Commercial Bank “J.P. Morgan Bank International” (Limited Liability Company)

International Financial Reporting Standards Condensed Interim Financial Information (unaudited)

30 June 2018

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Report on Review of Interim Financial Information

To the Participants and Board of Directors of Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company):

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company) (the "Bank") as of 30 June 2018 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

24 August 2018

Moscow, Russian Federation

N.V. Kosova, certified auditor (licence no. 01-000396), AO PricewaterhouseCoopers Audit

Audited entity: Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company)

State registration certificate № 2629, issued by the Central Bank of Russia on 26 October 1993

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 November 2002 under registration № 006209511

10, Butyrsky Val str., Moscow 125047, Russia

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

In thousands of Russian Roubles	Note	30 June 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents	6	31 815 636	17 682 500
Mandatory cash balances with the Central Bank of Russian Federation		58 364	42 599
Investment securities	7	18	18
Derivative financial instruments	8	3 309 788	3 389 041
Deferred income tax asset		-	13 753
Premises and equipment	9	83 218	98 784
Intangible assets	10	105 155	99 868
Other financial assets	11	427 014	191 991
Other assets	12	115 593	90 441
TOTAL ASSETS		**35 914 786**	**21 608 995**
LIABILITIES			
Derivative financial instruments	8	3 266 334	3 384 217
Due to other banks	13	1 741 392	1 693 849
Customer accounts	14	2 012 260	1 676 474
Provision for commitments	21	-	44 490
Current income tax liability		5 909	91 966
Deferred tax liability		50 727	-
Other liabilities	15	1 194 045	1 039 767
TOTAL LIABILITIES		**8 270 667**	**7 930 763**
EQUITY			
Charter capital	16	15 915 315	2 715 315
Share based compensation reserve		1 948 796	1 936 826
Other reserves	16	557 604	557 604
Retained earnings		9 222 404	8 468 487
TOTAL EQUITY		**27 644 119**	**13 678 232**
TOTAL LIABILITIES AND EQUITY		**35 914 786**	**21 608 995**

Approved for issue on 24 August 2018.

L. Dudnick
Executive Director
Head of Finance Department

A. Vorontsov
Chief Accountant

In thousands of Russian Roubles	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Interest income	17	415 773	204 909
Interest expense	17	(29 434)	(160 430)
Net interest income		**386 339**	**44 479**
Gains less losses from trading securities		54 063	76 539
(Losses less gains)/gains less losses from trading in foreign currencies		(860 701)	552 597
Foreign exchange translation gains less losses		1 659 813	249 346
Fee and commission income	18	1 093 862	785 270
Fee and commission expense	18	(7 864)	(6 595)
Dividends received		2	2
Other operating income		859	13 562
Administrative and other operating expenses	19	(1 343 377)	(1 211 262)
Share based payments		(11 970)	(21 609)
Provision for commitments	21	16 401	(34 197)
Expected loss from credit related commitments		(2 836)	-
Profit before tax		**984 591**	**448 132**
Income tax expense		(230 674)	(85 405)
Profit for the period		**753 917**	**362 727**
Total comprehensive income for the period		**753 917**	**362 727**

In thousands of Russian Roubles	**Note**	**Charter capital**	**Share based compensation reserve**	**Other reserves**	**Retained earnings**	**Total**
At 1 January 2017		**2 715 315**	**1 893 609**	**557 604**	**7 761 658**	**12 928 186**
Profit for six months ended 30 June 2017 (unaudited)		-	-	-	362 727	362 727
Total comprehensive income for six months ended 30 June 2017 (unaudited)		**-**	**-**	**-**	**362 727**	**362 727**
Share based payments		-	21 609	-	-	21 609
Balance at 30 June 2017 (unaudited)		**2 715 315**	**1 915 218**	**557 604**	**8 124 385**	**13 312 522**
At 1 January 2018		**2 715 315**	**1 936 826**	**557 604**	**8 468 487**	**13 678 232**
Profit for six months ended 30 June 2018 (unaudited)		-	-	-	753 917	753 917
Total comprehensive income for six months ended 30 June 2018 (unaudited)		**-**	**-**	**-**	**753 917**	**753 917**
Share based payments		-	11 970	-	-	11 970
Increase in share capital	16	13 200 000	-	-	-	13 200 000
Balance at 30 June 2018 (unaudited)		**15 915 315**	**1 948 796**	**557 604**	**9 222 404**	**27 644 119**

In thousands of Russian Roubles	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Cash flows from operating activities			
Interest received		415 721	151 045
Interest paid		(25 709)	(153 004)
Gains less losses from trading securities		54 063	76 539
(Losses less gains)/gains less losses from trading in foreign currencies		(479 095)	595 513
Fees and commissions received		897 622	874 355
Fees and commissions paid		(7 864)	(6 595)
Staff costs paid		(1 012 111)	(1 068 792)
Administrative and other operating expenses paid		(304 128)	(278 493)
Income tax paid		(252 251)	(35 104)
Other operating income received		33 776	31 117
Dividends received		2	2
Cash flows (used in)/from operating activities before changes in operating assets and liabilities		**(679 974)**	**186 583**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(15 765)	(9 099)
Net decrease in trading securities		-	9 765
Net increase in other financial and other assets		(85 431)	(205 890)
Net decrease in due to other banks		20 578	9 705 528
Net decrease in customer accounts		302 134	15 914
Payment under onerous lease contract	21	(60 055)	(21 527)
Net increase in other liabilities		183 637	1 354 286
Net cash (used in)/from operating activities		**(334 876)**	**11 035 560**
Cash flows from investing activities			
Acquisition of premises and equipment	9	(4 140)	(2 288)
Disposal of premises and equipment	9	3 957	-
Acquisition of intangible assets	10	(18 458)	(17 755)
Net cash used in investing activities		**(18 641)**	**(20 043)**
Cash flows from financing activities			
Increase in charter capital	16	13 200 000	-
Net cash from financing activities		**13 200 000**	**-**
Effect of exchange rate changes on cash and cash equivalents		**1 286 653**	**57 305**
Net increase in cash and cash equivalents		**14 133 136**	**11 072 822**
Cash and cash equivalents at the beginning of the period	6	17 682 500	16 137 142
Cash and cash equivalents at the end of the period	**6**	**31 815 636**	**27 209 964**

1 Introduction

This condensed interim financial information of Commercial Bank “J.P. Morgan Bank International” (Limited Liability Company) (the “Bank”) has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). This condensed interim financial information has been prepared for the six-month period ended 30 June 2018.

This condensed interim financial information does not contain all notes and disclosures required for the full set of financial statements, therefore this interim information should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

The independent auditor performed review of this condensed interim financial information. This condensed interim financial information was not audited. Therefore, the figures reported as at 30 June 2018 and for the period from 1 January 2018 to 30 June 2018, and from 1 January 2017 to 30 June 2017 are unaudited.

Principal activity. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal business activity is banking operations within the Russian Federation. The Bank has operated under a full banking licence No. 2629 issued by the Central Bank of the Russian Federation (“CBRF”) since 1993. The Bank previously operated as Commercial Bank “Chase Manhattan Bank International” (Limited Liability Company) and in 2001 changed its name to the current one as a part of a worldwide merger of Chase, J.P. Morgan and Flemings groups. The change in the name did not result in a change in the principal business activity of the Bank.

The Bank is 99.99904% owned by J.P. Morgan International Finance Limited (USA) and 0.00096% are owned by J.P. Morgan Limited (UK). The ultimate parent of the Bank is J.P. Morgan Chase & Co. The Bank is a member of JPMorgan Chase & Co. group (the “Group”).

The Bank is a Russian limited liability company and in accordance with its charter and related Russian legislation the participants of the Bank have no right to request redemption of their interest in the Bank. Refer to Note 16.

Registered address and place of business. The Bank’s registered address is 10 Butyrsky Val, Moscow, 125047, Russia.

Presentation currency. This condensed interim financial information is presented in thousands of Russian Roubles (“RR thousands”).

Publication of the condensed interim financial information. This condensed interim financial information is published by the Bank electronically on its internet website: http://www.jpmorgan.ru.

2 Operating Environment of the Bank

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2018, the Russian economy continued to be 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 and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Bank’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

3 Basis of Preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed interim financial information as compared with the annual financial statements for the year ended 31 December 2017.

As part of preparation of the condensed interim financial information for the first six months of 2018, the Bank restated its comparative data for the first six months of 2017:

– Share based payments were reduced from RR 59 798 thousand to RR 21 609 thousand due to revision of the accounting estimation of these expenses.

– Income tax expenses increased from RR 65 594 thousand to RR 85 405 thousand due to revision of the amount of deferred tax asset as at 30 June 2017.

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for the Bank since 1 January 2018.

IFRS 9 "Financial Instruments" The Bank applies IFRS 9 starting from the reporting periods beginning on or after 1 January 2018. Adoption of the new standard resulted in changes of the Bank's approach to recognition, classification and measurement of financial assets and liabilities, as well as to impairment of financial assets.

Classification and measurement of financial assets and liabilities

Under IFRS 9, new 'Business Model' and 'Cash Flow Characteristic' tests are introduced which classify financial assets to one of the following three measurement categories: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Encompassing the guidance provided by IFRS 9 on classification and measurement, the Bank has reviewed and classified its financial assets:

– assets held within a business model with the intention to hold and collect contractual cash flow or sell the asset. These assets are classified as follows:
  1. Financial assets at amortised cost.
  2. Financial assets at fair value through other comprehensive income.

– assets which are not categorised as held with the intentions highlighted above. Such assets are classified as assets at fair value through profit or loss.

IFRS 9 retains most of the existing requirements for financial liabilities. Under the current requirements of IAS 39, the gains and losses attributable to changes in the Bank's own credit risk ("DVA") for financial liabilities designated at FVTPL are recognised in profit or loss. However, upon implementation of IFRS 9, this DVA component will be recognised in other comprehensive income.

Impairment of financial assets

IFRS 9 impairment requirements apply to financial assets that are measured at amortised cost or FVOCI, and specified off-balance sheet lending-related commitments such as loan commitments and financial guarantee contracts.

4 New Accounting Pronouncements (Continued)

The determination of impairment losses and allowance will change from an incurred credit loss model under IAS 39 to an ECL model under IFRS 9. In an ECL model, provisions for credit losses are recorded upon initial recognition of the financial asset based on expectations of potential credit losses at that time. The credit loss allowance includes ECLs for financial instruments that may default in the next 12-month period for financial instruments that have not observed a significant increase in credit risk since initial recognition ("stage 1") or over a lifetime period for financial instruments that have observed a significant increase in credit risk since initial recognition ("stage 2"). The allowance also adopts lifetime ECLs for financial instruments where there is objective evidence of credit-impairment at the reporting date ("stage 3").

The key input components for the quantification of expected loss through the ECL model includes the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

Impact of adoption of the new standard on the financial statements

The Bank chose not to restate its prior periods.

The table below reconciles the carrying amounts of financial assets, from their previous measurement in accordance with IAS 39 into their measurement upon transition to IFRS 9 on 1 January 2018.

	Category of financial assets		Carrying amount under IAS 39 (balance at 31 December 2017)	Impact of the new standard				Carrying amount under IFRS 9 (balance at 1 January 2018)
				Revaluation		New classification		
In thousands of Russian roubles	IAS 39	IFRS 9		Credit losses	Other	Mandatory	Optional	
Cash and cash equivalents	Loans and receivables	Amortised cost	**17 682 500**	-	-	17 682 500	-	**17 682 500**
Mandatory cash balances with the Central Bank of Russian Federation	Loans and receivables	Amortised cost	**42 599**	-	-	42 599	-	**42 599**
Investment securities available for sale	Available for sale	Fair value through profit or loss	**18**	-	-	18	-	**18**
Derivative financial instruments	Held for trading	Fair value through profit or loss	**3 389 041**	-	-	3 389 041	-	**3 389 041**
Other financial assets	Loans and receivables	Amortised cost	**191 991**	-	-	191 991	-	**191 991**
Total financial assets			**21 306 149**	-	-	21 306 149	-	**21 306 149**

4 New Accounting Pronouncements (Continued)

As at 31 December 2017, all of the Bank's financial liabilities except for derivatives were carried at amortised cost. Derivatives were recognised at fair value through profit or loss in accordance with IAS 39. Starting from 1 January 2018, all of the Bank's financial liabilities except for derivatives were also carried at amortised cost. Derivatives are designated as measured at fair value through profit or loss. There were no changes in measurement of financial liabilities due to adoption of the new standard.

Provision for impairment of financial assets

As at 31 December 2017, the Bank did not set up any provisions for impairment of financial assets, as according to requirements of IAS 39 the Bank only had high quality financial assets. With transition to IFRS 9, the Bank determines the amount of its impairment provision based on the expected credit losses (ECL) model. In an ECL model, provisions for credit losses are recorded upon initial recognition of the financial asset based on expectations of potential credit losses at that time. Under this model, the Bank recognises an impairment provision for certain off-balance sheet loan commitments such as financial guarantee contracts. This provision is accounted for as decrease of other financial assets.

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.

Requirements of the new standard did not have any material impact on this condensed interim financial information.

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 statement of profit or loss and statement of other comprehensive income.

Requirements of the new standard did not have any material impact on this condensed interim financial information.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Requirements of the new standard did not have any material impact on this condensed interim financial information.

4 New Accounting Pronouncements (Continued)

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

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

5 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Fair value of derivatives. The fair values of derivative financial instruments that are not quoted in active markets are determined by using valuation techniques. If in order to measure the fair value, valuation techniques (e.g. models) are used, they are approved and regularly analysed by qualified employees independent from the department/division developing such techniques. All models are subject to certification before use; models are also adjusted so that the results would reflect actual data and comparative market prices. To the extent practical, models use only publicly available data; however areas such as credit risk (both own and counterparty risk), volatility and correlations require the management to make estimates. Changes in assumptions about these factors could affect the reported fair values.

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

Related Party Transactions. In the normal course of business the Bank enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 24.

6 Cash and Cash Equivalents

In thousands of Russian Roubles	**30 June 2018 (unaudited)**	**31 December 2017**
Correspondent accounts and overnight placements with other banks	30 493 623	16 097 667
Balances on settlement accounts with trading system	727 983	1 245 591
Cash balances with stock exchange	386 775	299 521
Cash balances with the CBRF (other than mandatory reserve deposits)	207 255	39 721
Total cash and cash equivalents	**31 815 636**	**17 682 500**

Corresponding accounts and overnight deposits with other banks comprise:

In thousands of Russian Roubles	**30 June 2018 (unaudited)**	**31 December 2017**
Large international banks	30 489 930	16 093 561
Russian banks	3 323	3 704
Russian subsidiaries of large international banks	370	402
Total correspondent accounts and overnight placements with other banks	**30 493 623**	**16 097 667**

Large international banks in the table above are multinational or OECD-based banks with investment grade ratings as at 30 June 2018 and 31 December 2017. An investment grade rating is a long-term international rating of A or above by Standard & Poor's, A or above by Fitch and A1 or above by Moody's.

For the purposes of measurement of expected credit losses, cash and cash equivalents are included in "stage 1". The amount of expected credit losses in this category of financial assets is immaterial, therefore the Bank has not set up any provision for impairment of cash and cash equivalents.

As at 30 June 2018, the Bank had one counterparty (31 December 2017: one counterparty) with balances above RR 13 000 000 thousand. The aggregate balance of this counterparty was RR 26 826 189 thousand (31 December 2017: RR 15 928 194 thousand) or 84.3% (31 December 2017: 90.1%) of total cash and cash equivalents.

As at 30 June 2018 and 31 December 2017, the fair value of each class of financial assets included in cash and cash equivalents approximated their carrying value.

Information on related party balances is disclosed in Note 24.

7 Investment Securities

The movements in investment securities were as follows:

In thousands of Russian Roubles	30 June 2018 (unaudited)	31 December 2017
Carrying amount at the beginning of the period	18	18
Fair value gains less losses	-	-
Carrying amount at the end of the period	**18**	**18**

At 30 June 2018 (unaudited) the principal equity investment securities were:

Name	Nature of business	Percentage of ownership at 30 June 2018 (unaudited)	Percentage of ownership at 31 December 2017	Country of registration	Fair value 30 June 2018 (unaudited)	Fair value 31 December 2017
ZAO "National Settlement Depositary"	Cash settlements for stock exchange participants	0.00008%	0.00008%	Russian Federation	18	18
Total					**18**	**18**

With adoption of IFRS 9 these investment securities were reclassified from financial assets available for sale into assets at fair value through profit or loss. The carrying amount of these assets approximates their fair value.

8 Derivative Financial Instruments

The fair values of derivative instruments held are set out in the following table:

	30 June 2018 (unaudited)			31 December 2017		
In thousands of Russian Roubles	Contract/ nominal amount	Contract/ nominal amount Assets	Contract/ nominal amount Liabilities	Contract/ nominal amount	Contract/ nominal amount Assets	Contract/ nominal amount Liabilities
Foreign exchange derivative contracts						
- currency spot contracts	18 777 514	17 755	(9 463)	17 160 814	115	(388)
- currency forward contracts	37 469 264	369 032	(333 870)	6 162 576	66 303	(61 206)
- knock-in knock-out currency forwards	-	-	-	7 845 781	672 154	(672 154)
- currency options	-	-	-	2 304 008	3 843	(3 843)
Interest rate derivative contracts						
- cross-currency interest rate swaps	34 293 448	2 510 729	(2 510 729)	31 797 469	2 457 430	(2 457 430)
- single-currency interest rate swaps	25 102 600	412 272	(412 272)	23 040 080	189 196	(189 196)
Total derivative assets/(liabilities)		**3 309 788**	**(3 266 334)**		**3 389 041**	**(3 384 217)**

8 Derivative Financial Instruments (Continued)

Currency spot transactions are regular way foreign exchange contracts, which are settled within two working days after the trade date.

Currency forwards are over-the-counter contracts, which establish terms and conditions of a deal, which is settled at a future date.

Cross currency swaps are over-the-counter contracts whereby one party swaps a set of payments in one currency for a set of payments in a different currency.

Interest rate swaps are over-the-counter contracts whereby one party swaps interest payments determined using a fixed rate for interest payments determined using a floating interest rate.

Knock-in knock-out currency forward ("KIKO") contracts are over-the-counter contracts whereby one party obtains a right to exercise the foreign exchange transaction if the underlying exchange rate hits one of the two barriers, called knock-in and knock-out respectively.

Currency options are over-the-counter contracts whereby one party obtains the right to buy and the other the obligation to sell an agreed amount of currency at some future date at a predetermined rate.

The following table provides information on the credit quality of the Bank's derivative instruments as at 30 June 2018 and 31 December 2017:

	30 June 2018 (unaudited)		**31 December 2017**	
	Fair values		**Fair values**	
In thousands of Russian Roubles	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Currency spot contracts				
Credit rating above BBB+	15 317	(31)	28	(388)
Credit rating between BB+ and below	2 438	(9 432)	87	-
Currency forward contracts				
Credit rating above BBB+	335 569	(41 813)	15 454	(45 711)
Not rated	33 463	(292 057)	50 849	(15 495)
KIKO contracts				
Credit rating between BBB- and AA+	-	-	672 154	(672 154)
Currency options				
Credit rating between BBB- and AA+	-	-	-	(3 843)
Not rated	-	-	3 843	-
Interest rate contracts				
Credit rating between BBB- and AA+	2 923 001	(2 923 001)	2 646 626	(2 646 626)
Total derivative financial instruments	**3 309 788**	**(3 266 334)**	**3 389 041**	**(3 384 217)**

The information on related party balances is disclosed in Note 24.

9 Premises and Equipment

The reconciliation of the carrying amount of premises and equipment as at 30 June 2018 and 2017 is presented below:

In thousands of Russian Roubles	Leasehold improvements	Office, computer and other equipment	Total premises and equipment
Net book amount at 31 December 2016	**34 278**	**101 950**	**136 228**
Cost			
Opening balance	80 521	314 683	395 204
Additions	-	2 288	2 288
Disposals	-	(1 809)	(1 809)
Balance at 30 June 2017 (unaudited)	**80 521**	**315 162**	**395 683**
Accumulated depreciation			
Opening balance	46 243	212 733	258 976
Depreciation charges (Note 19)	4 236	16 219	20 455
Disposals	-	(1 809)	(1 809)
Balance at 30 June 2017 (unaudited)	**50 479**	**227 143**	**277 622**
Net book amount at 30 June 2017 (unaudited)	**30 042**	**88 019**	**118 061**
Net book amount at 1 January 2018	**25 137**	**73 647**	**98 784**
Cost			
Opening balance	80 521	296 866	377 387
Additions	-	4 140	4 140
Disposals	-	(3 957)	(3 957)
Balance at 30 June 2018 (unaudited)	**80 521**	**297 049**	**377 570**
Accumulated depreciation			
Opening balance	55 384	223 219	278 603
Depreciation charges (Note 19)	4 282	15 424	19 706
Disposals	-	(3 957)	(3 957)
Balance at 30 June 2018 (unaudited)	**59 666**	**234 686**	**294 352**
Net book amount at 30 June 2018 (unaudited)	**20 855**	**62 363**	**83 218**

As at 30 June 2018, the cost of fully depreciated premises and equipment that were in use was RR 139 126 thousand (30 June 2017: RR 149 506 thousand).

Leasehold improvements represent capitalised cost of refurbishment of premises leased by the Bank.

10 Intangible Assets

The reconciliation of the carrying amount of intangible assets as at 30 June 2018 and 2017 is presented below:

In thousands of Russian Roubles	**Software**	**Total**
Net book amount at 31 December 2016	**95 787**	**95 787**
Cost		
Opening balance	175 277	175 277
Additions	17 755	17 755
Balance at 30 June 2017 (unaudited)	**193 032**	**193 032**
Accumulated amortisation		
Opening balance	79 490	79 490
Amortisation charges (Note 19)	2 708	2 708
Balance at 30 June 2017 (unaudited)	**82 198**	**82 198**
Net book amount at 30 June 2017 (unaudited)	**110 834**	**110 834**
Net book amount at 1 January 2018	**99 868**	**99 868**
Cost		
Opening balance	196 649	196 649
Additions	18 458	18 458
Balance at 30 June 2018 (unaudited)	**215 107**	**215 107**
Accumulated amortisation		
Opening balance	96 781	96 781
Amortisation charges (Note 19)	13 171	13 171
Balance at 30 June 2018 (unaudited)	**109 952**	**109 952**
Net book amount at 30 June 2018 (unaudited)	**105 155**	**105 155**

11 Other Financial Assets

In thousands of Russian Roubles	**30 June 2018 (unaudited)**	**31 December 2017**
Accrued income	380 047	181 456
Other	46 967	10 535
Total other financial assets	**427 014**	**191 991**

Accrued income represents accrued custody, equities, treasury services, equity and debt capital market consultancy and mergers and acquisitions advisory fees.

None of the assets classified under other financial assets are past due and are expected to be recovered within twelve months from the reporting date.

None of the other financial assets are used as collateral or restricted in any manner for use by the Bank.

11 Other Financial Assets (Continued)

The amount of expected credit losses in this category of financial assets is immaterial, therefore the Bank has not set up any provision for impairment of other financial assets.

The information on related party balances is disclosed in Note 24.

12 Other Assets

In thousands of Russian Roubles	30 June 2018 (unaudited)	31 December 2017
Prepaid services	114 600	89 651
Prepaid taxes other than on income payable	993	790
Total other assets	**115 593**	**90 441**

The information on related party balances is disclosed in Note 24.

13 Due to Other Banks

In thousands of Russian Roubles	30 June 2018 (unaudited)	31 December 2017
Correspondent accounts and overnight placements of other banks	792 998	1 405 848
Stock exchange placements of other banks	948 394	288 001
Total due to other banks	**1 741 392**	**1 693 849**

As at 30 June 2018 and 31 December 2017, the fair value of each class of financial liabilities included in due to other banks approximated their carrying value. Refer to Note 22.

The information on related party balances is disclosed in Note 24.

14 Customer Accounts

Customer accounts include current accounts and term deposits as follows:

	30 June 2018 (unaudited)		31 December 2017	
In thousands of Russian Roubles	Amount	%	Amount	%
Current accounts	2 012 260	100	1 676 474	100
Total customer accounts	**2 012 260**	**100**	**1 676 474**	**100**

Economic sector concentrations within customer accounts and term deposits are as follows:

	30 June 2018 (unaudited)		31 December 2017	
In thousands of Russian Roubles	Amount	%		
Market Research	526 673	26.2	408 967	24.4
Information Technology	525 111	26.1	472 934	28.2
Scientific Research and Technical Development	366 046	18.2	364 943	21.8
Consumer goods	213 622	10.6	149 578	8.9
Manufacturing	188 873	9.4	114 736	6.8
Publishing	90 436	4.5	63 531	3.8
Other	101 499	5.0	101 785	6.1
Total customer accounts	**2 012 260**	**100**	**1 676 474**	**100**

14 Customer Accounts (Continued)

As at 30 June 2018, the Bank had three customers (31 December 2017: two customers) with balances above RR 300 000 thousand. The aggregate balance of these customers was RR 1 140 802 thousand (31 December 2017: RR 748 452 thousand) or 57% (31 December 2017: 45%) of total customer accounts.

As at 30 June 2018 and 31 December 2017, the fair value of each class of financial liabilities included in customer accounts approximated their carrying value. Refer to Note 22.

The information on related party balances is disclosed in Note 24.

15 Other Liabilities

In thousands of Russian Roubles	**30 June 2018 (unaudited)**	**31 December 2017**
Accrued employee benefit costs	569 872	727 803
Taxes other than on income payable	586 279	292 869
Other accrued expenses	35 058	19 095
Provision for expected credit losses under IFRS 9	2 836	-
Total other liabilities	**1 194 045**	**1 039 767**

As at 30 June 2018 and 31 December 2017, other liabilities represent non-financial liabilities. The information on related party balances is disclosed in Note 24.

Other liabilities as at 30 June 2018 include provision for expected credit losses calculated in accordance with the requirements of IFRS 9 "Financial instruments". This provision is related to the Bank's possible losses caused by deterioration of credit quality of trade finance instruments, such as guarantees and letters of credit.

16 Charter Capital

The Bank is a limited liability company. In accordance with effective Russian legislation, voting rights of participants of the organisations that are established in the form of limited liability company correspond to their share of nominal value of the charter capital.

As at 30 June 2018, the nominal value of authorised, issued and fully paid charter capital of the Bank was RR 15 915 315 thousand (31 December 2017: RR 2 715 315 thousand). In March 2018, the majority participant of the Bank – J.P. Morgan International Finance Limited (US) – increased its investments in the Bank's capital by RR 13 200 000 thousand.

The historic charter capital was adjusted for inflation in accordance with IAS 29 for RR 557 604 thousand recognised in other reserves.

17 Interest Income and Expense

In thousands of Russian Roubles	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Interest income			
Cash and cash equivalents	6	412 103	195 830
Trading securities		3 670	9 079
Total interest income		**415 773**	**204 909**
Interest expense			
Customer accounts	14	14 899	8 942
Term placements of other banks	13	13 921	142 313
Onerous lease contract	21	614	9 175
Total interest expense		**29 434**	**160 430**
Net interest income		**386 339**	**44 479**

18 Fee and Commission Income and Expense

In thousands of Russian Roubles	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Fee and commission income		
Commission on investment banking	593 777	413 552
Commission on custodian services	206 922	136 055
Commission on treasury services	112 700	60 813
Commission on equity services	99 355	77 294
Commission on arranging derivative financial instruments for clients	31 727	48 465
Other	49 381	49 091
Total fee and commission income	**1 093 862**	**785 270**
Fee and commission expense		
Commission on transactions with foreign currency	5 161	3 181
Commission on settlement transactions	1 426	1 331
Commission on transactions with securities	1 277	1 370
Commission on guarantees received	-	713
Total fee and commission expense	**7 864**	**6 595**
Net fee and commission income	**1 085 998**	**778 675**

19 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Staff costs		1 012 111	890 951
Occupancy costs		115 596	157 442
Taxes other than on income		46 644	43 611
Communication and IT expenses		42 945	33 376
Professional services		39 009	16 644
Business trip and representation costs		34 050	39 466
Depreciation of property and equipment and amortisation of intangible assets	9, 10	32 877	23 163
Other		20 145	6 609
Total administrative and other operating expenses		**1 343 377**	**1 211 262**

20 Management of Capital

The Bank's objectives when managing capital are to comply with the capital requirements set by the Central Bank of the Russian Federation; to safeguard the Bank's ability to continue as a going concern in accordance with the Bank's business strategy; and to maintain a sufficient capital base to achieve a capital adequacy ratio in accordance with Basel III requirements.

Capital management system implies regular calculations of capital "at a point in time" and preparing related reports complimented by the forecasts and sensitivity analysis results, including measures to maintain the necessary level of capital, when necessary.

The Bank uses a system of target capital levels, which implies establishing certain thresholds/ red flags signalling the need to notify the Bank's management bodies and take corrective steps. The Bank defined a number of potential actions, which the Bank can consider if applicable buffers are not sufficient or minimal capital requirements are not satisfied.

The actions related to capital are determined and considered in the context of regulatory requirements, optimal capital structure and market situation. If any actions are required with regard to capital, they shall be considered by the Bank's Management Board, Board of Directors and management bodies of J.P. Morgan Chase and Co., the controller of the Bank.

The Bank's Board of Directors is responsible for effective functioning of capital management system.

In the 1st quarter of 2018 the Bank increased its charter capital by RR 13 200 000 thousand.

The Bank's capital adequacy ratio is calculated for regulatory supervision purposes according to Regulation of the Bank of Russia No. 395-P "On the Methodology to Estimate Equity (Capital) of Credit Institutions ("Basel III")". The regulatory capital calculated in accordance with the Russian legislation was RR 27 346 224 thousand at 1 July 2018 (1 July 2017: RR 13 229 947 thousand).

Compliance with capital adequacy ratios set by the CBRF is monitored daily. Reports outlining the respective calculations are prepared and reviewed daily. The Bank complied with all externally imposed and internal capital requirements throughout the second quarter of 2018 and 2017.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital adequacy ratio") above a prescribed minimum level. As at 1 July 2018, this minimum level was 8% (1 January 2018: 8%). The Bank was in compliance with the statutory capital ratio during the periods ended 30 June 2018 and 31 December 2017.

All capital instruments at 1 July 2018 and 1 January 2018 are open-ended by nature.

21 Contingencies and Commitments

Tax contingencies. Russian legislation on taxes and levies which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to individual transactions and activities of the Bank. Consequently, tax positions taken by the Bank and the documentation supporting the tax positions may be challenged by 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 Russian tax incompliant counterparties. Fiscal periods remain open to review by the Russian tax authorities in respect of taxes for three calendar years proceeding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Russian legislation on taxes and levies does not provide definitive guidance in certain areas, the Bank can adopt, from time to time, interpretations of such uncertain areas that may both reduce and increase the effective tax rate of the Bank. While the Bank believes that the tax positions and interpretations taken by the Bank can be sustained, there is a possible risk that outflow of resources may be required, should such tax positions and interpretations be challenged by the relevant tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

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

Tax liabilities arising from controlled transactions are determined using actual transaction prices. It is possible, with the evolution of the application of the transfer pricing rules, that such transfer prices could be challenged. The impact of such developments cannot be reliably estimated; however, it may be significant in terms of the Bank's financial position and/or business activities.

Capital expenditure commitments. As at 30 June 2018 and 31 December 2017 the Bank had no capital expenditure commitments.

Provision on onerous lease contract. In 2009, the Bank discontinued the use of the part of its office space held under a non-cancellable operating lease. The space was subleased in 2009 until the end of the original lease term to a third party at a rate lower than the rates in the original lease agreement. The contract was considered to be an onerous one and a provision was recognised. The provision includes all lease expenses net of any sublease income over the lease term discounted at applicable rates.

The lease term under the onerous contract expired as at 30 June 2018, therefore the Bank does not expect any further cash flows after the reporting date.

As at 31 December 2017 the expected cash flows relating to the provision were as follows:

In thousands of Russian Roubles	**Cash inflows**	**Cash outflows**	**Net cash outflows**
Not later than 1 year	36 879	(81 369)	(44 490)
Later than 1 year and not later than 5 years	-	-	-
Total undiscounted cash flows	36 879	(81 369)	(44 490)
Total discounted cash flows	**36 879**	**(81 369)**	**(44 490)**

21 Contingencies and Commitments (Continued)

The movements in the carrying amount of the provision are as follows:

In thousands of Russian Roubles	Note	30 June 2018 (unaudited)	31 December 2017
Carrying amount at the beginning of the period		**44 490**	**108 323**
Interest expense	17	(614)	9 175
Used during the year		(60 055)	(21 527
Foreign currency revaluation		(222)	21 147
Effect of changes in model		16 401	(34 197
Carrying amount at the end of the period		**-**	**82 921**

Effect of changes in model is related to revision of the original discounted cash flows to incorporate up-to-date inflation rates applicable to annual lease payment determination.

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

In thousands of Russian Roubles	30 June 2018 (unaudited)	31 December 2017
Not later than 1 year	194 805	246 383
Later than 1 year and not later than 5 years	295 619	381 183
Total operating lease commitments	**490 424**	**627 566**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

As at 30 June 2018, the total outstanding contractual amount of issued guarantees and letters of credit was RR 2 620 005 thousand (31 December 2017: RR 2 897 330 thousand) and corresponding provision for losses was nil (2017: nil). The currencies of guarantees were as follows as at 30 June 2018: Russian Roubles (RR 1 077 841 thousand) and US Dollars (RR 1 542 164 thousand) and as at 31 December 2017 Russian Roubles (RR 1 453 075 thousand) and US Dollars (RR 1 444 255 thousand).

Assets under custody. The Bank provides custody services to its customers, who are mostly non-related to the Bank, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Bank and are not recognised in the statement of financial position. Nominal values disclosed below are normally different from the fair values of respective securities. The assets under custody fall into the following categories:

In thousands of Russian Roubles	30 June 2018 Nominal value	31 December 2017 Nominal value
Ordinary shares	42 239 477	29 958 678
Government bonds	300 542	1 188 185
Privileged shares	973 836	734 442

21 Contingencies and Commitments (Continued)

Assets pledged and restricted. As at 30 June 2018, mandatory cash balances with the CBRF in the amount of RR 58 364 thousand (31 December 2017: RR 42 599 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

The Bank also placed a deposit with an affiliated party as a cash collateral for the derivatives transactions. This cash is not available to finance the Bank's day-to-day operations. As at 30 June 2018 this deposit amounted to RR 754 333 thousand (31 December 2017: RR 144 576 thousand).

22 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

For financial instruments carried at fair value, the levels in the fair value hierarchy into which the fair values are categorised are as follows:

	30 June 2018 (unaudited)			**31 December 2017**		
In thousands of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with signifi-cant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observa-ble inputs (Level 3)**
ASSETS AT FAIR VALUE FINANCIAL ASSETS						
Investment securities available for sale						
- Corporate shares	18	-	-	18	-	-
Derivative financial instruments						
- Currency spot contracts	17 755	-	-	115	-	-
- Currency forward contracts	-	369 032	-	-	66 303	-
- KIKO forwards	-	-	-	-	672 154	-
- Currency options	-	-	-	-	3 843	-
- Cross-currency interest rate swaps	-	2 510 729	-	-	2 457 430	-
- Single-currency interest rate swaps	-	412 272	-	-	189 196	-
FINANCIAL LIABILITIES						
Derivative financial instruments						
- Currency spot contracts	9 463	-	-	388	-	-
- Currency forward contracts	-	333 870	-	-	61 206	-
- KIKO forwards	-	-	-	-	672 154	-
- Currency options	-	-	-	-	3 843	-
- Cross-currency interest rate swaps	-	2 510 729	-	-	2 457 430	-
- Single-currency interest rate swaps	-	412 272	-	-	189 196	-

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Significance of a valuation input is assessed against the fair value measurement in its entirety.

22 Fair Value of Financial Instruments (Continued)

There are no differences between the fair values shown in the table above and the carrying amount of the items in the statement of financial position.

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 measurements at 30 June 2018 (unaudited):

In thousands of Russian Roubles	Fair value	Valuation technique	Inputs used
FINANCIAL ASSETS			
- Currency forward contracts	369 032	Forward pricing	Quoted prices, FX rate and interest rate curves
- Cross-currency interest rate swaps	2 510 729	Discounted cash flow	FX rate and interest rate curves
- Single-currency interest rate swaps	412 272	Discounted cash flow	FX rate and interest rate curves
FINANCIAL LIABILITIES			
Derivative financial instruments			
- Currency forward contracts	333 870	Forward pricing	Quoted prices, FX rate and interest rate curves
- Cross-currency interest rate swaps	2 510 729	Discounted cash flow	FX rate and interest rate curves
- Single-currency interest rate swaps	412 272	Discounted cash flow	FX rate and interest rate curves

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 measurements at 31 December 2017:

In thousands of Russian Roubles	Fair value	Valuation technique	Inputs used
FINANCIAL ASSETS			
- Currency forward contracts	66 303	Forward pricing	Quoted prices, FX rate and interest rate curves
- KIKO forwards	672 154	Stochastic PDE Tree	Quoted prices, volatility
- Currency options	3 843	Stochastic PDE Tree	Quoted prices, volatility
- Cross-currency interest rate swaps	2 457 430	Discounted cash flow	FX rate and interest rate curves
- Single-currency interest rate swaps	189 196	Discounted cash flow	FX rate and interest rate curves
FINANCIAL LIABILITIES			
Derivative financial instruments			
- Currency forward contracts	61 206	Forward pricing	Quoted prices, FX rate and interest rate curves
- KIKO forwards	672 154	Stochastic PDE Tree	Quoted prices, volatility
- Currency options	3 843	Stochastic PDE Tree	Quoted prices, volatility
- Cross-currency interest rate swaps	2 457 430	Discounted cash flow	FX rate and interest rate curves
- Single-currency interest rate swaps	189 196	Discounted cash flow	FX rate and interest rate curves

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

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

	30 June 2018 (unaudited)				31 December 2017			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
ASSETS								
Mandatory cash balances with the Central Bank of Russian Federation	-	58 364	-	58 364	-	42 599	-	42 599
Other financial assets	-	-	427 014	427 014	-	-	191 991	191 991
LIABILITIES								
Due to other banks	-	1 741 392	-	1 741 392	-	1 693 849	-	1 693 849
Customer accounts	-	2 012 260	-	2 012 260	-	1 676 474	-	1 676 474
Provision for commitments	-	-	-	-	-	-	44 490	44 490

23 Presentation of Financial Instruments by Measurement Category

In accordance with IFRS 9 "Financial Instruments", all financial assets are classified into the following three categories: a) financial assets at fair value through profit or loss ("FVTPL"); b) financial assets at fair value through other comprehensive income ("FVOCI"); and c) financial assets at amortised cost. Financial assets at fair value through profit or loss have two subcategories: financial assets at fair value through profit or loss (mandatory), and financial assets designated as such upon initial recognition.

As at 31 December 2017, for the purposes of measurement, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", the Bank classified/allocated its financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with measurement categories at 30 June 2018:

In thousands of Russian Roubles	**At fair value through profit or loss (mandatory)**	**At fair value through profit or loss (upon initial recognition)**	**At fair value through other comprehensive income**	**At amortised cost**	**Total**
Assets					
Cash and cash equivalents		-	-	31 815 636	31 815 636
Mandatory cash balances with the Central Bank of Russian Federation	-	-	-	58 364	58 364
Investment securities	18	-	-	-	18
Derivative financial instruments	3 309 788	-	-	-	3 309 788
Other financial assets	-	-	-	427 014	427 014
Total financial assets	**3 309 806**	**-**	**-**	**32 301 014**	**35 610 820**

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

In thousands of Russian Roubles	**Available for sale**	**Loans and receivables**	**Held for trading**	**Total**
Assets				
Cash and cash equivalents	-	17 682 500	-	17 682 500
Mandatory cash balances with the Central Bank of Russian Federation	-	42 599	-	42 599
Investment securities available for sale	18	-	-	18
Derivative financial instruments	-	-	3 389 041	3 389 041
Other financial assets	-	191 991	-	191 991
Total financial assets	**18**	**17 917 090**	**3 389 041**	**22 067 421**

At 30 June 2018 and 31 December 2017, all of the Bank's financial liabilities except for derivative financial instruments were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

24 Related Party Transactions

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

The Bank is a member of J.P. Morgan Chase & Co. group. In the first six months of 2018 and in 2017 the Bank performed a number of transactions with entities under common control.

At 30 June 2018 and 31 December 2017, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**30 June 2018 (unaudited)**	**31 December 2017**
Cash and cash equivalents (contractual rate: 3.51%; 2017: 1.48%)	30 489 795	16 093 438
Derivative financial instruments – assets (currency spot and forward contracts)	350 886	15 482
Derivative financial instruments – assets (single currency interest rate swaps)	412 272	189 196
Derivative financial instruments – assets (currency options)	-	520
Other non-financial assets	2 351	1 601
Accrued income	376 755	181 456
Due to other banks (contractual interest rate: 1.16%; 2017: 1.42%)	(1 427 610)	(1 693 849)
Derivative financial instruments – liabilities (cross currency interest rate swaps)	(2 510 729)	(2 457 430)
Derivative financial instruments – liabilities (currency spot and forward contracts)	(41 844)	(46 098)
Derivative financial instruments – liabilities (currency options)	-	(3 323)
Derivative financial instruments – liabilities (knock-out currency options)	-	(672 154)
Accrued benefit costs for top management	(87 991)	(159 849)
Other liabilities	(537)	(1 066)
Guarantees received	33 652	49 687

The income and expense items with related parties for the six-month periods ended 30 June 2018 and 30 June 2017 respectively were as follows:

In thousands of Russian Roubles	**Six months ended 30 June 2018 (unaudited)**	**Six months ended 30 June 2017 (unaudited)**
Interest income	138 450	94 898
Interest expense	(8 952)	(1 005)
Losses less gains from trading in foreign currencies	(1 102 661)	(177 345)
Foreign exchange translation gains less losses	5 651	(5 845 071)
Fee and commission income	1 038 878	725 425
Fee and commission expense	(1 577)	(1 989)

For the six months ended 30 June 2018, the remuneration of members of the top management comprised salaries, discretionary bonuses and other short-term benefits totalling to RR 87 991 thousand (for the six months ended 30 June 2017: RR 76 702 thousand).

25 Financial Risk Management

Operations of the Bank are associated with various financial risks, including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. This condensed interim financial information does not include all the data and notes in their entirety related to financial risks management which are required for the purpose of annual financial statements. Accordingly, this interim information should be read in conjunction with the annual financial statements for the year ended 31 December 2017. During the six months ended 30 June 2018, there were no significant changes in the level of risks and in the risk management methods and policy applied by the Bank.

26 Events After the End of the Reporting Period

There were no significant events after the end of the reporting period.