used for valuation as follows:

- current prices (quotes) in an active market of financial instruments that are equivalent to the financial instrument being evaluated (Level 1);
- in the absence of information on current prices (quotes), the price of the latest transaction made in an active market, if no significant changes in economic conditions occurred from the moment of the transaction until the end of the reporting period, and current prices (quotes) for equivalent financial instruments if the
- prices calculated using valuation methods whose input data are not based on observable market data (Level 3).

The amortised cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less any paid or received cash, adjusted to cumulative amortization of any difference between the initial amount and the maturity amount and to recognised impairment. Amortization of the stated difference is made using the effective interest method. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium are not presented separately and are included in the carrying amount of related assets and liabilities.

For variable rate financial assets and financial liabilities, cash flows and effective interest rate are revalued at the establishment date of new coupon (interest) rate. The effective interest rate is revalued on the base of the current carrying amount and estimated future payments. The current amortised cost of the financial instrument is not changed; the further measurement of the amortised cost is based on the new effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant useful life of the financial asset or financial liability.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, if applicable, a shorter period to the net carrying amount of the financial asset or the financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment) but does not consider future credit losses.

This calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When issued loans and other debt instruments become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

As expected, cash flows and estimated life of a group of similar financial instruments can be reliably measured. However, in rare circumstances when cash flows and expected life of a financial instrument cannot be measured, the Bank shall use contractual cash flows within the entire contractual term of the financial instrument.

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition including transactions cost. Cost method applies only to investments in debt instruments the market for which is not active and whose fair value cannot be reliably measured and to related derivatives the market for which is not active and which are settled through such unquoted debt instruments. Transaction costs are incremental costs directly attributable to acquisition, issue or disposal of a financial instrument. They include fee and commission paid to agents, consultants, brokers, dealers, levies paid to supervisory authorities and stock exchanges, and property transfer taxes and levies. Transaction costs exclude bonuses and discounts on debt liabilities, finance costs, internal administrative and storage expenses.

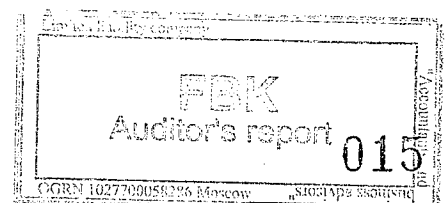
4.2 Initial Recognition of Financial Instruments

When the Bank recognizes a financial asset or financial liability initially, it shall measure them at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Profit or loss on initial recognition of a financial asset or a financial liability is only recorded if there is a difference between the fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Under usual payment conditions, purchase and sale of financial assets are recorded at the transaction date, i.e. at the date when the Bank shall purchase or sell this asset, or at the payment date, i.e. at the date when a financial asset is delivered to or by the Bank. The Bank consistently applies the method selected to all sales and purchases of financial assets designated to the same category of financial assets. For this purpose, there are two separate categories: financial assets held for sale and financial assets at fair value through profit or loss.

Under transaction date method:

- a financial asset to be received and commitment to pay for it are recognised at the transaction date;
- a financial asset to be sold, and any profit or loss on its disposal, and receivables from customer to be repaid are derecognised at the transactions date.



Under payment date method:

- an asset is recognised when the Bank receives it;
- an asset is derecognised and profit or loss on its disposal is recognised when the Bank delivers it.

Under payment date method, the Bank recognizes any change in the fair value of a financial asset to be delivered between the transaction date and the payment date as it recognizes a change in the value of the asset purchased, i.e. the change in value of assets measured at cost or amortised cost is not recognised; it is charged against profit or loss with regard to assets designated as financial assets at fair value through profit or loss and is recognised among other components of statement of changes in equity applicable to assets designated as available for sale.

Under payment date method, transactions are classified as those with derivative financial instrument until payments are made.

4.3 Impairment of Financial Assets

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence for the Bank that a financial asset is impaired or not (whether or not there is a loss event) is as follows:

- payment has been delayed and the delay in payment cannot be related to failure of the payment system;
- the borrower or issuer faces significant financial difficulty that is evidenced by the financial statements of the borrower or issuer received by the Bank;
- it becoming probable that the borrower or the issuer will enter bankruptcy;
- due to adverse changes in the payment status of borrowers or issuers caused by changes in national or local economic conditions that have an impact on the borrower or the issuer;
- the value of the security has considerably decreased due to unfavorable market conditions;
- the lender, for economic or legal reasons, granting to the borrower a concession that the lender would not otherwise consider;
- the assets have been given to the borrower in order to settle a liability of an earlier given asset;
- disappearance of an active market for that financial asset because the issuer's financial difficulties (not because the asset is not traded in a market);
- information on any existent breaches of contracts for similar financial assets by the issuer or the borrower.

Impairment losses in financial assets carried at amortised cost are recognised in profit or loss when incurred due to one or more events ("loss events") after the initial recognition of the financial asset.

The Bank uses the Rules of application of international classification of asset credit quality for measurement of the level of impairment of loans based on borrowers' internal rating.

The Bank does not recognize impairment losses at initial recognition of financial assets.

If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows within a group of financial assets to be collectively assessed for impairment are estimated on the base of the contractual cash flows over the remaining life of the asset and on the base of the historical loss experience of the Bank which will appear as a result of loss events and on the possibility to recover the past-due debts. The historical loss experience is adjusted on the basis of relevant observable data that reflect current economic conditions that have not affected the prior periods or to remove the past effects unobservable in the current period.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which excludes future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the discounted value of expected cash flows of a collateralized financial asset includes cash flows that may arise upon the sale of the collateral, less the sale cost, regardless of the degree of probability of such sale.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss has been recognised (such as improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision account and recorded within profit or loss.

After a loan has been adjusted to the repayment amount as a result of impairment, the interest income is reflected on the basis of the interest rate that was used for discounting future cash flows in order to measure impairment loss.

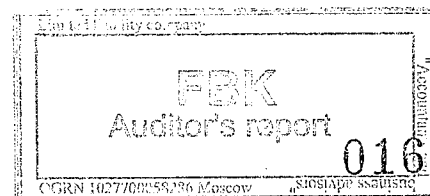
Uncollectible financial assets are written off against the related impairment loss provision in the statement of financial position after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

When writing-off unrecoverable debts and related interests, the Bank takes the necessary and appropriate steps to collect this amount that arise from law, business customs or a contract.

Unrecoverable debts and related interests are written off by means of the provision for potential impairment losses in accordance with the resolution of the Bank's competent authority on the basis of documents confirming the failure of counterparty to perform its obligations at least within one year. Where the debt exceeds 1% of the Bank's equity, writing-off of this debt shall be confirmed by reports of competent government authorities (judicial reports, reports of the Federal Service of Court Bailiffs and their equivalents).

When in case of review of conditions for impaired financial assets reviewed conditions differ markedly from the previous those, a new asset is initially recognised at fair value.

Impairment losses on available-for-sale financial assets are recognised in profit or loss when incurred due to one or more events ("loss events") after the initial recognition of the available-for-sale financial assets.



A considerable or prolonged decrease in fair value of an equity security designated as available for sale below its acquisition cost indicates its impairment. In case of impairment indication, the cumulative loss defined as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss is transferred from statement of changes in equity to profit or loss. Impairment losses on equity instruments are not reversed through profit and loss accounts; increase in the fair value after impairment is recognised directly in statement of changes in equity.

In case of debt instruments designated as available for sale, impairment is assessed on the same criteria ("loss events") as for financial assets carried at amortised cost. The loss amount to be reclassified into profit or loss is the difference between the purchase price of the asset (less principle payments and amortization of assets evaluated by effective interest method) and the current fair value less the impairment loss related to the asset that have been recognised in profit or loss. Interest earned on impaired assets are based on the amortised costs including impairment loss recognised using the interest rate applied for discounting future cash flows for purposes of impairment loss assessment. Interest income is recognised against "Interest income" of the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit and loss accounts of the current reporting period.

4.4 Derecognition of Financial Assets

The Bank derecognizes financial assets only when:

- the rights to receive cash flows from the asset have expired; or
- the Bank transfers the financial asset and the transfer qualifies for derecognition.

The Bank transfers a financial asset only if:

- the Bank transfers the contractual rights to receive the cash flows from the financial asset; or
- the Bank retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more third parties, and when the certain other conditions are met.

Upon transfer of a financial asset, the Bank evaluates the degree to which it retains risks and benefits associated with owning this financial asset. Where the Bank:

- transfers all the significant risks and benefits associated with owning a financial asset, the financial asset is derecognised. Rights or obligations created or retained in the transfer are recognised separately as assets or liabilities;
- retains substantially risks and benefits associated with owning a financial asset, recognition of this financial asset is continued;
- neither retains nor transfers substantially all the risks and benefits associated with owning a financial asset, it determines whether the control over the financial asset is retained. If the control is not retained, the Bank derecognizes the transferred financial asset. Rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. When control is retained, the Bank continues to recognize the transferred financial asset to the extent of participant in it.

When an asset is redesignated with a considerable change in the terms, the redesignated asset is derecognised and the asset received is recognised in the balance sheet as an addition.

When an asset is redesignated without considerable changes in the terms, the received asset is carried at the carrying amount of the redesignated asset.

4.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, accounts balances in current accounts of the Bank, and cash equivalents in the forms of short-term and highly liquid investments easily convertible into a certain amount of cash and exposed to insignificant risk of value fluctuation. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts in respect of which there are any limitations on their use shall be excluded from cash and cash equivalents.

4.6 Due from the Bank of Russia (central banks)

Due from the Bank of Russia (central banks) are funds deposited with the Bank of Russia which are not intended for financing current transactions of the Bank. Consequently, they are not considered as part of cash and cash equivalents for the purposes of the cash flow statement. The category "Mandatory cash balances with the Bank of Russia" comprises a security deposit of the operator of the payment system which is not a nationally significant payment system.

4.7 Financial Assets at Fair Value through Profit or Loss

A financial asset is designated as a financial asset at fair value through profit or loss if it is acquired with a view to subsequent disposal. Derivatives with positive fair value are also classified as financial assets at fair value through profit or loss, except for derivatives that are designated as effective hedging instruments.

Initially and consequently financial assets at fair value through profit or loss are recorded at fair value that is based on quoted market prices or on the basis of different valuation techniques using an assumption on profitability to realize these financial assets in the future. Depending on circumstances, different valuation techniques can be applied. Available published quoted market prices are the best basis for the fair value of an instrument.

When quoted market prices are not available, techniques related to the information on recent market transactions between knowledgeable willing and independent parties or to current fair value of similar instruments or to analysis of the discounted cash flow, or model for option price measurement are used. When there is a reliable valuation technique widely used by the market participants to determine the price of instruments that has proved reliability of estimated prices, it is advisable to apply such a technique.

Realized and unrealized income and expenses of transactions with financial assets at fair value through profit and loss are recorded in the income statement immediately at the period when they occur as income less transaction costs related to financial assets at fair value through profit or loss.

Interest income from financial assets at fair value through profit is recorded in the income statement as interest income from financial assets at fair value through profit and loss. Dividends received are recorded against dividend revenue in the income statement within operating income.

Purchase and sale of financial assets at fair value through profit or loss that shall be delivered within the time limit established got this market by law or convention (regular way purchase and sale), are recorded at the transaction date, i.e. at the date when the Bank shall purchase or sell this asset.

Otherwise such transactions are recorded within derivatives until payments are made.

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The Bank classifies financial assets at fair value through profit and loss in the appropriate category at the acquisition date. Financial assets classified as financial assets at fair value through profit and loss are not to be reclassified.

4.8 Due from Other Banks

Due from other banks includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market provided by the Bank to bank-contractors (including the Bank of Russia), other than:

- a) "overnight" placements;
- b) those that the entity intends to sell immediately or in the near term, which shall be classified as held for sale, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- c) those that the Bank upon initial recognition designates as available for sale;
- d) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

The Bank decided to reclassify financial assets qualifying credits and receivables from assets at fair value through profit or loss and assets available for sale to due from other banks.

The funds placed at other banks are recognised when cash is given (placed). Due from other banks are carried at fair value at initial recognition. Financial assets reclassified from assets at fair value through profit or loss or from assets available for sale must be recognised at fair value on the date of reclassification. Profit or loss already recognised in profit and loss at the time of financial assets reclassification from assets at fair value through profit or loss are unrecoverable. Subsequently, extended loans and placed deposits are recorded at amortised cost less provisions for impairment. The amortised cost is based on the fair value of a loan or deposit calculated using existing interest rates applicable to similar loans and deposits, effective on the date a loan was extended or deposit was placed.

The difference between the fair value and the nominal value of a loan (deposit) occurring when loans are extended (deposits are placed) at interest rates above or below existing rates is recorded in the comprehensive income statement when such loan is extended (deposit is placed) against income (expenses) on assets invested at rates above (below) the market rates. Subsequently, the carrying amount of such loans (deposits) is adjusted to amortization of these gains (loss) and the interest income is recognised in the income statement, using the effective interest method.

The procedure for determining impairment of financial assets is set out in 4.3 Impairment of Financial Assets.

4.9 Loans and Receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- a) those that the Bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Bank on initial recognition designates as at fair value through profit or loss;
- b) those that the Bank upon the initial recognition designates as available for sale;
- c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Initial recognition of loans and receivables is carried at fair value plus transaction costs (i.e. the fair value of the consideration paid or received). If an active market exists, the fair value of loans and receivables is measured as current cost of all future proceedings (payments) discounted by the prevailing market rate for a similar instrument. This market rate broken down by currencies, terms and borrowers is published at the website of the Bank of Russia. If an active market does not exist, there can be applied one of valuation techniques to measure the fair value of loans and receivables.

Subsequent measurement of loans and receivables is carried at amortised cost using the effective interest method.

Loans and receivables are recorded when cash is provided to borrowers (individuals or credit institutions). Interest-bearing loans other than market interest rates are measured at payment date at fair value that is the principle and future interest payments discounted by interest market rates for similar loans.

The difference between the fair value and the nominal value of a loan is recorded in the income statement as income from assets at rates higher than the market rates or as an expense from assets at rates lower than the market rates. Subsequently, the carrying amount of these loans will be adjusted by amortization of income (expense) from the loan and the related income is recorded in the income statement using the effective interest method.

The Bank avoids impairment losses on initial recognition of loans and receivables. Risks associated with providing loans to borrowers that initially bear a heightened risk are recognised at higher loan interest rate (risk premium) which is calculated as average percent of loan indebtedness behind by 30 days and more under loans classified to 3 and higher risk groups that is determined on the basis of the Bank's statistical data for the last reporting year, and also market interest rates for similar loans published on the website of the Bank of Russia.

Loans and receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and losses have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of loss is measured as the difference between the carrying value of the asset and estimated future cash flows discounted by original effective interest rate for this asset.

The carrying amount of loans and receivables is reduced by means of the provision for impairment of loan portfolio. After assessment of objective evidence of impairment on an individual basis, in case of absence of such evidence, loans are included in a group of financial assets with similar credit risk to assess any evidence of their impairment on an aggregate basis.

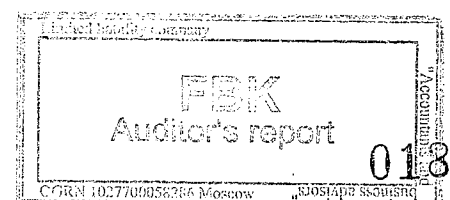
As at December 31, 2016, the Bank assesses evidence of impairment both on an individual and aggregate basis.

The Bank developed and approved a credit risk assessment procedure which is used by the Bank to perform an analysis for impairment of receivables and assessment of cash flows. The amount of loss on impairment of loans classified in the first risk group is determined by calculation of general economic risk for banking sector on the basis of statistical data published in the online edition of banking sector digest of the Russian Federation on the website of the Bank of Russia.

Unrecoverable loans are written off by means of the provision for impairment. Writing off can be realized only after all procedures are completed and the loss amount is measured. Recovery of earlier written off amounts is credited to changes in provisions for impairment (change in impairment amounts) of the loan portfolio in the income statement. Decrease of earlier created provision for impairment of the loan portfolio is credited to change in provision for impairment (change in impairment amounts) of loan portfolio in the income statement.

4.10 Available-for-Sale Financial Assets

This category includes non-derivative financial assets designated as available-for-sale or not classified as loans and receivables, held-to-maturity investments, and financial assets at fair value through profit and loss. The Bank classifies financial assets at the acquisition date.



Available-for-sale financial assets are initially carried at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The fair value is usually represented by its acquisition cost. Subsequently, available-for-sale financial assets are measured at fair value based on the quoted market price.

Available-for-sale investments that do not have a quoted market price from independent sources are measured at fair value of recent sale of similar equity securities by independent third parties, based on analysis of other information such as discounted cash flows and other financial information on the investment object and other valuation techniques.

Depending on circumstances, there can be applied different valuation techniques. Investments in equity that do not have quoted market prices are recognised at cost.

Unrealized gains and losses resulting from change in fair value of available-for-sale financial assets are recognised in the statement of changes in equity.

On disposal of available-for-sale financial assets, related accumulated unrealised gains and losses are included in the income statement as income less expenses from transactions with available-for-sale financial assets. Impairment and recovery of earlier impaired value of available-for-sale financial assets are recorded in the income statement.

In the event the carrying amount of available-for-sale financial assets exceeds their estimated recoverable cost, the carrying amount of the assets is reduced. The recoverable cost is the current cost of estimated future cash flows discounted by current market price of similar financial asset.

Interest income from available-for-sale financial assets is recorded in the income statement as interest income from available-for-sale financial assets. Dividends received are recorded in the income statement as income from dividends within income from transactions with securities.

Under usual payment conditions, purchase and sale of available-for-sale financial assets are recorded at the transaction date, i.e. at the date when the Bank shall purchase or sell this asset. (Alternatively, the Bank may record them at the payment date).

All other purchase and sale are recorded as forward transactions until payments are made.

4.11 Held-to-Maturity Financial Assets

This category includes financial assets with fixed maturity that the Bank has the positive intention and ability to hold to maturity. The Bank classifies financial assets at the acquisition date. The Bank assesses its intention and ability to hold the financial assets designated as held-to-maturity to maturity at the end of every reporting period but not only at the initial recognition date of such financial assets.

Held-to-maturity financial assets are initially carried at fair value plus transaction costs and subsequently at amortised cost using the effective interest method less provision for impairment which is the difference between the carrying amount and the current cost of estimated future cash flows discounted by original effective interest method.

Interest income from held-to-maturity financial assets is recorded in the income statement as interest income from held-to-maturity financial assets.

Under usual payment conditions, purchase and sale of held-to-maturity financial assets are recorded at the transaction date, i.e. at the date when the Bank shall purchase or sell this asset. All other purchase and sale are recorded as forward transactions until payments are made.

4.12 Property and Equipment

In the event the carrying amount of the asset exceeds its estimated recoverable cost, the carrying amount of the asset is reduced to its recoverable cost, and the difference is recorded in the income statement. The estimated recoverable cost is the highest of fair value of the asset less realization cost and value of its usage.

The Bank assesses any indication of impairment of property and equipment at the end of every reporting period. In the event such indication exists, the Bank measures recoverable cost as the higher of net realisable value of the property and equipment and value of their usage.

In the event the carrying amount of property and equipment exceeds their estimated recoverable cost, the carrying amount of property and equipment is reduced to their recoverable cost, and the difference is recorded in the income statement as impairment losses of property and equipment unless they are previously revaluated. In this case, revaluation surplus is excluded, and any additional loss is recognised in profit or loss. Impairment loss recognised with respect to property and equipment in prior years is reversed when there are any changes in estimates used to measure recoverable cost of property and equipment.

Gains and losses arising from disposal of property and equipments are measured at carrying amount and are accounted for at calculating the income (loss) amount. Costs of repairs and maintenance are recorded in the income statement when incurred.

4.13 Depreciation

Depreciation is charged on a straight-line basis over the useful life of assets using the following depreciation rates:

Group of property and equipment	Depreciation rates
Office equipment	4,9%-48%
Furniture and other implements	4,9%-19,7%
Motor vehicles	32,4%

The depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if there has been a significant change in the depreciation approach to the asset, the method shall be changed to reflect the changed approach. Therefore, the effect of the change will be accounted for as a change in accounting estimate in accordance with IAS 8 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation is recognised even if the fair value of an asset exceeds its carrying amount under condition its residual value does not exceed its carrying amount. Repair and maintenance of an asset do not exclude the need to depreciate it.

Depreciation is recognised when an asset is available for use i.e. when its location and condition enable the Bank to use it in accordance with its intentions. Depreciation is derecognised at the date when the asset is derecognised.

4.14 Operating leases

Where the Bank is a lessee in an operating lease, the total lease payments are recorded in the income statement on a straight-line basis over the period of the lease. Where an operating lease ceases before the end of the lease period, any payment due to the lessor as compensation is reported as expense in the period in which the operating lease ceases.

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4.15 Borrowings

Borrowings include customer accounts, deposits and balances from banks, and other borrowed funds. Borrowings are initially recognised at fair value that is the received amount less transaction costs incurred. Subsequently, borrowings are reported at amortised cost any difference between net proceeds and the redemption value is recorded in the income statement over the period of borrowings using the effective interest method.

Borrowings with interest rates other than market are measured at acquisition date at fair value that includes the principle and the future interest payments discounted by market interest rates for similar amounts. The difference between the fair and nominal value of these amounts is recorded in the income statement as income from borrowings at rates lower than the market rates. Subsequently the carrying amount of borrowings is adjusted by amortization of initial income (expense) from borrowings and the correspondent expenses are recorded as interest expenses in the income statement using the effective yield method.

4.16 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include derivatives with negative their fair value that are not carried as hedging instruments and the seller's obligation to deliver securities at a short sale (obligations arising on negotiation of a sale of financial instruments that are not carried at the time of the negotiation).

4.17 Debt Securities Issued

Debt securities issued include notes, deposit certificates and bonds issued by the Bank. Debt security issued are initially recognised at fair value that is the received amount (fair value of the property received) less transaction costs. Subsequently, debt securities issued are carried at amortised cost and any difference between their initial amount and maturity amount is recorded in the income statement over the circulation period of the debt security using the effective interest method.

At issuance of convertible bonds, the fair value of the option on conversion is measured and separately recognised in the statement of cash flows. The outstanding liability on further payments to holders of bonds to repay the principle and interests is calculated on the basis of the market rate for equivalent inconvertible bonds and recognised at amortised cost using the effective interest method within other borrowings until this liability is settled at conversion or the term to maturity of the bonds is expired.

In the event the Bank repurchases own debt securities, these securities are removed from the balance sheet and the difference between the carrying amount of the liability and the amount paid is included in income (expense) from (early) settlement of the liability

4.18 Trade and Other Payables

The Bank recognizes accounts payable upon fulfilling the liabilities by a contractor and carries them at amortised cost.

4.19 Credit Related Commitments

The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans.

Financial guarantees and credit commitments are recognised initially at fair value confirmed, as a rule, by the amount of received fees and commissions. This amount is depreciated by the straight-line method over the commitment term, other than credit commitment, if it is probable that the Bank will enter into a particular loan agreement and will not plan to use the loan within a short period after it is issued; such fee and commission income related to credit commitments are accounted for as deferred income and included in the loan carrying amount on initial recognition. At the end of every reporting period commitments are measured at the amortised amount on initial recognition or at the best estimation of expenses to settle commitments as at the end of the reporting period, whichever is higher.

The Bank makes provisions for credit related commitments if losses arising from such commitments are probable.

4.20 Share Capital and Share Premium

Share capital is accounted for at historic cost, if it is paid by monetary funds contributed prior to 1 January 2003 inflation is taken into account, non-monetary funds - at fair value at the contribution date.

Share premium represents contributions to the share capital in excess of par value of issued shares.

4.21 Treasury Stock

When the Bank or its subsidiaries redeem the Bank's shares, the equity is decreased by the amount paid, including all additional transaction costs less taxes until these shares are sold or the equity is decreased by their par value. When such shares are thereafter sold the amount received is included with the equity.

4.22 Dividends

Dividends declared after the date of the balance sheet are reported in notes to events after the balance sheet date. Dividends are paid and other profit is distributed on the basis of net profit for the current year as specified in the accounting reports prepared in accordance with legislation of the Russian Federation.

If the Bank declares dividends to holders of equity instruments after the end of the reporting period they are not recognised as liabilities at the end of the reporting period.

Dividends are reported in the statement as a distribution of profit when they are approved by general meeting of shareholders (general meeting of participants).

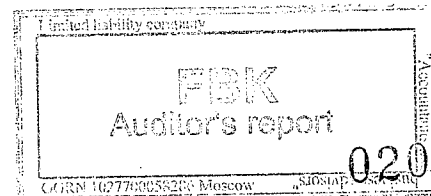
4.23 Income and Expense Recognition

Interest income and expense are recorded in the income statement for all debt instruments on an accrual basis using the effective interest method.

Fees attributable to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commissions for the obligation to provide a loan at market prices received by the Bank form an integral part of the effective interest rate if it is probable that the Bank will enter into a particular loan agreement and will not plan to use the loan within a short period after it is issued. The Bank does not classify commitments to originate loans as financial liabilities at fair value through profit or loss.

When issued loans and other debt instruments become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the interest rate that was used to discount future cash flows for the purpose of measuring the recoverable amount.

Other fee and commission income and other income and expenses are recorded, as a rule, on an accrual basis during the period of provision of a service by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.



Fee and commission income from third party transactions, e.g. from acquisition of loans, shares and other securities or purchase or sale of entities received in such transactions, is recorded upon completion of the transaction. Fee and commission income from investing portfolio management and other management and consulting services are recorded under provisions of relevant services contracts, as a rule, on proportion basis of the time spent. Fee and commission income from services related to management of assets (trusting management) is recorded under the provisions of the contract at the date when the Bank receives the right to receive this income and the income amount can be measured. Income from long-term services is recognised every reporting period on proportion basis of the services provided. The Bank applies the same method to services related to property management, financial planning and to custody services provided on a constant basis in the long run.

4.24 Income Tax

The financial statements records tax expenses in accordance with legislation of the Russian Federation.

Income tax (recovery) in the income statement for the year includes current taxes and changes in deferred taxes. Current tax is calculated on the basis of the expected taxable profit for the year with income tax rates applicable on the date of the balance sheet. Taxes, other than income tax, are recorded within operating expenses.

Deferred income tax is calculated on the basis of balance assets and liabilities method in relation to all temporary differences between the tax base of assets and liabilities and their carrying amount in accordance with the financial statements. Deferred tax assets and liabilities are measured at tax rates enacted in this period or substantively enacted at the end of the reporting period which are expected to apply to the period when the assets are realized or the liabilities are settled.

Deferred tax assets are recorded only to the extent that it is probable that future taxable income is available against which the temporary differences can be utilised. Deferred tax assets and liabilities are only set off within the Bank.

Deferred tax arising from revaluation of available-for-sale financial assets at fair value, with revaluation results credited or charged to equity, is also recognised directly in equity. When these financial assets are disposed of, the respective amounts of deferred income tax are reflected in the statement of income.

Deferred tax assets and liabilities are recognised for temporary differences associated with investments in subsidiaries and associates to the extent that the Bank is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

4.25 Foreign Currency Translation

Items in the Bank's financial statements are measured in the currency of the primary economic environment in which the Bank operates (functional currency).

The financial statements are presented in the national currency of the Russian Federation that is the functional currency of the Bank and the presentation currency of these financial statements.

Transactions in foreign currency are stated at the official exchange rate of the Bank of Russia at the transaction date. Foreign exchange gains and losses resulting from the settlement of the transactions in foreign currency are included in the income statement at the official rate of the Bank of Russia at the transaction date.

Monetary assets and liabilities are translated into the currency of the Russian Federation at the official exchange rate of the Bank of Russia at the date of the balance sheet.

Foreign exchange gains and losses resulting from transactions with debt securities and other monetary financial assets at fair value are included in income and expenses from revaluation of foreign currency.

Gains and losses related to non-monetary items such as equity securities classified as financial assets at fair value through profit or loss are recorded as a part of income and expenses from revaluation at fair value.

Gains and losses related to non-monetary available-for-sale financial assets are charged against equity through the fund of revaluation of available-for-sale financial assets.

As on December 31, 2016, the official rate of the Bank of Russia applied for revaluation of foreign currency balances amounted to:

USD	60.6569
EUR	63.8111
CNY	8.7282

According to the approved internal methodology the Bank uses quotations of USD to Hong Kong dollar based on information published by the information system Reuters effective at the date of this exchange rate definition (number being effective before revaluation takes place). This quotation is determined on a daily basis at 11.15 on Hong Kong time by Treasury market Association based on exchange rates published by the empowered banks. The quotation of USD to Russian Rouble is determined based on the official exchange rate of the Bank of Russia effective at the revaluation date.

4.26 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.27 Estimated Liabilities

Estimated liabilities are recognised when the Bank has obligations (legal or due to business practice) arisen prior the end of the reporting period. To settle these liabilities, outflow of economic resources is probable and the amount of the liabilities can be reasonably measured.

4.28 Staff Costs and Related Contributions

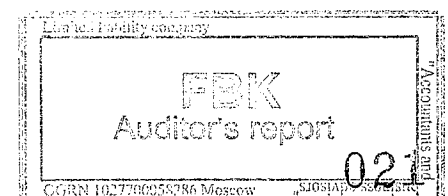
Expenses related to salary, wages, bonuses, contributions to state non-budgetary funds are made when works are performed by the Bank's employees; expenses related to temporary disability, maternity leave and other incentives are made when they occur.

The Bank takes the responsibility for payments related to leaves that the Bank's employees have not used. Such liabilities are recorded in the statement of financial position within Other Liabilities and simultaneously in the income statement as leaves falling on the reporting period and within undistributed profit as leaves falling on the previous period.

4.29 Related Party Transactions

The Bank conducts related party transactions. Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

In considering related party relationship, the Bank's attention is directed to the economic substance of the relationship, not merely the legal form.



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5 Interest income and expense

Interest income and expense are as follows:

	December 31, 2016	December 31, 2015
<i>Interest income</i>		
Due from financial institutions	2 029 188	1 214 275
Loans to customers	667 023	446 526
Factoring transactions	17 212	54 912
Held-to-maturity financial assets	123 224	62 434
Total interest income from assets not at fair value through profit or loss	2 836 647	1 778 147
Total interest income	2 836 647	1 778 147
<i>Interest expense</i>		
Due to financial institutions	(272 627)	(269 166)
Accounts and deposits of legal entities	(346 842)	(555 297)
Factoring transactions	(700)	(4)
Held-to-maturity financial assets	(9 560)	-
Total interest expense on liabilities not at fair value through profit or loss	(629 729)	(824 467)
Total interest expense	(629 729)	(824 467)
Net interest income	2 206 918	953 680

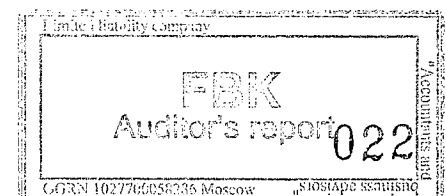
As at December 31, 2016, the Bank did not have loans without interest accrual (2015: no loans without interest accrual).

6 Provisions for impairment and other provisions

Provisions for impairment accounted for at profit and loss accounts comprise allowances made in the current year to create provisions for impairment according to the International Accounting Standards.

The change in provisions for impairment for 2016 is as follows:

	Balances as at December 31, 2015	Write-offs from provisions	Income from recovery of provisions for impairment less expense on creation of provisions for impairment	Balances as at December 31, 2016
<i>Change in provision for impairment of interest bearing assets</i>				
Loans to customers	439 353	-	(12 663)	426 690
Total change in provision for impairment of interest bearing assets	439 353	-	(12 663)	426 690
<i>Change in provision for impairment of other assets and other provisions</i>				
Change in provision for impairment of receivables and other assets	4 513	-	4 379	8 892
Total change in provision for impairment of other assets and other provisions	4 513	-	4 379	8 892
Total change in provisions for impairment	443 866	-	(8 284)	435 582



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The change in provisions for impairment for 2015 is as follows:

	Balances as at December 31, 2014	Write-offs from provisions	Income from recovery of provisions for impairment less expense on creation of provisions for impairment	Balances as at December 31, 2015
<i>Change in provision for impairment of interest bearing assets</i>				
Loans to customers	48 057	-	391 296	439 353
Total change in provision for impairment of interest bearing assets	48 057	-	391 296	439 353
<i>Change in provision for impairment of other assets and other provisions</i>				
Change in other provisions and change in estimated liabilities	130	-	4 383	4 513
Change in provision for impairment of receivables and other assets	130	-	4 383	4 513
Total change in provision for impairment of other assets and other provisions	130	-	4 383	4 513
Total change in provisions for impairment	48 187	-	395 679	443 866

7 Commission income and expenses

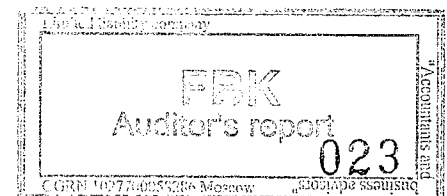
Commission income and expenses are as follows:

	December 31, 2016	December 31, 2015
<i>Commission income</i>		
Cash transactions	13 888	50 462
Settlement transactions	24 917	24 006
Guarantees issued	23 313	20 277
For granting loans	-	104 581
Other	13 521	3 657
Total commission income	75 639	202 983
<i>Commission expense</i>		
Settlement and cash services, maintenance of accounts	(1 680)	(1 768)
Brokerage and similar agreements	(87)	(6 507)
Guarantees and sureties received	(136)	(1 214)
Transactions with currency valuables	(2 416)	(4 494)
Other	(2 346)	(195)
Total commission expense	(6 665)	(14 178)
Total commission income and expense	68 974	188 805

8 Other operating income

Other operating income is as follows:

	December 31, 2016	December 31, 2015
<i>Other operating income (expense)</i>		
Fines and other penalties	5	(406)
Other	7 655	4 335
Total other operating income	7 660	3 929



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9 Administrative and other operating expenses

Administrative and other operating expenses are as follows:

	December 31, 2016	December 31, 2015
<i>Operating expenses</i>		
Staff costs	491 552	383 663
Depreciation	7 407	11 783
Charge for the right to use intellectual property	26 442	4 424
Communications services	15 412	13 332
Expenses associated with property and equipment (maintenance, repair, sale)	7 326	8 345
Professional services	11 716	10 050
Advertising and marketing	24	59
Representation costs	4 398	1 659
Business travel expenses	6 215	5 063
Operating lease expense	66 446	52 860
Security costs	7 312	4 625
Office expenses	1 885	-
Taxes and duties other than income tax	23 429	18 795
Inventories writing-off	8 516	7 655
Insurance expenses	309	4 097
Other operating expenses	7 307	10 652
Total administrative and other operating expenses	685 696	537 162

Item "Other operational expense" includes expenses on communication, periodicals and acquisition of special literature, presents to the Bank's customers and employees, transport costs, entertainment costs, costs on legal support to the Bank's activities.

Staff costs include:

	December 31, 2016	December 31, 2015
<i>Staff costs</i>		
Salaries and bonuses	439 074	353 254
Contributions to state funds	36 646	28 658
Costs of training	143	287
Other staff benefits	15 689	1 464
Total staff costs	491 552	383 663

In 2016 the pay-outs to the key managing personnel were RUR 66 994 K (in 2015 the pay-outs to the key managing personnel were RUR 67 039 K).

Item "Expense on salary and bonuses" comprises sums of reserves on non-used vacations of the Bank's employees in the amount of RUR 9 037 K (in 2015: RUR 10 831 K).

10 Income tax

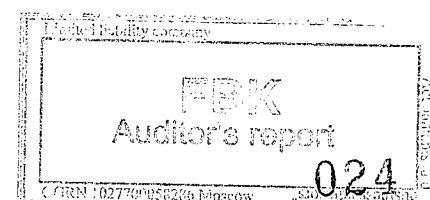
Income tax comprises as follows:

	December 31, 2016	December 31, 2015
Current income tax (expense) / recovery	(346 317)	(337 805)
Deferred taxes	(214 089)	217 042
Income tax (expenses) / recovery	(560 406)	(120 763)

The current income tax rate applicable to the most part of the Bank's profit for 2016 is 20% (2015: 20%).

Estimated tax expenses and actual tax expenses are compared below.

	December 31, 2016	December 31, 2015
Profit / (Loss) before taxes	1 786 002	1 352 415
Estimated tax deductions (recovery) at the rate of 20%	(357 200)	(270 483)
other permanent difference	(203 206)	149 720
Income tax (expenses) / recovery	(560 406)	(120 763)



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Differences between IFRS and tax legislation of the Russian Federation (and other countries) give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and calculation of income tax. Tax effects of movements in these temporary differences for 2016 and 2015 as presented below are recognised at the rate of 20% (2015: 20%), except for income from government (municipal) securities taxable at the rate of 15%, 9%, 0% (2015: 15%, 9%, 0%).

	December 31, 2015	Acquisition and sale	Change recognised in profit and losses	Change recognised in equity	December 31, 2016
<i>Tax effect of deductible temporary differences</i>					
Provisions for impairment of loan portfolio	60 183		(21 924)		38 259
Property and equipment: depreciation	698		(420)		278
Other	158 683		(147 919)		10 764
Total deferred tax assets	219 564	-	(170 263)	-	49 301
<i>Tax effect of taxable temporary differences</i>					
Property and equipment: recognition and revaluation	899		(303)		596
Other	4 576		(2 655)		1 921
Total deferred tax liabilities	5 475	-	(2 958)	-	2 517
Total net deferred tax assets (liabilities)	214 089		(167 305)		46 784

	December 31, 2014	Acquisition and sale	Change recognised in profit and losses	Change recognised in equity	December 31, 2015
<i>Tax effect of deductible temporary differences</i>					
Provisions for impairment of loan portfolio	-	-	60 183	-	60 183
Property and equipment: depreciation	622	-	76	-	698
Other	-	-	158 683	-	158 683
Total deferred tax assets	622	-	218 942	-	219 564
Net deferred tax assets	622	-	218 942	-	219 564
<i>Tax effect of taxable temporary differences</i>					
Provisions for impairment of loan portfolio	1 130	-	(1 130)	-	-
Property and equipment: recognition and revaluation	829	-	70	-	899
Other	1 586	-	2 990	-	4 576
Total deferred tax liabilities	3 545	-	1 930	-	5 475
Total net deferred tax assets (liabilities)	(2 923)	-	217 012	-	214 089

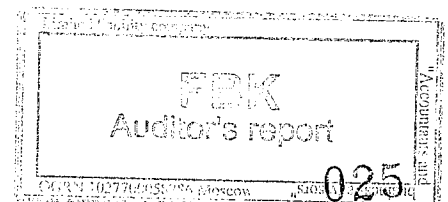
Net deferred tax asset is income tax which can be recorded against future income taxes and is accounted for as deferred tax asset in the Statement of financial position. Deferred tax asset occurred as a result of tax losses carried forward is recognized to the degree it is probable to realize the respective tax concession. In 2015 the Bank did not recognize the tax asset in the amount of RUB 46 784 K.

11 Earnings (Loss) per share

Basic earnings (loss) per share is calculated by dividing net profit or loss attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year less average number of ordinary shares repurchased by the Bank.

Parent entity (the Bank) does not have dilutive potential ordinary shares. Diluted earnings per share are thus equal to the basic earnings per share.

	December 31, 2016	December 31, 2015
Earnings (Loss) attributable to shareholders holding ordinary shares of the Bank	1 225 596	1 231 652
Earnings (Loss) for the year	1 225 596	1 231 652
Weighted average number of ordinary shares outstanding (in thousands)	92.38	92.38
Basic and diluted earnings (loss) per ordinary share (in RUB per share)	13 266.90	13 332.45
Diluted earnings (loss) per preferred share (in RUB per share)	13.27	13.33



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12 Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash	99 124	47 125
Balances on accounts with the Bank of Russia (other than mandatory reserves)	2 616 761	1 633 707
Balances on correspondent accounts and overnight deposits with resident banks	22 369	2 008
Balances on correspondent accounts and overnight deposits with non-resident banks	6 733 361	19 495 485
Total cash and cash equivalents	9 471 615	21 178 325

Item "Cash on correspondent accounts and overnight deposits" in non-resident banks includes balances of cash placed in foreign banks primarily related to the Group JSC "Industrial and Commercial Bank of China Limited".

Geographical analysis of cash and cash equivalents, break-down of cash and cash equivalents by currency and maturity, and also analysis of interest rates are given in Note 25.

13 Due from financial institutions

Due from financial institutions include loans provided by the Bank to (deposits placed by the Bank with) counterparties, including the Bank of Russia.

	December 31, 2016	December 31, 2015
Term interbank credits and deposits	22 453 057	21 458 241
Other accounts with financial institutions	2 002 635	5 305 312
Total due from financial institutions before provision for impairment	24 455 692	26 763 553
Total due from financial institutions	24 455 692	26 763 553

The Bank does not place funds in financial institutions at rates below average market ones.

Category "Term interbank loans and deposits" comprises amounts of claims on letters of credit to the Russian banks: JSC "Promsvyazbank", PJSC Bank ZENIT and PJSC "Sberbank of Russia". As at 31 December 2016 the volume of those funds was RUR 108 199 K (2015: RUR 2 117 549 K). During 2016 the portfolio of letters of credit changed significantly both in volume and in structure of counterparties.

The Bank actively cooperates with high-profile Russian corporations and holdings. As at the end of 2016 the category "Term interbank loans and deposits" includes balances of accounts of rights to claim funds the volume of which is RUR 2 093 094 K (2015: RUR 3 248 898 K).

Item "Other accounts in financial institutions" includes funds in the amount of RUR 2 354 212 K (2015: RUR 4 232 733 K), within trade financing operations.

Besides as at 31 December 2016 the item "Other accounts in financial institutions" includes the deposit of the operator of the payment system in the amount of RUR 351 577 K (2015: RUR 60 081 K).

Funds placed in other banks are not secured.

The analysis of due from financial institutions by credit quality as of December 31, 2016 is set out below:

	Correspondent accounts and "overnight" deposits	Term interbank loans and deposits	Promissory notes of financial institutions	Reverse REPO operations	Other accounts in financial institutions	Total due from financial institutions
<i>Current (at fair value)</i>						
in 20 blue chip Russian banks	-	15 809 704	-	-	-	15 809 704
in other banks	-	6 643 353	-	-	2 002 635	8 645 988
<i>or alternative disclosure on external ratings</i>						
rated AAA	-	3 000 000	-	-	-	3 000 000
rated from AA- to AA+	-	7 794 565	-	-	-	7 794 565
rated from A- to A+	-	5 144 865	-	-	-	5 144 865
unrated	-	6 513 627	-	-	2 002 635	8 516 262
Total due from financial institutions	-	22 453 057	-	-	2 002 635	24 455 692

The analysis of due from financial institutions by credit quality as of December 31, 2015 is set out below:

	Correspondent accounts and "overnight" deposits	Term interbank loans and deposits	Promissory notes of financial institutions	Reverse REPO operations	Other accounts in financial institutions	Total due from financial institutions
<i>Current (at fair value)</i>						
in 20 blue chip Russian banks	-	12 400 090	-	-	4 686 452	17 086 542
in other banks	-	9 058 151	-	-	618 860	9 677 011
<i>or alternative disclosure on external ratings</i>						
rated AAA	-	1 356 205	-	-	-	1 356 205
rated from AA- to AA+	-	6 390 710	-	-	-	6 390 710
rated from A- to A+	-	2 202 160	-	-	-	2 202 160
unrated	-	11 509 166	-	-	5 305 312	16 814 478
Total due from financial institutions	-	21 458 241	-	-	5 305 312	26 763 553

Auditor's report

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The key factor the Bank takes into account when considering depreciation of funds in other banks is presence or absence of overdue debt. During 2016 the Bank did not have overdue debt on funds in other banks. Based on that as at December 31, 2016 the Bank did not depreciate funds placed in other banks either in resident ones or non-resident ones. Historically the Bank has conducted transactions with large scale and medium scale Russian and foreign banks highly rated.

For information on fair value of due from financial institutions refer to Note 28.

Interest rates, maturities and geographical concentration of due from financial institutions are analyzed in Note 25. Information on related party transactions is given in Note 29.

Information on reclassification of financial assets is given in Note 3 "Basis for presentation".

14 Loans and receivables

	December 31, 2016	December 31, 2015
Loans to legal entities	13 813 996	19 632 635
Total loans and receivables before provision for impairment	13 813 996	19 632 635
Provision for impairment	(426 690)	(439 353)
Total loans and receivables	13 387 306	19 193 282

During 2016 the Bank did not provide loans and receivables to customers at rates below the market rates.

The Bank's activities on the territory of the Russian Federation is characterized by absence of retail business, the Bank does not grant loans to individuals. As at 31 December 2016 lending for current capital of legal entities - corporate customers of the Bank is 43,4% of the total loan portfolio, lending within "refinancing of current debt" was 41,5%, capital-related investments was 10%, lending within trade and export financing was 5,1% (as at 31 December 2015 the structure of the Bank's loan portfolio is as follows: lending for current capital of legal entities - corporate customers of the Bank is 43,4% of the total loan portfolio, lending within "refinancing of current debt" was 41,5%, capital-related investments was 10%, lending within trade and export financing was 5,1% .)

The Bank's customers are high-profile Russian corporations and banking groups. As at the end of 2016 the largest borrowers were: OJSC "Acron", OJSC MMC "NORILSK NICKEL", EUROCHEM GROUP AG, Polymetal International plc.

As at 31 December 2016 loans to legal entities in the amount of balance sheet value less provisions of RUR 3 824 261 K were actually secured by guarantees and sureties in the amount of RUR 4 635 726 K (2015: RUR 7 761 025 K and RUR 11 582 807 K respectively).

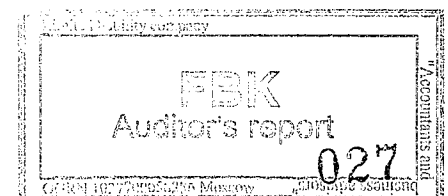
The break-down of the Bank's loans and receivables by industry is as follows:

	December 31, 2016		December 31, 2015	
	Amount (thousand rubles)	%	Amount (thousand rubles)	%
Trade and services	1 080	0.0%	1 080	0.0%
Industry	8 630 493	62.5%	5 841 065	29.8%
State and municipal organizations	1 436	0.0%	1 270	0.0%
Oil and gas and chemical industries	-	0.0%	4 975 460	25.3%
Electric-power industry	436 063	3.2%	562 966	2.9%
Communication and telecommunication	-	0.0%	300 031	1.5%
Financing and investing	4 744 924	34.3%	7 950 763	40.5%
Total loans and receivables before provision for impairment	13 813 996	100.0%	19 632 635	100.0%
Provision for impairment	(426 690)		(439 353)	
Total loans and receivables	13 387 306		19 193 282	

The category "State and municipal organizations" includes prepayment on lease agreements for commercial premises in Main Administration for Service to the Diplomatic Corps. As at December 31, 2016 the amount transferred to the accounts of this company is RUR 1 436 K. From the economic point of view funds transferred to the accounts of a state company are not loan proceeds. Inclusion of these funds into the Bank's loan portfolio is based on the contractual terms when the Bank has a probability to get back the prepaid money.

Information on collateral as of December 31, 2016 is as follows:

	Loans to individuals	Loans to legal entities	Loans to individual entrepreneurs	Commercial loans to legal entities non-secured	Commercial loans to legal entities secured	Loans to individuals - consumer	Loans to individuals - mortgage	Total loans and receivables
Non-secured claims		9 989 735	-	-	-	-	-	9 989 735
Loans secured:								
Guarantees and sureties		3 824 261	-	-	-	-	-	3 824 261
Total loans and receivables before provision for impairment		13 813 996	-	-	-	-	-	13 813 996



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Information on collateral as of December 31, 2015 is as follows:

	Loans to individuals	Loans to legal entities	Loans to individual entrepreneurs	Commercial loans to legal entities non-secured	Commercial loans to legal entities secured	Loans to individuals - consumer	Loans to individuals - mortgage	Total loans and receivables
Non-secured claims	-	10 585 599	-	-	-	-	-	10 585 599
<i>Loans secured:</i>								
Guarantees and sureties	-	8 835 614	-	-	-	-	-	8 835 614
Total loans and receivables before provision for impairment	-	19 632 635	-	-	-	-	-	19 632 635

Loans and receivables individually reviewed for impairment as at December 31, 2016 are as follows:

	Gross Loans	Provision for impairment	Net Loans	Impairment provision towards gross loans
<i>Loans and receivables individually reviewed for impairment</i>				
Loans to legal entities				
pass loans	5 806 661	(5 600)	5 801 061	0.1%
requiring control loans	3 995 414	(259 659)	3 735 755	6.5%
sub-prime loans	606 569	(127 378)	479 191	21.0%
Total loans and receivables individually reviewed for impairment	10 408 644	(392 637)	10 016 007	3.8%
<i>Loans and receivables aggregate reviewed for impairment</i>				
Loans to legal entities				
pass loans	3 405 352	(34 053)	3 371 299	1.0%
Total loans and receivables aggregate reviewed for impairment	3 405 352	(34 053)	3 371 299	
Total loans	13 813 996	(426 690)	13 387 306	3.1%

Loans and receivables individually reviewed for impairment as at December 31, 2015 are as follows:

	Gross Loans	Provision for impairment	Net Loans	Impairment provision towards gross loans
<i>Loans and receivables individually reviewed for impairment</i>				
Loans to legal entities				
pass loans	3 191	-	3 191	0.0%
requiring control loans	10 384 311	(283 949)	10 100 362	2.7%
sub-prime loans	728 872	(153 054)	575 818	21.0%
loss-making loans	2 350	(2 350)	-	100.0%
Total loans to legal entities	11 118 724	(439 353)	10 679 371	4.0%
Total loans and receivables individually reviewed for impairment	11 118 724	(439 353)	10 679 371	
<i>Loans and receivables aggregate reviewed for impairment</i>				
Loans to legal entities				
pass loans	8 513 911	-	8 513 911	0.0%
Total loans and receivables aggregate reviewed for impairment	8 513 911	-	8 513 911	
Total loans	19 632 635	(439 353)	19 193 282	2.2%

Credit quality of loans and receivables is presented sectioned into the following categories:

Pass – reserve requirement 0% to 2%;

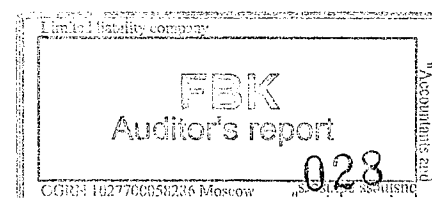
Requiring control – reserve requirement 2% to 20%;

Sub-prime – reserve requirement 20% to 50%;

Doubtful – reserve requirement 50% to 100%;

Loss-making – reserve requirement 100 to 100%.

Reserve requirements are a part of provision for impairment of the total amount of the loan portfolio for this group of loans with similar credit risk characteristics or share of provision for impairment of the total loan amount estimated on the individual basis.



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While considering whether a loan may be impaired, the Bank pays careful attention to the substantial factors such as presence or absence of past due payments and possibilities to sell collateral if there's any. The category "loans requiring control" includes loans issued to customers the information of financial condition of whom is absent or improper. The depreciation was measured individually at interest rates calculated by blue chip Russian banks.

During 2016 the part of loans depreciated as at 31 December 2015 were repaid. As at 31 December 2016 the Bank estimated the loan portfolio with account to impact of industrial, operational and interest rate risks. According to the calculations the amount of provisions for possible losses decreased by 3% (against 2015).

Interest rates, maturities and geographical concentration of loans and receivables to customers are analyzed in Note 25. Information on related party transactions is given in Note 29.

For information on fair value of loans and receivables to customers refer to Note 28.

15 Held-to-maturity financial assets

	December 31, 2016	December 31, 2015
<i>Debt securities</i>		
Bonded loans of RF	630 638	602 047
Corporate bonds	-	99 782
Debt securities of other banks	1 088 401	1 410 914
Total debt securities before provision for impairment	1 719 039	2 112 743
Total held-to-maturity financial assets	1 719 039	2 112 743

During at 2016 the Bank did not allocate funds in held-to-maturity financial assets at rates below market rates.

During the whole period of operation the Bank has invested temporarily free funds in highly liquid government bonds and bonds of the blue chip corporations and banks of the quotation list "A". As at 31 December 2016 the Bank sold corporate bonds.

Interest rates, maturities and geographical concentration of held-to-maturity financial assets are analyzed in Note 25. Information on related party transactions is given in Note 29.

For information on fair value of held-to-maturity financial assets refer to Note 28.

Information on reclassification of financial assets is given in Note 3 "Basis for presentation".

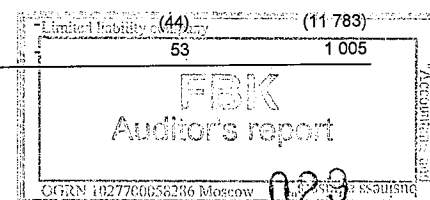
16 Property and equipment and intangible assets

The value of property and equipment and intangible assets in 2016 is as follows:

	Office equipment	Motor vehicles	Investments	Lease	Intangible assets	Furniture and other implements	Total property and equipment and intangible assets
Carrying amount as at 1 January 2016	13 435	-	-	-	-	64	13 499
<i>Value (or estimate)</i>							
Value (or estimate) as at 1 January 2016	40 301	1 308	-	-	-	1 071	42 680
Additions	33 900	4 414	-	-	13 261	2 783	54 358
Disposals	(1 371)	-	-	-	-	(30)	(1 401)
Value (or estimate) as at 31 December 2016	72 830	5 722	-	-	13 261	3 824	95 637
<i>Cumulative depreciation</i>							
Cumulative depreciation as at 1 January 2016	(26 866)	(1 308)	-	-	-	(1 007)	(29 181)
Depreciation charge	(4 925)	(29)	-	-	(2 400)	(54)	(7 408)
Disposals	1 371	-	-	-	-	30	1 401
Cumulative depreciation as at 31 December 2016	(30 420)	(1 337)	-	-	(2 400)	(1 031)	(35 188)
Carrying amount as at 31 December 2016	42 410	4 385	-	-	10 861	2 793	60 449

The value of property and equipment and intangible assets in 2015 is as follows:

	Office equipment	Motor vehicles	Investments	Lease	Intangible assets	Furniture and other implements	Total property and equipment and intangible assets
Carrying amount as at 1 January 2015	17 515	-	-	-	-	64	17 579
<i>Value (or estimate)</i>							
Value (or estimate) as at 1 January 2015	34 185	1 308	-	-	-	1 125	36 618
Additions	7 068	-	-	-	-	-	7 068
Disposals	(952)	-	-	-	-	(54)	(1 006)
Value (or estimate) as at 31 December 2015	40 301	1 308	-	-	-	1 071	42 680
<i>Cumulative depreciation</i>							
Cumulative depreciation as at 1 January 2015	(16 079)	(1 308)	-	-	-	(1 016)	(18 403)
Depreciation charge	(11 739)	-	-	-	-	(44)	(11 783)
Disposals	952	-	-	-	-	53	1 005



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Cumulative depreciation as at 31 December 2015	(26 866)	(1 308)	-	-	-	(1 007)	(29 181)
Carrying amount as at 31 December 2015	13 435	-	-	-	-	64	13 499

17 Other assets

	December 31, 2016	December 31, 2015
Prepaid expenses, advances, excess payments	25 315	149 441
Current income tax requirements	39 678	-
Other	4 791	463
Provision for impairment	(8 892)	(4 513)
Total other assets	60 892	145 391

Interest rates, maturities and geographical concentration of other assets are analyzed in Note 25. Information on related party transactions is given in Note 29.

18 Due to financial institutions

	December 31, 2016	December 31, 2015
Correspondent accounts and overnight deposits of other banks	10 521 513	13 215 145
Term loans and deposits of other banks	6 142 385	5 949 657
Total due to financial institutions	16 663 898	19 164 802

During 2016 the Bank did not raise funds of financial institutions at rates above market.

For information on fair value of due to financial institutions refer to Note 28.

Interest rates, maturities and geographical concentration of due to financial institutions are analyzed in Note 25. Information on related party transactions is given in Note 29.

19 Средства клиентов

	December 31, 2016	December 31, 2015
<i>Accounts of private entities</i>		
Current and settlement accounts	10 067 799	14 758 738
Term deposits	14 424 429	27 973 027
Total accounts of private entities	24 492 228	42 731 765
<i>Individual accounts</i>		
Current accounts and demand deposits	4 196	170
Total individual accounts	4 196	170
<i>Other customer accounts</i>		
Other customer accounts	1 016	26
Total other customer accounts	1 016	26
Total customer accounts	24 497 440	42 731 961

State and public organizations do not include state-owned commercial enterprises.

The Bank does not attract term individuals' deposits. As at December 31, 2015 item "Individual accounts" comprises settlement accounts of individual entrepreneurs.

Over the whole period of operation the Bank's data base has been quite stable and is based on Russian representatives of Chinese commercial and state-owned companies. Russian customers of the Bank include blue chip energy providers as well as trade companies attributed to the category "medium and small scale business".

During 2016 the Bank did not raise customer accounts at rates above market.

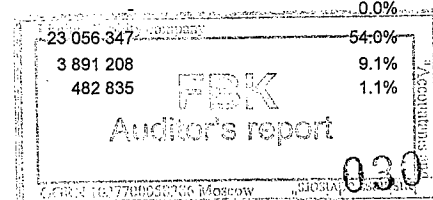
In customer accounts 63,7% is funds placed on term deposits for the period from 3 to 6 months (2015: 86,5%), 33,4% is funds "on demand" and "less than 1 month" (2015: 11,0%). The cost of resources attracted from legal entities and individuals - individual entrepreneurs is the major part of all interest expenses of the Bank and equals 67,3% as at 31 December 2016. In 2015, funds of the category "current and settlement accounts" comprise liabilities of the Bank on outstanding payments including category "cross-border payments" in the amount of RUB 60 012 K. Delay in payment of customers is due to technical issues and related to temporary difference between Russia and China.

For information on fair value of customer accounts refer to Note 28.

Interest rates, maturities and geographical concentration of customer accounts are analyzed in Note 25. Information on related party transactions is given in Note 29.

Distribution of customer accounts by economic sectors is given below:

	December 31, 2016		December 31, 2015	
	Amount (thousand rubles)	%	Amount (thousand rubles)	%
Trade and services	11 874 599	48.5%	13 094 220	30.6%
Industry	311 903	1.3%	1 790 027	4.2%
State and municipal organizations	173 530	0.7%	301 458	0.7%
Oil and gas and chemical industry	1 499 560	6.1%	54 012	0.1%
Electric power industry	12 130	0.0%		0.0%
Construction	6 869 100	28.0%	23 056 347	54.0%
Communication and telecommunications	2 763 020	11.3%	3 891 208	9.1%
Financing and investing	341 633	1.4%	482 835	1.1%



As at 31 December 2016 the Bank have 1 customer with balances more than 15% of all funds of legal entities.

Other liabilities include non-financial liabilities only.

21 Subordinated loans

The loan in the amount of USD 50 000 K was granted in October 2013, it has been extended for a ten year term with the maturity in 2023. The agreement stipulates a variable interest rate set on the basis of 6M Libor+1,3%. According to the loan agreement the subordinated debt is converted into equity shares of the Bank in cases stated in the regulations of the Bank of Russia.

The par value of each ordinary share is RUB 25 K per share. Each share represents one vote.

23 Retained earnings / accumulated deficit

The table below presents the effect of these adjustments on the equity, particularly on profit or loss, in the reporting period.

The effect of adjustments on figures in financial statements as at December 31, 2016 is as follows.

The effect of adjustments on figures in financial statements as at December 31, 2015 is as follows.

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	December 31, 2016		December 31, 2015	
	Equity net of profit / (loss) for the reporting period	Profit / (Loss) for the reporting period	Equity net of profit / (loss) for the reporting period	Profit / (Loss) for the reporting period
Value in compliance with Russian legislation and requirements of supervisory authority, the Bank of Russia	4 484 781	1 318 920	3 165 625	1 319 156
Recovery of provisions for impairment in accordance with the requirements of the Russian legislation	156 271	97 250	61 985	94 285
Impairment of interest bearing assets	(438 353)	12 663	(47 057)	(391 296)
Other provisions and estimated liabilities	(4 499)	2 980	(116)	(4 383)
Deferred taxes	214 208	(214 208)	(2 834)	217 042
Depreciation of property and equipment	(12 741)	1 839	(11 703)	(1 038)
Interest income and expense	3 191	(3 191)	-	3 191
Operating income and expense	(6 883)	9 343	(1 578)	(5 305)
Value in accordance with IFRS	4 395 975	1 225 596	3 164 322	1 231 652

In compliance with legislation of the Russian Federation, accumulated retained earnings as per accounting reports of the Bank prepared in accordance with Russian Accounting Standards may be distributed to its shareholders as dividends. As at December 31, 2016, retained earnings of previous years and unused profit for the reporting period amount to RUB 2 066 517 K (2015: RUB 856 319 K).

24 Analysis by segment

The Bank does not make disclosures in accordance with IFRS 8 Operating Segments while its debt and equity securities are not publicly traded in money markets and Bank is not issuing such financial instruments in a public securities market.

25 Risk Management

The Bank manages the following financial risks:

- Credit risk
- Liquidity risk
- Geographical risk
- Market risk
 - Interest rate risk
 - Currency risk
 - Equity risk
- Operational risk
- Legal risk

The principal task of financial risk management is to establish and to ensure further adherence to risk limits. The assessment of assumes risk also form the basis for optimal allocation of capital, taking into account risks, formation of pricing for transactions and measurement of performance. Operational and legal risk management shall ensure proper adherence to internal regulations and procedures to minimize operational and legal risks.

The priority is to ensure the maximum soundness of assets and capital through minimization of exposure to risks that may result in unexpected losses. All risks that may adversely affect the Bank's meeting its objectives are recognised and measured on a regular basis. This approach applies to all risks assumed by the Bank in the course of its business (credit risk, liquidity risk, operational risk, market risk, legal risk, country risk, reputational risk, strategy risk).

The Bank's risks are mainly concentrated in transactions that make a major contribution to its financial result, namely: lending to legal entities, trade financing of export-import operations, and transactions in the securities and currency markets. With high growth rates, the Banks traditionally follows solidity and farseeing principles. The complete independence in risk assessment and management is based on the Bank's corporate structure where Risk Management Department is separated from business departments that initiate risk-taking and reports directly to President of the Bank.

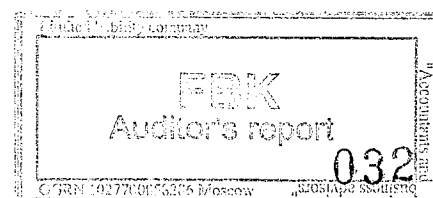
The key strategic objective of the Bank is to ensure high sustainability and maintain its profit at the level allowing development of the Bank and to withdraw from activities with high risk.

- Credit risk

The Bank is exposed to credit risk, which is a risk of a counterparty being unable to meet its credit obligations in whole when due. The Bank manages credit risk by setting exposure limits for individual borrowers and groups of related borrowers. Credit risk is monitored on a regular basis, with review of exposure limits at least once a year. Exposure limits in relation to products and borrowers are approved by the Bank Board. Risks related with borrowers, including banks and brokers, are also restricted by limits that cover balance sheet and off-balance-sheet risks, and daily settlement risk limits for deliveries in relation to trade instruments such as forward exchange contracts. Actual adherence to the established limits on accepted risks is monitored on a day-to-day basis.

The Bank's risk management system includes:

- diversification of the Bank's loan portfolio and investments;
- preliminary analysis of a borrower's creditworthiness (the Bank validates the borrower's credit history, examine the borrower's reputation, analyses financing and operating activities, explores whether the borrower is able to redeem a debt, analyses security for credit and other possible factors);
- creation of provisions for the Bank's credit risk on the basis of the preliminary analysis;
- control over loans provided earlier;
- setting the maximum credit risk;



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- setting limits to powers of the Bank's collective bodies and officials;
- delineation of responsibilities between employees, etc.

To manage credit risk, the Bank has established the Credit Committee which is responsible for consideration and approval credit limits for borrowers. Meetings of the Credit Committee are regular.

The Bank closely monitors the concentration of large credit risk exposure and compliance with prudential requirements of the Bank of Russia, analysis and forecast of credit risks that are presently treated as acceptable.

The Bank closely monitors the concentration of large credit risk exposure and compliance with prudential requirements of the Bank of Russia, analysis and forecast of credit risks that are presently treated as acceptable.

The monitoring system for loan and equal indebtedness permits early detection of distressed asset and immediate measures to mitigate credit risks.

The Bank monitors credit risk concentration by industries and geographic regions. Credit risk concentration related with loans is analyzed in Note 14.

– Liquidity risk

Liquidity risk is defined as the risk of mismatch between the maturities of assets and liabilities.

The liquidity is assessed depending on:

- the amount of assets available to the Bank and possible term of disposal of these assets without significant loss for the Bank;
- outstanding liabilities, time to their maturity and time-history of the amount of liabilities.

A position is treated as a risk position when liquid assets of the Bank and expected financial resources are not sufficient for the Bank to perform its obligations within a certain period of time.

Instant (quick) liquidity is the ratio of claims to obligations of the Bank to be settled throughout the current day. Short-term, medium-term and long-term liquidity is the ratio of claims to obligations of the Bank to be settled within established periods of time

Liquidity risk is regulated by controlling shortage/excess of monetary resources, allocation and re-allocation of monetary resources by instruments and their investment terms, liquidity and rate of return.

The system of liquidity analysis is based on maturity gap between claims (assets) and obligations (liabilities) of the Bank which requires daily measurement of liquidity excess (shortage) indices and coefficients in accordance with instructions of the Bank of Russia.

The Board of the Bank set limits on liquidity excess/shortage by the term of obtaining and repayment of funds that allows efficient allocation of the Bank's assets by maturity with low risk. The Bank's liquidity analysis involves adherence to these limits, analysis of their absolute values and dynamics, and also comparison of these values with the limits set in the Bank.

Liquidity risk management includes the following:

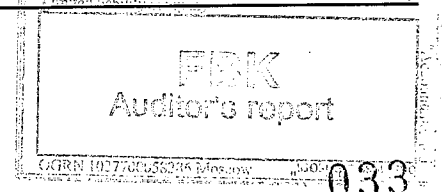
- forecasting of payment flows by main currencies and determination of required amount of liquid assets;
- monitoring and forecasting of liquidity ratios;
- maintenance of diversified resource sources;
- planning of loan indebtedness repayment depending on availability of funds and maintenance of liquidity risk at acceptable level;
- planning for recovery of required liquidity position under unfavourable or critical circumstances;
- re-allocation of assets by maturity (provision of short-term, medium-term and long-term loans, performing speculative and investing operations at the securities market, redefinition of open foreign-currency position transferable to the next day).

The Bank's liquidity management requires the determination of what amount of liquid assets is necessary to settle liabilities at their maturity, access to various sources of financing, plans of action in case of problems with financing and monitoring whether balance sheet liquidity ratios comply with requirements of legislation of the Russian Federation.

The Bank measures liquidity ratio on a daily basis in compliance with requirements of the Bank of Russia. During the reporting year, the Bank did not commit any non-compliance with the established liquidity requirements.

The carrying values of financial instruments sectioned by expected maturity terms as of 31 December 2016 are presented in the table below:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 12 months	Non-stated maturity	Total
ASSETS						
Cash and cash equivalents	9 471 615	-	-	-	-	9 471 615
Mandatory cash balances with the Bank of Russia	776 622	-	-	-	-	776 622
Financial assets at fair value through profit or loss	-	-	-	2 989	-	2 989
Due from financial institutions	16 791 747	4 003 130	3 660 815	-	-	24 455 692
Loans and advances to customers	773 575	-	3 672 944	8 940 787	-	13 387 306
Deferred tax asset	-	-	47 755	1 671 284	-	1 719 039
Property and equipment and intangible assets	-	-	-	60 449	-	60 449
Other assets	441	653	42 214	17 584	-	60 892
Total assets	27 814 000	4 003 783	7 423 728	10 693 092	-	49 934 604



LIABILITIES

Due to financial institutions	13 423 300	121 314	-	3 119 284	-	16 663 898
Customer accounts other than individual accounts	14 889 911	9 186 696	303 374	113 263	-	24 493 244
Individual accounts	4 196	-	-	-	-	4 196
Other liabilities and provisions	32 332	-	3 950	69 637	-	105 919
Subordinated loans	-	-	-	3 045 776	-	3 045 776
Total liabilities	28 349 739	9 308 010	307 324	6 347 960	-	44 313 033
Net balance sheet position at December 31, 2016	(535 739)	(5 304 227)	7 116 404	4 345 132	-	5 621 571
Net balance sheet position on accrual basis at December 31, 2016	(535 739)	(5 839 966)	1 276 438	5 621 570		

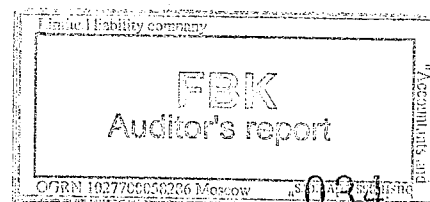
The carrying values of financial instruments sectioned by expected maturity terms as of 31 December 2015 are presented in the table below:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 12 months	Non-stated maturity	Total
ASSETS						
Cash and cash equivalents	21 178 325	-	-	-	-	21 178 325
Mandatory cash balances with the Bank of Russia	390 558	-	-	-	-	390 558
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Due from financial institutions	12 078 912	10 676 473	3 817 371	190 797	-	26 763 553
Loans and advances to customers	-	198 571	5 126 802	13 867 909	-	19 193 282
Held-to-maturity financial assets	-	-	-	2 112 743	-	2 112 743
Deferred tax asset	214 089	-	-	-	-	214 089
Property and equipment and intangible assets	-	-	-	13 499	-	13 499
Other assets	5 270	84 646	37 883	17 592	-	145 391
Total assets	33 867 154	10 959 690	8 982 056	16 202 539	-	70 011 440
LIABILITIES						
Due to financial institutions	13 315 145	-	3 603 697	2 245 960	-	19 164 802
Customer accounts	17 821 564	24 191 527	306 412	412 285	-	42 731 788
Individual accounts	170	-	-	-	-	170
Other liabilities and provisions	62 876	-	-	-	-	62 876
Subordinated loans	-	-	-	3 655 829	-	3 655 829
Total liabilities	31 199 755	24 191 527	3 910 109	6 314 074	-	65 615 465
Net balance sheet position at December 31, 2015	2 667 399	(13 231 837)	5 071 947	9 888 465	-	4 395 975
Net balance sheet position on accrual basis at December 31, 2015	2 667 399	(10 564 438)	(5 492 491)	4 395 975		

The table below shows liabilities as at December 31, 2016 broken down by contractual time to maturity. The presented amounts reflect contractual undiscounted cash flows, and also total financial leasing liabilities (before future payments), prices specified in currency forward contract for cash purchase of financial assets, contractual amounts redeemable in exchange swaps the settlement under which is made on a gross basis. These undiscounted cash flows differ from figures in the balance sheet while the latter is based on discounted cash flows.

As a rule, the difference from the carrying amount is increased potential costs for borrowings in accordance with terms and conditions of contracts in force at the settlement date till the end of their realization.

When the amount payable is not fixed, the amount in the table is calculated depending on conditions existing at the end of the reporting period. Currency payments are restated with spot foreign exchange rate effective at the end of the reporting period.



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The analysis of financial liabilities by maturity as at December 31, 2016 is given in the table below:

	At call and within one month	1 to 6 months	6 to 12 months	After 12 months	Total
LIABILITIES					
Due to financial institutions	13 423 300	121 314	-	3 119 284	16 663 898
Customer accounts other than individual accounts	14 889 911	9 186 696	303 374	113 263	24 493 244
Individual accounts	4 196	-	-	-	4 196
Other liabilities and provisions	32 332	-	3 950	69 637	105 919
Subordinated loans	-	-	-	3 045 776	3 045 776
Guarantees issued	-	-	-	2 531 236	2 531 236
Undrawn credit lines and overdraft limits	-	-	-	1 745 648	1 745 648
Total potential future payments on financial liabilities	28 349 739	9 308 010	307 324	10 624 844	48 589 917

The analysis of financial liabilities by maturity as at December 31, 2015 is given in the table below:

	At call and within one month	1 to 6 months	6 to 12 months	After 12 months	Total
LIABILITIES					
Due to financial institutions	13 332 123	84 323	3 430 533	2 481 017	19 327 996
Customer accounts other than individual accounts	6 456 092	11 574 268	23 982 624	718 806	42 731 788
Individual accounts	-	170	-	-	170
Deferred tax liability	-	-	-	-	-
Other liabilities and provisions	12 631	50 245	-	-	62 876
Subordinated loans	-	-	-	3 655 829	3 655 829
Financial guarantees recorded in the financial statements when the event of loss occurs	-	-	-	4 028 832	4 028 832
Undrawn credit lines and overdraft limits	-	-	-	1 353 658	1 353 658
Total potential future payments on financial liabilities	19 800 846	11 709 006	27 413 155	12 238 142	71 161 149

- Geographical risk

Assets and liabilities are (normally) classified by the country of residence of counterparty.

The geographical analysis of assets and liabilities of the Bank as at December 31, 2016 is given below:

	Russia	OECD	Southeast Asia	Other countries	Total
ASSETS					
Cash and cash equivalents	2 738 254	299	6 733 062	-	9 471 615
Mandatory cash balances with the Bank of Russia	776 622	-	-	-	776 622
Financial assets at fair value through profit or loss	-	-	2 989	-	2 989
Due from financial institutions	19 535 783	-	4 919 909	-	24 455 692
Loans and receivables	7 027 233	-	3 371 235	2 988 838	13 387 307
Held-to-maturity financial assets	630 646	-	1 088 393	-	1 719 039
Property and equipment and intangible assets	60 449	-	-	-	60 449
Other assets	60 892	-	-	-	60 892
Total assets	30 829 879	299	16 115 588	2 988 838	49 934 606
LIABILITIES					
Due to financial institutions	4 425 302	1 328 239	10 696 915	213 442	16 663 898
Customer accounts other than individual accounts	23 521 713	107 552	633 552	230 427	24 493 244
Individual accounts	4 196	-	-	-	4 196
Deferred tax liability	-	-	-	-	-
Other liabilities and provisions	105 919	-	-	-	105 919
Subordinated loans	-	-	3 045 776	-	3 045 776
Total liabilities	28 057 130	1 435 791	14 376 243	443 869	44 313 034
Net balance	2 772 749	(1 435 492)	1 739 345	2 544 969	5 621 572

The geographical analysis of assets and liabilities of the Bank as at December 31, 2015 is given below:

	Russia	OECD	Southeast Asia	Other countries	Total
ASSETS					
Cash and cash equivalents	1 682 722	16 394	16 882 329	2 596 880	21 178 325
Mandatory cash balances with the Bank of Russia	390 558	-	-	-	390 558
Due from financial institutions	22 300 459	-	4 463 094	-	26 763 553
Loans and receivables	9 246 371	-	6 442 066	3 504 845	19 193 282
Held-to-maturity financial assets	701 578	-	1 411 165	-	2 112 743
Выпущенные долговые обязательства	214 089	-	-	-	214 089
Property and equipment and intangible assets	13 499	-	-	-	13 499
Other assets	145 391	-	-	-	145 391
Total assets	34 694 667	16 394	29 198 654	6 101 725	70 011 440
LIABILITIES					
Due to financial institutions	2 449 802	216 127	15 965 574	533 299	19 164 802
Customer accounts other than individual accounts	41 777 558	443 497	510 711	25	42 731 788
Individual accounts	170	-	-	-	170
Deferred tax liability	-	-	-	-	-
Other liabilities and provisions	62 874	-	-	2	62 876
Subordinated loans	-	-	3 655 829	-	3 655 829
Total liabilities	44 290 404	659 621	20 132 114	533 326	65 615 465
Net balance	(9 595 737)	(643 227)	9 066 540	5 568 399	4 395 975

– Market risk

The Bank is exposed to market risk that is the risk of financial losses or decline in the value of assets arising from adverse movements in market prices (foreign exchange rates, prices of precious metals, interest rates). The Bank sets limits on the level of accepted risk and controls adherence to these limits on a daily basis. But this approach cannot entirely prevent from losses which are over the limits in cases of more considerable changes in the market.

Market risk is divided into:

interest rate risk
equity risk
currency risk

The Bank manages market risk in accordance with the market risk management policy. The main aim of the market risk management is to optimize the risk/reward ratio, minimize losses in case of unfavourable events and to reduce the difference between the financial performance and its expected performance.

The Bank assesses market risk both by components and comprehensively and determines market risk concentration and diversification result of diversification.

– Interest rate risk

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

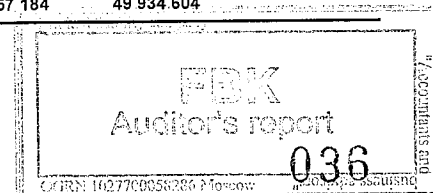
The Bank is exposed to interest rate risk primarily as a result of lending at fixed interest rates, in amounts and for terms which differ from those for borrowings at fixed interest rates.

To manage interest rate risk, the Bank mainly applies the following methods:

- maturity-matching of assets and liabilities;
- gap analysis.

The analysis of the Bank's risk resulting from fluctuations in interest rates as at December 31, 2016 is given below. The table displays assets and liabilities which are exposed to interest rate risk and classified to different time categories by contractual dates of interest rate revision.

	At call and within one month	1 to 6 months	6 to 12 months	After 12 months	Indefinite term / No interest rate risk	Total
ASSETS						
Cash and cash equivalents	9 372 491	-	-	-	99 124	9 471 615
Mandatory cash balances with the Bank of Russia	-	-	-	-	776 622	776 622
Financial assets at fair value through profit or loss	-	-	-	2 989	-	2 989
Due from financial institutions	16 791 747	4 003 130	3 549 849	-	110 966	24 455 692
Loans and receivables	773 575	-	3 672 943	8 910 529	30 259	13 387 306
Held-to-maturity financial assets	-	-	47 755	1 671 284	-	1 719 039
Property and equipment and intangible assets	-	-	-	-	60 449	60 449
Other assets	441	653	43 294	16 504	-	60 892
Total assets	26 938 254	4 003 783	7 313 841	10 601 306	1 077 420	49 934 604
Accrued total assets	26 938 254	30 942 037	38 255 878	48 857 184	49 934 604	



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LIABILITIES						
Due to financial institutions	13 423 300	121 314	-	2 945 855	173 429	16 663 898
Customer accounts other than individual accounts	14 894 107	9 186 696	303 374	103 117	5 950	24 493 244
Individual accounts	4 196	-	-	-	-	4 196
Deferred tax liability	-	-	-	-	-	-
Other liabilities and provisions	32 332	-	1 919	69 637	2 031	105 919
Subordinated loans	-	-	-	3 045 776	-	3 045 776
Total liabilities	28 353 935	9 308 010	305 293	6 164 385	181 410	44 313 033
Accrued total liabilities	28 349 739	37 657 749	37 963 042	44 127 427	44 313 033	
Marginal gap	(1 031 574)	(5 304 227)	6 980 215	4 436 921	540 236	
Gap ratio (cumulative relative gap on accrual basis)	0.96	0.83	1.02	1.12	1.13	
Interest rate sensitivity	(9 886)	(37 572)	17 451			(30 007)

The analysis of the Bank's risk resulting from fluctuations in interest rates as at December 31, 2015 is given below.

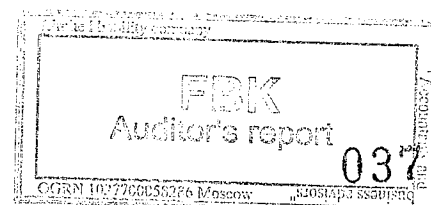
	At call and within one month	1 to 6 months	6 to 12 months	After 12 months	Indefinite term / No interest rate risk	Total
ASSETS						
Cash and cash equivalents	21 178 325	-	-	-	-	21 178 325
Mandatory cash balances with the Bank of Russia	-	-	-	-	390 558	390 558
Due from financial institutions	12 078 912	10 676 473	3 817 371	190 797	-	26 763 553
Loans and receivables	-	198 571	5 126 802	-	13 867 909	19 193 282
Held-to-maturity financial assets	-	-	-	-	2 112 743	2 112 743
Отложенный налоговый актив	-	-	-	-	214 089	214 089
Property and equipment and intangible assets	-	-	-	-	13 499	13 499
Other assets	5 270	93 907	37 883	415	7 916	145 391
Total assets	33 262 507	10 968 951	8 982 056	191 212	16 606 714	70 011 440
Accrued total assets	33 262 507	44 231 458	53 213 514	53 404 726	70 011 440	
LIABILITIES						
Due to financial institutions	13 315 145	-	3 372 870	-	2 476 787	19 164 802
Customer accounts other than individual accounts	17 821 564	24 191 527	306 458	-	412 239	42 731 788
Individual accounts	170	-	-	-	-	170
Deferred tax liability	-	-	-	-	-	-
Other liabilities and provisions	50 245	-	-	-	12 631	62 876
Subordinated loans	-	-	-	3 655 829	-	3 655 829
Total liabilities	31 187 124	24 191 527	3 679 328	3 655 829	2 901 657	65 615 465
Accrued total liabilities	31 187 124	55 378 651	59 057 979	62 713 808	65 615 465	
Marginal gap	2 075 383	(13 222 576)	5 302 728	(3 464 617)	13 705 057	
Gap ratio (cumulative relative gap on accrual basis)	1.07	0.80	0.90	0.85	1.07	
Interest rate sensitivity	19 889	(93 660)	13 257			(60 514)

Sensitivity to fluctuations in interest rates is the effect of a parallel shift in all yield curves of 100 basis points to the amount of net interest income for a year.

- Currency risk

The Bank is exposed to currency risk that is the risk of losses arising from adverse changes in exchange rates on open foreign currency positions.

The Bank sets limits on the level of accepted risk by currency and comprehensively both for the end of each day and throughout the day and controls adherence to these limits on a daily basis.



The tables below provides general analysis of the Bank's currency risk as at the reporting date, December 31, 2016:

	RUB	USD	EUR	CNY	HKD	Total
ASSETS						
Cash and cash equivalents	2 738 248	1 165 712	3 934 619	1 311 504	321 532	9 471 615
Mandatory cash balances with the Bank of Russia	776 622	-	-	-	-	776 622
Financial assets at fair value through profit or loss	2 989	-	-	-	-	2 989
Due from financial institutions	15 262 985	4 352 322	1 957 788	2 881 557	1 040	24 455 692
Loans and receivables	307 239	12 762 268	-	317 798	-	13 387 305
Held-to-maturity financial assets	630 635	-	-	1 088 404	-	1 719 039
Property and equipment and intangible assets	60 449	-	-	-	-	60 449
Other assets	58 280	249	-	2 364	-	60 893
Total assets	19 837 447	18 280 551	5 892 407	5 601 627	322 572	49 934 604
LIABILITIES						
Due to financial institutions	9 232 323	2 891 334	1 223	4 515 493	23 525	16 663 898
Customer accounts other than individual accounts						-
current accounts, demand deposits	1 520 461	7 987 564	155 136	415 703	97	10 078 961
term deposits	3 806 039	9 161 468	-	1 446 776	-	14 414 283
Individual accounts						-
current accounts, demand deposits	4 196	-	-	-	-	4 196
Other liabilities and provisions	105 919	-	-	-	-	105 919
Subordinated loans	-	3 045 776	-	-	-	3 045 776
Total liabilities	14 668 938	23 086 142	156 359	6 377 972	23 622	44 313 033
Net balance	5 168 509	(4 805 591)	5 736 048	(776 345)	298 950	5 621 571

The tables below provides general analysis of the Bank's currency risk as at the reporting date, December 31, 2015:

	RUB	USD	EUR	CNY	HKD	Total
ASSETS						
Cash and cash equivalents	1 653 318	2 991 889	5 939 869	107 654	10 485 595	21 178 325
Mandatory cash balances with the Bank of Russia	390 558	-	-	-	-	390 558
Due from financial institutions	14 922 894	6 482 488	399 016	4 155 754	803 401	26 763 553
Loans and receivables	598 737	13 636 399	-	4 958 146	-	19 193 282
Held-to-maturity financial assets	701 578	-	-	1 411 165	-	2 112 743
Property and equipment and intangible assets	13 499	-	-	-	-	13 499
Other assets	144 424	960	-	7	-	145 391
Total assets	18 425 008	23 325 825	6 338 885	10 632 726	11 288 996	70 011 440
LIABILITIES						
Due to financial institutions	9 321 356	1 184 286	2 888	8 199 771	456 501	19 164 802
Customer accounts other than individual accounts						-
current accounts, demand deposits	1 327 797	7 022 335	6 325 336	83 152	118	14 758 738
term deposits	3 470 887	11 974 028	-	1 580 320	10 947 818	27 973 053
Individual accounts						-
current accounts, demand deposits	170	-	-	-	-	170
Deferred tax liability	-	-	-	-	-	-
Other liabilities and provisions	50 475	1 017	11 383	-	-	62 876
Subordinated loans	-	3 655 829	-	-	-	3 655 829
Total liabilities	14 170 685	23 837 492	6 339 607	9 863 243	11 404 437	65 615 465
Net balance	4 254 323	(511 667)	(722)	769 483	(115 441)	4 395 975

– Equity risk

During the reporting period, the Bank did not conduct transactions with assets that are subject to equity risk.

The Bank assumes equity risk arising from changes in fair value of securities held by the Bank and their quoted market prices. To minimize equity risk, the Bank monitors its liquidity, sets limits on transactions with securities and controls adherence to these limits.



– Operational risk

Operational risk is the risk of losses resulting from inadequacy of internal processes and procedures for banking operations and other transactions to the type and range of the Bank's business and (or) applicable legislation, breaches of them by the Bank's employees and (or) other persons (due to their incompetence, unintended or intended act or omission), disproportionate (insufficient) functionality (characteristics) of information, technological and other systems used by the Bank and (or) their functional failures, and also from external events.

The Bank's operational risk management involves several stages: identification, assessment, monitoring, control and/or minimization of operational risk.

To minimize operational risks, the Bank regularly reviews information security, improves internal normative documents regulating procedures of transactions, optimizes informational flows and internal document workflow

The Bank identifies operational risk on a regular basis. To that effect, the Bank maintains an analytic database of operating losses incurred broken down by activities of the Bank to record types and amounts of losses, and also circumstances under which these losses have been occurred. The Bank also maintains an external database of operational risks that presents realized facts of operational risk in the external environment of the Bank.

– Legal risk

Legal risk is the risk that the Bank may incur losses due to its incompliance with laws and regulations, and concluded contracts, legal errors committed in operating activity, imperfect legal system (inconsistent legislation of the Russian Federation, lack of legal norms to regulate some issues which arise in the course of business of the Bank), violation by counterparties of laws and regulations and terms and conditions of concluded contracts.

The Bank maintains continued ongoing monitoring of changes in Russian and international legislation and timely amends internal instructions and regulations and thus reduces this risk.

26 Capital management

The Bank's capital management is aimed at the following: (i) adherence to capital requirements set by the Bank of Russia and (ii) ensuring the Bank's ability to operate as a going concern.

The Central Bank of the Russian Federation sets the rules of calculation of base capital, key capital and equity of the Bank for the purpose of regulation. At present in accordance with the requirements of the Central Bank of the Russian Federation banks must keep the requirement of relation of base capital value, key capital value and equity value to the value of assets weighed with account to risk higher than the defined minimum level. As of 31 December 2016 the said minimum level for base capital adequacy ratio was 5%, for key capital adequacy ratio - 5.5% and for equity adequacy ratio - 10%.

During 2016 and 2015 the base capital adequacy ratio, the key capital adequacy ratio and equity adequacy ratio were in compliance with the set minimum level. The table below shows regulatory capitals and values of capital adequacy ratios based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	December 31, 2016	December 31, 2015
Value of base capital	4 473 920	3 165 625
Value of key capital	4 473 920	3 165 625
Value of equity (capital)	8 821 646	8 116 644
Base capital adequacy ratio (H1.1), %	10.3	6.7
Key capital adequacy ratio (H1.2), %	10.3	6.7
Equity (capital) adequacy ratio (H1.0), %	20.3	17.1

Control over observation of capital adequacy ratio set by the Bank of Russia is exercised by the credit institution on a daily basis. The credit institution files on a monthly basis to the Bank of Russia the calculations of capital adequacy ratio which are checked and approved by the head and the chief accountant of the credit institution. Other aims of capital management are assessed on a yearly basis.

During 2016 and 2015, the Bank complied with all external capital requirements.

27 Contingent liabilities

In its activities the Bank employs financial instruments with off-balance sheet risks. These instruments bearing credit risk of different size are not accounted for in the consolidated statement of financial position.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received. Based on own assessment and recommendations of internal and external advisors, the management believes that the Bank will not incur any material losses resulting from legal proceedings on such claims and, for this reason, has not created any related provisions.

Tax legislation

The Russian tax legislation primarily considers tax effects of transactions according on the assumption of its legal form and accounting treatment under the Russian accounting rules and regulations. Accordingly, the Bank can structure its transactions so as to take advantage of opportunities of Russian tax legislation to reduce the overall effective tax rate. The Bank's management is confident that this restructuring of taxable income and deductible expenses is unlikely to result in additional tax liabilities. For this reason, no provision for a potential tax liability arising from these transactions has been created by the Bank.

Operating lease commitments

Where the Bank is the lessee, the minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Within one year	77 581	61 213
After 1 year, but no later than 3 years	21 750	30 865
After 3 years	36 265	-
Total operating lease commitments	135 596	92 078



Operating leases include premises lease agreements, i.e. the principal place of location of the Bank. The rent under these agreements is a rent per square meter multiplied by the area of the premises leased.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, i.e. irrevocable undertaking by the Bank to make a payment in the event that a customer fails to perform its obligations to third parties, are exposed to the same risk as loans. Documentary credits, i.e. written undertaking by the Bank on behalf of a customer to pay a specified amount subject to meeting of the stipulated conditions, are secured by goods delivery or cash deposits and therefore exposed to lower risk than direct loans. Credit commitments at a specific rate during a fixed period of time are accounted for as derivative financial instruments unless their maturity exceeds standard lending terms.

The maximum credit risk of the Bank on contingent financial liabilities and liabilities to issue loans in case of non-compliance of its liabilities by the second party and depreciation of all counter claims is similar to the cost of these instruments given in the agreement.

When the Bank assumes off-balance sheet liabilities it uses the same approach to control and risk management as it does for transactions accounted for on the balance sheet.

The Bank recognizes provisions for credit related commitments if losses on such commitments are highly probable.

As at December 31, 2016 and December 31, 2015 credit related liabilities of the Bank were as follows:

	December 31, 2016	December 31, 2015
Undrawn credit lines and overdraft limits	4 551 479	1 353 658
Letters of credit	1 459 606	-
Guarantees issued	1 745 648	4 028 832
Total credit related commitments	7 756 733	5 382 490

As at 31 December 2016 contingent assets comprise: a. mandatory reserves in the amount of RUB 425 045 thousand (2015: RUB 390 558 thousand) are funds with the Bank of Russia and are not intended to finance day-to-day operations of the Bank; b) a security deposit of the operator of the payment system which is not a nationally significant payment system in the amount of RUB 351 577 thousand.

28 Fair value of financial instruments

Fair value of an asset is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is given by quoted price in the market for the financial instrument.

The Bank determined the estimated fair value of financial instrument on the basis of available market data (if available) and proper valuation techniques. Professional judgments are however required to interpret market data to determine the estimated fair value. Notwithstanding the Russian Federation is rated investment grade, it continues to display some characteristic of an emerging economy and economic environment continues to limit the level of activity in financial markets. Market quotations may be outdated or reflect low sale cost and, in view of this, misrepresent fair value of financial instruments. Management has used all available market data in measuring the fair value of financial instruments.

Financial instruments at fair value

Trading securities and other securities changes in fair value of which are recognised in the income statement, available-for-sale financial assets are reported at fair value. The fair value is based on the quoted market prices. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Due from financial institutions

In the Bank's opinion, the fair value of due from financial institutions did not significantly differ from their carrying amount. It is explained by the existent practice when interest rate is restated in order to reflect current market conditions. Interest for most balances is based on rates similar to market ones.

Loans and receivables

The fair value of floating rate instruments is normally their carrying amount. In case of significant changes in the market environment, the Bank can review interest rates on fixed rate loans to customers and deposits with other banks. As a consequence, interest rates on loans made prior to the reporting date do not significantly differ from effective interest rates in the loan market for new instruments with similar credit risks and remaining maturities. If the Bank estimates that rates on loans made in earlier periods significantly differ from effective interest rates for similar instruments at the reporting date, the estimated fair value of such loans shall be measured. The measurement is based on expected cash flows discounted at effective interest rates in the loan market for new instruments with similar credit risks and remaining maturities. The discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty.

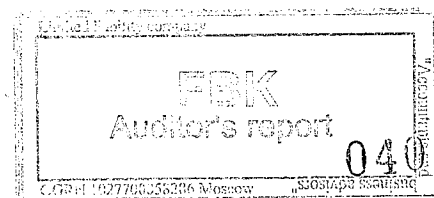
Held-to-maturity financial assets

The fair value of held-to-maturity financial assets is based on market quotations.

The Bank measures the fair value of other financial assets, including trade and business receivables that is equal to the carrying amount taking into account that the indebtedness is short-term.

Liabilities at amortised cost

The fair value of liabilities at amortised cost is based on quoted market prices, if available. The estimated fair value of fixed rate instruments with a stated maturity, for which quoted market prices are not available, is based on expected cash flows discounted at interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.



The fair value of financial instruments is as follows:

	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
<i>Financial assets at fair value</i>				
Financial assets at fair value through profit or loss	2 989	2 989	-	-
<i>Financial assets at amortised cost</i>				
Cash and cash equivalents	9 471 615	9 471 615	21 178 325	21 178 325
Mandatory cash balances with the Bank of Russia	776 622	776 622	390 558	390 558
Due from financial institutions	24 455 692	24 455 692	26 763 553	26 763 553
Loans and receivables	13 387 305	13 387 305	19 193 282	18 172 397
Held-to-maturity financial assets	1 719 039	1 719 039	2 112 743	2 112 492
Other assets	60 892	60 892	145 391	154 652
Total financial assets	49 874 154	49 874 154	69 783 852	68 771 977
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Due to financial institutions	16 663 898	16 663 898	19 164 802	18 933 975
Customer accounts	24 497 440	24 497 440	42 731 961	42 731 981
Other liabilities and provisions	105 919	105 919	62 876	50 157
Subordinated loans	3 045 776	3 045 776	3 655 829	3 655 829
Total liabilities	44 313 033	44 313 033	65 615 468	65 371 942

29 Related party transactions

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

During the reporting period, the Bank actively worked with its parent company, Industrial and Commercial Bank of China Limited, a shareholder of the Bank, and also with its branches and subsidiaries in the market of interbank lending, trade financing and foreign currency purchase and sale transactions (including CNY/RUB).

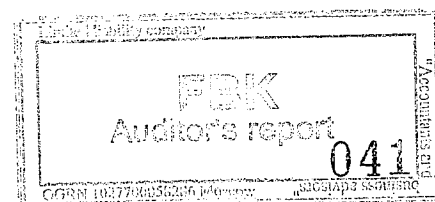
As at December 31, 2016, the Bank's related parties include:

Principal shareholders

Name	Activity	Relations	Until the date in the current period
Industrial and Commercial Bank of China Limited – ICBC	Financing and investing	shareholder, 100%	

Key managers of the Bank

Name	Activity	Function	Until the date in the current period
Song Yang	President	management	February 15, 2016
Li Wencong	President	management	until now
Lang Weijie	Vice President	management	until now
Igor G. Titlin	Vice President	management	until now
Natalia V. Kuz'mina	Chief Accountant	management	until now
Wang Gang	Vice President	management	until now



Other related parties of the Bank

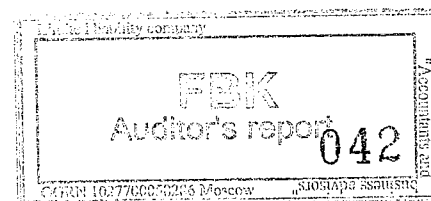
Name	Activity	Function	Until the date in the current period
ICBC BEIJING MUNICIPAL BRANCH	Financing and investing	subsidiary of the parent company	
ICBC-SHENZHEN	Financing and investing	subsidiary of the parent company	
ICBC-ASIA, HONGKONG	Financing and investing	subsidiary of the parent company	
ICBC-NEW YORK	Financing and investing	subsidiary of the parent company	
ICBC Singapore Branch	Financing and investing	subsidiary of the parent company	
ICBC-LONDON	Financing and investing	subsidiary of the parent company	
ICBC HEILONGJIANG BRANCH	Financing and investing	subsidiary of the parent company	
ICBC SUZHOU CITY BRANCH	Financing and investing	subsidiary of the parent company	
ICBC HONGKONG BR	Financing and investing	subsidiary of the parent company	
ICBC FRANKFURT	Financing and investing	subsidiary of the parent company	
ICBC SEOUL	Financing and investing	subsidiary of the parent company	
ICBC Penh BR	Financing and investing	subsidiary of the parent company	
ICBC LIAONING BRANCH	Financing and investing	subsidiary of the parent company	
ICBC SI CHUAN BRANCH	Financing and investing	subsidiary of the parent company	
ICBC LUXEMBOURG	Financing and investing	subsidiary of the parent company	
ICBC Fujian Branch	Financing and investing	subsidiary of the parent company	
ICBC STANDARD BANK PLC	Financing and investing	subsidiary of the parent company	
ICBC MACAU (saving)	Financing and investing	subsidiary of the parent company	
ICBC LISHUI BRANCH	Financing and investing	subsidiary of the parent company	
ICBC KARACHI BR	Financing and investing	subsidiary of the parent company	
ICBC SYDNEY	Financing and investing	subsidiary of the parent company	
ICBC INDONESIA	Financing and investing	subsidiary of the parent company	
ICBC DOHA Br	Financing and investing	branch	

Related party transactions were conducted at market rates, unless otherwise stated. Ending balances, items of income or expenses associated with related party transactions for the year are as follows.

Principal shareholders

Items of assets and liabilities associated with related parties transactions that are single shareholder for 2016 and 2015 are as follows:

Principal shareholder	December 31, 2016		December 31, 2015	
	Characteristics of assets and liabilities (rate, ownership interest)	Carrying amount	Characteristics of assets and liabilities (rate, ownership interest)	Carrying amount
ASSETS				
Cash and cash equivalents	balance of correspondent accounts	175 900	balance of correspondent accounts	402 392
Total assets		175 900		402 392
LIABILITIES				
Due to financial institutions	loans issued and deposits placed by non-resident banks	8 951 310	loans issued and deposits placed by non-resident banks	10 350 731
Subordinated loans		3 045 776		3 655 829
Total liabilities		11 997 086		14 006 560



Items of income and expenses associated with related parties transactions that are principal shareholders for 2016 and 2015 are as follows:

	2016	2015
Interest income	951	529
Interest expense	71 706	61 495
Income less expense from foreign currency transactions	66 972	(538 424)
Commission income	154	294
Commission expense	53	52
Income (expenses) from operations with derivative financial instruments	(2 085)	-
Operating expenses	203	-
The financial result of transactions with a principal shareholder	137 954	(476 054)

Other related parties of the Bank

Items of assets and liabilities associated with related parties transactions that are other related parties for 2016 and 2015 are as follows.

	December 31, 2016		December 31, 2015	
	Characteristics of assets and liabilities (rate, ownership interest)	Carrying amount	Characteristics of assets and liabilities (rate, ownership interest)	Carrying amount
ASSETS				
Cash and cash equivalents		-		19 092 284
Financial assets at fair value through profit or loss		4 294		-
Due from financial institutions		6 773 406		-
Loans and receivables		698 443		-
Total assets		7 476 143		19 092 284
LIABILITIES				
Financial liabilities at fair value through profit or loss		1 305		-
Due to financial institutions		3 116 921		5 614 900
Other liabilities and provisions		-		-
Total liabilities		3 118 226		5 614 900

Items of income and expenses associated with related parties transactions that are Indirect subsidiaries for 2016 and 2015 are as follows.

	2016	2015
Interest income	25 625	28 194
Interest expense	187 841	179 725
Income less expense from foreign currency transactions	(4 210)	1 439 552
Commission income	1 911	-
Commission expense	760	547
The financial result of transactions with other related parties	211 927	1 648 018

	December 31, 2016	December 31, 2015
Guarantees issued	804 761	840 388

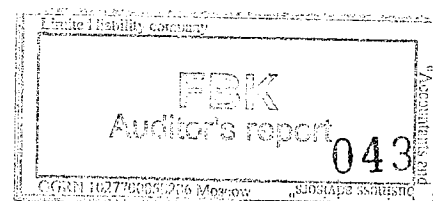
Key managers of the Bank

During 2016 the managing personnel of the Bank conducted neither credit nor deposit operations.

The amount of remuneration to key managers for 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Salary and other short-term remunerations	66 994	67 039
Other long-term remunerations	-	272

Item "Other long-term remunerations" is compensation pay-outs in the amount of cost of policies of voluntary medical insurance.



30 Estimates and assumptions impact on recognized assets and liabilities

The Bank carries out estimates and assumptions having an impact on recognized amounts of assets and liabilities during the following financial year. Estimates and judgements are accepted and based on historic experience and other factors, including expectations of future events which may arise under certain circumstances. Management of the Bank takes decisions with account to all the estimates and assumptions.

31 Subsequent events

These financial statements reflect all the events of 2016. After the reporting date from January 1, 2017 till the date these financial statements were signed by the Bank of Russia an additional issue of shares of Joint Stock Company ICBC was registered. As a result of the additional issue of shares the share capital increased from RUB 2 309 500 thousand to RUB 10 809 300 thousand.

Approved for release and signed on behalf of the Board of the Bank on April 28, 2017

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President

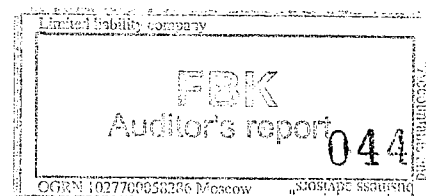


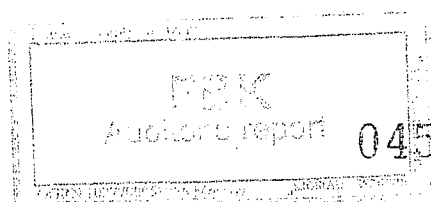
Li Wencong

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Chief Accountant

Kuz'mina Natalia Viktorovna





Numbered and stitched
up in total 45 pages
President of FBI, Grant Thornton

Head of audit

