VW Bank RUS (LLC)

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2017

Contents

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Independent Auditor's Report

To the Participants and Supervisory Board of LLC Volkswagen Bank RUS:

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LLC Volkswagen Bank RUS (the "Bank") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of the Bank comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include principal accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the [Bank] [Group] in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the [consolidated] financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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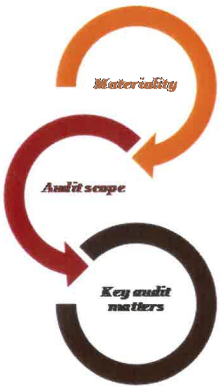
Our audit approach

Overview



- Overall materiality: Russian Roubles 76,700 thousand (2016: Russian Roubles 83,590 thousand), which represents 5% of profit before tax.
- We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.
- Impairment provision for loans and advances to individual customers.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	Russian Roubles 76,700 thousand (2016: Russian Roubles 83,590 thousand).
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of loans and advances to individual customers	
We focused on the matter due to the materiality of the portfolio of loans and advances to individual customer, and material professional judgements and estimates required to calculate the respective provision. The provision represents the best estimate by management of losses incurred on loans and advances to individual customers as of the reporting date. Collective provisions are set up for loans issued to individuals. Collective provisions are calculated collectively and imply the use of loan modelling based on significant unobservable source data and such factors as internal rating assignment and monitoring system and on probability of default and expected loss assumptions. The source data used in the model represent professional judgement by the Bank Management. Note 3 "Summary of Significant Accounting Policies", Note 4 "Critical Accounting Estimates and Professional Judgements in Applying Accounting Policies" and Note 8 "Loans and Advances to Customers" included in the financial statements provide for detailed information on the provisions for impairment of loans and advances to customers.	We assessed the methodology for its compliance with the requirements of IFRS. We assessed and tested on a sample basis the organisational and operating effectiveness of controls related to significant data used to calculate impairment for loans to individuals. The controls included control over the calculation and accrual of interest, repayment of interest and principal, and allocation of amounts to overdue loan accounts. We tested the parameters of loans issued to individuals (date of issue and repayment of a loan, overdue debt period, initial valuation of the collateral). We tested on a sample basis the operation of the collective provisioning model and source data and assumptions used in the model. Our work included comparing key assumptions against our knowledge of the Bank's operational specifics, other practices and actual experience, testing the model through its use, and various analytical and other procedures.

Other information

Management is responsible for the other information. The other information comprises the Bank's Annual report for 2017 and Issuer's Quarterly report for the first quarter of 2018 (but does not include the financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, and, when it is provided to us, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the ability of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process of the Bank.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Audit report prepared in accordance with Article 42 of Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity"

The management of the Bank is responsible for compliance of the Bank with the statutory ratios set by the Bank of Russia and for compliance of internal control and organisation of risk management systems of the Bank with the Bank of Russia's requirements for such systems.

In accordance with Article No. 42 of Federal Law of 2 December 1990 No. 395-1 "On Banks and Banking Activity", we have examined the following during the audit of the financial statements of the Bank for the year 2017:

- compliance of the Bank as at 1 January 2018 with the statutory ratios set by the Bank of Russia;
- compliance of internal control and organisation of risk management systems of the Bank with the requirements set by the Bank of Russia for such systems.

Our examination was limited to procedures selected based on our judgement, such as inquiries, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Bank with the Bank of Russia's requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our audit:

1) As related to the compliance of the Bank with statutory ratios set by the Bank of Russia:

   as at 1 January 2018, the Bank's regulatory ratios set by the Bank of Russia were within the limits set by the Bank of Russia.

   We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Bank other than the procedures we considered necessary to express an opinion on whether or not the financial statements present fairly, in all material respects, the financial position of the Bank at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with IFRS.

2) as related to compliance of internal control and organisation of risk management systems of the Bank with the Bank of Russia's requirements for such systems:

   a) in accordance with the Bank of Russia's requirements and recommendations, as at 1 January 2018 subdivisions of the Bank responsible for managing significant risks were not subordinated or accountable to subdivisions assuming corresponding risks;

   b) internal documents of the Bank effective as at 1 January 2018 which set out the methodologies to identify and manage significant credit, operational, market, interest rate and liquidity risks and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;

   c) at 1 January 2018, the Bank had in place a reporting system for significant credit, operational, market, interest rate and liquidity risks and reporting in respect of impact of these risks on the Bank's equity (capital);

   d) the frequency and consistency of reports prepared by risk management department of the Bank and its internal audit function during 2017 as related to management of credit, operational, market, interest rate and liquidity risks complied with the requirements of the internal documents of the Bank; those reports included observations made by risk management department of the Bank and its internal audit function as related to the assessment of the effectiveness of the respective procedures of the Bank as well as recommendations on their improvement;

   e) as at 1 January 2018 the authority of the Supervisory Board of the Bank and its executive bodies included control over compliance of the Bank with risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Bank and their consistent application in 2017, the Supervisory Board of the Bank and its executive bodies regularly discussed the reports prepared by risk management department of the Bank and its internal audit function and approved proposed measures to eliminate weaknesses.

We have performed the above procedures related to internal control and organisation of risk management systems of the Bank solely to examine compliance of internal control and risk management systems of the Bank with the Bank of Russia's requirements for such systems.

The certified auditor responsible for the audit resulting in this independent auditor's report is Elizaveta Vladimirovna Filippova.

АО „PricewaterhouseCoopers Audit"

26 March 2018

Moscow, Russian Federation

E.V. Filippova, certified auditor (qualification certificate No. 01-000195),
AO PricewaterhouseCoopers Audit

Audited entity: Volkswagen Bank RUS (LLC)

State registration certificate No. 3500,
issued by the Central Bank of the Russian Federation on 13 August 2010.

Certificate of inclusion in the Unified State Register of Legal Entities issued on 2 July 2010 under registration No. 77 010860854

30/1 Obrucheva street, Moscow, 117485, Russian Federation

Independent auditor:
AO PricewaterhouseCoopers Audit.

State registration certificate No. 008.890, issued by Moscow Registration Chamber on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration No. 1027700148431.

Member of Self-Regulated Organization of Auditors "Russian Union of Auditors" (Association).

ORNZ 11603050547 in the register of auditors and audit organizations.

VW Bank RUS (LLC)
Statement of Financial Position

In thousands or Russian Roubles	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	7	7 267 360	3 429 513
Mandatory cash balances with the Bank of Russia		103 896	49 576
Loans and advances to customers	8	27 077 617	25 023 187
Other financial assets	9	512 747	328 284
Other assets	10	78 685	61 824
Deferred income tax asset	25	248 599	307 304
Intangible assets	11	173 181	191 938
Premises and equipment	11	58 303	85 406
TOTAL ASSETS		**35 520 388**	**29 477 032**
LIABILITIES			
Due to other banks	12	3 735 964	3 789 841
Customer accounts	13	6 529 609	903 386
Debt securities in issue	14	10 331 851	10 324 536
Other borrowed funds	15	-	621 389
Current income tax liability		-	33 233
Provisions for liabilities and charges	16	280 473	343 640
Derivative financial instruments	17	30 589	149 880
Other financial liabilities	18	430 982	408 007
Other liabilities	19	168 387	152 326
TOTAL LIABILITIES		**21 507 855**	**16 726 238**
EQUITY			
Share capital	20	880 000	880 000
Share premium	20	9 880 000	9 880 000
Retained earnings		3 252 533	1 990 794
TOTAL EQUITY		**14 012 533**	**12 750 794**
TOTAL LIABILITIES AND EQUITY		**35 520 388**	**29 477 032**

26 March 2018

N. P. Korchagin
Management Board Chairman

"Фольксваген Банк РУС"
Volkswagen Bank RUS

O. E. Lebedeva
Chief Accountant

In thousands or Russian Roubles	**Notes**	**2017**	**2016**
Interest income	21	4 407 683	4 839 704
Interest expense	21	(1 436 981)	(1 937 200)
Net interest income		**2 970 702**	**2 902 504**
Provision for loan impairment	8	(89 710)	(70 482)
Net interest income after provision for loan impairment		**2 880 992**	**2 832 022**
Fee and commission income	22	20 318	17 341
Fee and commission expense	22	(141 743)	(62 975)
(Losses)/gains less gains/(losses) from trading in foreign currencies		(4 610)	5 619
Realised losses less gains from derivative financial instruments		(17 390)	(41 544)
Gains/ (losses) less (losses)/gains from revaluation of derivative financial instruments		10 712	(13 804)
Other operating income	23	5 646	107 337
Recovery of/(provision) for liabilities and charges	16	63 167	(57 230)
Administrative and other operating expenses	24	(1 230 098)	(1 091 180)
Profit before tax		**1 586 994**	**1 695 586**
Income tax expense	25	(325 255)	(401 688)
Profit for the year		**1 261 739**	**1 293 898**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 261 739**	**1 293 898**

In thousands or Russian Roubles	**Share capital**	**Share premium**	**Retained earnings**	**Total Equity**
Balance at 31 December 2015	**880 000**	**9 880 000**	**696 896**	**11 456 896**
Profit for the year	-	-	1 293 898	1 293 898
Total comprehensive income for 2016	-	-	1 293 898	1 293 898
Balance at 31 December 2016	**880 000**	**9 880 000**	**1 990 794**	**12 750 794**
Profit for the year	-	-	1 261 739	1 261 739
Total comprehensive income for 2017	-	-	1 261 739	1 261 739
Balance at 31 December 2017	**880 000**	**9 880 000**	**3 252 533**	**14 012 533**

In thousands or Russian Roubles	**Notes**	**2017**	**2016**
Cash flows from operating activities			
Interest received		4 024 083	5 171 482
Interest paid		(1 436 027)	(1 836 570)
Fees and commissions received		20 318	17 341
Fees and commissions paid		(141 743)	(62 975)
Cash (paid)/received with regard to derivative financial instruments		(125 969)	92 115
(Expenses)/Income paid on trading in foreign currencies		(266)	5 619
Other operating income received		4 262	17 287
Administrative and other operating expenses paid		(1 006 901)	(992 308)
Income tax paid		(299 782)	(512 265)
Cash flows from operating activities before changes in operating assets and liabilities		**1 037 975**	**1 899 726**
Net (increase)/decrease in mandatory cash balances with the Bank of Russia		(54 320)	3 082
Net (increase)/decrease in loans and advances to customers		(1 973 078)	1 822 697
Net (increase)/decrease in other financial assets and other assets		(20 696)	35 970
Net (decrease)/increase in due to other banks		(49 984)	150 030
Net increase/(decrease) in customer accounts		5 624 320	(4 789 645)
Net decrease in loans		(610 000)	(458 540)
Net (decrease)/increase in other financial liabilities and other liabilities		(8 825)	21 731
Net cash from/(used in) operating activities		**3 945 392**	**(1 314 949)**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(144)	(17 690)
Acquisition of intangible assets	11	(103 137)	(154 491)
Net cash used in investing activities		**(103 281)**	**(172 181)**
Cash flows from financing activities			
Redeemed securities	14	-	(15 000 000)
Securities in issue	14	-	10 000 000
Net cash used in financing activities		**-**	**(5 000 000)**
Net increase/(decrease) in cash and cash equivalents		**3 842 111**	**(6 487 130)**
Cash and cash equivalents at the beginning of the year		**3 429 553**	**9 916 683**
Cash and cash equivalents at the end of the year*	7	**7 271 664**	**3 429 553**

* The amount of cash and cash equivalents at 31 December 2017 and 2016 is presented before provision for impairment.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2017 for LLC VW Bank RUS (the "Bank").

The Bank was incorporated on 2 July 2010 and is domiciled in the Russian Federation. The Bank was set up in accordance with Russian regulations and is a limited liability company. This legal status means that the Bank is limited by shares of its participants.

At 31 December 2017 and 31 December 2016, the Bank's participants were:

(%)	**2017**	**2016**
VOLKSWAGEN FINANCIAL SERVICES AG (Germany)	99%	99%
VOLKSWAGEN BANK GMBH (Germany)	1%	1%

Principal activity. The Bank's principal business activity is commercial loans to individuals and legal entities and provision of other banking services within the Russian Federation. The Bank has operated under banking license No. 3500 for carrying out banking transactions in Russian Roubles and foreign currency (without the right for attraction of individual deposits) issued by the Central Bank of the Russian Federation ("CBRF") on 20 August 2012.

The Bank has no branches or representative offices. The Bank had 190 employees at 31 December 2017 (2016: 234 employees).

Registered address and place of business. The Bank's registered address is: Obrucheva st., 30/1, bld.1, 117485, Moscow, Russian Federation.

Presentation currency. These financial statements are presented in Russian Roubles ("RR"), unless otherwise stated.

Credit ratings of issued securities. Information about securities' ratings assigned at 31 December 2017 is as follows:

Rated security	**Rating**
Series 10 interest bearing documentary non-convertible bearer bonds, state registration number 41003500B, ISIN RU000A0JWMT4	Fitch Ratings: BBB+
Series 001P-01 interest bearing documentary non-convertible bearer bonds, state registration number 4B020103500B001P, ISIN RU000A0JWVM0	S&P Global Ratings: BB+

Refer to Note 30 for the disclosure of the fair value of debt securities in issue.

2 Operating Environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 29). The Russian economy was growing in 2017 after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Bank's operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

2 Operating Environment of the Bank (Continued)

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Recognition and measurement of financial assets and liabilities. Financial assets and liabilities are recorded in the statement of financial position when the Bank becomes a party to a contract on a corresponding financial instrument. The Bank recognises regular acquisitions and disposal of financial assets and liabilities by settlement dates.

Financial assets and liabilities are initially recognised at their fair value. The cost of financial assets and liabilities which are not financial assets and liabilities at fair value through profit and loss is adjusted by the amount of transaction costs directly related to acquisition or recognition of a financial asset or issuance of financial liability.

After initial recognition of financial instruments the Bank uses the following measurement methods depending on their classification:

- at fair value
- at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date**.** The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date in the current market conditions. This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

3 Summary of Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Refer to Note 31.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation 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 (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. ***The effective interest rate*** is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

De-recognition of financial assets and liabilities exception. The Bank derecognises financial assets when:

- the rights to cash flows from the assets have expired;
- the Bank has transferred the rights to the cash flows from the assets or retained the right to the cash flows from the assets, but assumed obligations to repay them to a third party without significant delay under a qualifying pass-through arrangement; while
- (a) either transferring substantially all the risks and rewards of ownership of the assets, or (b) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

The Bank derecognises the financial asset when the asset is transferred and derecognition requirements are met.

The Bank derecognises financial liabilities when they are extinguished, cancelled or terminated.

Cash and cash equivalents. Cash and cash equivalents are cash on hand and on the Bank's current accounts and also cash equivalents which represent short-term, highly liquid items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds of restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Mandatory cash balances with the CBRF. Mandatory cash balances with the Bank of Russia are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the cash flow statement purposes and are presented separately in the statement of financial position.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment of financial assets is the difference between the carrying amount of the assets and the present value of expected cash flows, including amounts recoverable from guarantees and collateral discounted at the original effective interest rate for this financial instrument, which is carried at amortised cost.

Impairment losses on financial assets carried at amortised cost are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount of the estimated future cash flows of the financial asset that can be reliably estimated. 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 assesses them for impairment.

Principal criteria (loss events) used to determine whether there is any evidence that an impairment loss has occurred are as follows:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement system;
- the borrower experiences a significant financial difficulty;
- the borrower considers bankruptcy or a financial reorganisation;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Credit related commitments. The Bank enters into credit related commitments, including undrawn credit lines. The Bank does not disclose these instruments with various inherent credit risks in its statement of financial position.

The Bank uses the same credit policies for credit related commitments as it does for balance sheet financial instruments.

The Bank creates provisions for credit related commitments if there is any probability of incurring losses on such instruments.

Premises and equipment. Equipment is stated at cost less accumulated depreciation and provision for impairment, where required.

3 Summary of Significant Accounting Policies (Continued)

At each end of each reporting period the Bank assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Bank estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised in statement of profit or loss and other comprehensive income as impairment loss to the extent it exceeds the recoverable amount.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income when the expenditure is incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised within other operating income or expenses in the statement of profit or loss and other comprehensive income.

Depreciation. Depreciation is applied on a straight-line basis over the following useful lives of assets:

	Useful lives in years
Office and computer equipment	
- head-end equipment and servers	5
- computer and other equipment	3
- furniture	5

Intangible assets. The Bank's intangible assets have definite useful life and are initially stated at cost. Upon initial recognition, intangible assets are stated at cost, less accumulated depreciation and impairment provision, where required.

Intangible assets are amortised on a straight line basis over expected useful lives of no more than 5 years. The Bank reviews amortisation periods and procedures on an annual basis at the end of each reporting period.

Amortisation of intangible assets is recognised in the statement of profit or loss and other comprehensive income within administrative and other operating expenses.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Operating leases. The Bank is a lessee under operating lease contracts. Total lease payments under operating lease contracts are recorded in the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to corporate customers and are carried at amortised cost.

Other borrowed funds. Other borrowed funds represent term borrowings from other companies and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include bonds issued by the Bank at the domestic market. Debt securities are stated at amortised cost.

Derivative financial instruments. Derivative financial instruments, including interest rate swaps, are carried at their fair value.

The fair values are based on quoted market prices in active markets, including recent transactions, and valuation techniques, including discounted cash flow models. The fair values of the instruments include interest accumulated from the last date of making/ receiving payments.

3 Summary of Significant Accounting Policies (Continued)

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (unrealised gains less losses on financial derivatives), except for cases when financial derivatives are designated to the hedging category.

The Bank classifies certain financial derivatives as fair value hedging instruments associated with the interest rate risk arising from the bonds issued by the Bank. The Bank gets a floating rate and pays a fixed rate on interest swaps. The credit risk on the bonds in issue does not represent a part of hedging relations.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Net assets attributable to the participants. The Bank classified net assets attributable to participants in the Bank, which was created as a limited liability company, as equity instruments (equity components).

Share capital. Share capital is a total of contributions of the Bank's participants carried at cost.

Share premium. Share premium represents additional contributions made by the Bank's participants to the Bank's equity.

3 Summary of Significant Accounting Policies (Continued)

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees 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.

Commission fees pertaining to the effective interest rate include commission received or paid in connection with the generation or acquisition of a financial asset or issue of a financial liability.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis 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.

Recognition of income generated under programs of interest rate subsidies. *Subvention from LLC VW Group RUS for retail loans – car loans.* The subvention received by the Bank from LLC VW Group RUS is the compensation of the amount of short-received interest income of the Bank under the program of retail loans issued at reduced interest rates. The subvention received by the Bank is defined as a difference between the interest income received by the Bank for the loan issued to a customer at a reduced interest rate and the interest income which would have been received for a similar loan at a standard interest rate for the whole term of the loan agreement. This income is recognised during the term of the loan agreement proportionally to the share of interest income for the reporting period in the total amount of interest income for this loan and is stated within interest income from retail loans.

Governmental program of subsiding of interest rates for retail car loans. In the framework of participation in the governmental program for subsidising interest rates for retail car loans, the Russian government subsidises loans issued by the Bank to the public at reduced interest rate. The amount of subsidy received is calculated on a monthly basis and is recorded within interest income from retail loans in the same period.

Foreign currency translation. The functional and presentation currency of the Bank is Russian Rouble ("RR").

Monetary assets and liabilities denominated in foreign currency are translated into the currency of the Russian Federation at the official exchange rate of the CBRF at the end of the reporting period. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into the Bank's functional currency at official exchange rates of the Bank of Russia are included in the statement of profit or loss and other comprehensive income within foreign exchange gains less losses.

At 31 December 2017, the official rate of exchange used for translating foreign currency balances was EUR 1 = RR 68.8668 and USD 1 = RR 57.6002 (31 December 2016: 1 EUR = RR 63.8111 and 1 USD = RR 60.6569).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

Staff costs and related contributions. Wages, salaries, bonuses, paid annual leave, contributions to the Russian Federation state pension and social insurance funds are accrued in the year in which the associated services are rendered by the employees of the Bank. Sick leave benefits, child care allowances and non-monetary benefits are accrued upon their occurrence.

3 Summary of Significant Accounting Policies (Continued)

The Bank undertakes liabilities for unused annual leave payments to its employees. Such liabilities are recognised in the statement of financial position within other liabilities with their simultaneous recording in the statement of profit or loss and other comprehensive income for the part of annual leaves falling to the reporting period.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 27 for analysis of financial instruments by expected maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period.

	31 December 2017			**31 December 2016**		
	Amounts expected to be recovered or settled			**Amounts expected to be recovered or settled**		
In thousands or Russian Roubles	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS						
Cash and cash equivalents	7 267 360	-	**7 267 360**	3 429 513	-	**3 429 513**
Mandatory cash balances with the Bank of Russia	103 896	-	**103 896**	49 576	-	**49 576**
Loans and advances to customers	13 159 508	13 918 109	**27 077 617**	12 936 810	12 086 377	**25 023 187**
Other financial assets	512 747	-	**512 747**	328 284	-	**328 284**
Other assets	78 685	-	**78 685**	61 824	-	**61 824**
Deferred income tax asset	-	248 599	**248 599**	-	307 304	**307 304**
Intangible assets	34 636	138 545	**173 181**	38 388	153 550	**191 938**
Premises and equipment	11 661	46 642	**58 303**	17 081	68 325	**85 406**
TOTAL ASSETS	**21 168 493**	**14 351 895**	**35 520 388**	**16 861 476**	**12 615 556**	**29 477 032**
LIABILITIES						
Due to other banks	1 877 155	1 858 809	**3 735 964**	3 789 841	-	**3 789 841**
Customer accounts	6 529 609	-	**6 529 609**	903 386	-	**903 386**
Debt securities in issue	5 336 616	4 995 235	**10 331 851**	341 081	9 983 455	**10 324 536**
Other borrowed funds	-	-	**-**	621 389	-	**621 389**
Current income tax liability	-	-	**-**	33 233	-	**33 233**
Provisions for liabilities and charges.	131 733	148 740	**280 473**	117 481	226 159	**343 640**
Derivative financial instruments.	30 589	-	**30 589**	117 003	32 877	**149 880**
Other financial liabilities	430 982	-	**430 982**	408 007	-	**408 007**
Other liabilities	168 387	-	**168 387**	152 326	-	**152 326**
TOTAL LIABILITIES	**14 505 071**	**7 002 784**	**21 507 855**	**6 483 747**	**10 242 491**	**16 726 238**

3 Summary of Significant Accounting Policies (Continued)

Amendment of the financial statements after issue. The Bank's participants and management have the power to amend the financial statements after issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within the next financial year include:

Impairment loss on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include measurable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on average historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at the reporting date the impairment loss on loans and advances was calculated based on the average of borrower's probability of default which was based on statistical data. If the actual probability of default is 10% higher/lower than the average used for impairment loss calculation, the provision would be approximately RR 795 905 thousand higher (2016: RR 793 113 thousand higher) or RR 347 688 thousand lower (2016: RR 341 341 thousand lower).

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 29.

Deferred income tax asset recognition. The deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The business plan is based on the assumption concerning stable growth of the loan portfolio at the expense of existing products and launch of new products under stable macroeconomic circumstances.

Net assets attributable to participants in the Bank, which was created as a limited liability company. The Bank's management have analysed legislative requirements, the Bank's charter documents, nature of contributions made by the Bank's Participants and, based on professional judgement, classified interest in net assets attributable to the participants as elements of equity (capital).

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 32.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Bank from 1 January 2017, but did not have any material impact on the Bank:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12, included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Bank has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on an analysis of the Bank's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the Management of the Bank is expecting a significant impact on its financial statements from the adoption of the new standard on 1 January 2018.

6 New Accounting Pronouncements (Continued)

In thousands or Russian Roubles	Measurement category		Carrying value under IAS 39 (balance at the end of the period at 31 December 2017)	Effect of revaluation	Carrying value under IFRS 9 (balance at the beginning of the period at 1 January 2018)
	IAS 39	IFRS 9		Expected credit losses	
Cash and cash equivalents	Loans and receivables	Amortized cost	7 267 360	-	7 267 360
Mandatory cash balances with the Central Bank of Russian Federation	Loans and receivables	Amortized cost	103 896	(20 779)	83 117
Loans and advances to customers	Loans and receivables	Amortized cost	27 077 617	172 910	27 250 527
Other financial assets	Loans and receivables	Amortized cost	512 747	(2 497)	510 250
Total financial assets			**34 961 620**	**149 634**	**35 111 254**

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Bank does not expect any significant changes from adoption of IFRS 15.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Bank is currently assessing the impact of the new standard on its financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The Bank does not expect any significant changes from adoption of IFRS 17.

IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction when IAS 21 is applied to account for foreign currency transactions. The interpretation is applied when an entity pays or receives consideration as prepayment under foreign currency contracts. The interpretation provides that the date of transactions is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. When several transactions are conducted to make or receive an advance consideration, the interpretation requires that an entity should determine the transaction date for each payment or receipt of the advance consideration.

The Bank does not expect any significant changes resulting from the application of the interpretation.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

The following other new pronouncements are not expected to have any material impact on the Bank when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

6 New Accounting Pronouncements (Continued)

- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

7 Cash and Cash Equivalents

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Cash balances with the CBRF (other than mandatory reserve deposits)	1 407 655	410 039
Correspondent accounts and overnight placements with other banks	59 578	38 697
Placements with other banks with original maturities of less than three months	5 801 890	2 980 817
Impairment loss provision	(1 763)	(40)
Total cash and cash equivalents	**7 267 360**	**3 429 513**

The credit quality of cash and cash equivalents may be summarised based on Moody's Ratings where available or other international ratings converted to the nearest equivalent on the Moody's rating scale at 31 December 2017:

In thousands or Russian Roubles	**Cash balances with the CBRF (other than mandatory reserve deposits)**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired				
- Central Bank of the Russian Federation	1 407 655	-	-	**1 407 655**
- Ba2 rated	-	49 447	5 801 890	**5 851 337**
- lower than Ba2 rated	-	10 131	-	**10 131**
Total cash and cash equivalents (before impairment)	**1 407 655**	**59 578**	**5 801 890**	**7 269 123**
Impairment loss provision	**-**	**(1 763)**	**-**	**(1 763)**
Total cash and cash equivalents	**1 407 655**	**57 815**	**5 801 890**	**7 267 360**

7 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances may be summarised as follows at 31 December 2016:

In thousands or Russian Roubles	**Cash balances with the CBRF (other than mandatory reserve deposits)**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired				
- Central Bank of the Russian Federation	410 039	-	-	**410 039**
- BBB- rated	-	38 348	2 980 817	**3 019 165**
- lower than BBB- rated	-	349	-	**349**
Total cash and cash equivalents (before impairment)	**410 039**	**38 697**	**2 980 817**	**3 429 553**
Impairment loss provision	**-**	**(40)**	**-**	**(40)**
Total cash and cash equivalents	**410 039**	**38 657**	**2 980 817**	**3 429 513**

At 31 December 2017 the Bank had six counterparty banks in addition to the Central Bank of the Russian Federation (2016: five counterparty banks). The total aggregate amount of these balances was RR 5 861 468 thousand (2016: RR 3 019 514 thousand), or 80.6% of cash and cash equivalents (2016: 88.0%).

Balances on correspondent accounts and overnight placements are not collateralised. Under the contractual terms, the Bank may not require the funds to be returned prior to the expiry of the deposit without preliminary approval of the counterparty bank, with interest on deposit being calculated at a lower rate in case of early demand of a deposit. Interest rate analysis of cash and cash equivalents is disclosed in Note 27.

8 Loans and Advances to Customers

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Corporate loans	4 578 159	3 350 086
Loans to individuals – car loans	23 570 685	22 671 433
Total loans and advances to customers (before provision for loan impairment)	**28 148 844**	**26 021 519**
Less provision for loan impairment	(1 071 227)	(998 332)
Total loans and advances to customers	**27 077 617**	**25 023 187**

8 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2017 are as follows:

In thousands or Russian Roubles	**Corporate loans**	**Loans to individuals – car loans**	**Total**
Provision for loan impairment at 1 January 2017	**77 910**	**920 422**	**998 332**
Provision for loan impairment during the year	723	88 987	89 710
Amounts written off during the year as uncollectible	-	(16 815)	(16 815)
Provision for loan impairment at 31 December 2017	**78 633**	**992 594**	**1 071 227**

Movements in the provision for loan impairment during 2016 are as follows:

In thousands or Russian Roubles	**Corporate loans**	**Loans to individuals – car loans**	**Total**
Provision for loan impairment at 1 January 2016	**91 889**	**835 961**	**927 850**
(Recovery of)/provision for loan impairment during the year	(13 979)	84 461	70 482
Provision for loan impairment at 31 December 2016	**77 910**	**920 422**	**998 332**

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

	31 December 2017		**31 December 2016**	
In thousands or Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	23 570 685	83.74%	22 671 433	87.13%
Factoring	2 993 316	10.63%	1 432 175	5.50%
Leasing	1 465 982	5.21%	1 822 082	7.00%
Motor vehicle trading	118 861	0.42%	95 829	0.37%
Total loans and advances to customers (before provision for loan impairment)	**28 148 844**	**100.00%**	**26 021 519**	**100.00%**

8 Loans and Advances to Customers (Continued)

At 31 December 2017, the Bank had two borrowers (2016: two borrowers) with aggregated loan amounts above 5% of equity. The total amount of these loans was RR 4 091 058 thousand (2016: RR 2 575 000 thousand), or 14.5% of the gross loan portfolio (2016: 9.90%).

Information about loans and advances to customers by classes of collateral at 31 December 2017 is as follows:

In thousands or Russian Roubles	**Corporate loans**	**Loans to individuals - car loans**	**Total**
Loans with insufficient collateral	89 958	7 809 251	**7 899 209**
Loans collateralised by:			
- motor vehicles	28 903	15 761 434	**15 790 337**
- guarantees received from the Bank's participant	4 459 298	-	**4 459 298**
Total loans and advances to customers	**4 578 159**	**23 570 685**	**28 148 844**

Information about collateral at 31 December 2016 is as follows:

In thousands or Russian Roubles	**Corporate loans**	**Loans to individuals - car loans**	**Total**
Loans with insufficient collateral	82 969	7 626 400	**7 709 369**
Loans collateralised by:			
- motor vehicles	12 860	15 045 033	**15 057 893**
- guarantees received from the Bank's participant	3 254 257	-	**3 254 257**
Total loans and advances to customers	**3 350 086**	**22 671 433**	**26 021 519**

8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2017 is as follows:

In thousands or Russian Roubles	**Corporate loans**	**Loans to individuals – car loans**	**Total**
Neither past due nor impaired			
- standard loan portfolio	4 131 286	22 479 249	**26 610 535**
- loans requiring special attention	369 533	-	**369 533**
Total neither past due nor impaired	**4 500 819**	**22 479 249**	**26 980 068**
Past due but not impaired			
- less than 30 days overdue	-	326 826	**326 826**
- 31 to 60 days overdue	-	43 748	**43 748**
- 61 to 90 days overdue	-	31 863	**31 863**
Total past due but not impaired	**-**	**402 437**	**402 437**
Individually impaired loans			
- less than 30 days overdue	-	26 499	**26 499**
- 31 to 60 days overdue	-	991	**991**
- 91 to 180 days overdue	-	41 346	**41 346**
- 181 to 364 days overdue	-	86 074	**86 074**
- over 365 days overdue	77 339	534 089	**611 428**
Total individually impaired loans	**77 339**	**688 999**	**766 338**
Less impairment provision	(78 633)	(992 594)	**(1 071 227)**
Total loans and advances to customers	**4 499 526**	**22 578 091**	**27 077 617**

8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding as at 31 December 2016 is as follows:

In thousands or Russian Roubles	**Corporate loans**	**Loans to individuals – car loans**	**Total**
Neither past due nor impaired			
- standard loan portfolio	1 450 094	21 721 480	**23 171 574**
- loans requiring special attention	1 822 652	-	**1 822 652**
Total neither past due nor impaired	**3 272 746**	**21 721 480**	**24 994 226**
Past due but not impaired			
- less than 30 days overdue	-	296 000	**296 000**
- 31 to 60 days overdue	-	44 317	**44 317**
- 61 to 90 days overdue	-	25 249	**25 249**
Total past due but not impaired	**-**	**365 566**	**365 566**
Individually impaired loans			
- less than 30 days overdue	-	25 268	**25 268**
- 61 to 90 days overdue	-	1 330	**1 330**
- 91 to 180 days overdue	-	55 297	**55 297**
- 181 to 364 days overdue	-	122 090	**122 090**
- over 365 days overdue	77 340	380 402	**457 742**
Total individually impaired loans	**77 340**	**584 387**	**661 727**
Less impairment provision	(77 910)	(920 422)	**(998 332)**
Total loans and advances to customers	**3 272 176**	**21 751 011**	**25 023 187**

In accordance with the Bank's internal policy the loan portfolio is divided into several risk categories depending on the borrower's rating class.

- Standard loan portfolio (above the average rating class);
- Satisfactory loans (average rating class);
- Loans requiring special attention (below the average rating class);
- Default loans (the lowest rating class).

In order to book loan impairment provisions, the Bank makes provisions on collective and individual basis following the methodology of Volkswagen Financial Services AG parent company that was designed in compliance with IAS 39 "Financial Instruments: Recognition and Measurement". Loan provisions created on a collective basis are booked based on the borrowers' default statistics (including individuals and corporate customers) depending on the rating class. The rating classes are assigned to each corporate borrower based on the comprehensive analysis of its performance. Loans to individuals are categorised depending of their overdue status and past due days.

The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The primary factors that the Bank considers in determining whether a loan is impaired on an individual basis are its overdue status and realisability of related collateral, if any.

8 Loans and Advances to Customers (Continued)

As a result of this policy and the above impairment methodology, the impairment provisions were booked for neither past due nor impaired loans on the basis of collective model using the default statistics.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2017 is as follows:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands or Russian Roubles	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Corporate loans	4 459 298	7 400 000	40 228	28 903
Loans to individuals – car loans	3 238 748	5 087 336	19 339 343	12 522 687

The effect of collateral at 31 December 2016 is as follows:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands or Russian Roubles	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Corporate loans	3 254 256	5 300 000	17 920	12 860
Loans to individuals – car loans	3 092 855	4 997 915	18 658 156	11 952 178

Refer to Note 30 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 27. Information on related party balances is disclosed in Note 32.

9 Other Financial Assets

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Receivables arising from lending transactions	506 468	321 042
Other financial assets	6 279	7 242
Total other financial assets	**512 747**	**328 284**

At 31 December 2017, receivables were represented by the amounts due to the Bank under the governmental program of subsiding interest rates for retail car loans of RR 256 736 thousand (31 December 2016: RR 5 188 thousand) and subvention from LLC VW Group RUS for retail car loans of RR 249 730 thousand (31 December 2016: RR 321 042 thousand), respectively, and other receivables.

At 31 December 2017 and 2016, these receivables were neither past due nor impaired. Information on related party balances is disclosed in Note 32.

10 Other Assets

In thousands or Russian Roubles	31 December 2017	31 December 2016
Prepayments for services	62 802	56 715
Other	15 883	5 109
Total other assets	**78 685**	**61 824**

All of the above assets are expected to be recovered within twelve months after the year-end. Information on related party balances is disclosed in Note 32.

11 Equipment and Intangible Assets

In thousands or Russian Roubles	Notes	Capital invest-ments	Office and computer equipment	Total premises and equipment	Capital investments	Computer software licenses	Total intan-gible assets	Total
Carrying amount at 31 December 2015		**28 146**	**109 899**	**138 045**	**26 210**	**157 059**	**183 269**	**321 314**
Additions		-	18 593	**18 593**	30 598	97 740	**128 338**	**146 931**
Depreciation and amortisation	24	-	(43 597)	**(43 597)**	-	(118 118)	**(118 118)**	**(161 715)**
Transfers from capital investments		(16 700)	16 700	**-**	(26 210)	26 210	**-**	**-**
Disposals		(11 446)	(16 189)	**(27 635)**	-	(1 551)	**(1 551)**	**(29 186)**
Carrying amount at 31 December 2016		**-**	**85 406**	**85 406**	**30 598**	**161 340**	**191 938**	**277 344**
Cost at 31 December 2016		-	219 207	**219 207**	30 598	472 411	**503 009**	**722 216**
Accumulated depreciation			(133 801)	**(133 801)**	-	(311 071)	**(311 071)**	**(444 872)**
Carrying amount at 31 December 2016		**-**	**85 406**	**85 406**	**30 598**	**161 340**	**191 938**	**277 344**
Additions			144	**144**	133	103 004	**103 137**	**103 281**
Depreciation and amortisation	24		(27 247)	**(27 247)**	-	(117 419)	**(117 419)**	**(144 666)**
Transfers from capital investments			-	**-**	(6 156)	6 156	**-**	**-**
Disposals			-	**-**	-	(4 475)	**(4 475)**	**(4 475)**
Carrying amount at 31 December 2017		**-**	**58 303**	**58 303**	**24 575**	**148 606**	**173 181**	**231 484**
Cost at 31 December 2017		-	219 351	**219 351**	24 575	575 135	**599 710**	**819 061**
Accumulated depreciation		-	(161 048)	**(161 048)**	-	(426 529)	**(426 529)**	**(587 577)**
Carrying amount at 31 December 2017		**-**	**58 303**	**58 303**	**24 575**	**148 606**	**173 181**	**231 484**

12 Due to Other Banks

In thousands or Russian Roubles	31 December 2017	31 December 2016
Short-term placements of other banks	1 877 013	3 086 476
Long-term placements of other banks	1 858 809	703 240
Correspondent accounts and overnight placements of other banks	142	125
Total due to other banks	**3 735 964**	**3 789 841**

The breakdown into short-term and long-term placements is based on the placements' maturity at the contract date.

Refer to Note 30 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to banks is disclosed in Note 27. Information on related party balances is disclosed in Note 32.

13 Customer Accounts

In thousands or Russian Roubles	31 December 2017	31 December 2016
- Current/settlement accounts	730 506	94 687
- Short-term placements	5 799 103	808 699
Total customer accounts	**6 529 609**	**903 386**

Economic sector concentrations within customer accounts are as follows:

	31 December 2017		31 December 2016	
In thousands or Russian Roubles	**Amount**	**%**	**Amount**	**%**
Factoring	5 515 651	84.47%	799 774	88.53%
Manufacturing	579 133	8.87%	19 784	2.19%
Leasing	433 593	6.64%	82 000	9.08%
Trade	1 232	0.02%	1 828	0.20%
Total customer accounts	**6 529 609**	**100.0%**	**903 386**	**100.0%**

At 31 December 2017, the Bank had one customer (2016: one customer) with balances above 5% of equity. The balance of this customer was RR 5 515 651 thousand (2016: RR 799 774 thousand), or 84.5% (2016: 88.5%) of total customer accounts.

Refer to Note 30 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 27. Information on related party balances is disclosed in Note 32.

14 Debt Securities in Issue

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Bonds issued on domestic market	10 331 851	10 324 536
Total debt securities in issue	**10 331 851**	**10 324 536**

In July 2016, the Bank placed bonds in the amount of RR 5 000 million with interest rate of 9.95% p.a. and maturity in January 2019. Each bond has a par value of RR 1 000 and an embedded put option at par value of the bond exercisable at the moment of coupon income change.

In June 2016, the Bank repaid RR 5 000 million of bonds issued in June 2014.

In October 2016, the Bank placed bonds in the amount of RR 5 000 million with interest rate of 9.80% p.a. and maturity in April 2018. Each bond has a par value of RR 1 000 and an embedded put option at par value of the bond exercisable at the moment of coupon income change.

In October 2016, the Bank repaid RR 10 000 million of bonds issued in October 2014.

Information about bonds in issue at 31 December 2017 is as follows:

Issue	**VolkswB 10**	**VolkswB1R1**
Par value, RR	1 000	1 000
Number of	5 000 000	5 000 000
Initial placement date	July 2016	October 2016
Maturity date	January 2019	April 2018
Date of new coupon announcement	January 2018	April 2018
At 31 December 2017		
Number of bonds in issue	5 000 000	5 000 000
Coupon rate, %	9.95	9.80
Bid price, RR	1024	1007

Information about bonds in issue at 31 December 2016 is as follows:

Issue	**VolkswB 10**	**VolkswB1R1**
Par value, RR	1 000	1 000
Number of	5 000 000	5 000 000
Initial placement date	July 2016	October 2016
Maturity date	January 2019	April 2018
Date of new coupon announcement	January 2017	April 2017
At 31 December 2016		
Number of bonds in issue	5 000 000	5 000 000
Coupon rate, %	9.95	9.80
Bid price, RR	1010	1003

Refer to Note 30 for the disclosure of the fair value of each class of debt securities in issue.

15 Other Borrowed Funds

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Term borrowings from other companies	-	621 389
Total other borrowed funds	**-**	**621 389**

Other borrowed funds represent borrowings from companies under common control. Refer to Note 30 for disclosure of the fair value of each class of other borrowed funds. Interest rate analysis of customer accounts is disclosed in Note 27. Information on related party balances is disclosed in Note 32.

16 Provisions for Liabilities and Charges

Movements in the provision for liabilities and charges during 2017 are as follows:

In thousands or Russian Roubles	**Tax risks**	**Legal risks**	**Total**
Carrying amount at 31 December 2016	**223 571**	**120 069**	**343 640**
Recovery of unused provision	(51 690)	(11 477)	**(63 167)**
Carrying amount at 31 December 2017	**171 881**	**108 592**	**280 473**

Movements in the provision for liabilities and charges during 2016 are as follows:

In thousands or Russian Roubles	**Tax risks**	**Legal risks**	**Total**
Carrying amount at 31 December 2015	**207 160**	**79 250**	**286 410**
Provision for impairment of liabilities and charges during the year	40 148	40 819	**80 967**
Recovery of unused provision	(23 737)	-	**(23 737)**
Carrying amount at 31 December 2016	**223 571**	**120 069**	**343 640**

Provision for uncertain tax positions and related penalties and interest. In 2017, the Bank did not record any new provisions in respect of potential tax liabilities and related penalties and interest. Provision created in 2014 was fully released. Management believes that the provision booked at 31 December 2017 will be fully used or recovered upon expiry of the inspection rights of tax authorities.

Provision for legal claims. At 31 December 2017, the Bank made provision for legal claims amounting to RR 108 592 thousand (2016: RR 120 069 thousand) for current and potential legal proceedings with the Federal Anti-Monopoly Service of the Russian Federation (FAS). In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

17 Derivative Financial Instruments

The table below sets out fair values as at the end of the reporting period of payables under the swap contract entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are long term in nature:

	2017		2016	
In thousands or Russian Roubles	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Swap contracts: fair values, at the end of the reporting period				
- RR receivable on settlement (+)	-	9 767	-	111 780
- RR payable on settlement (-)	-	(40 355)	-	(261 660)
Net fair value of swap contracts	**-**	**(30 588)**	**-**	**(149 880)**

Swap contract is entered into by the Bank in order to hedge the risk of the change in the fair value of loan portfolio as a result of changes in market rates.

Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly over time.

18 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Trade payables	254 641	235 856
Payables to dealers	176 341	172 151
Total other financial liabilities	**430 982**	**408 007**

Refer to Note 30 for disclosure of the fair value of each class of other financial liabilities.

19 Other Liabilities

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Accrued liabilities to the personnel	106 779	102 085
Taxes payable other than on income	52 833	41 545
Trade payables	8 775	8 696
Total other liabilities	**168 387**	**152 326**

20 Share Capital

The Bank's share capital was funded by contributions of participants in Roubles. The participants transferred cash to fund the Bank's share capital at the end of July 2010 and the Central Bank of the Russian Federation credited this cash to a special transit account up to the moment of issuance of license to the Bank as follows:

In thousands or Russian Roubles	**2 July 2010**
VOLKSWAGEN FINANCIAL SERVICES AG	1 742 400
VOLKSWAGEN BANK GMBH	17 600

The Bank's charter sets the amount of the share capital equal to RR 880 000 thousand. The amount of the participants' contributions in excess of the set amount of share capital and contributions from the participants to the Bank's property were recognised within share premium.

In thousands or Russian Roubles	**Share capital**	**Share premium**	**Total**
At 31 December 2015	**880 000**	**9 880 000**	**10 760 000**
At 31 December 2016	**880 000**	**9 880 000**	**10 760 000**
At 31 December 2017	**880 000**	**9 880 000**	**10 760 000**

21 Interest Income and Expense

In thousands or Russian Roubles	**2017**	**2016**
Interest income		
Loans to individuals – car loans	3 813 687	3 911 333
Corporate loans	456 073	402 396
Due from other banks	137 923	525 975
Total interest income	**4 407 683**	**4 839 704**
Interest expense		
Debt securities in issue	1 004 559	1 506 332
Term placements of other banks	338 368	247 434
Term placements of corporate customers	60 995	77 936
Other borrowed funds	33 059	105 498
Total interest expense	**1 436 981**	**1 937 200**
Net interest income	**2 970 702**	**2 902 504**

Interest income includes RR 22 881 thousand (2016: RR 23 936 thousand) of interest income, recognised on impaired loans to customers.

22 Fee and Commission Income and Expense

In thousands or Russian Roubles	**2017**	**2016**
Fee and commission income		
Commission for storage of Vehicle Certificate of Title	19 069	17 039
Commission on settlement transactions	1 249	302
Total fee and commission income	**20 318**	**17 341**
Fee and commission expense		
Commission to dealers	83 256	-
Commission on settlement transactions	58 440	62 470
Other	47	505
Total fee and commission expense	**141 743**	**62 975**
Net fee and commission expense	**(121 425)**	**(45 634)**

Commission to dealers is represented by bonuses paid to dealers for attraction of new clients, calculated based on dealers' performance in 2017.

23 Other Operating Income

In thousands or Russian Roubles	**2017**	**2016**
Gain on release of prior year accruals unused in current period	-	80 281
(Charge to provision)/ gain on release of provision for impairment of cash and cash equivalent	(1 750)	10 323
Loss on disposal of property, plant and equipment and intangible assets	(4 475)	-
Other income	11 871	16 733
Total other operating income	**5 646**	**107 337**

24 Administrative and Other Operating Expenses

In thousands or Russian Roubles		**2017**	**2016**
Staff costs		486 459	434 467
Expenses related to equipment and intangible assets		230 994	187 540
Depreciation and amortisation, including disposals	11	144 666	161 715
Professional services		119 133	83 037
Taxes other than on income		97 776	55 268
Operating lease expenses		95 224	103 565
Advertising and marketing services		18 602	17 211
Communication, telecommunication and information system services		11 130	10 132
Audit expenses		7 898	8 040
Other expenses		18 216	30 205
Total administrative and other operating expenses		**1 230 098**	**1 091 180**

Included in staff costs are statutory pension and social security contributions and contributions to the obligatory medical insurance fund of RR 75 276 thousand (2016: RR 72 472 thousand).

25 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Current income tax	266 549	420 506
Deferred tax	58 706	(18 818)
Income tax expense for the year	**325 255**	**401 688**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Bank's 2017 financial result is 20% (2016: 20%).

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands or Russian Roubles	**2017**	**2016**
Profit before tax	**1 586 994**	**1 695 586**
Theoretical tax charge at statutory rate (2017: 20%; 2016: 20%)	317 399	339 117
Tax effect of items which are not deductible for taxation purposes:		
- Non-deductible expenses	26 007	25 718
Other differences	(18 151)	36 853
Income tax expense for the year	**325 255**	**401 688**

(c) Tax loss carry forwards

The Bank had no unrecognised deferred tax assets in respect of unused tax loss carry forwards.

25 Income Taxes (Continued)

(d) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20%.

In thousands or Russian Roubles	**1 January 2017**	**Credited/ (charged) to profit or loss**	**31 December 2017**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(6 497)	419	(6 078)
Intangible assets	15 433	4 329	19 762
Cash	7	346	353
Loan portfolio	206 940	(46 929)	160 011
Other financial assets	-	(3)	(3)
Debt securities in issue	(3 309)	2 040	(1 269)
Accrued expenses	94 730	(18 907)	75 823
Total net deferred tax assets	**307 304**	**(58 705)**	**248 599**
Recognised deferred tax asset	317 110	(61 161)	255 949
Recognised deferred tax liability	(9 806)	2 456	(7 350)
Net deferred tax assets	**307 304**	**(58 705)**	**248 599**

In thousands or Russian Roubles	**At 1 January 2016**	**Credited/ (charged) to profit or loss**	**31 December 2016**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(9 716)	3 219	(6 497)
Intangible assets	8 141	7 292	15 433
Cash	1 891	(1 884)	7
Loan portfolio	158 103	48 837	206 940
Other financial assets	(7 659)	7 659	-
Debt securities in issue	(2 393)	(916)	(3 309)
Accrued expenses	140 119	(45 389)	94 730
Total net deferred tax assets	**288 486**	**18 818**	**307 304**
Recognised deferred tax asset	308 254	8 856	317 110
Recognised deferred tax liability	(19 768)	9 962	(9 806)
Net deferred tax assets	**288 486**	**18 818**	**307 304**

26 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Management Board of the Bank. Management establishes segments in accordance with the Bank's lines of business. All the significant segments of the Bank operate in the Russian Federation in similar economic environment.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank is organised on the basis of the following business segments:

- Retail banking – representing car loans to individuals.
- Corporate banking – representing settlement and current accounts of entities, deposits, lending to legal entities
- Bank's own operations – representing the Bank's operations in the debt capital market, transactions with financial instruments and other operations.

(b) Factors that management used to identify the reportable segments

The Bank's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

(c) Measurement of operating segment profit or loss, assets and liabilities

Accounting policies, on the basis of which segment information is provided are generally the same as the policies described in Summary of Significant Accounting Policies, except for classification of certain income and expense items.

The CODM evaluates performance of each segment based on profit before tax.

(d) Information about reportable segment profit or loss, assets and liabilities

Assets and liabilities of the Bank's segments are as follows:

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Corporate banking	40 228	17 919
Retail banking	23 092 084	22 079 295
Bank's own operations	12 388 076	7 379 818
Total assets of business segments	**35 520 388**	**29 477 032**
Corporate banking	1 232	1 828
Retail banking	176 341	172 151
Bank's own operations	21 330 282	16 519 027
Total liabilities of business segments	**21 507 855**	**16 693 006**

26 Segment Analysis (Continued)

The Bank's business segments for year ended 31 December 2017 are as follows:

In thousands or Russian Roubles	**Corporate banking**	**Retail banking**	**Bank's own operations**	**Total**
Interest income	5 323	3 973 002	-	**3 978 325**
Interest expense	-	-	(1 454 370)	**(1 454 370)**
Intersegment (expenses)/income	(7 548)	(1 446 822)	1 454 370	**-**
Net interest income	**(2 225)**	**2 526 180**	**-**	**2 523 955**
Recovery of/(provision) for loan impairment	(723)	(88 987)	-	**(89 710)**
Net interest income after provision for loan impairment	**(2 948)**	**2 437 193**	**-**	**2 434 245**
Dealer commission expenses	-	(357 504)	-	**(357 504)**
Net income from insurance	-	136 348	-	**136 348**
Other operating income and expenses	19 069	(66 100)	(5 413)	**(52 444)**
Interest income from deposits placed with banks and loans issued to the Group companies	-	-	588 673	**588 673**
Administrative and other operating expenses	(6 047)	(761 642)	(451 921)	**(1 219 610)**
Profit before tax (segment result)	**10 074**	**1 388 295**	**131 339**	**1 529 708**

The Bank's business segments for year ended 31 December 2016 are as follows:

In thousands or Russian Roubles	**Corporate banking**	**Retail banking**	**Bank's own operations**	**Total**
Interest income	8 176	4 085 374	-	**4 093 550**
Interest expense	-	-	(1 976 261)	**(1 976 261)**
Intersegment (expenses)/income	(2 932)	(1 973 329)	**1 976 261**	**-**
Net interest income	**5 244**	**2 112 045**	**-**	**2 117 289**
Recovery of/(provision) for loan impairment	13 979	(84 461)	-	**(70 482)**
Net interest income after provision for loan impairment	**19 223**	**2 027 584**	**-**	**2 046 807**
Dealer commission expenses	-	(228 093)	-	**(228 093)**
Net income from insurance	-	75 465	-	**75 465**
Other operating income and expenses	17 039	(70 097)	52 867	**(191)**
Interest income from deposits placed with banks and loans issued to the Group companies	-	-	920 196	**920 196**
Administrative and other operating expenses	(8 330)	(672 930)	(409 920)	**(1 091 180)**
Profit before tax (segment result)	**27 932**	**1 131 929**	**563 143**	**1 723 004**

The Bank does not have customers with the revenues exceeding 10% of the total revenue of the Bank. Refer to Note 21 for revenue analysis by product. Refer to Note 27 for geographical analysis of revenue.

26 Segment Analysis (Continued)

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reconciliation of net interest income of the Bank's business segments with the IFRS financial statement data is presented below:

In thousands or Russian Roubles	**2017**	**2016**
Total net interest income of reportable segments	**2 523 955**	**2 117 289**
(a) Interest income on deposits of the banks and Group entities are recognised within segments' other income and expenses	588 672	920 196
(b) Income adjustments (dealer commissions and insurance income) are recognised within segments' other income and expenses	(159 315)	(174 043)
(c) Interest expenses on derivatives are recognised within net interest income	17 390	39 062
Total net interest income	**2 970 702**	**2 902 504**

Reconciliation of total profit before tax of the Bank's business segments with the IFRS financial statement data is presented below:

In thousands or Russian Roubles	**2017**	**2016**
Total reportable segment result	**1 529 708**	**1 723 004**
(a) Result from revaluation of derivative financial instruments	10 712	(16 626)
(b) Exchange differences	(5 116)	5 619
(c) Provisions for tax risks	51 690	(16 411)
Profit before tax	**1 586 994**	**1 695 586**

27 Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Risk management procedures include the procedures for identification, classification, measurement, stress testing, limit setting, control over the use of limits, provision of reporting to management and mitigation of risk impact.

The following methods are used in order to mitigate the accepted risks:

- assessment of aggregate risk appetite with account for the entity's capacities;
- use of the system of limits by division with account for the types of material risks;
- use of stress testing;
- implementation of the procedures for setting limits for individual borrowers and types of financial instruments using VaR methodology ((Value–at-Risk).

27 Financial Risk Management (Continued)

System of limits. The Bank controls accepted risks through its system of limits by comparing the amounts of risks assumed with the established limits. The system of limits is based on the level of the aggregate risk that the Bank can assume based on the goals of the Bank's business plan (strategy), business development targets, current and target risk structure.

The system of limits ensures that the risks assumed match the Bank's risk appetite.

The Bank controls compliance with the limits allocated to the Bank's business units by setting thresholds and regularly monitors whether these thresholds are approached/achieved that is indicative of the high level of utilisation of the established limits.

Depending of the level of utilisation and type of the limit, the Department of Credit, Operational, Market Risk Management and Methodology provides the Bank's Supervisory Board and/or Management Board with its proposals on how to address the situation.

The limit monitoring results are submitted for consideration by the Bank's authorised bodies within the reports prepared as part of the internal capital adequacy assessment process (ICAAP).

Internal reports on risks and capital are provided to the Risk Management Department Leader and heads of business units in charge of risk management/ risk acceptance on a daily basis, and to the top management and Supervisory Board on a monthly/quarterly and annual basis. These reports include information on material risks, the Bank's compliance with the statutory ratios, amount of capital, capital adequacy assessment results (evaluation of the ability to assume risks), and on the monitoring of the Bank's limits and risk appetite.

Types of risks. According to results of risk inspection of the Bank (within materiality analysis), the following types of risks were considered material for the Bank in 2017:

- Credit risk;
- Market risk;
- Liquidity risk;
- Operational risk.

The most significant measurable risk is credit risk, which is in line with the specifics of banking operations.

Based on the risk inspection for 3Q 2017, the composition of material risks for 2018 did not change compared to 2017.

Risk management cycle includes the following elements:

- Risk management strategy;
- Risk assessment, including identification and documentation of risks;
- Risk monitoring;
- Risk control;
- Communication of risks, including submission of reports.

The matters of risk management strategy, financial stability, corporate governance of the Bank are included in the competence of the *Supervisory Board*.

The Bank's Management Board:

- ensures the Bank's compliance with the business strategy, risk appetite and internal regulations of the Bank;
- controls timely and adequate identification, assessment, monitoring and mitigation of risks;

27 Financial Risk Management (Continued)

- ensures operation of risk management systems and efficient internal control system;
- ensures allocation of duties among business units and employees responsible for specific internal control areas.

The Department of Credit, Operating, Market Risk Management and Methodology of the Bank is the unit responsible for the Bank's risk management.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets.

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

The credit risk is mitigated by collateral and other credit enhancements (guarantees). The Bank discloses the information about collateral and other loan security forms in the notes to financial statements.

The Bank's borrowers are the dealers of automotive companies that are funded for the purpose of car purchase, related corporate clients and individuals acquiring motor vehicles. The Credit Check Department performs the analysis of the borrowers' performance. The information on the borrower and the potential deal is included in the loan application and submitted to the Credit Committee, which considers the application and takes a decision.

In order to monitor credit risk exposures, regular reports are produced by the Credit Check Department and the Department of Credit, Operational, Market Risk Management and Methodology staff based on the analysis of the customer's business and financial performance and the existing customer portfolio. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management Board and the Supervisory Board.

Analysis of risks by maturities and control of overdue balances is carried out by the Department for Relations with Counterparties and Corporate Clients along with the Department of Credit, Operational, Market Risk Management and Methodology.

Besides the credit risk arising on its retail and corporate borrowers, the Bank identifies the credit risk related to counterparty banks. The counterparty bank credit risk represents exposure to loss of the Bank's money placed in deposit accounts with the counterparty banks and a risk of losing customer payments made through the counterparty banks.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

To measure its credit risk, the Bank calculates expected and unexpected losses using the Basel II formula applicable to entities, banks and countries and the similar formula for individuals.

Market risk. Market risk represents exposure to potential losses resulting from unfavourable changes in market prices or factors affecting such prices.

Market risk includes a number of risks arising on market transactions, specifically interest rate risk, foreign exchange risk and equity risk.

The Bank's market risk is currently represented by interest rate risk only.

27 Financial Risk Management (Continued)

Interest rate risk represents exposure to potential losses as a result of changes in the market interest rates. It arises from the mismatch between the fixed interest rates on receivables and liabilities within the portfolio.

Interest rate risk is assessed using the gap analysis method. To estimate changes in net interest income, the gap analysis uses fluctuation of interest rate equal to Mosprime rate VaR.

Currency risk. The Bank monitors compliance with the CBRF requirements to open currency position limits set by CBRF Instruction No. 124-I of 15 July 2005 "On Establishing Amounts (Limits) of Open Currency Positions, Calculation Methodology and Specifics of Oversight over Their Compliance by Credit Institutions" on a regular basis.

At the end of the day of 31 December 2017 and 2016, the Bank had no foreign currency denominated financial assets or liabilities.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Changes in interest rates can result in the situation where the Bank's liabilities bear non-proportionally high interest rates as compared to interest rates of assets, and vice versa. One of the objectives of the Bank is to minimise losses from unexpected adverse changes in interest margin. In order to hedge interest rate risk the Bank uses interest rate swaps alongside with other instruments.

The Treasury Department of the Bank monitors interest rate risk within the scope of the Asset-Liability Management (ALM) procedure on a monthly basis. The regular ALM procedure is aimed at mitigation of interest rate risks and ensures compliance with the internally set limits for assets and liabilities interest rate gap by dates. Monitoring of compliance with internal limits is the responsibility of Assets and Liabilities Management Committee (ALCO).

The table below summarises the Bank's exposure to interest rate risks. The table presents the amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands or Russian Roubles	**On demand and less than 1 day**	**From 1 day to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Total**
31 December 2017					
Total financial assets	439 982	12 454 222	6 579 942	13 918 108	**33 392 254**
Total financial liabilities	-	7 081 350	6 393 095	6 854 044	**20 328 489**
Net interest sensitivity gap at 31 December 2017	**439 982**	**5 372 872**	**186 847**	**7 064 064**	**13 063 765**
31 December 2016					
Total financial assets	240 433	9 177 484	6 827 994	12 086 377	**28 332 288**
Total financial liabilities	94 886	4 806 348	1 279 473	10 016 332	**16 197 039**
Net interest sensitivity gap at 31 December 2016	**145 547**	**4 371 136**	**5 548 521**	**2 070 045**	**12 135 249**

At 31 December 2017, if interest rates at that date had been 300 basis points lower (2016: 300 basis points lower) with all other variables held constant, profit before tax would have been RR 166 037 thousand (2016: RR 205 170 thousand) lower, mainly as a result of lower interest income on loans issued to legal entities and individuals.

27 Financial Risk Management (Continued)

If interest rates had been 300 basis points higher (2016: 300 basis points higher) with all other variables held constant, profit before tax for the year would have been RR 166 037 thousand (2016: RR 205 170 thousand) higher, mainly as a result of higher interest income on loans issued to legal entities and individuals.

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

	2017			2016		
In % p.a.	**RR**	**US Dollars**	**Euro**	**RR**	**US Dollars**	**Euro**
Assets						
Cash and cash equivalents	5.95%	-	-	10.03%	-	-
Loans and advances to customers						
- corporate customers	9.38%	-	-	11.04%	-	-
- loans to individuals - car loans	9.61%	-	-	11.00%	-	-
Liabilities						
Due to other banks	8.70%	-	-	10.56%	-	-
Customer accounts	6.62%	-	-	9.03%	-	-
Debt securities in issue	9.88%	-	-	9.88%	-	-
Other borrowed funds	-	-	-	10.68%	-	-

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

Other price risk. The Bank is exposed to prepayment risk through providing fixed or variable rate loans, which give the borrower the right to repay the loans early. The Bank's current year financial result and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to the amortised cost of the loans and advances to customers.

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2017 is set out below:

In thousands or Russian Roubles	**Russia**	**OECD**	**Total**
Financial assets			
Cash and cash equivalents	7 267 360	-	7 267 360
Mandatory cash balances with the Bank of Russia	103 896	-	103 896
Loans and advances to customers	27 077 617	-	27 077 617
Other financial assets	512 747	-	512 747
Total financial assets	**34 961 620**	**-**	**34 961 620**
Financial liabilities			
Due to banks	3 735 964	-	3 735 964
Customer accounts	6 529 609	-	6 529 609
Debt securities in issue	10 331 851	-	10 331 851
Derivative financial instruments	30 589	-	30 589
Other financial liabilities	396 124	34 858	430 982
Total financial liabilities	**21 024 137**	**34 858**	**21 058 995**
Net balance sheet position	**13 937 483**	**(34 858)**	**13 902 625**
Credit related commitments	**3 135 710**	**-**	**3 135 710**

27 Financial Risk Management (Continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2016 is set out below:

In thousands or Russian Roubles	**Russia**	**OECD**	**Total**
Financial assets			
Cash and cash equivalents	3 429 513	-	3 429 513
Mandatory cash balances with the Bank of Russia	49 576	-	49 576
Loans and advances to customers	25 023 187	-	25 023 187
Other financial assets	328 284	-	328 284
Total financial assets	**28 830 560**	**-**	**28 830 560**
Financial liabilities			
Due to banks	3 789 841	-	3 789 841
Customer accounts	903 386	-	903 386
Debt securities in issue	10 324 536	-	10 324 536
Other borrowed funds	621 389	-	621 389
Derivative financial instruments.	149 880	-	149 880
Other financial liabilities	390 764	17 243	408 007
Total financial liabilities	**16 179 796**	**17 243**	**16 197 039**
Net balance sheet position	**12 650 764**	**(17 243)**	**12 633 521**
Credit related commitments	**2 227 628**	**-**	**2 227 628**

The full amount of the Bank's revenue was received from customers registered in Russia.

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 5% of net assets. Refer to Notes 8 and 13.

Liquidity risk. Liquidity risk is the risk that the Bank will lose its ability to timely and fully fulfil its monetary and other obligations arising from the Bank's current activities, including settlements on overnight deposits, accounts on demand, maturing deposits, loan draw-downs.

Liquidity risk management is the responsibility of the Assets and Liabilities Management Committee (ALCO). The Committee analyses on a regular basis the current and projected liquidity of the Bank, develops the strategy for the use of money market instruments and funding sources, establishes internal liquidity ratios.

For the purposes of liquidity risk management, the Bank's Treasury projects cash flows and ensures availability of sufficient funds to meet the Bank's cash flow requirements. The Bank's liquidity is managed and forecasted on the basis of cash flow management model implemented by the Treasury and agreed with ALCO. Cash flow management model is based on the principles of effective communication between business units, back-testing, regular adjustment of projected values to business requirements. Within the scope of this model the Treasury Department regularly stress tests the level of liquidity on the basis of various scenarios that cover both standard and more unfavourable market conditions.

The Bank has developed a Contingency plan of actions to be taken in order to support liquidity. This plan defines the liquidity deficit event, the measures aimed at its prevention and actions required for its avoidance.

27 Financial Risk Management (Continued)

On the basis of actual and projected data the Treasury establishes the portfolio of short-term liquid assets, mainly comprising balances on correspondent accounts (including the correspondent account with the CBRF), deposits with banks and other interbank instruments, which is sufficient for meeting the Bank's obligations set by the CBRF in accordance with CBRF Instruction No. 139-I of 3 December 2012 "On Obligatory Ratios for Banks".

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 110.70% at 31 December 2017 (2016: 48.71%).
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 186.44% at 31 December 2017 (2016: 220.42%).
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 70.50% at 31 December 2017 (2016: 54.96%).

The table below shows maturity analysis of assets and liabilities at 31 December 2017 and based on their contractual maturities except for assets that are readily saleable in case it would be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

The amounts disclosed in the table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

27 Financial Risk Management (Continued)

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

In thousands or Russian Roubles	**On demand and less than 1 day**	**From 1 day to 3 months**	**From From 3 months to 1 year**	**From 1 to 5 years**	**Total**
Financial assets					
Cash and cash equivalents	1 467 232	5 810 397	-	-	**7 277 629**
Mandatory cash balances with the Bank of Russia	4 490	36 084	32 707	30 615	**103 896**
Loans and advances to customers	439 982	6 407 333	8 962 579	16 099 243	**31 909 137**
Other financial assets	-	512 747	-	-	**512 747**
Total	**1 911 704**	**12 766 561**	**8 995 286**	**16 129 858**	**39 803 409**
Financial liabilities					
Due to banks	-	854 617	1 076 353	2 096 503	4 027 473
Customer accounts	730 506	5 808 565	-	-	6 539 071
Debt securities in issue	-	249 450	5 495 100	5 249 450	10 994 000
Gross settled derivatives					
- inflows	-	(6 184)	(3 758)	-	(9 942)
- outflows		35 340	5 616	-	40 956
Other financial liabilities	-	430 982	-	-	430 982
Total potential future payments for financial obligations	**730 506**	**7 372 770**	**6 573 311**	**7 345 953**	**22 022 540**
Liquidity gap arising from financial instruments	**1 181 198**	**5 393 791**	**2 421 975**	**8 783 905**	**17 780 869**
Credit related commitments	**3 135 710**	**-**	**-**	**-**	**3 135 710**

27 Financial Risk Management (Continued)

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

In thousands or Russian Roubles	**On demand and less than 1 day**	**From 1 day to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Total**
Financial assets					
Cash and cash equivalents	448 736	2 988 190	-	-	**3 436 926**
Mandatory cash balances with the Bank of Russia	2 382	23 035	24 159	-	**49 576**
Loans and advances to customers	240 433	6 230 216	9 393 304	14 378 859	**30 242 812**
Other financial assets	-	328 284	-	-	**328 284**
Total	**691 551**	**9 569 725**	**9 417 463**	**14 378 859**	**34 057 598**
Financial liabilities					
Due to banks	-	3 648 956	204 393	-	**3 853 349**
Customer accounts	96 514	810 500	-	-	**907 014**
Debt securities in issue	-	249 450	740 750	10 994 000	**11 984 200**
Other borrowed funds	-	-	642 454	-	**642 454**
Derivative financial instruments					
- inflows	-	(39 242)	(67 025)	(10 944)	**(117 211)**
- outflows	-	178 500	52 701	40 956	**272 157**
Other financial liabilities	-	408 007	-	-	**408 007**
Total potential future payments for financial obligations	**96 514**	**5 256 171**	**1 573 273**	**11 024 012**	**17 949 970**
Liquidity gap arising from financial instruments	**595 037**	**4 313 554**	**7 844 190**	**3 354 847**	**16 107 628**
Credit related commitments	**2 227 628**	**-**	**-**	**-**	**2 227 628**

Operational risk is exposure to losses resulting from erroneous or non-compliant: internal processes (process risks), employees' activities (personnel risks), technologies (infrastructure and IT risks) or external events (external risks).

Operational risk is assessed in accordance with the CB RF Regulation 346-P "On the Procedure for Calculation of Operational Risk", therefore the operational risk losses are estimated at 15% of the Bank's operating income.

Legal risk is exposure to the Bank's losses resulting from the Bank's internal mistakes related to the application of Russian Law, from the inefficient organisation of legal work leading to legal mistakes, and from external factors: imperfect legal system (lack of sufficient legal regulation, inconsistency of legislation, its exposure to changes), breach of terms and conditions by the Bank's counterparties, the location of the Bank's customers under the jurisdiction of another state, changes in the tax legislation that aggravate the position of certain taxpayer groups.

In order to mitigate the legal risk, the Bank applies the following procedures:

- Compliance with the principles of prudence and conservatism;
- Standardising banking operations and other transactions (terms and procedures, technology for conducting operations and transactions, concluding contracts);

27 Financial Risk Management (Continued)

- Establishing internal authorisation procedure for the Bank's agreements, banking operations and other transactions other than standardised;
- Regular monitoring of changes to Russian Law;
- Maintaining the high level of the Bank employees' provision with up-to-date legal information;
- Compliance with the "know your client" principle.

The Bank's Management Board monitors and manages the legal risk. It controls compliance with the internal procedures and policies approved by the Bank's Supervisory Board.

28 Management of Capital

The Bank's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. The Bank considers total capital under management to be equity as shown in the statement of financial position. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Management Board and Chief Accountant. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. These ratios are:

- The Bank's common equity tier 1 capital adequacy ratio (N1.1) at 31 December 2017 amounted to 42.9% (2016: 38.78%), with minimum allowable level of ratio – 4,5%
- The Bank's the core capital adequacy ratio (N1.2) at 31 December 2017 amounted to 42.9% (2016: 38.78%), with minimum allowable level of ratio – 6%
- The Bank's own (regulatory) capital adequacy ratio (N1.0) at 31 December 2017 amounted to 42.9% (2016: 44.92%), with minimum allowable level of ratio – 8%

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Net assets under Russian GAAP	13 564 980	13 098 131
Total regulatory capital	**13 564 980**	**13 098 131**

The Bank complied with externally imposed capital requirements throughout 2017 and 2016.

29 Contingencies and Commitments

Tax contingencies. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

As Russian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

In addition to the above matters, management estimates that the Bank has other possible obligations from exposure to other than remote tax risks of RR 171 881 thousand (2016: RR 223 571 thousand). Refer to Note 16. These exposures primarily relate to the contract on promotion of financial services. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

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

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Less than 1 year	32 594	31 441
From 1 to 5 years	93 044	132 228
Total operating lease commitments	**125 638**	**163 669**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

29 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

In thousands or Russian Roubles	**31 December 2017**	**31 December 2016**
Undrawn credit lines	3 135 710	2 227 628

The total outstanding contractual amount of undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. As such credit facilities can be cancelled these commitments do not have any inherent credit risk until the loan is actually drawn down. No provision is made for unused credit lines.

All credit related commitments are denominated in Russian roubles.

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 103 896 thousand (2016: RR 49 576 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

30 Fair value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies professional judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2017				**31 December 2016**			
In thousands or Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
LIABILITIES CARRIED AT FAIR VALUE								
- Derivative financial instruments	-	-	30 588	30 588	-	-	149 880	149 880
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**-**	**-**	**30 588**	**30 588**	**-**	**-**	**149 880**	**149 880**

30 Fair Value of Financial Instruments (Continued)

The description of valuation technique and description of inputs used in the fair value measurement for level 3 measurements at 31 December 2017:

In thousands or Russian Roubles	**Fair value**	**Valuation technique**	**Inputs used**
LIABILITIES CARRIED AT FAIR VALUE			
FINANCIAL LIABILITIES			
- Derivative financial instruments	30 588	Discounted cash flows	Instrument yield curve RUBZ=R in ThomsonReuters system and interest rate swap (Mid price)
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**30 588**	**-**	

The description of valuation technique and description of inputs used in the fair value measurement for level 3 measurements at 31 December 2016:

In thousands or Russian Roubles	**Fair value**	**Valuation technique**	**Inputs used**
LIABILITIES CARRIED AT FAIR VALUE			
FINANCIAL LIABILITIES			
- Derivative financial instruments	149 880	Discounted cash flows	Instrument yield curve RUBZ=R in ThomsonReuters system and interest rate swap (Mid price)
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**149 880**	**-**	

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

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

	31 December 2017				**31 December 2016**			
In thousands or Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
ASSETS								
Loans and advances to customers								
- Corporate loans	-	-	4 517 708	**4 499 526**	-	-	3 272 176	**3 272 176**
- Loans to individuals - car loans	-	-	21 387 164	**22 578 091**	-	-	19 968 986	**21 751 011**
Other financial assets	-	-	512 747	**512 747**	-	-	328 284	**328 284**
Total	**-**	**-**	**26 417 619**	**27 590 364**	**-**	**-**	**23 569 446**	**25 351 471**

30 Fair Value of Financial Instruments (Continued)

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

	31 December 2017				31 December 2016			
In thousands or Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	142	-	**142**	-	125	-	**125**
- Short-term placements of other banks	-	1 877 013	-	**1 877 013**	-	3 086 476	-	**3 086 476**
- Long- term placements of other banks	-	1 858 809	-	**1 858 809**	-	703 240	-	**703 240**
Customer accounts				**-**				**-**
- Current/settlement accounts of other legal entities	-	730 506	-	**730 506**	-	94 687	-	**94 687**
- Term deposits	-	5 799 103	-	**5 799 103**	-	808 699	-	**808 699**
Debt securities in issue	10 499 800	-	-	**10 331 851**	10 405 700	-	-	**10 324 536**
Other borrowed funds								
- Term borrowings from companies/government agencies	-	-	-	**-**	-	621 389	-	**621 389**
Other financial liabilities	-	-	430 982	**430 982**	-	-	408 007	**408 007**
Total	**10 499 800**	**10 265 573**	**430 982**	**21 028 406**	**10 405 700**	**5 314 616**	**408 007**	**16 047 159**

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

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

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

31 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement IAS 39 "Financial Instruments: Recognition and Measurement" classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2017:

In thousands or Russian Roubles	**Loans and receivables**
ASSETS	
Cash and cash equivalents	7 267 360
Mandatory cash balances with the Bank of Russia	103 896
Loans and advances to customers	
- Corporate loans	4 499 526
- Loans to individuals – car loans	22 578 091
Other financial assets	512 747
TOTAL FINANCIAL ASSETS	**34 961 620**

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2016:

In thousands or Russian Roubles	**Loans and receivables**
ASSETS	
Cash and cash equivalents	3 429 513
Mandatory cash balances with the Bank of Russia	49 576
Loans and advances to customers	
- Corporate loans	3 272 176
- Loans to individuals – car loans	21 751 011
Other financial assets	328 284
TOTAL FINANCIAL ASSETS	**28 830 560**

As at 31 December 2017 and 2016 all of the Bank's financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

32 Related Party Transactions

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

32 Related Party Transactions (Continued)

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

In thousands or Russian Roubles	**Participants of the Bank**	**Entities under common control**	**Total**
Loans and advances to customers (contractual interest rate: 8.10%-10.49% p.a.)	-	4 459 298	**4 459 298**
Other financial assets	-	256 011	**256 011**
Customer accounts (contractual interest rate: 6.62%)	-	(6 528 377)	**(6 528 377)**
Other liabilities	(35 092)	(55 055)	**(90 147)**

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

In thousands or Russian Roubles	**Participants of the Bank**	**Entities under common control**	**Total**
Interest income	-	1 335 166	**1 335 166**
Interest expense	(7 019)	(94 054)	**(101 073)**
Fee and commission income	-	20 249	**20 249**
Other operating income	-	11 212	**11 212**
Administrative and other operating expenses	(8 431)	(112 557)	**(120 988)**

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

In thousands or Russian Roubles	**Entities under common control**
Amounts lent to related parties during the year	40 484 000
Amounts repaid by related parties during the year	39 340 000

All bonds issued by the Bank are secured by the public irrevocable offer provided by the Bank's Participant to guarantee performance of the Bank's obligations.

Loans and advances to entities under common control are secured by the Bank Participant's guarantee. The total amount of guarantees obtained by the Bank is RR 7 400 000 thousand (2016: RR 5 300 000 thousand).

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

In thousands or Russian Roubles	**Participants of the Bank**	**Entities under common control**	**Total**
Loans and advances to customers (contractual interest rate: 10.65%-12.44% p.a.)	-	3 254 257	**3 254 257**
Other financial assets	-	323 094	**323 094**
Customer accounts (contractual interest rate: 9.03%)	-	(901 557)	**(901 557)**
Other borrowed funds (contractual interest rate: 10.68 p.a.)	-	(621 389)	**(621 389)**
Other liabilities	(17 462)	(29 844)	**(47 306)**

32 Related Party Transactions (Continued)

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

In thousands or Russian Roubles	**Participants of the Bank**	**Entities under common control**	**Total**
Interest income	-	1 240 805	**1 240 805**
Interest expense	(90 960)	(183 444)	**(274 404)**
Fee and commission income	-	17 174	**17 174**
Fee and commission expense	(341)	-	**(341)**
Other operating income	-	11 212	**11 212**
Administrative and other operating expenses	(10 137)	(77 847)	**(87 984)**

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

In thousands or Russian Roubles	**Entities under common control**
Amounts lent to related parties during the year	15 505 000
Amounts repaid by related parties during the year	16 535 000

Consideration under the contract of loan receivables sale was received in full.

The Bank is a member of Volkswagen AG Group of companies. The ultimate beneficiary and ultimate controlling party of the Bank is Familie Porsche Beteiligung GmbH.

Key management compensation is presented below:

	2017		**2016**	
In thousands or Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	15 787		14 442	-
- Short-term bonuses	9 038	9 038	6 105	5 612
Total	**24 825**	**9 038**	**20 547**	**5 612**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

In 2017 the amount of statutory pension and social security contributions and contributions to the obligatory medical insurance fund was RR 5 680 thousand (2016: RR 5 161 thousand).

33 Publication of Financial Statements

The Management took a decision to disclose the Bank's financial statements on the Bank's official website (at www.vwbank.ru).