BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

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REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Lambros Soteriou Dimitra Karkalli
Company Secretary:	M. Kyprianou Fiduciaries Ltd
Independent Auditors:	Yiallourides & Partners Ltd Chartered Accountants
Registered office:	116 Gladstonos street M. Kyprianou Tower, 3rd and 4th floors 3032 Limassol Cyprus
Bankers:	Hellenic Bank Public Company Ltd BCS Bank JSC
Registration number:	HE158664

MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2017.

For avoidance of doubt and for transparency purposes, it is hereby disclosed that the Company and its subsidiaries constitute an integral part of a wider group of companies (that might be also referred to in public sources as BCS Group or BCS Financial Group or FG BCS), the top-level holding company of the mentioned above being FG BCS Limited (incorporated and domiciled in Cyprus). The above-mentioned FG BCS group has full ownership and exercises control over a number of legal entities including those duly licensed and authorised for financial market services and investment activities, the appropriate licences and authorisations duly issued by EU and third countries regulators and authorities.

For the purposes of the present report, the term "Group" refers to the Company and its subsidiaries; unless otherwise is obvious or suggested from the content as well as the description or activities – in the latter case the term "Group" should be understood as referring to the Group's affiliate holding the respective license or authorisation. It is hereby confirmed that the activities of the Group are (to the extent required by law and applicable regulations) exercised with the necessary involvement of its affiliates holding the appropriate license, authorisation or permission.

Incorporation
The Company BrokerCreditService Structured Products PLC was incorporated in Cyprus on 18 March 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group
BrokerCreditService Structured Products Plc acts as an investment and financing company and conducts trading operations in the international securities markets (except for the investment activity that requires authorisation and/or license). This includes entering into transactions with market counterparties and related parties that are members of the Group. These transactions include, but are not limited to, repo transactions, loans and transactions in securities in the international capital markets including exchanges and Over-the-Counter ("OTC") markets. The Company also conducts investment activities in different types of bonds of both Russian and international issuers.

As of the date hereof, the Group conducts its business through the following operating legal entities. These are Routa Luxury Services Ltd and Botimelo Group Ltd both of them being wholly owned subsidiaries of Brokercreditservice Structured Products Plc. During the period under review, Brokercreditservice Structured Products Plc had full control of another three companies, these being Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were fully disposed of on 21 June 2017. Each of the above mentioned wholly owned Subsidiaries is/was established to carry on any trade or activity whatsoever related to, connected with or involving shares, stock, debentures, debenture stock, bonds, notes, obligations, warrants, options, derivatives, commodities and any other instruments related to equity, debt or commodities of all kinds (except for the investment activity that requires authorisation and/or license).

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

Review of current position, future developments and performance of the Group's business
The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

The Board of Directors does not expect major changes or developments in the principal activities, financial position and performance of the Company in the foreseeable future.

The most important highlights of the Group during the year ended 31 December 2017 were:

- Leading positions in sales of structured products to retail customers.
- Increase in the number of listed structured notes on the Moscow Exchange.
- Ability for remote purchase of structured products.
- Increased range of structured products provided.
- Registration of the second Medium Terms Notes Programme for EUR20 bln.
- Implementation of new types of products (i.e. introduction of new Tracker Notes on a Mutual Funds Basket, ETN, auto callable products)

MANAGEMENT REPORT

The Group's strategic goals and main developing points are:

• Increase of structured products' sales with low interest rates in USA and Europe and reduced rates in Russia
• Implementation of new types of products (i.e. the products with full capital protection, with new payout features).
• Sales diversification through partners and agents and development of remote and other distribution channels (i.e. promotion of online distribution of structured products through BCS channels, external partnership network extension, joint products with other entities under common control)
• Implementation and development of strategy product lines with volatility control
• Quasi-endowment assurance development – implementation of products with partial payment option
• Wider range of covered bonds and stock
• Enhancement of Euro Medium Term Note programmes
• Reporting quality improvement

Principal risks and uncertainties
The principal risks and uncertainties faced by the Group are disclosed in note 3 of the consolidated financial statements.

Existence of branches
The Company and its subsidiaries do not maintain any branches.

Use of financial instruments by the Group
The Group's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk arising from the financial instruments it holds. The Company and its consolidated subsidiaries, as part of their operations and normal activities use various financial instruments such as options, futures, forward contracts, direct and reverse repurchase agreements, credit linked notes and other instruments which expose the Group to the financial risks mentioned above.

The Group's risk management function is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date administrative and information systems. The Group regularly reviews its risk management framework to reflect the changes in markets, products and effective best practice.

The current structure of the risk framework implemented by the Group aims to manage risks in order to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of the Group's operations in accordance with best practice. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Group to achieve overall objectives.

The responsibility for the overall framework of risk governance and management lies with the Board of Directors. Management recognises that the risk is embedded in all of the Group's activities and for this reason it recognises the need for the continuous identification, assessment, examination, and control of each type of risk. The risk management policies employed by the Group to manage these risks are discussed below:

Market price risk
Market price risk is the possibility that the Group may suffer a loss resulting from the fluctuations in the values of, or income from equity securities classified at fair value through profit or loss and derivative financial instruments. The Group is exposed to market price risk because of investments held by the Group and classified as financial assets at fair value through profit or loss which are susceptible to market price risk arising from uncertainties about future prices of these investments.

The Group maintains trading securities owned and securities sold but not yet purchased. These securities include debt securities issued by the Russian government, corporate debt securities and equity securities. Changes in the value of trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices and the correlation among these factors. The Group manages its trading inventory by product type.

Price risk for equity securities is the risk of changes in value of a financial instrument as a result of changes in market prices regardless of whether they have been caused by factors specific for a particular instrument or factors influencing all instruments traded in the market. Price risk for equity securities exists when the Group has a long or short position in an equity financial instrument.

Interest rate risk
Interest rate risk is the risk that the Group's income or financial instrument portfolio may change due to interest rate fluctuations. The Group takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. BCS Group offers its clients overnight cash sweep programs that are interest rate sensitive. While clients earn interest for balances on deposit under the cash sweep programs, BCS Group earns a fee. These fees are based on prevailing interest rates in the current interest rate environment but may be adjusted in an increasing or decreasing interest rate environment or for other reasons. Changes in interest rates and fees for the overnight cash sweep programs are monitored by Product and Marketing committee, which governs and approves any changes to fees. The committee balances financial risk of the cash sweep programs with products that offer competitive client yields.

Interest rate risk management through monitoring of the mismatch of the maturities of interest bearing assets and interest-bearing liabilities is supplemented by monitoring the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves.

Interest-earning assets are financed primarily by brokerage client cash balances and deposits from banking clients. Non-interest-bearing funding sources include non-interest-bearing brokerage client cash balances and proceeds from stock-lending activities, as well as equity. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, BCS Group may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields, and by lowering rates paid to clients on interest-bearing liabilities.

Credit risk
Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Group bears credit risk on securities lending activities, its role as a counterparty in financial contracts and investing activities.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Group's Risk Management Committee. The Risk Management Committee is responsible for management of credit risk, including formulating credit policies, covering collateral requirements, adjusting margin requirements for certain securities, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating bands, market liquidity and country (for trading assets), and reviewing compliance of business units with agreed exposure limits. Collateral arrangements relating to margin loans, securities lending agreements, and resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. Management regularly reviews asset quality including concentrations, delinquencies, non-accrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses, which is reviewed quarterly by senior management.

BCS Group has exposure to credit risk due to its obligation to settle transactions with clearing corporations, mutual funds, and other financial institutions even if its client or a counterparty fails to meet its obligations to the Group. BCS Group acts as the investment manager for a number of mutual and real estate funds. Although it has no obligation to do so, BCS Group may decide for competitive reasons to provide credit, liquidity or other support to managed funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause BCS Group to take significant charges and could reduce liquidity. If the Group chose not to provide credit, liquidity or other support in such a situation, the Group could suffer reputational damage and its business could be adversely affected.

The Group is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g. in the same industry). Management seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The Group uses a wide range of techniques to reduce credit risk on its lending operations managing both individual transaction loss drivers, such as probability of default, loss given default and exposure at default, and systemic risk drivers on a portfolio basis. At the transaction level, an assessment of a borrower's ability to service the proposed level of debt is performed. Various forms of legal protection are used, such as netting agreements and covenants in commercial lending agreements, and credit enhancements techniques. At the portfolio level, diversification is managed to avoid excessive concentrations. Portfolio concentration limits include: (i) maximum exposure per borrower limit, (ii) industry concentration limit, (iii) loan maturity concentration limit, (iv) unsecured lending limit. Meanwhile, the Group should comply with statutory ratios on credit concentration risk.

The analysis by credit quality of financial assets is mainly based on Standard and Poor's rating and other ratings converted to the nearest equivalent to the Standard and Poor's rating scale. Pursuant to the policy on limits, the exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The Company defines its risk appetite by approving a policy on limits, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions.

MANAGEMENT REPORT

Liquidity risk

The Group conducts substantially all of its business through the affiliated companies and wholly-owned subsidiaries of the holding company. The capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements. Liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by the shareholder, if required. BCS Group maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs and to support growth in the business. Generally, the Group does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. Management of BCS Group believes that funds generated by the operations of subsidiaries will continue to be the primary funding source in meeting its liquidity needs, providing adequate liquidity to meet capital guidelines and net capital requirements of its regulated subsidiaries.

The following factors which affect the cash position and cash flows include investment activity in securities, levels of capital expenditures, acquisition and divestiture activity, payments of dividends, and coupon payments. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

Liquidity risk is the risk that an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits and current accounts. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department of BCS Group by means of monitoring daily liquidity positions.

The Treasury Department prepares the liquidity profile of the financial assets and liabilities. The Treasury Department then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities, inter-bank facilities and cash balances, to ensure that sufficient liquidity is maintained within BCS Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

Results and Dividends

The Group's results for the year are set out on page 12. The net profit for the year attributable to the shareholders of the Group amounted to RR5,236,286,088 (2016: RR5,870,637,879). On 31 December 2017 the total assets of the Group were RR298,349,020,565 (2016: RR264,664,045,326) and the net assets of the Group were RR10,913,720,708 (2016: RR10,586,295,927).

Dividends

During the year 2017 the Board of Directors approved the payment of an interim dividend of RR4,621,261,000 (2016: RRNIL).
On 16 March 2018 the Board of Directors approved the payment of an interim dividend out of 2017 profits of RR287,500,000 (2016: RRNIL).

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

MANAGEMENT REPORT

Operating Environment of the Group

(a) Operating environment of the Republic of Cyprus

The Cypriot economy has recorded positive growth in 2016 and 2017 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favorable, however there are still downside risks emanating from the still high levels of nonperforming loans, the public debt ratio, as well as possible deterioration of the external environment for Cyprus.

Management is taking necessary measures to ensure sustainability of the Company'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.

(b) Operating environment in Russia

The Company through its operations has a significant exposure to the economy and the financial markets of the 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 varying interpretations.

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 Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company'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.

Russian tax legislation

Russian tax 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 Company. 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), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis.

MANAGEMENT REPORT

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 25 to the consolidated financial statements.

Related party transactions
Disclosed in note 22 of the consolidated financial statements.

Independent Auditors
The Independent Auditors, Yiallourides & Partners Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Lambros Soteriou
Director

Limassol, 27 April 2018

YIALLOURIDES & PARTNERS LTD
CHARTERED ACCOUNTANTS

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V.A.T. REG. NO. 10166779C
T.I.C. 12166779E

Independent Auditor's Report

To the Members of BrokerCreditService Structured Products PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BrokerCreditService Structured Products PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 12 to 50 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (continued)

To the Members of BrokerCreditService Structured Products PLC

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Group's ability 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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 the Board of Directors 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 the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key

Independent Auditor's Report (continued)

To the Members of BrokerCreditService Structured Products PLC

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 Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Athos Malialis.

Athos Malialis
Certified Public Accountant and Registered Auditor
for and on behalf of

Yiallourides & Partners Ltd
Chartered Accountants

Limassol, 27 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	Note	2017 RR	2016 RR
Revenue	5	**281,864,414**	8,239,541
Dividend income		**635,402,439**	58,481,887
Interest income		**45,854,104**	44,622,099
Loan interest income		**679,084,519**	1,246,666,992
Net gain/(loss) on trading in financial instruments		**1,114,031,597**	(1,387,364,916)
Net gain realised on trading in foreign currencies		**2,838,912,675**	5,487,615,199
Net fair value gains on financial assets at fair value through profit or loss	17	**4,971,057,195**	4,189,693,435
Interest income from bonds		**3,440,703,161**	11,183,529,199
Interest income on REPO loans		**1,716,366,973**	3,670,305,736
Interest expense on bonds		**(2,781,445,479)**	(9,256,316,014)
Interest expense on loans		**(4,041,630)**	(386,448,979)
Interest expense on REPO loans		**(3,766,563,982)**	(4,700,306,882)
Net FV loss on trading in foreign currencies		**(2,155,880,200)**	-
Financial results of SWAP operations (OTC)		**(2,122,719,697)**	583,840
Staff costs	8	**(7,689,294)**	-
Other operating income	6	**-**	490,490
Change in fair value of derivative financial instruments		**970,922,336**	(1,678,738,373)
Administration and other expenses		**(1,162,380,475)**	(1,481,445,114)
Operating profit	7	**4,693,478,656**	6,999,608,140
Net finance income/(cost)	9	**542,807,432**	(1,128,970,261)
Profit before tax		**5,236,286,088**	5,870,637,879
Tax	10	**-**	-
Net profit for the year		**5,236,286,088**	5,870,637,879
Other comprehensive income			
Available-for-sale financial assets - Fair value (losses)/gains		**(193,667)**	22,224,973
Other comprehensive income for the year		**(193,667)**	22,224,973
Total comprehensive income for the year		**5,236,092,421**	5,892,862,852

The notes on pages 16 to 50 form an integral part of these consolidated financial statements.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Note	2017 RR	2016 RR
ASSETS			
Non-current assets			
Available-for-sale financial assets	14	**512,684,474**	512,878,141
Non-current loans receivable	15	**344,834,874**	5,513,011,664
Loans to associates	22	**5,120,040,478**	218,611,869
		5,977,559,826	6,244,501,674
Current assets			
Trade and other receivables	16	**158,188,554,172**	183,405,533,534
Receivables from associates	22	**7,844,654,525**	7,601,524,431
Loans receivable	15	**6,820,321,557**	1,072,127,000
Loans to associates	22	**1,709,703,012**	634,639,420
Loans to parent	22	**634,629,851**	-
Financial assets at fair value through profit or loss	17	**117,011,808,921**	65,585,991,486
Cash at bank and in hand	19	**161,788,701**	119,727,781
		292,371,460,739	258,419,543,652
Total assets		**298,349,020,565**	264,664,045,326
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**1,886,692**	1,886,692
Other reserves		**58,932,056**	59,125,723
Retained earnings		**10,852,901,960**	10,525,283,512
Total equity		**10,913,720,708**	10,586,295,927
Current liabilities			
Trade and other payables	21	**215,006,734,302**	224,791,644,294
Payables to associates	22	**14,915,527,284**	18,884,216,440
Payables to parent	22	**287,500,000**	-
Bank overdrafts		**-**	14,295
Financial liabilities at fair value through profit or loss	17	**57,225,538,271**	10,401,874,370
		287,435,299,857	254,077,749,399
Total equity and liabilities		**298,349,020,565**	264,664,045,326

On 27 April 2018 the Board of Directors of BrokerCreditService Structured Products PLC authorised these consolidated financial statements for issue.

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Lambros Soteriou
Director

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Dimitra Karkalli
Director

The notes on pages 16 to 50 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Note	**Share capital RR**	**Fair value reserve - available-for-sale financial assets RR**	**Retained earnings RR**	**Total RR**
Balance at 1 January 2016		**1,886,692**	**36,900,750**	**2,739,045,395**	**2,777,832,837**
Net profit for the year		-	-	5,870,637,879	5,870,637,879
Other comprehensive income for the year		-	22,224,973	-	22,224,973
Exchange difference		-	-	1,915,600,238	1,915,600,238
Balance at 31 December 2016/ 1 January 2017		**1,886,692**	**59,125,723**	**10,525,283,512**	**10,586,295,927**
Net profit for the year		-	-	5,236,286,088	5,236,286,088
Other comprehensive income for the year		-	(193,667)	-	(193,667)
Dividends	11	-	-	(4,908,761,000)	(4,908,761,000)
Exchange difference		-	-	93,360	93,360
Balance at 31 December 2017		**1,886,692**	**58,932,056**	**10,852,901,960**	**10,913,720,708**

The notes on pages 16 to 50 form an integral part of these consolidated financial statements.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	Note	2017 RR	2016 RR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,236,286,088**	5,870,637,879
Adjustments for:			
Exchange difference arising on the translation of non-current assets in foreign currencies		**(4,211,085,773)**	7,506,576,483
Unrealised exchange (profit)/loss		**(544,954,572)**	1,118,191,859
Change in fair value of derivative financial instruments		**(970,922,336)**	1,678,738,373
Fair value gains on financial assets at fair value through profit or loss		**(4,971,057,195)**	(4,189,693,435)
Dividend income		**(635,402,439)**	(58,481,887)
Interest income		**(724,938,623)**	(1,291,289,091)
Interest expense	9	**-**	128,472
		(6,822,074,850)	10,634,808,653
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**25,216,979,362**	(183,405,533,534)
Increase in receivables from related companies		**(243,130,094)**	(7,601,524,431)
Increase in financial assets at fair value through profit or loss		**(49,354,783,807)**	(26,775,591,683)
Decrease in derivative financial instruments		**54,905,788,937**	8,723,135,997
(Decrease)/increase in trade and other payables		**(9,784,909,992)**	224,791,644,294
(Decrease)/increase in payables to related companies		**(3,968,689,156)**	18,884,216,440
Increase in payables to parent		**287,500,000**	-
Cash generated from operations		**10,236,680,400**	45,251,155,736
Interest received		**724,938,623**	1,291,289,091
Dividends received		**635,402,439**	58,481,887
Net cash generated from operating activities		**11,597,021,462**	46,600,926,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		**(7,191,139,819)**	(7,438,389,953)
Net cash used in investing activities		**(7,191,139,819)**	(7,438,389,953)
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange profit		**544,954,572**	(1,118,191,859)
Interest paid		**-**	(128,472)
Dividends paid		**(4,908,761,000)**	-
Net cash used in financing activities		**(4,363,806,428)**	(1,118,320,331)
Net increase in cash and cash equivalents		**42,075,215**	38,044,216,430
Cash and cash equivalents at beginning of the year		**119,713,486**	(37,924,502,944)
Cash and cash equivalents at end of the year	19	**161,788,701**	119,713,486

The notes on pages 16 to 50 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

1. Incorporation and principal activities

Country of incorporation

The Company BrokerCreditService Structured Products PLC (the "Company") was incorporated in Cyprus on 18 March 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 116 Gladstonos street, M. Kyprianou Tower, 3rd and 4th floors, 3032 Limassol, Cyprus.

The Company's original name was Gawling Company Limited. On May 14, 2015, it was renamed into BrokerCreditService Structured Products Plc and converted from a private company into a public company.

Principal activities

BrokerCreditService Structured Products Plc acts as an investment and financing company and conducts trading operations in the international securities markets (except for the investment activity that requires authorisation and/or license). This includes entering into transactions with market counterparties and related parties that are members of the Group. These transactions include, but are not limited to, repo transactions, loans and transactions in securities in the international capital markets including exchanges and Over-the-Counter ("OTC") markets. The Company also conducts investment activities in different types of bonds of both Russian and international issuers.

BrokerCreditService Structured Products Plc acts as the Group's operational company in Cyprus. In collaboration with other entities which are under common control, it issues structured products and executes various hedging strategies with the purpose of generating margins and minimising risk. Specifically, the Company issues Notes in bearer or registered form (respectively, "Bearer Notes" and "Registered Notes" and, together, the "Notes") under a Euro Medium Term Note Programme, which are to be admitted to the official list of the Irish Stock Exchange and trading on its regulated market (the "Main Securities Market") as well as other and/or further stock exchange(s) or market(s) (including regulated markets). The Company also issues unlisted Notes and/or Notes not admitted to trading on any market.

As of the date hereof, the Group conducts its business through the following operating legal entities. These are Routa Luxury Services Ltd and Botimelo Group Ltd, both of them being wholly owned subsidiaries of Brokercreditservice Structured Products Plc. Each of the these wholly owned Subsidiaries is established to carry on any trade or activity whatsoever related to, connected with or involving shares, stock, debentures, debenture stock, bonds, notes, obligations, warrants, options, derivatives, commodities and any other instruments related to equity, debt or commodities of all kinds (except for the investment activity that requires authorisation and/or license). The companies Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were part of the Group, were transferred to parent company FG BCS on 21 June 2017.

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2016 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

2. Significant accounting policies (continued)

Basis of preparation (continued)

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Functional and presentation currency

The consolidated financial statements are presented in Russian Rubles (RR) which is the functional currency of the Group.

Prior year Group Financial Statements were presented in Euro and the Management of the Company decided to change the presentation currency from Euro to Russian Roubles from 1 January 2017 and onwards. For the translation of the opening balances, the European Central Bank closing rate of 2016 was used for Balance Sheet items and the average rate for the year 2016 was used for the Profit or Loss items.

Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Group with the exception of the following:

- Annual Improvements to IFRSs 2012. The basis for conclusions on IFRS13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. This amendment did not result in any changes in the Company's financial statements.
- Disclosure Initiative Amendments to IAS 1. The Standard was amended to clarify the concept of materiality and explain that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS. As a result of this disclosure initiative, the Company has applied the concept of materiality in disclosures in the financial statements.

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group, except the following set out below:

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

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) 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).

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

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

• 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 Company is currently assessing the impact of the new standard on its financial statements.

• 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 Company is currently assessing the impact of the new standard on its financial statements.

• IAS 7 (Amendments) "Disclosure Initiative" (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company is currently assessing the impact of the amendments on its financial statements.

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

• 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 for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a nonmonetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Company is currently assessing the impact of the amendments on its financial statements.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

Basis of consolidation

Subsidiaries are companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is actually transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company BrokerCreditService Structured Products Plc and the financial statements of the following subsidiaries - Routa Luxury Services Ltd and Botimelo Group Ltd. Also, the results of the following subsidiaries are included up to 21 June 2017 which is the date of disposal: Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

2. Significant accounting policies (continued)

Business combinations (continued)

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. Significant accounting policies (continued)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2. Significant accounting policies (continued)

Revenue recognition

Income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group are recognised on the following bases:

- **Rendering of services**

  Sales of services are recognised in the accounting period in which the services are rendered 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.

- **Income from investments in securities**

  Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

  Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

  The difference between the fair value of investments at fair value through profit or loss as at 31 December 2017 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Commission and fee income**

  Commissions and fees from brokerage activities which are earned on the execution of the underlying transaction are recorded on its completion, being the trade date of the transaction. All other commissions and fees from brokerage activities are recognised based on the applicable service contracts, usually on a time-proportionate basis.

- **Interest income and expense**

  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. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

- **Dividend income**

  Dividend income is recognised when the right to receive payment is established.

2. Significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency
Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Russian Rubles (RR), which is the Group's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on available-for-sale financial assets are recognised in other comprehensive income and then included in the fair value reserve in equity. Translation differences on available-for-sale debt securities are recognised in profit or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Interim dividends are recognised in equity in the year in which they are approved by the Company's Directors. Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group's shareholders.

2. Significant accounting policies (continued)

Sale and repurchase agreements

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as pledged securities. The corresponding liability is presented within borrowings.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as loans receivable. The difference between the sale and repurchase price is treated as interest income or interest expense and accrued over the life of reverse repo agreements and repo agreements respectively, using the effective interest method.

Securities lending

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties in which case an obligation to return the securities is recorded at fair value and any fluctuations of the fair value are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in financial liabilities at fair value through profit or loss.

The fixed fee is treated as interest income or interest expense and is accrued over the life of the securities lending agreement.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

2. Significant accounting policies (continued)

Financial instruments (continued)

Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Financial assets at fair value through profit or loss

  This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed, and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within twelve months of the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial liabilities designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. They include obligations to deliver financial assets borrowed by a short seller.

Gains or losses arising from changes in the fair value of the "financial liabilities at fair value through profit or loss" category are presented in statement of comprehensive income in the period in which they arise. Coupon interest on financial liabilities at fair value through profit or loss is recognised in profit or loss within "net gains/(losses) on financial instruments at fair value through profit or loss".

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments which include Option Contracts, Forward Contracts, Credit Default Swaps and Contracts for Differences on metals, shares, commodities and foreign exchange forward contracts are initially recognised in the statement of financial position at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are determined by reference to third party market values. Derivative financial instruments are recognised in the balance sheet as assets when fair value is positive and as liabilities when fair value is negative. Derivative financial instruments form part of the Group's operating activities. Gains or losses arising from changes in the fair value of derivative financial instruments are presented in profit or loss in the period in which they arise. The Group does not apply hedge accounting.

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

• significant financial difficulty of the issuer or obligor;

• a breach of contract, such as a default or delinquency in interest or principal payments;

• the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

• it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

• the disappearance of an active market for that financial asset because of financial difficulties; or

• observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
(i) adverse changes in the payment status of borrowers in the portfolio;
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 reversal of the previously recognised impairment loss is recognised in profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Share capital

Ordinary shares are classified as equity.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

3. Financial risk management

Senior management takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Risk Management Department, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The Risk Management Department focuses on these specific areas:

- corporate asset-liability management, focusing on liquidity, capital resources, interest rate risk, and investments.

- credit and market risk, focusing on credit exposures resulting from client borrowing activity, corporate credit and investment activity, and market risk resulting from the Group taking positions in certain securities to facilitate client trading activity.

- information security and privacy, focusing on information security and privacy policies, procedures and controls.

- investment management, focusing on activities in which the Group and its principals operate in an investment advisory capacity.

- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

3. Financial risk management (continued)

The Risk Management Department reviews major risk exposures and reports regularly to the Management Board and Board of Directors. The compliance, finance, internal control, legal, and corporate risk management departments assist management in evaluating, testing, and monitoring risk management. Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with product manufacturers. The client related policies address the extension of credit for client accounts, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Group's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Group will not suffer unexpected losses due to operating or other risks.

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk arising from the financial instruments it holds. The primary objectives of the financial risk management function are to establish risk limits and then to ensure that exposure to risks stays within these limits. The Group's risk management function is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date administrative and information systems. The Group regularly reviews its risk management framework to reflect the changes in markets, products and effective best practice. The current structure of the risk framework implemented by the Group aims to manage risks in order to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of the Group's operations in accordance with best practice. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk-handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Group to achieve overall objectives.

The responsibility for the overall framework of risk governance and management lies with the Board of Directors.

Management recognises that the risk is embedded in all of the Group's activities and for this reason it recognises the need for the continuous identification, assessment, examination, and control of each type of risk. The risk management policies employed by the Group to manage these risks are discussed below:

3.1 Market price risk
Market price risk is the possibility that the Group may suffer a loss resulting from the fluctuations in the values of, or income from equity securities classified at fair value through profit or loss and derivative financial instruments. The Group is exposed to market price risk because of investments held by the Group and classified as financial assets at fair value through profit or loss which are susceptible to market price risk arising from uncertainties about future prices of these investments.

3. Financial risk management (continued)

The Group maintains trading securities owned and securities sold but not yet purchased in order to facilitate client transactions and to meet a portion of clearing deposit requirements at various clearing organizations. These securities include debt securities issued by the Russian government, corporate debt securities and equity securities. Changes in the value of trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices and the correlation among these factors. The Group manages its trading inventory by product type.

Activities to facilitate client and proprietary transactions are monitored by the broker dealer support services department. The level of securities deposited is monitored by the settlement area within broker dealer support services department.

Price risk for equity securities is the risk of changes in value of a financial instrument as a result of changes in market prices regardless of whether they have been caused by factors specific for a particular instrument or factors influencing all instruments traded in the market. Price risk for equity securities exists when the Group has a long or short position in an equity financial instrument.

Sensitivity analysis
The table below summarizes the impact on the Company's pre-tax profit and on own portfolio market value assuming that the prices of securities held by the Company had increased/decreased by 10% (2015 :10%) with all other variables held constant:
Year-end market value of Company's portfolio:

	FA at FVTPL		FL at FVTPL	
	2017 RR	2016 RR	**2017 RR**	2016 RR
Equity securities - Moscow Stock Exchange	**2,895,304,185**	3,140,251,894	**139,708,135**	1,145,215,733
Equity Securities - New York Stock Exchange (NYSE)	**24,942,335,382**	15,493,561,555	**70,239,376**	-
Unlisted securities	**6,792,813,625**	6,855,454,918	**-**	-
Debt securities - bonds	**82,381,355,730**	40,096,723,120	**14,548,481,365**	4,636,904,943
Bonds' issue	**-**	-	**42,467,109,395**	4,619,753,693
	117,011,808,922	**65,585,991,487**	**57,225,538,271**	10,401,874,369

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group's Board of Directors.

3.2 Interest rate risk

Interest rate risk is the risk that the Group's income or financial instrument portfolio may change due to interest rate fluctuations. The Group takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. The Group offers its clients overnight cash sweep programs that are interest rate sensitive. While clients earn interest for balances on deposit under the cash sweep programs, the Group earns a fee. These fees are based on prevailing interest rates in the current interest rate environment but may be adjusted in an increasing or decreasing interest rate environment or for other reasons. Changes in interest rates and fees for the overnight cash sweep programs are monitored by fee and rate setting committee (the FRS committee), which governs and approves any changes to fees. The FRS committee balances financial risk of the cash sweep programs with products that offer competitive client yields.

3. Financial risk management (continued)

Interest rate risk management through monitoring of the mismatch of the maturities of interest bearing assets and interest-bearing liabilities is supplemented by monitoring the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves.

Interest-earning assets are financed primarily by brokerage client cash balances and deposits from banking clients. Non-interest-bearing funding sources include non-interest-bearing brokerage client cash balances and proceeds from stock-lending activities, as well as equity. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Group may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields, and by lowering rates paid to clients on interest-bearing liabilities.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2017	2016
	RR	RR
Fixed rate instruments		
Financial assets	**15,023,429,362**	7,438,389,954
Financial liabilities	**30,871,996,750**	4,619,753,693
Variable rate instruments		
Financial liabilities	**11,595,112,644**	-

3.3 Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Group bears credit risk on margin lending activities, securities lending activities, its role as a counterparty in financial contracts and investing activities, the activities of clients, including the execution, settlement, and financing of various transactions on behalf of these clients. These activities are transacted on either a cash or margin basis. The Group seeks to control the risks associated with its customers' activities by requiring each trade to be carried out in accordance with margin policies. Each customer is required to have minimum funds in their account for opening positions, and for maintaining positions. The system automatically monitors each customer's margin requirements in real time and confirms that every customer has sufficient funds in his or her account before their trades are executed. If at any point in time a customer's trading position does not comply with the applicable margin requirement, the position can be automatically partially or entirely liquidated in accordance with the margin policies and procedures. The Group adjusts its margin requirements if it believes its risk exposure is not appropriate based on market conditions. For collateralised securities transactions involving repurchase and resale agreements the Group is permitted to sell or re-pledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Group's Risk Management Committee. The Risk Management Committee is responsible for management of credit risk, including formulating credit policies, covering collateral requirements, adjusting margin requirements for certain securities, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating bands, market liquidity and country (for trading assets), and reviewing compliance of business units with agreed exposure limits. Collateral arrangements relating to margin loans, securities lending agreements, and resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. The credit risk exposure related to loans to banking clients is actively managed through individual and portfolio reviews performed by management. Management regularly reviews asset quality including concentrations, delinquencies, non-accrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses, which is reviewed quarterly by senior management.

3. Financial risk management (continued)

3.3 Credit risk (continued)

The Group has exposure to credit risk due to its obligation to settle transactions with clearing corporations, mutual funds, and other financial institutions even if its client or a counterparty fails to meet its obligations to the Group. The Company acts as the investment manager for a number of mutual and real estate funds. Although it has no obligation to do so, the Group may decide for competitive reasons to provide credit, liquidity or other support to managed funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause the Group to take significant charges and could reduce liquidity. If the Group chose not to provide credit, liquidity or other support in such a situation, the Group could suffer reputational damage and its business could be adversely affected.

The Group is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g. in the same industry). Receivables from and payables to clients and securities borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is carefully monitored. Management seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The brokerage IT system automatically monitors the compliance with limits on each customer trading in the stock market as well as manual control on customers with transactions over-the-counter. In case of breach of limits the system automatically closes the credit position through disposal of pledged financial instruments (mainly quoted securities). The Group uses a wide range of techniques to reduce credit risk on its lending operations managing both individual transaction loss drivers, such as probability of default, loss given default and exposure at default, and systemic risk drivers on a portfolio basis. At the transaction level, an assessment of a borrower's ability to service the proposed level of debt is performed. Various forms of legal protection are used, such as netting agreements and covenants in commercial lending agreements, and credit enhancements techniques. At the portfolio level, diversification is managed to avoid excessive concentrations. Portfolio concentration limits include: (i) maximum exposure per borrower limit, (ii) industry concentration limit, (iii) loan maturity concentration limit, (iv) unsecured lending limit. Meanwhile, the Group should comply with statutory ratios on credit concentration risk.

The analysis by credit quality of financial assets is mainly based on Standard and Poor's rating and other ratings converted to the nearest equivalent to the Standard and Poor's rating scale. Pursuant to the policy on limits, the exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The Company defines its risk appetite by approving a policy on limits, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
	RR	RR
Loans receivable	**7,165,156,430**	6,585,138,664
Loans receivables from related parties	**6,829,743,491**	853,251,290
Loans to parent	**634,629,851**	-
Trade and other receivables	**158,187,805,370**	183,401,452,840
Cash at bank	**161,788,702**	119,727,782
Receivables from related companies	**7,844,654,525**	7,601,524,431
Deferred expenses	**748,803**	4,080,693
	180,824,527,172	198,565,175,700

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

3. Financial risk management (continued)

3.4 Liquidity risk
The Group conducts substantially all of its business through its wholly-owned subsidiaries. The capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements. Liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by the shareholder, if required. The Group maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs and to support growth in the business. Generally, the Group does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. Liquidity needs relating to client trading and margin borrowing activities are met primarily through cash balances in client brokerage accounts. Management believes that funds generated by the operations of subsidiaries will continue to be the primary funding source in meeting its liquidity needs, providing adequate liquidity to meet capital guidelines and net capital requirements of its regulated subsidiaries.

The cash position and cash flows are affected by changes in brokerage client cash balances and the associated amounts required to be segregated under regulatory guidelines. Timing differences between cash and investments actually segregated on a given date and the amount required to be segregated for that date may arise in the ordinary course of business and are addressed by the Group in accordance with applicable regulations. Other factors which affect the cash position and cash flows include investment activity in securities, levels of capital expenditures, acquisition and divestiture activity, banking client deposit activity, brokerage and banking client loan activity, payments of dividends, and repurchases and issuances of shares. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

Liquidity risk is the risk that an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department by means of monitoring daily liquidity positions.

The Treasury Department prepares the liquidity profile of the financial assets and liabilities. The Treasury Department then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities, inter-bank facilities and cash balances, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

31 December 2017	Carrying amounts RR	Contractual cash flows RR	3 months or less RR	3-12 months RR	1-5 years RR	More than 5 years RR
Accruals	4,525,310	4,525,310	2,886,280	1,639,030	-	-
Payables to parent	287,500,000	287,500,000	287,500,000	-	-	-
Trade and other payables	195,489,499,590	195,489,499,590	151,977,506,382	43,491,736,357	20,256,851	-
Payables to related parties	14,324,643,917	14,324,643,917	420,749,775	13,903,894,142	-	-
Bonds' issue	42,467,109,395	42,467,109,395	-	1,200,857,918	5,946,907,141	35,319,344,336
SWAPs (OTC)	590,883,367	590,883,367	-	-	590,883,367	-
Forward contracts	19,512,708,114	19,512,708,114	417,777,164	3,092,248,924	15,826,350,870	176,331,156
Futures	1,291	1,291	1,291	-	-	-
	272,676,870,984	272,676,870,984	153,106,420,892	61,690,376,371	22,384,398,229	35,495,675,492

31 December 2016	Carrying amounts RR	Contractual cash flows RR	3 months or less RR	3-12 months RR	1-5 years RR	More than 5 years RR
Accruals	3,530,987	3,530,987	2,391,959	1,139,028	-	-
Bank overdrafts	14,295	14,295	14,295	14,295	-	-
Trade and other payables	205,922,183,338	205,922,183,338	54,842,790,701	151,059,136,207	20,256,430	-
Deferred income	674,208,309	674,208,309	674,208,309	-	-	-
Payables to related parties	4,395,170,755	4,395,170,755	1,562,268,405	2,832,902,350	-	-
Options	207,184,440	207,184,440	-	207,184,440	-	-
Bonds' issue	4,619,753,693	4,619,753,693	-	514,246,563	2,284,200,388	1,821,306,742
SWAPs (OTC)	14,489,045,684	14,489,045,684	-	-	14,489,045,684	-
Forward contracts	17,843,913,599	17,843,913,599	718,143,321	1,621,753,323	14,278,143,577	1,225,873,378
Futures	140,623,621	140,623,621	140,623,621	-	-	-
	248,295,628,721	248,295,628,721	57,940,440,611	156,236,361,911	31,071,646,079	3,047,180,120

3. Financial risk management (continued)

3.5 Currency risk
Currency risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective group entity. Foreign currency risk is managed at the Group level by monitoring limits daily on the level of exposure by each currency. Management has a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury. Nevertheless, the Group does not qualify for hedge accounting in accordance with IAS 39. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows are denominated. This is generally achieved by obtaining financing in the relevant currency and by entering into forward foreign exchange contracts. The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the US Dollar and the Euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Borrowings and lending are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2017	2016	**2017**	2016
	RR	RR	**RR**	RR
United States Dollars	**194,156,589,786**	139,389,655,388	**177,310,529,453**	149,811,155,230
Euro	**1,836,651,645**	13,687,163,291	**16,409,991,574**	13,360,963,333
British Pounds	**147,240,881**	315,562,431	**216,365,076**	166,486,861
Russian Roubles	**91,290,071,642**	100,685,368,289	**102,842,309,373**	101,192,605,317
Swiss Franc	**-**	-	**1,513,130,937**	70,623,985
Hong Kong Dollar	**4,745,904**	-	**45,482,302**	30,934,100
Australian Dollar	**-**	-	**4,597,329**	1,970,284
Japanese Yen	**-**	-	**2,552,843**	2,271,918
Other currencies	**-**	-	**4,061,679**	27,034,298
	287,435,299,858	245,077,749,399	**298,349,020,566**	264,664,045,326

Sensitivity analysis
A fluctuation of the United States Dollar or the Euro against the Russian Rouble at the reporting date as disclosed below would have an equal and opposite impact on the profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	Change in currency rate		**Effect on pre-tax profit**	
	2017	2016	**2017**	2016
	%	%	**RR**	RR
United States Dollars	**(5)**	(20)	**3,007,444,647**	1,143,345,020
Euro	**10**	(25)	**883,949,905**	(101,461,436)
British Pounds	**5**	(45)	**5,114,065**	(25,330,582)

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3. Financial risk management (continued)

3.6 Capital risk management
The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by senior management.

3.7 Fair value estimation

Fair value measurements recognised in consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Management applies judgement in categorising financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety. The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017 and 31 December 2016:

31 December 2017	Level 1 RR	Level 2 RR	Level 3 RR	Total RR
Financial assets				
Financial assets at fair value through profit or loss	110,193,135,382	6,818,673,539	-	117,011,808,921
Derivative financial assets	748,802	-	-	748,802
Total	110,193,884,184	6,818,673,539	-	117,012,557,723
Financial liabilities				
Financial liabilities at fair value through profit or loss	57,225,538,271	-	-	57,225,538,271
Derivative financial liabilities	19,512,709,406	590,883,367	-	20,103,592,773
Total	76,738,247,677	590,883,367	-	77,329,131,044

3. Financial risk management (continued)

31 December 2016	Level 1 RR	Level 2 RR	Level 3 RR	Total RR
Financial assets				
Financial assets at fair value through profit or loss	58,704,673,823	6,881,317,664	-	65,585,991,487
Derivative financial assets	2,306,300,770	-	-	2,306,300,770
Total	61,010,974,593	6,881,317,664	-	67,892,292,257
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	10,401,874,370	-	10,401,874,370
Derivative financial liabilities	18,191,721,659	14,489,045,684	-	32,680,767,343
Total	18,191,721,659	24,890,920,054	-	43,082,641,713

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair values of financial assets and financial liabilities are determined as follows. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise listed equity securities.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

3.8 Offsetting financial assets and liabilities

31 December 2017

	(A) Gross amounts of recognised financial assets,	(B) Gross amounts of recognised financial liabilities	(C=A-B) Net amounts of assets/ (liabilities) presented in the Statement of Financial Position	(D) Other amounts subject to an enforceable master netting arrangement (not off set)	(E=C-D) Total net amounts
	RR	RR	RR	RR	RR
Forward contracts	-	19,512,708,115	(19,512,708,115)	-	(19,512,708,115)
Futures	748,803	1,291	747,512	-	747,512
SWAPs	-	590,883,367	(590,883,367)	-	(590,883,367)
REPO (reverse)	154,266,848,321	-	154,266,848,321	-	154,266,848,321
REPO (direct)	-	188,513,244,107	(188,513,244,107)	-	(188,513,244,107)
Shares	35,143,137,665	209,947,512	34,933,190,153	-	34,933,190,153
Bonds	82,381,355,730	14,548,481,365	67,832,874,365	-	67,832,874,365
Receivables	11,765,611,575	-	11,765,611,575	-	11,765,611,575
Payables	-	21,592,924,710	(21,592,924,710)	-	(21,592,924,710)
Loans	14,629,529,772	-	14,629,529,772	-	14,629,529,772
Borrowings (Bond's issue)	-	42,467,109,394	(42,467,109,394)	-	(42,467,109,394)
Total:	**298,187,231,865**	**287,435,299,861**	**10,751,932,004**		**10,751,932,004**

31 December 2016	(A) Gross amounts of recognised financial assets	(B) Gross amounts of recognised financial liabilities	(C=A-B) Net amounts of assets/ (liabilities) presented in the Statement of Financial Position	(D) Other amounts subject to an enforceable master netting arrangement (not off set)	(E=C-D) Total net amounts
	RR	RR	RR	RR	RR
Forward contracts	2,302,220,077	17,843,913,599	(15,541,693,522)	-	(15,541,693,522)
Options	1,649,868	343,340,983	(341,691,115)	-	(341,691,115)
Futures	2,430,825	4,467,077	(2,036,252)	-	(2,036,252)
SWAPs	-	14,489,045,684	(14,489,045,684)	-	(14,489,045,684)
REPO (reverse)	41,843,421,306	-	41,843,421,306	-	41,843,421,306
REPO (direct)	-	66,073,347,141	(66,073,347,141)	-	(66,073,347,141)
Shares	26,002,146,508	1,145,215,734	24,856,930,774	-	24,856,930,774
Bonds	40,096,723,120	4,636,904,943	35,459,818,177	-	35,459,818,177
Receivables	146,857,335,890	-	146,857,335,890	-	146,857,335,890
Payables	-	144,921,760,544	(144,921,760,544)	-	(144,921,760,544)
Loans	7,438,389,952	-	7,438,389,952	-	7,438,389,952
Borrowings (Bonds' issue)	-	4,619,753,693	(4,619,753,693)	-	(4,619,753,693)
Total:	**264,544,317,546**	**254,077,749,399**	**10,466,568,147**	**-**	**10,466,568,147**

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Provision for bad and doubtful debts**

  The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous, and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Fair value of financial assets**

  The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

- **Impairment of loans receivable**

  The Group periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

4. Critical accounting estimates and judgments (continued)

- **Impairment of available-for-sale financial assets**

  The Group follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- **Initial recognition of related party transactions**

  In the normal course of business, the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment 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 judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Receivables from/ payable to related parties are stated at their transacted values as they are on demand. Management believes that their fair value is not materially different from their transacted values.

5. Revenue

	2017 RR	2016 RR
Rendering of services	**117,347,434**	3,152,144
Commissions receivable	**1,318,183**	5,087,397
Profit from sale of investments in subsidiaries	**163,198,797**	-
	281,864,414	8,239,541

6. Other operating income

	2017 RR	2016 RR
Income on repayment of securities	**-**	490,490
	-	490,490

7. Operating profit

	2017 RR	2016 RR
Operating profit is stated after charging the following items:		
Directors' fees	**191,154**	221,977
Staff costs including Directors in their executive capacity (Note 8)	**7,689,294**	-
Auditors' remuneration - current year	**5,314,116**	5,360,672
Auditors' remuneration - prior years	**-**	416,164

8. Staff costs

	2017 RR	2016 RR
Salaries	**7,262,426**	-
Social security costs	**426,868**	-
	7,689,294	-

9. Finance income/cost

	2017 RR	2016 RR
Exchange profit	1,056,863,378	-
Finance income	1,056,863,378	-
Net foreign exchange losses	(511,893,055)	(1,127,361,393)
Interest expense	-	(128,472)
Sundry finance expenses	(2,162,891)	(1,480,396)
Finance costs	(514,055,946)	(1,128,970,261)
Net finance income/(cost)	542,807,432	(1,128,970,261)

10. Tax

The tax on the Group's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2017 RR	2016 RR
Profit before tax	5,236,286,088	5,870,637,879
Tax calculated at the applicable tax rates	654,535,761	733,829,735
Tax effect of allowances and income not subject to tax	(999,738,717)	(733,829,735)
Tax effect of tax loss for the year	345,202,956	-
Tax charge	-	-

10.1 Tax recognised in other comprehensive income

	2017 RR	2016 RR
Total income tax recognised in other comprehensive income	-	-

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

11. Dividends

	2017 RR	2016 RR
Interim dividend paid	4,908,761,000	-
	4,908,761,000	-

During the year 2017 the Board of Directors approved the payment of an interim dividend of RR4,621,261,000 (2016: RRNIL).

On 16 March 2018 the Board of Directors approved the payment of an interim dividend out of 2017 profits of RR287,500,000 (2016: RRNIL).

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

12. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2017	Available-for-sale financial assets **RR**	Fair value through profit or loss **RR**	Loans and receivables **RR**	Total **RR**
Assets as per consolidated statement of financial position:				
Trade and other receivables	-	-	159,579,766,239	159,579,766,239
Loans granted	-	-	14,629,529,772	14,629,529,772
Derivative financial assets	-	6,453,442,459	-	6,453,442,459
Cash and cash equivalents	-	-	161,788,702	161,788,702
Financial assets at fair value through profit or loss	-	117,011,808,921	-	117,011,808,921
Available-for-sale financial assets	512,684,474	-	-	512,684,474
Total	**512,684,474**	**123,465,251,380**	**174,371,084,713**	**298,349,020,567**

	Borrowings and other financial liabilities **RR**	Total **RR**
Liabilities as per consolidated statement of financial position:		
Trade and other payables	210,106,168,814	210,106,168,814
Derivative financial liabilities	20,103,592,773	20,103,592,773
Financial liabilities at fair value through profit or loss	14,758,428,876	14,758,428,876
Bonds' issue	42,467,109,395	42,467,109,395
Total	**287,435,299,858**	**287,435,299,858**

31 December 2016	Available-for-sale financial assets **RR**	Fair value through profit or loss **RR**	Loans and receivables **RR**	Total **RR**
Assets as per consolidated statement of financial position:				
Trade and other receivables	-	-	188,700,757,196	188,700,757,196
Loans granted	-	-	7,438,389,954	7,438,389,954
Derivative financial assets	-	2,306,300,770	-	2,306,300,770
Cash and cash equivalents	-	-	119,727,781	119,727,781
Financial assets at fair value through profit or loss	-	65,585,991,487	-	65,585,991,487
Available-for-sale financial assets	512,878,141	-	-	512,878,141
Total	512,878,141	67,892,292,257	196,258,874,931	264,664,045,329

	Borrowings and other financial liabilities **RR**	Total **RR**
Liabilities as per consolidated statement of financial position:		
Trade and other payables	210,955,107,688	210,955,107,688
Derivative financial liabilities	32,680,767,343	32,680,767,343
Financial liabilities at fair value through profit or loss	5,782,120,677	5,782,120,677
Bonds' issue	4,619,753,693	4,619,753,693
Total	**254,077,749,401**	**254,077,749,401**

13. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2017 RR	2016 RR
Fully performing trade receivables		
Counterparties without external credit rating		
Group 1	**22,599,091**	19,861,209
Group 2	**7,785,594,099**	6,372,317,782
Group 3	**158,225,015,507**	184,614,878,975
	166,033,208,697	191,007,057,966
Total fully performing trade receivables	**166,033,208,697**	191,007,057,966
Fully performing loans receivable		
Group 1	**6,597,696,876**	5,513,011,664
Group 2	**7,464,373,341**	853,251,290
Group 3	**567,459,555**	1,072,127,000
	14,629,529,772	7,438,389,954
Cash at bank and short-term bank deposits		
Caa1	**7,051,793**	16,279,325
Caa2	**-**	645,238
Not rated - Internally assessed as adequately stable	**154,736,908**	102,803,219
	161,788,701	119,727,782

Group 1 - customers with no history of default.

Group 2 - companies within the group, common control companies and associates with no defaults in the past.

Group 3 - brokers with no history of default.

None of the financial assets that are fully performing has been renegotiated.

14. Available-for-sale financial assets

	2017 RR	2016 RR
Balance at 1 January	**512,878,141**	490,653,168
Revaluation difference transferred to equity	**(193,667)**	22,224,973
Balance at 31 December	**512,684,474**	512,878,141

15. Non-current loans receivable

	2017 RR	2016 RR
Loans receivable	**7,165,156,431**	6,585,138,664
	7,165,156,431	6,585,138,664
Less current portion	**(6,820,321,557)**	(1,072,127,000)
Non-current portion	**344,834,874**	5,513,011,664

15. Non-current loans receivable (continued)

The loans are repayable as follows:

	2017	2016
	RR	RR
Within one year	**6,820,321,557**	1,072,127,000
Between one and five years	**344,834,874**	5,513,011,664
	7,165,156,431	6,585,138,664

The exposure of the Group to credit risk in relation to loans receivable is reported in note 3 of the consolidated financial statements.

The effective interest rates on receivables (current and non-current) were as follows:

	2017	2016
Loans receivable	**0.9% - 13%**	0.9% - 13%

16. Trade and other receivables

	2017	2016
	RR	RR
Trade receivables	**3,047,153,007**	3,683,708,457
Trade receivables on REPO	**154,702,025,292**	179,697,883,175
Deferred expenses (see note 18)	**748,803**	4,080,693
Other receivables	**438,627,070**	19,861,209
	158,188,554,172	183,405,533,534

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the consolidated financial statements.

17. Financial instruments at fair value through profit or loss

Financial assets	**2017**	2016
	RR	RR
Balance at 1 January	**65,585,991,486**	42,753,313,218
Additions	**755,679,990,434**	506,981,450,444
Disposals	**(706,325,206,627)**	(480,762,484,468)
Change in fair value	**4,105,966,300**	4,189,693,435
Exchange differences	**(2,034,932,672)**	(7,575,981,143)
Balance at 31 December	**117,011,808,921**	65,585,991,486

Financial liabilities	**2017**	2016
	RR	RR
Balance at 1 January	**10,401,874,370**	9,629,181,105
Additions	**322,841,237,184**	188,152,699,796
Disposals	**(268,906,370,583)**	(185,916,227,726)
Change in fair value	**(1,077,173,934)**	8,595,682
Exchange differences	**(6,034,028,766)**	(1,472,374,487)
Balance at 31 December	**57,225,538,271**	10,401,874,370

17. Financial instruments at fair value through profit or loss (continued)

In the consolidated statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the consolidated statement of comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The bonds issued carry interest between 0% and 25% per annum and they are repayable not later than 26 November 2027 (except for one note which its repayment date is termless).

The notes in RR: a total amount of RR 7,960,234,841 including interest payable of RR 115,234,841. The revaluation of the issued notes in RR -263,704,110 (2016: RR 1,566,829,354 including interest payable of RR 66,829,354). Interest with respect to the notes in RR is at fixed rate between 0 and 25% per annum 1 time a year/2 times a year/4 times a year and they are repayable not later than 26 November 2027.

The notes in USD: a total amount of RR 38,808,119,923 including interest payable of RR 135,172,843. The revaluation of the issued Notes in RR -599,329,385. The amortization of the discount on the issued notes in RR -3,449,520,740, the amortization of premiums on issued notes in RR 11,308,865. (2016: RUR 3,052,924,339 including interest payable of RUR 20,079,339). Interest with respect to the Notes in USD is at fixed rate between 0% and 21% per annum 2 times a year/4 times a year and they are repayable not later than 15 November 2027 (except one note which its repayment date is termless).

During the year ended 31 December 2017 the Company issued the following Notes (see next page):

ISIN	XS1567992117	XS1629772457
Currency	RUR	RUR
Nominal	1,000,000,000	850,000,000
Nature of the Notes issued	"Credit Linked Notes (First-to-Default)"	" Credit Linked Notes (First-to-Default)"
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	13.00 per cent. per annum, Fixed rate	In respect each Interest Period, 12.00 per cent, per annum payable in arrears on each Interest Payment Date, Fixed rate
Interest Payment Dates	24 May and 24 November in each calendar year	1 June and 1 December in each calendar year from (and including) the Issue Date up to (and including) the Maturity Date
Details of the maturity dates of the Notes issued	24 November 2019 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	1 December 2023 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	**XS1604405545**	**XS1567436073**
Currency	RUR	USD
Nominal	595,000,000	10,000,000
Nature of the Notes issued	" Credit Linked Notes (Leveraged)"	" Credit Linked Notes (Leveraged)"
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (26 June 2017), 9 per cent, per annum; and 2) each Interest Period from (and including) the Cut-off Date (26 June 2017), 16 per cent, per annum	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (20 April 2017), 1,5 per cent.per annum; and 2) each Interest Period from (and including) the Cut-off Date (20 April 2017), 7 per cent.per annum
Interest Payment Dates	26 June and 26 December in each calendar year from (and excluding) the Cut-off Date (26 June 2017) up to (and including) the Maturity Date	20 April and 20 October in each calendar year up to (and including) the Maturity Date
Details of the maturity dates of the Notes issued	26 June 2020 or if that is not a Business Day the immediately succeeding Business Day	20 April 2023, or if that is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Following Event determination date or Acceleration event Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.	Following Event determination date or Acceleration event Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	**XS1571345583**	**XS1591493231**
Currency	USD	USD
Nominal	200,000,000	5,000,000
Nature of the Notes issued	Floating Rate Notes	Share linked notes) Himalayan Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Floating Rate, 6-month LIBOR	"In respect of: (i) the Interest Period ending on (but excluding) the Cut-off Date (2 June 2017), 1.5 per cent. per annum; and (ii) each Interest Period, from (and including) the Interest Period End Date schedules to fall on 1 September 2017 to (and including) the Interest Period ending on (but excluding) Interest Period End Date scheduled to fall on 3 June 2019, 21 per cent per annum; (iii) each Interest Period from (and including) the Interest Period ending on (but excluding) the Interest Period End Date scheduled to fall on 3 September 2019 to (and including) the Interest Period ending on (but excluding) Interest Period End Date scheduled to fall on the Maturity Date (each such Interest Period, an "Additional Interest Period"), the Interest Period End Date in respect of such Interest Period 10 per cent. per annum"
Interest Payment Dates	2 March and 2 September in each year	2 June 2017, 1 September 2017, 1 December 2017, 1 March 2018, 1 June 2018, 31 August 2017, 30 November 2018, 1 March 2019, 3 June 2019, 3 September 2019, 3 December 2019, 3 March 2020 and the Maturity Date
Details of the maturity dates of the Notes issued	2 March 2027	3 June 2020 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Not applicable	Final redemption amount is linked to the performance of the underlying assets.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	amortised cost	fair value

ISIN	**XS1590566193**	**XS1546386365**
Currency	USD	USD
Nominal	300,000,000	10,000,000
Nature of the Notes issued	Zero Coupon Notes	Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Zero Coupon, tranche 1 (125 000 000 USD) - Issue price 78%, tranche 2 (175 000 000 USD) - Issue price 78,75 %	6.00 per cent. Fixed Rate
Interest Payment Dates	Not applicable	3 October 2017, 3 April 2018, 3 October 2018, 3 April 2019, 3 October 2019, 3 April 2020, 3 October 2020, 3 April 2021, 3 October 2021, 3 April 2022, 3 October 2022
Details of the maturity dates of the Notes issued	4 April 2027	3 October 2022 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Not applicable	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	amortised cost	fair value

ISIN	**XS1567049389**	**XS1614196647**
Currency	USD	USD
Nominal	10,000,000	5,000,000
Nature of the Notes issued	"Credit Linked Notes (First-to-Default)"	" Credit Linked Notes (Leveraged)"
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	6.00 per cent. per annum, Fixed Rate	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (1 June 2017), 1,5 per cent.per annum; and 2) each Interest Period from (and including) the Cut-off Date (1 June 2017), 10 per cent.per annum
Interest Payment Dates	26 April and 1 November in each calendar year	each 1 June and 1 December in each calendar year from (and excluding) the Cut-off date up to (abd including) the Maturity Date
Details of the maturity dates of the Notes issued	1 November 2022 or if that is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	1 June 2021 or if that is a not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"	Following Event determination date or Acceleration event Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	**XS1637911451**	**XS1642546581**
Currency	USD	USD
Nominal	5,000,000	9,498,000
Nature of the Notes issued	Credit Linked Notes	Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	6.00 per cent. per annum	5.5 per cent. Fixed Rate
Interest Payment Dates	30 December 2017, 30 June 2018, 30 December 2018, 30 June 2019, 30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, 30 December 2023	31 October 2017, 30 April 2018, 31 October 2018, 30 April 2019, 31 October 2019, 30 April 2020, 31 October 2020, 30 April 2021, 31 October 2021, 30 April 2022 and 31 October 2022
Details of the maturity dates of the Notes issued	30 June 2023 or if that is not a Business Day the immediately succeeding Business Day	31 October 2022 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	XS1654213294	XS1654229290
Currency	USD	USD
Nominal	10,000,000	12,000,000
Nature of the Notes issued	Credit Linked Notes	"Credit Linked Notes (First-to-Default)"
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	4.75 per cent. Fixed Rate	In respect each Interest Period, 5.75 per cent. Per annum payable in arrears on each Interest Payment Date
Interest Payment Dates	30 December 2017, 30 June 2018, 30 December 2018, 30 June 2019, 30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022 and 30 June 2023	Each 1 December and 1 June in each calendar year from (and including) the Issue Date up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	30 June 2023 or if that is not a Business Day the immediately succeeding Business Day	1 December 2023 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	**XS1708325748**	**XS1713519368**
Currency	USD	USD
Nominal	10,000,000	10,000,000
Nature of the Notes issued	Gold Linked Notes	Index Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Not Applicable	Not Applicable
Interest Payment Dates	Not Applicable	Not Applicable
Details of the maturity dates of the Notes issued	28 October 2027 or if that is not a Business Day the immediately succeeding Business Day	9 November 2027 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Optional and final redemption amounts are linked to the performance of the underlying asset.	Optional and final redemption amounts are linked to the performance of the underlying asset.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	XS1717497439	XS1718466250
Currency	USD	USD
Nominal	10,000,000	10,000,000
Nature of the Notes issued	Index Linked Notes	Index Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Not Applicable	Not Applicable
Interest Payment Dates	Not Applicable	Not Applicable
Details of the maturity dates of the Notes issued	15 November 2027 or if that is not a Business Day the immediately succeeding Business Day	15 November 2027 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Optional and final redemption amounts are linked to the performance of the underlying asset.	Optional and final redemption amounts are linked to the performance of the underlying asset.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	XS1725078163	XS1654237129
Currency	USD	RUR
Nominal	5,000,000	700,000,000
Nature of the Notes issued	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)	" Credit Linked Notes (Leveraged)"
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	14%	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (16 August 2017), 9 per cent.per annum; and 2) each Interest Period from (and including) the Cut-off Date (16 August 2017), 12 per cent.per annum
Interest Payment Dates	1 March, 1 June, 1 September and 1 December in each year, commencing on 1 March 2018 up to and including the Maturity Date	16 August 2017 and each 16 February and 16 August in each calendar year from (and excluding) the Cut-off Date (16 August 2017) up to (and including) the Maturity Date
Details of the maturity dates of the Notes issued	1 December 2020	16 August 2020 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset.	Following Event determination date or Acceleration event Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	XS1675776014	XS1675384017
Currency	RUR	RUR
Nominal	1,000,000,000	800,000,000
Nature of the Notes issued	Tracker Notes on a Mutual Funds Basket	"Credit Linked Notes (First-to-Default)"
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	1 per cent. per annum	In respect each Interest Period, 10.25 per cent per annum
Interest Payment Dates	Each 23 February and 23 August from (and including) 23 February 2018 to (and including) the Maturity Date	Each day falling one Business Day after each Interest Period End Date except that the final Interest Payment Date shall be the date falling five Business Days following the Scheduled Maturity Date (Interest Period End Date (s): Each 14 June and 14 December in each calendar year from (and including) the Issue Date up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	23 August 2027	14 December 2023 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Optional and final redemption amounts are linked to the performance of the underlying asset.	"First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue, and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)"
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	**XS1713519012**	**XS1708322133**
Currency	RUR	RUR
Nominal	600,000,000	300,000,000
Nature of the Notes issued	Index Linked Notes	Share Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Not Applicable	"(i) the Interest Period ending on (but excluding) the Cut-off Date (29 January 2018), 1.00 per cent. per annum (expressed as 0.01); and (ii) each Interest Period (other than the Initial Interest Period), if the Basket Performance in respect of such Interest Period is: (a) less than or equal to 102.50 per cent., zero; (b) greater than 102.50 per cent. but less than or equal to 107.50 per cent., 3 per cent. per annum (expressed as 0.03); (c) greater than 107.50 per cent. but less than or equal to 112.50 per cent., 7 per cent. Per annum (expressed as 0.07); (d) greater than 112.50 per cent. but less than or equal to 117.50 per cent., 11 per cent. per annum (expressed as 0.11); (e) greater than 117.50 per cent. but less than or equal to 122.50 per cent., 15 per cent. per annum (expressed as 0.15); and (f) greater than 122.50 per cent., 20 per cent. per annum (expressed as 0.20). "
Interest Payment Dates	Not Applicable	"In respect of: (i) 29 January 2018; (ii) 29 January 2019; (iii) 29 January 2020; and (iv) the Scheduled Maturity Date. "
Details of the maturity dates of the Notes issued	9 November 2027 or if that is not a Business Day the immediately succeeding Business Day	29 January 2021 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Optional and final redemption amounts are linked to the performance of the underlying asset.	Coupon is linked to the performance of the underlying asset.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value	fair value

ISIN	XS1731601867
Currency	RUR
Nominal	1,000,000,000
Nature of the Notes issued	Tracker Notes on a Mutual Funds Basket
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	1 per cent. per annum
Interest Payment Dates	Each 26 May and 26 November from (and including) 26 May 2018 to (and including) the Maturity Date
Details of the maturity dates of the Notes issued	26 November 2027 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Optional and final redemption amounts are linked to the performance of the underlying asset.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	fair value

18. Derivative financial instruments

	Assets 2017 RR	**Liabilities 2017 RR**	Assets 2016 RR	Liabilities 2016 RR
Foreign currency forward contracts	**-**	**12,008,191**	-	197,021,013
Other forward contracts	**-**	**19,500,699,924**	2,302,220,077	17,646,892,586
SWAPs	**-**	**590,883,367**	-	14,489,045,684
Futures	**748,803**	**1,291**	2,430,825	4,467,077
Options	**-**	**-**	1,649,868	343,340,983
	748,803	**20,103,592,773**	2,306,300,770	32,680,767,343

The split between current and non-current derivative financial instruments is as follows:

At 31 December 2017

	Assets 2017 RR	**Liabilities 2017 RR**	**Assets 2016** RR	**Liabilities 2016** RR
Current	**748,803**	**3,510,027,379**	182,848,502	2,687,704,707
Non-current	**-**	**16,593,565,394**	2,123,452,268	29,993,062,636
	748,803	**20,103,592,773**	2,306,300,770	32,680,767,343

19. Cash at bank and in hand

	2017 RR	2016 RR
Cash at bank	**161,788,701**	119,727,781
	161,788,701	119,727,781

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents include the following

	2017 RR	2016 RR
Cash at bank and in hand	**161,788,701**	119,727,781
Bank overdrafts	**-**	(14,295)
	161,788,701	119,713,486

Cash and cash equivalents by currency:

	2017 RR	2016 RR
United States Dollars	**17,084,091**	90,527,035
Euro	**19,325,538**	19,882,471
British Pounds	**661,813**	144,959
Russian Roubles	**124,717,259**	9,173,316
	161,788,701	119,727,781

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the consolidated financial statements.

20. Share capital

	2017 Number of shares	2017 EUR	2017 RR	2016 Number of shares	2016 EUR	2016 RR
Authorised						
Ordinary shares of €1,71 each	**15,000**	**25,650**	**1,886,692**	15,000	25,650	1,886,692
			RR			RR
Issued and fully paid						
Balance at 1 January	**15,000**	**-**	**1,886,692**	15,000	-	1,886,692
Balance at 31 December	**15,000**	**-**	**1,886,692**	15,000	-	1,886,692

21. Trade and other payables

	2017 RR	2016 RR
Trade payables (see note 18)	**19,512,708,114**	17,843,913,599
Trade payables on REPO	**195,481,451,737**	205,864,687,626
Accruals	**4,766,344**	6,276,141
Other creditors	**7,806,816**	728,958,867
Deferred income (see note 18)	**1,291**	347,808,061
	215,006,734,302	224,791,644,294

22. Related party transactions

Until 2016, the Company was a wholly owned subsidiary of BCS Holding International Limited (previously known as Amazon United Limited) incorporated and domiciled in the British Virgin Islands as a holding company. In 2016, BCS Holding International Limited was liquidated and a new top level holding company was introduced to the Group, known as FG BCS Limited whose registered office is at Prevezis 13, 1st floor, Office 101, 1065, Nicosia, Cyprus. The new holding company is now the direct and ultimate holding company of BrokerCreditService Structured Products Plc.

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

22. Related party transactions (continued)

The following transactions were carried out with related parties:

22.1 Rendering of services and other net gains

	Nature of transactions	2017 RR	2016 RR
BrokerCreditService (Cyprus) Ltd	Interest income on overnight loans	**44,683,440**	44,621,387
	Net gain on trading in financial instruments	**1,184,459,750**	-
	Net gain realised on trading on foreign currencies	**2,841,566,578**	1,436,417,969
	Other income	**292,294**	-
	Financial result of SWAP operations (OTC)	**-**	1,456,944
BCS LLC	Interest on overnight loans	**59**	712
BCS Forex Ltd	Interest income on loans	**2,438,670**	3,659
Kertina Group Ltd	Interest income on loans	**3,057,277**	-
FG BCS Ltd	Interest income on loans	**73,324,579**	6,921
Flamel Global Ltd	Interest income on loans	**1,326,164**	-
Seldthorn Private Equity Ltd	Interest income on loans	**2,699,196**	-
Oleg Mikhasenko	Interest income on loans	**195,223,807**	-
BCS Prime Brokerage Ltd	Interest income on loans	**61,379,946**	-
		4,410,451,760	1,482,507,592

22.2 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2017 RR	2016 RR
Directors' fees	**191,154**	221,977
Directors' remuneration	**789,416**	-
	980,570	221,977

22.3 Receiving of services and other net losses

	Nature of transactions	2017 RR	2016 RR
BrokerCreditService (Cyprus) Ltd	Brokerage and other services	**546,892,960**	398,995,215
	Net loss on trading in financial instruments	**-**	1,164,655,616
	Financial result of SWAP operations (OTC)	**2,122,719,697**	-
BCS LLC	Other services	**354**	354
		2,669,613,011	1,563,651,185

22.4 Receivables from related parties

Name	Nature of transactions	2017 RR	2016 RR
BrokerCreditService (Cyprus) Ltd	Balances due from brokers	**7,844,654,525**	7,601,524,431
		7,844,654,525	7,601,524,431

22. Related party transactions (continued)

22. Related party transactions (continued)

22.5 Loans to related parties

	2017 RR	2016 RR
BCS-Forex Ltd	**1,154,795,629**	329,755
Seldthorn Private Equity Ltd	**448,231,725**	-
Oleg Mikhasenko	**753,945,496**	852,921,534
Kertina Group Ltd	**1,712,261,623**	-
BCS Prime Brokerage Ltd	**2,760,509,018**	-
FG BCS Ltd	**634,629,850**	-
	7,464,373,341	853,251,289

The loans to related companies carry interest at rates ranging from 1% to 12.60% (2016: 1% - 12.60%).

22.6 Payables to related parties

Name	Nature of transactions	2017 RR	2016 RR
BrokerCreditService (Cyprus) Ltd	Broker commission	**420,749,775**	285,819,478
	Brokerage account	**13,903,894,142**	2,723,212,496
	Trade and other payables	**590,883,367**	15,860,413,207
FG BCS Ltd	Dividends payable	**287,500,000**	-
BCS Prime Brokerage Limited	Broker commission	**-**	14,771,259
		15,203,027,284	18,884,216,440

23. Contingencies

(a) Technology and operating risk

The Group faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Group, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process client transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Group's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Group experiences system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to its systems, linkages with third-party systems, and power failures), business and operations could be significantly negatively impacted. To minimize business interruptions, the Group maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

23. Contingencies (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Operational Risk Department that is responsible for the development of overall standards for the management of operational risk. Compliance with these standards is supported by a program of periodic reviews undertaken by the Operational Risk Department and Internal Audit. The Group maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Group clearly defines for employees, contractors, and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security. The Group is actively engaged in the research and development of new technologies, services, and products.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Group may not be effective in all cases. The Group may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures. The Group also faces risk related to its security guarantee which covers client losses from unauthorized account activity, such as those caused by external fraud involving the compromise of clients' login and password information.

(b) Compliance risk

As a participant in the securities and financial services markets, the Group is subject to extensive regulation under both federal and state laws by governmental agencies, supervisory authorities, and self-regulated entities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated

entity for the protection of investors or public interest. Management has invested heavily, with the benefit of its scale, in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business.

These regulations often serve to limit the Group's activities by way of capital, customer protection and market conduct requirements, and restrictions on the businesses activities that the Group may conduct. Furthermore, where the agencies determine that such operations are unsafe or unsound, fail to comply with applicable law, or are otherwise inconsistent with the laws and regulations or with the supervisory policies, greater restrictions may be imposed. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Group or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Group's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Group, it must comply with these global, federal, and local information-related laws and regulations.

Management has established policies, procedures and systems designed to comply with these regulations.

24. Commitments

The Group had no capital or other commitments as at 31 December 2017.

25. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

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