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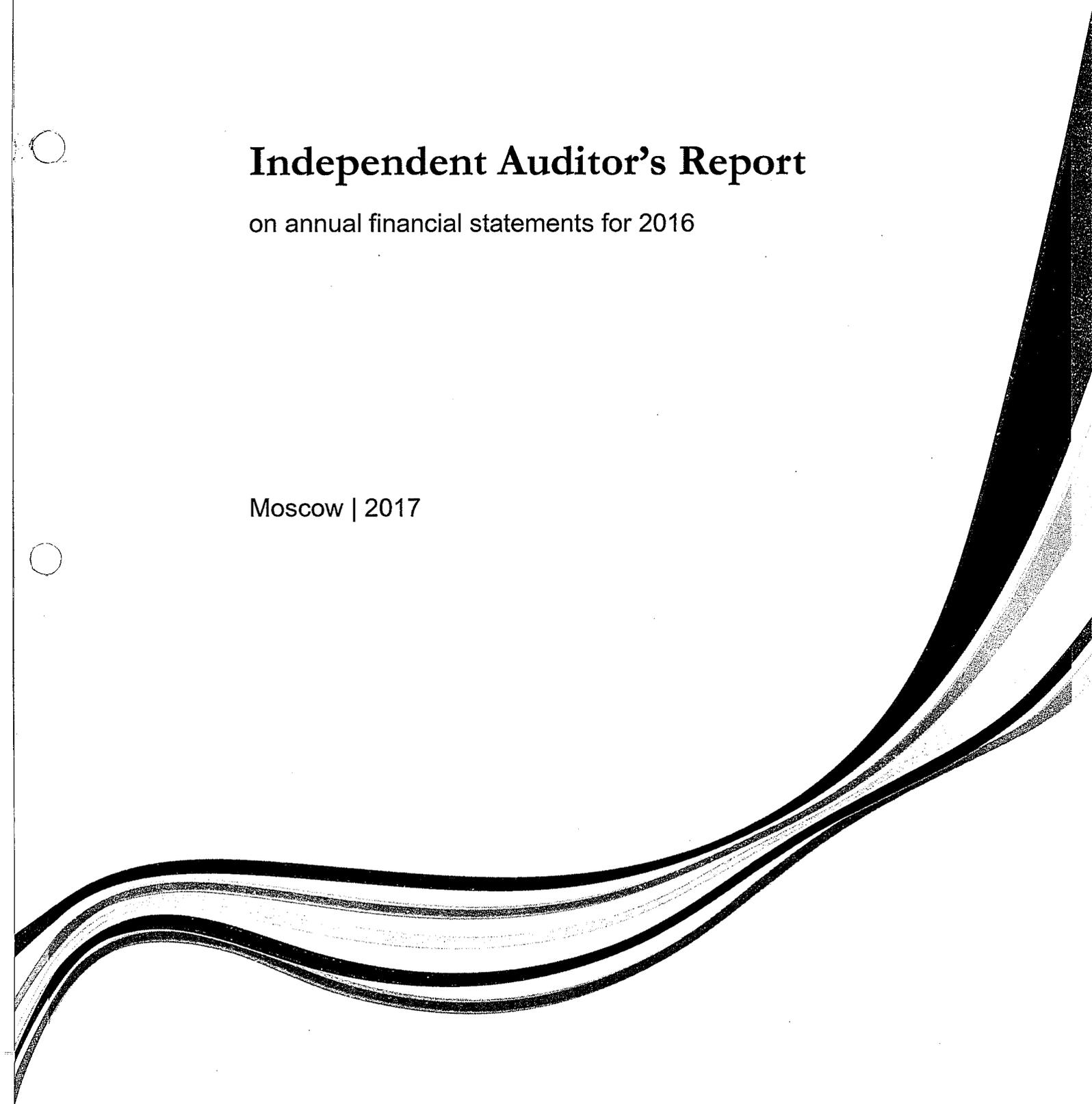
Of MARITIME BANK

(Open Joint Stock Company)

Independent Auditor's Report

on annual financial statements for 2016

Moscow | 2017



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

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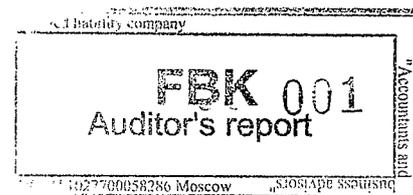
Auditor's Report

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

The following confirmation, which is to be considered together with the description of the auditors' duties being a part of the independent auditors' report, is aimed at distinguishing the auditors' and the management's responsibility in respect of the financial statements of MARITIME BANK (Open Joint-Stock Company) (hereinafter - Bank).

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

Preparing the financial statements the management is responsible for:

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

Besides, the management is responsible for:

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

These financial statements for the year ended December 31, 2016 were approved by the Board of the Bank and signed on behalf of the Bank.


A.B. Gilts

Deputy Chairman of the Management Board


E.V. Antonenko

Chief Accountant

MARITIME BANK (OJSC)

Moscow

21 April 2017



Independent Auditor's Report

on annual financial statements
Of MARITIME BANK (Open Joint Stock Company)
for 2016

To the shareholders
of MARITIME BANK
(Open Joint Stock Company)
and other persons

Audited entity

Name:

MARITIME BANK (Open Joint Stock Company) (hereinafter – MARITIME BANK (OJSC))

Address:

117105, Russian Federation, Moscow, Varshavskoe shosse, 1, bld 1-2.

State registration:

Registered by the Central Bank of the Russian Federation (the Bank of Russia) on 29 March 1989. Registration number: 77. Entered in the Uniform State Register of Legal Entities on 24 December 2002 under the main state registration number 1027700568224.

Auditor

Name:

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

Address:

101990, Moscow, Myasnitskaya St., 44/1, building 2, AB.

State registration:

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

Membership in self-regulated organization of auditors:

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

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

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

We have audited the accompanying annual financial statements of MARITIME BANK (OJSC) (hereinafter – the Bank) which comprise the statement of financial position as at 31 December 2016, the statement of profit and loss and other comprehensive income for the year ended 31 December 2016, the statement of changes in equity for the year ended 31 December 2016, the statement of cash flows for the year ended 31 December 2016 and a brief review of key accounting policies and notes to the financial statements.

Audited entity's responsibility for the preparation of the annual financial statements.

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

Auditor's responsibility

Our responsibility is to express an opinion on fair presentation of these annual financial statements in all material respects based on our audit. We conducted our audit in accordance with Federal Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence received presents sufficient basis to express our opinion on fairness of the annual financial statements.

Opinion

In our opinion, the annual financial statements present fairly in all material respects financial position of MARITIME BANK (OJSC) as at 1 January 2017, financial performance and cash flows for 2016 in accordance with IFRS.

**Emphasis of matter**

Without changing our opinion of fair presentation of the annual financial statements we draw your attention to the key performance indicators of the Bank's activities reflecting significant decrease in aggregate assets for 2016; significant reduction of aggregate capital as at 1 January 2017 associated with non-recurrent recognition of losses on sale of bad assets; loss according to the results of 2016 associated with increase in operating expense due to active settling of bad debt given in the notes to the annual financial statements: № 7 "Loans and advances to customers", № 26 "Administrative and other operating expense", № 31 "Capital management".

The accompanying annual financial statements have been prepared based on the assumption that the Bank will operate as a going concern. The Bank's ability to operate as a going concern depend on support and sufficient financial resources for operation as a going concern provided by the ultimate beneficiary of the Bank in the foreseeable future.

Our opinion does not have any qualifications in respect of these issue.

Other matter

In order to confirm sources of cash being financial aid provided to the Bank under the agreements of 25 August 2016 and 21 December 2016, as at 31 March 2017 MARITIME BANK (OJSC) submitted to the auditors substantiated Bank's judgements, statements of customer accounts including those opened in other credit institutions and the information letter of SVG Investments Corp. on dividends received from Transas Holdings Limited in 2016.

SVG Investments Corp. owns 100% votes against the total number of voting shares of MB MARITIME INVESTMENT GROUP LIMITED which is the sole participant of the Bank's shareholder (share: 99,8762%) – LLC "Agency of investments and development TEK".

We have not conducted audit of the accounting (financial) statements of LLC "Agency of investments and development TEK", MB MARITIME INVESTMENT GROUP LIMITED, SVG Investments Corp. and Transas Holdings Limited for 2016 in order to confirm sources of cash being financial aid provided to the Bank under the agreements of 25 August 2016 and 21 December 2016.

Report on audit according to the requirements**Of Federal Law № 395-I of 2 December 1990****"On banks and banking activities"**

Management of the Bank is responsible for compliance by the Bank with the statutory ratios set by the Bank of Russia as well as for internal control and organization of risk management systems of the Bank to meet the requirements set by the Bank of Russia to the systems like these.

According to Article 42 of Federal Law №395-I of 2 December 1990 "On banks and banking activities" during the audit of the Bank's annual financial statements for 2016 we verified whether:

- the Bank was in compliance with the statutory ratios set by the Bank of Russia as at 1 January 2017;
- internal control and organization of risk management systems of the Bank were in compliance with the requirements set by the Bank of Russia to the systems like these.

The said audit was limited to such procedures selected based on our judgement as requests, analysis, document examination, comparison of requirements, order and methodologies approved by the Bank with the ones set by the Bank of Russia as well as restatement and comparison of amounts and other information.

The audit has established the following:

1. as for meeting the statutory ratios set by the Bank of Russia:
 - values of the statutory ratios of the Bank set by the Bank of Russia as at 1 January 2017 were within the limits set by the Bank of Russia.

We did not conduct any procedures as to accounting records of the Bank other than procedures we believed were necessary for the purpose of expressing our opinion of whether the Bank's annual financial statements presented fairly in all material respects its financial position as at 1 January 2017, financial performance and cash flows for 2016 in accordance with International Financial Reporting Standards;

2) as for compliance of internal control and organization of risk management systems of the Bank with the requirements set by the Bank:

a) in accordance with the requirements and recommendations of the Bank of Russia as at 31 December 2016 the internal audit service of the Bank reported to the Bank's Board of Directors, the risk management departments of the Bank did not report to the departments assuming the respective risks, the chiefs of the internal audit service and the risk management departments of the Bank met the qualifications set by the Bank of Russia;

b) as at 31 December 2016 the effective internal documents of the Bank indicating the methodologies for identification and management of credit, operational, market, interest rate, legal, liquidity and goodwill risks relevant for the Bank, methodologies for stress-testing were approved by the empowered bodies of the Bank in accordance with the requirements and recommendations of the Bank of the Russia;

c) as at 31 December 2016 the Bank had the reporting system for credit, operational, market, interest rate, legal, liquidity and goodwill risks relevant for the Bank as well as for the equity (capital) of the Bank;

d) frequency and order of reports prepared by the risk management departments of the Bank and the internal audit service of the Bank during 2016 as to management of

credit, operational, market, interest rate, legal, liquidity and goodwill risks of the Bank were in compliance with the Bank's internal documents; the said reports comprised the results of observation of efficiency measurement of the Bank's respective methodologies conducted by the Bank's risk management departments and the Bank's internal audit service as well as recommendations to improve them.

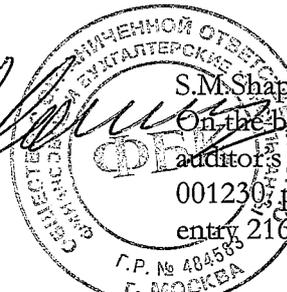
e) as at 31 December 2016 the powers of the Board of Directors of the Bank and its executive bodies comprised control over the Bank as to compliance with risk limits and capital adequacy set by the Bank's internal documents. For the purpose of control over efficiency of risk management procedures applied in the Bank and order of their apply during 2016 the Board of the Directors of the Bank and its executive bodies discussed on a regular basis reports prepared by the Bank's risk management departments and the internal audit service, dealt with the offered measures to remove defects.

However some violations as to credit risk measurement identified in the audit of the annual financial statements can be the sign of defects in internal control.

As at 1 January 2017 management of the Bank had been working at designing of a new strategy of the Bank.

Procedures in respect of internal control and organization of risk management systems of the Bank have been conducted solely to verify whether internal control and organization of risk management systems of the Bank are in compliance with the requirements set by the Bank of Russia to the systems like these.

President of LLC "FBK"


S.M. Shapiguzov
On the basis of Charter
auditor's qualification certificate 01-
001230; primary registration number of
entry 21606043397

Г.Р. № 484583
г. МОСКВА

Manager of audit


N.P. Mushkarina
Auditor's qualification certificate № 01-
000988 of 19 November 2012,
primary registration number of entry
21606041880

Date of auditor's report
28 April 2017

MARITIME BANK (Open Joint-Stock Company)
Statement of Financial Position as at 31 December 2016

UNOFFICIAL TRANSLATION

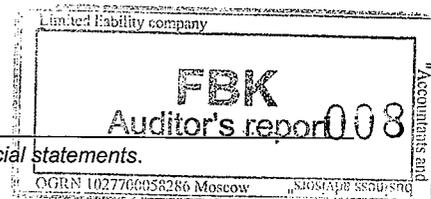
(in thousands of Russian Roubles)	Note	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	5	1 424 415	1 485 902
Mandatory cash balances with the Bank of Russia		267 320	89 159
Due from other banks	6	14 505	657 526
Loans and advances to customers	7	7 961 296	9 488 469
Financial assets available for sale	8	1 807 594	1 629 825
Financial assets pledged under repo agreements	9	99 614	8 560 699
Long-term assets intended for sale	11	438 380	-
Investment property	12	-	67 548
Premises, equipment and intangible assets	13	613 603	620 920
Other financial assets		67	67
Other assets	14	422 608	453 537
Current tax assets		-	77 128
Deferred tax assets	27	300 408	263 571
TOTAL ASSETS		13 349 810	23 394 351
LIABILITIES			
Due to the Bank of Russia		100 030	6 807 199
Due to other banks	15	19	1 340 413
Customer accounts	16	11 206 850	11 745 555
Debt securities in issue	17	91 428	563 501
Subordinated debt	18	448 861	1 308 905
Other financial liabilities	19	11 740	10 397
Other liabilities	20	65 827	67 642
TOTAL LIABILITIES		11 924 755	21 843 612
EQUITY			
Share capital	21	1 406 739	1 461 863
Share premium	21	548 248	100 000
Additional contribution of a shareholder		150 000	-
Revaluation reserve for premises		91 985	94 152
Fair value reserve for financial assets available for sale		21 646	(167 029)
(Accrued deficit)/ retained earnings		(793 563)	61 753
TOTAL EQUITY		1 425 055	1 550 739
TOTAL LIABILITIES AND EQUITY		13 349 810	23 394 351



A.P. Gitis
 Deputy Chairman of the Management Board



E.V. Antonenko
 Chief Accountant



The notes set out on pages 16 to 81 form an integral part of these financial statements.

MARITIME BANK (Open Joint-Stock Company)
Statement of profit and loss and other comprehensive Income
for the year ended 31 December 2016

<i>(in thousands of Russian Roubles)</i>	Note	2016	2015
Interest income	24	2 010 703	2 323 118
Interest expense	24	(1 063 665)	(2 072 682)
Net interest income		947 038	250 436
Provision for impairment of loans and advances to customers	7	(1 452 231)	(1 457 224)
Net interest income after provision for loan impairment		(505 193)	(1 206 788)
Gains less losses from transactions in financial assets at fair value through profit or loss		(1 347)	51 359
Gains less losses from transactions in financial assets available for sale		(156 921)	366 750
Depreciation of financial assets available for sale	8	-	(29 631)
Gains less losses from trading in foreign currencies		(400 004)	262 986
Foreign exchange translation gains less losses		317 344	(194 453)
Fee and commission income	25	211 131	191 449
Fee and commission expense	25	(49 532)	(36 912)
Provision for impairment of other assets and contingent liabilities	14, 32	(51 750)	(141 298)
Gains from claim assignment	7	103 723	660 195
Other operating income		58 806	77 359
Operating income		(473 743)	1 016
Administrative and other operating expenses	26	(753 245)	(639 461)
Loss before tax		(1 226 988)	(638 445)
Recovery of income tax	27	64 383	145 868
Loss for the year		(1 162 605)	(492 577)

The notes set out on pages 16 to 81 form an integral part of these financial statements.



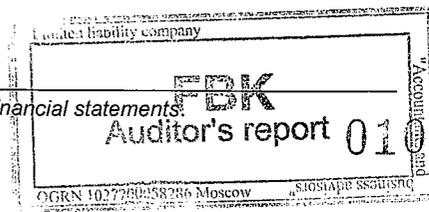
MARITIME BANK (Open Joint-Stock Company)
Statement of profit and loss and other comprehensive Income
for the year ended 31 December 2016

<i>(in thousands of Russian Roubles)</i>	Note	2016	2015
Other comprehensive income			
Items that might not be reclassified subsequently to profit or loss			
Revaluation of premises and equipment	13	1 214	70 138
Income tax relating to items that might not be subsequently reclassified	27	(243)	(14 028)
Items that might be reclassified subsequently to profit or loss			
Gains less losses from revaluation of financial assets available for sale		235 844	326 163
Income tax relating to items that might be subsequently reclassified	27	(47 169)	(65 233)
Other comprehensive income for the year		189 646	317 040
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(972 959)	(175 537)


 A.B. Gilts
 Deputy Chairman of the Management Board


 E.V. Antonenko
 Chief Accountant

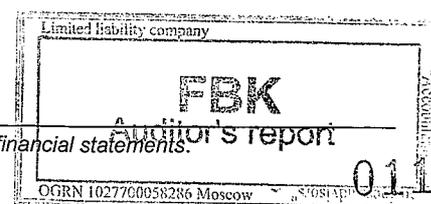
21 April 2017



MARITIME BANK (Open Joint-Stock Company)
Statement of Changes in Equity for the year ended 31 December 2016

	Share capital	Share premium	Revaluation reserve for premises	Fair value reserve for financial assets available for sale	Retained earnings	Total
<i>(in thousands of Russian Roubles)</i>						
Balance as at 1 January 2015	1 461 863	100 000	39 354	(427 959)	553 018	1 726 276
Loss for the year	-	-	-	-	(492 577)	(492 577)
Other comprehensive income	-	-	56 110	260 930	-	317 040
Total comprehensive (expense) / income for 2015	-	-	56 110	260 930	(492 577)	(175 537)
Transfer of depreciation of the revaluation reserve for premises to retained earnings	-	-	(1 312)	-	1 312	-
Balance as at 31 December 2015	1 461 863	100 000	94 152	(167 029)	61 753	1 550 739

The notes set out on pages 16 to 81 form an integral part of these financial statements.



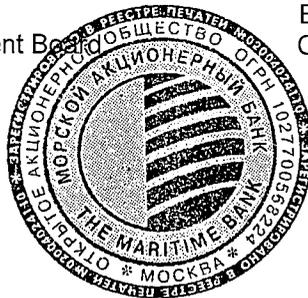
MARITIME BANK (Open Joint-Stock Company)
Statement of Changes in Equity for the year ended 31 December 2016

<i>(in thousands of Russian Roubles)</i>	Share capital	Share premium	Additional contribution of a shareholder	Revaluation reserve for premises	Fair value reserve for financial assets available for sale	Retained earnings	Total
Loss for the year	-	-	-	-	-	(1 162 605)	(1 162 605)
Other comprehensive income	-	-	-	971	188 675	-	189 646
Total comprehensive (expense) / income for 2016	-	-	-	971	188 675	(1 162 605)	(972 959)
Transfer of depreciation of the revaluation reserve for premises to retained earnings	-	-	-	(3 138)	-	3 138	-
Increase in share capital	249 027	448 248	-	-	-	-	697 275
Additional contribution of a shareholder	-	-	150 000	-	-	-	150 000
Change in nominal value of shares	147 912	-	-	-	-	(147 912)	-
Conversion of shares issued earlier	(452 063)	-	-	-	-	452 063	-
Balance as at 31 December 2016	1 406 739	548 248	150 000	91 985	21 646	(793 563)	1 425 055


 A.B. Gilts
 Deputy Chairman of the Management Board


 E.V. Antonenko
 Chief Accountant

21 April 2017



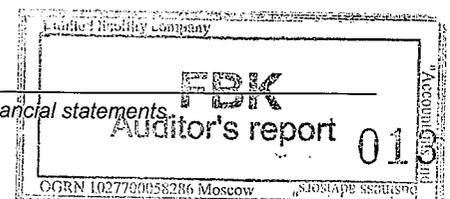
The notes set out on pages 16 to 81 form an integral part of these financial statements.



MARITIME BANK (Open-Joint Stock Company)
Statement of Cash Flow for the year ended 31 December 2016

<i>(in thousands of Russian Roubles)</i>	Note	2016	2015
Cash flows from operating activities			
Interest received		1 858 040	2 262 144
Interest paid		(958 135)	(2 026 599)
Gains less losses from transactions in financial assets at fair value through profit or loss		(1 347)	(11 531)
Gains less losses from trading in foreign currencies		(400 004)	262 986
Fees and commissions received		211 131	191 449
Fees and commissions paid		(49 532)	(36 912)
Other operating income		58 806	77 360
Administrative and other operating expenses		(718 047)	(629 070)
Gains from sale of loans	7	103 723	660 195
Income tax paid		57 261	(24 999)
Cash flows from operating activities before changes in operating assets and liabilities		161 896	725 023
Net (increase)/decrease in operating assets			
Mandatory cash balances with the Bank of Russia		(178 161)	15 707
Financial assets at fair value through profit or loss		-	152 767
Due from other banks		640 908	(503 237)
Loans and advances to customers		(559 674)	684 765
Other financial assets		-	847
Other assets		(38 044)	(231 390)
Net increase/(decrease) in operating liabilities			
Due to the Bank of Russia		(6 707 169)	319 390
Due to other banks		(1 247 192)	539 281
Customer accounts		236 694	(1 876 539)
Debt securities in issue		(472 273)	(1 795 330)
Other financial liabilities		1 343	(30 963)
Other liabilities		(846)	(303 923)
Net cash from operating activities		(8 162 518)	(2 303 602)
Cash flows from investing activities			
Acquisition of financial assets available for sale		(4 276 772)	(29 345 021)
Proceeds from disposal and redemption of financial assets available for sale		10 730 479	29 927 672
Acquisition of investments held to maturity		-	(1 583 659)
Repayment of investments held to maturity		1 957 545	-
Sale of long-term assets intended for sale		75 000	-
Acquisition of premises and equipment	13	(11 212)	(2 664)
Proceeds from disposal of premises and equipment	13	3 178	-
Acquisition of intangible assets	13	(22 892)	-
Net cash from investing activities		8 455 326	(1 003 672)
Cash flows from financing activities			
Additional contribution of a shareholder		150 000	-
Net cash from financing activities		150 000	-

The notes set out on pages 16 to 81 form an integral part of these financial statements.



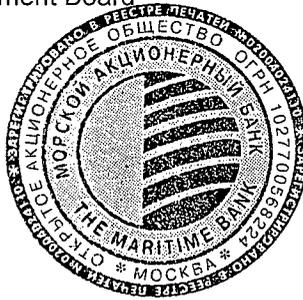
MARITIME BANK (Open-Joint Stock Company)
Statement of Cash Flow for the year ended 31 December 2016

<i>(in thousands of Russian Roubles)</i>	Note	2016	2015
Effect of exchange rate changes on cash and cash equivalents		(504 295)	496 940
Net change in cash and cash equivalents		(61 487)	(2 810 334)
Cash and cash equivalents at the beginning of the year	5	1 485 902	4 296 236
Cash and cash equivalents at the end of the year	5	1 424 415	1 485 902


 A.B. Gilts
 Deputy Chairman of the Management Board


 E.V. Antonenko
 Chief Accountant

21 April 2017



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2016 for MARITIME BANK (Open Joint-Stock Company) (the "Bank").

The Bank was established on 17 February 1989 on a unit basis by the decision of founders and registered by the State Bank of the USSR on 29 March 1989. On 19 August 1992, the Bank was reorganized as an open joint-stock company.

As at 31 December 2016 and at 31 December 2015, the main shareholder of the Bank is LLC Agency of TEK Investments and Development which owns 99.88% of the Bank (2015: 99.88%). The ultimate beneficiary of the Bank is S.V. Generalov (100%) (2015: S.V. Generalov (100%)).

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank operates subject to General Licence issued by the Central Bank of the Russian Federation ("the Bank of Russia") on 23 April 2012. In addition the Bank has licenses for transactions with securities (broker, dealer and depository activities) issued by the Federal Financial Markets Service and a license for operations with precious metals issued by the Bank of Russia.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RUB 1 400 thousand per individual in case of the withdrawal of a licence of a bank or a moratorium on payments imposed by the Bank of Russia. To calculate the compensation, foreign currency denominated deposits are restated at the exchange rate set by the Central Bank of the Russian Federation at the date of the insured event, and the amounts due to banks from depositors are deducted from the deposit amount.

The Bank has four (2015: four) branches in Saint Petersburg, Kaliningrad, Vladivostok and Novorossiysk and three (2015: three) operational offices in Murmansk, Volgograd and Nakhodka. As at 31 December 2015, the Bank had 345 employees (2015: 267 employees).

Registered address and place of business. Legal and actual address of the Bank: Varshavskoye shosse, 1, bid. 1-2, Moscow, Russian Federation, 117105.

The Bank's principal places of business are Moscow, Saint Petersburg, Kaliningrad, Vladivostok, Novorossiysk, Volgograd, Nakhodka, Leningrad Region, Murmansk Region, Kaliningrad Region and Moscow Region.

2 Operating environment of the Bank

General characteristics

The economy of the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, in particular, inconvertibility of the national currency in most countries outside of Russia and relatively high inflation rates. The current Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Russia continues economic reforms and development of the legal, tax and administrative framework to comply with the market economy requirements. The economic reforms conducted by the Government are aimed at retooling the Russian economy, development of high-tech productions, enhancement of labour productivity and competitiveness of the Russian products on the world market.

Beginning from March 2014 the USA, the EU and a number of other countries have introduced several packages of sanctions against some Russian civil servants, businessmen and companies. The EU have prolonged the sanctions against RF until 31 July 2017. Those sanctions have limited the access of a certain list of Russian companies to the international capital and export markets. Russian currency markets have been exposed to high volatility and the exchange rate of Russian Rouble against primary world's currencies has decreased significantly. The official exchange rate of USD set by the Bank of Russia decreased from RUB 72,8827 to RUB 60,6569 per USD for 2016. Oil prices have been declining which has an adverse effect on the Russian economy. At present it is still uncertain whether the operating environment which has an impact on the future financial position and operating activities of the Bank will deteriorate. Management of the Bank believes it is taking all the necessary measures to support the sustainability and further development of business operations of the Bank in these circumstances.

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

In September 2016 the International Rating Agency Standard & Poor's confirmed the long-term rating of Russia on liabilities in foreign currencies at the level BB+, the forecast was improved from negative to stable.

In October 2016 the Agency Fitch confirmed the long-term credit rating of Russia on liabilities in foreign currencies at the level BBB-, the forecast was improved from negative to stable.

In February 2017 the Rating Agency Moody's confirmed the long-term credit rating of Russia on liabilities in foreign currencies at the level Ba1, the forecast was improved from negative to stable.

For 2016 the key rate of CB of RF decreased from 11% to 10%.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2016	5,4%
31 December 2015	12,9%
31 December 2014	11,4%
31 December 2013	6,5%
31 December 2012	6,6%

Currency transactions

Foreign currencies, in particular the US Dollar and EUR, play a significant role in the underlying economics of many business transactions in the Russian Federation. The table below shows the CBR exchange rates of RUB relative to USD and EUR:

Date	USD	EURO
31 December 2016	60,6569	63,8111
31 December 2015	72,8827	79,6927
31 December 2014	56,2584	68,3427
31 December 2013	32,7292	44,9699
31 December 2012	30,3727	40,2286

3 Basis of presentation

General principles. These financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS). The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS.

Functional currency and presentation currency. These financial statements are presented in Russian Roubles being the functional currency and the presentation currency of the Bank. All amounts in these financial statements have been rounded off to the nearest thousand roubles unless otherwise indicated.

Estimates and assumptions. 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:

Impairment loss on loans and advances to customers. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for

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

Valuation of owner-occupied premises. Premises of the Bank are stated at fair value based on reports prepared by the valuation company LLC «Consulting firm «Sphinx» (2015: ZAO BEFL) specialising in property valuation. In the course of the valuation the appraisers used the cost, income and market approaches.

The cost approach assumes that the costs associated with the construction of the property (with account for depreciation) together with the fair value of the rights to the land plot where the property is located are an acceptable benchmark for determining the property's fair value. The peculiarity of the cost approach is differentiation between the reproduction cost and the replacement cost of the property.

The income approach assumes that value of real estate equals the present value of rights to future income. It reflects a possibility to derive income from operation of the real estate item under valuation.

The market approach is based on analysis of real estate purchase and sale offers. Therefore, if there is an active real estate market in a region this approach fairly reflects the fair value of property under valuation.

The cost approach to property valuation is applied mainly in cases of insufficient information on sale and purchase of similar property. Moreover, the cost approach is not applied to valuation of built-in premises as separation of the cost component attributable to the property under valuation from the fair value of the entire building may lead to significant errors.

Based on the above, the appraiser concluded that it was unreasonable to apply the cost approach.

In developed markets the best approximation of fair value is derived from market and income approach calculations as they reflect actual current asking prices, which are the basis for future trading between buyers and sellers in a deal.

The income approach is used if there is reliable information which allows to forecast future income that may be generated by the asset under valuation and expenses related to it. In the current conditions, the appraiser had no access to reliable information which allows forecasting future income that may be generated by the asset under valuation and expenses related to it. Calculations were based on the appraiser's judgement built on personal experience and forecasts of the Ministry of Economic Development of the Russian Federation. On this basis the decision was made not to use the results of the income approach for valuation purposes. Therefore, for the purposes of this valuation 100.0% weight was allocated to the market approach.

Going concern. These financial statements reflect the Bank management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Bank's control. The Bank's management cannot predict the impact of the above factors on the financial position of the Bank in future.

These financial statements were prepared on a going concern assumption.

For prompt management of the liquidity risk the Bank regularly monitors external factors, which could influence the Bank's liquidity level, and forecasts cash flows. For the medium- and long-term liquidity risk management the Bank analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Bank sets liquidity gap limits.



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To maintain the required liquidity level the Bank has a possibility to attract additional funds from the Bank of Russia and in the interbank lending market. Diversification of liquidity sources enables the Bank to minimise its dependence on any particular source and ensure full satisfaction of its liabilities. A sufficient current liquidity cushion accumulated by the Bank and the available sources of additional funding allow the Bank to continue its operations as a going concern in the long term.

Changes in accounting policies. The accounting policies adopted are generally consistent with those of the previous financial year. Listed below are those amended standards and interpretations which are or in the future could be relevant to the Bank's operations:

New standards, interpretations and amendments which became effective from 1 January 2016. A number of IFRS amendments became effective for the first time for the period beginning on or after 1 January 2016:

- Amendment to IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets" prohibits using for property, plant and equipment depreciation methods based on returns as returns received from activities involving an item of property, plant and equipment as a rule reflect facts other than consumption of economic benefits of the item of property, plant and equipment. The amendment also clarifies that there is a refutable assumption for intangible assets that accrual of depreciation based on the received returns is not proper. It can be refuted only in limited cases when:
 - an intangible asset has been defined as a measure of returns or
 - returns and consumption of economic benefits of an intangible asset are significantly interrelated.
- Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" removes discrepancy between IFRS 10 and IAS 28 in respect of sale or contribution of assets by an investor in his associated company or a joint venture. The total value of profit or loss is recognized when the transaction deals with business. Partial profit or loss is recognized if the transaction has assets which are not business even if those assets are included in the subsidiary.
- Amendment to IAS 27 "Separate Financial Statements" include providing the company the possibility to account for investments in subsidiaries, joint ventures and associate companies using the equity method in the separate financial statements. The chosen approach to accounting should be applied in each category of investments.

The Bank does not expect that the use of these amendments will have a significant effect on the Bank's financial position or financial results.

IFRSs and IFRIC interpretations not yet effective

The Bank has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- Amendments to IFRS 9 "Financial Instruments" (applied for annual periods beginning on or after 1 January 2018). The final version of IFRS 9 replaces the major part of the guidance in IAS 39 and all the previous versions of IAS 9. The standard includes final requirements on all three stages of the project on financial instruments – classification and measurement, depreciation and hedging accounting. IFRS 9 defines 3 key categories of financial assets: accounted for at amortized cost, accounted for at fair value through other comprehensive income and at fair value through profit or loss. The basis for classification depends on a business-model of the organization and on characteristic features of contractual cash flows of financial assets. Investments in equity instruments should be measured at fair value through profit or loss with the possibility to choose (irrevocable) at the beginning of relations the presentation of changes in fair value through other comprehensive income. The significant change which will affect all the companies is the use of the depreciation model based on "expected losses" in IFRS 9 which will replace the "incurred losses" model in IAS 39. According to IFRS 9 the depreciation model concentrates more on future events as in order to recognize credit losses no credit event (or depreciation indicator) is required. The majority of requirements as to financial liabilities remain unchanged except for recognition of changes in fair value of financial liabilities accounted for at fair value through profit or loss which refer to the change of credit risk of the organization, such changes should be recognized directly in other comprehensive income.

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New requirements in respect of hedging accounting are mostly based on principles, are less complicated and have more stable bond with risk management and treasury operations of the organization than IAS 39 requirements.

- Amendments to IFRS 16 "Leases" (become effective for annual periods beginning on or after 1 January 2019). IFRS 16 was issued in January 2016. It contains the sole accounting model for a lessee which removes the division for operational and financial lease from the lessee's point of view. All contracts which comply with the definition of a lease except for a short-term lease and lease of low-value items in respect of which the lessee has the right not to apply IFRS 16 requirements on measurement and classification will be accounted for in the consolidated statement of financial position as an asset "the right to use" and the respective liability. The asset subsequently is accounted for in property, plant and equipment or investment property and the liability is written off using the interest rate approved in the lease agreement.

Requirements to accounting from lessors remain nearly unchanged as compared to the previous requirements of IAS 17.

- Amendments to IAS 7 "Statement of Cash Flows" (became effective for annual periods beginning on or after 1 January 2017) require from companies to provide reconciliation of balances at the beginning and at the end of the period for each item which is classified or will be classified as financial activity in the statement of cash flows (i.e. loans, lease liabilities).
- Amendments to IAS 12 "Income Taxes" (became effective for annual periods beginning on or after 1 January 2017) clarifies the following:
 - deductible temporary differences occur on unrealized losses of debt instruments estimated at fair value regardless whether cost will be recovered by sale or holding to maturity;
 - measurement of future taxable profit can include recovery of cost of separate assets higher than their carrying value if there is enough evidence that the company is highly probable to receive recovery on this asset in the amount higher than its carrying value;
 - in cases when tax legislation limits sources of taxable earnings in respect of which specific deferred tax assets can be set off, recoverability of deferred tax assets can be estimated only together with other deferred tax assets of this type; and
 - Tax deductions from the use of deferred tax assets should be removed from measurement of future taxable profit which is used to estimate recoverability of these assets.
- Amendments to IFRS 2 "Share-Based Payment" (become effective for annual periods beginning on or after 1 January 2018) clarify that accounting for effect of conditions associated and not associated with right granting in respect of payments based on equity instruments calculations for which are carried out with cash should be made similarly as for payments based on equity instruments calculations for which are carried out with equity instruments.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (the date of effectiveness is not yet defined) clarify that profit or loss is recognized in full if assets transferred to the associated company or joint venture are business according to the definition in IFRS 3 "Business Combinations". Profit or loss from sale or contribution of assets which are not business is recognized within the share not owned by the investor in the associated company or joint venture.

The Bank is currently assessing the adoption of these IFRS and Amendments, the impact of their application on the Bank and the timing of their adoption.

4 Summary of significant Accounting policies

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below (Note 34).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Bank must have access to the principal or most advantageous market.

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An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are remeasured in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's securities portfolio comprises securities traded on the organized market - MICEX SE CJSC. Transactions on MICEX SE CJSC are conducted on a regular basis and information on the current quotations of the active market is publicly available. Active market quotations are the best evidence for determining the current fair value of financial instruments.

The Bank engages external valuers to measure material assets, such as property. A decision to engage external valuers is taken annually by the Bank's Management Board, which is governed by such selection criteria as market knowledge, reputation, independence and professional compliance.

At each reporting date the Department for Processing and Registration of Financial Instruments Transactions analyses movements in the values of assets and liabilities which are required to be re-measured or re-assessed in accordance with the Bank's accounting policies. For this analysis, the Department for Processing and Registration of Financial Instruments Transactions verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (Note 33).

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments (Notes 8 and 9).

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial

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recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

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

Initial recognition of financial instruments. Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation technique to determine the fair value of currency swaps and currency forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the currency swaps and currency forwards.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Reclassification of financial assets. The Bank shall not reclassify out of the fair value through profit or loss category a derivative financial instrument while it is held or issued or any financial instrument classified at initial recognition as at fair value through profit or loss.

Non-derivative trading financial assets at fair value through profit or loss may be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual if these assets are no longer held for the purpose of selling or repurchasing them in the near term.

Non-derivative trading financial assets at fair value through profit or loss may be reclassified into loans and receivables or financial assets held to maturity depending on the purposes for which these financial assets are held, if the Bank has intention and the ability to hold these financial assets for the foreseeable future or until maturity.

Financial assets available for sale may be reclassified into loans and receivables if the Bank has a positive intention and the ability to hold these financial assets for the foreseeable future or until maturity.

If financial assets are reclassified into loans and receivables or financial assets held to maturity, the fair value on the date of reclassification will become the new cost of these financial assets. Subsequently these assets are measured at amortised cost using the effective interest rate method.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as financial assets available for sale and remeasured at fair

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value. Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recorded in the statement of comprehensive income as other comprehensive income.

The Bank shall not classify any financial assets as held to maturity if the Bank has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity financial assets before maturity (more than insignificant in relation to the total amount of held-to-maturity financial assets) other than sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the Bank's control, is non-recurring and could not have been reasonably anticipated by the Bank.

Whenever sales or reclassifications of more than an insignificant amount of held-to-maturity financial assets do not meet any of the conditions of the classification, any remaining held-to-maturity financial assets shall be reclassified as financial assets available for sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, balances with the Central Bank of Russia, balances on correspondent accounts in other banks and settlements with currency and stock exchanges. Funds restricted on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost (Note 5).

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

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include trading securities.

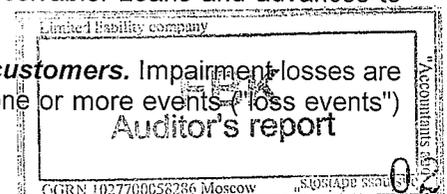
Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase. The Bank may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in the statement of profit and loss and other comprehensive income as interest income. Dividends are included in statement of profit and loss and other comprehensive income within other operating income when the Bank's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition of financial assets at fair value through profit or loss are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost (Note 6).

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost (Note 7).

Impairment of due from other banks and loans and advances to customers. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events")



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that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realizability of related collateral, if any (Notes 6 and 7).

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

In 2013 the Bank revised its estimates of expected loan losses relying on its accumulated experience in credit risk assessment and management. For making provisions for loans, issued on non-standard terms, the Bank uses a credit risk approach based on internal ratings.

The system of credit ratings provides a differentiated assessment of probability of default/non-execution by the counterparties of their obligations by analyzing quantitative (financial) and qualitative factors of credit risk, materiality of their impact on the ability of the counterparty to serve and repay their obligations.

The Bank's internal regulations provide for a multi-factor approach, the factor list being standardized depending on the counterparty category: risk factors related to counterparty's creditworthiness and its volatility, ownership structure, business reputation, credit history, cash flow and financial risks control, transparency, position of the client in the industry and the region, strength of support from local administration and parent companies (in case of a holding) are subject to mandatory monitoring and control. Based on the analysis of these risk factors the probability of default is assessed and graded by counterparty/transaction with their subsequent classification ratings.

Assets that are individually assessed for impairment and for which an impairment loss is recognised shall not be included in a collective assessment of impairment.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash

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flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets available for sale. The Bank assesses at each closing date whether there is objective evidence that an investment or a group of financial assets available for sale is impaired.

In case of equity investments classified as available for sale, objective evidence of impairment would include significant financial difficulty of the issuer supported by financial information at the Bank's disposal. To assess whether there is any indication of impairment the Bank shall analyse the issuer's activities taking into account the influence of economic factors, including consequences of changes in the technical, market, economic or legal environment in which the issuer operates. The Bank also assesses other factors such as volatility of price per share. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss - is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income.

Impairment of investments held to maturity. The Bank assesses whether objective evidence of impairment exists individually for financial assets held to maturity. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in the next year, 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 recognised as income in profit or loss.

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

Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period (Note 32).

Financial assets available for sale. This classification includes financial assets which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices (Note 8 and 9).

Financial assets available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All

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Notes to the Financial Statements for the year ended 31 December 2016

other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of financial assets available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss - is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase agreements and lending of securities. 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. Securities sold under sale and repurchase agreements are recorded in the statement of financial position in financial assets pledged under repo agreements. The corresponding liability is presented within amounts due to the Bank of Russia, due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Promissory notes purchased. Promissory notes purchased are included in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets (Notes 6 and 7).

Investments held to maturity. This category of financial assets represents non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. The Bank's management determines the appropriate classification of financial assets at the time of purchase.

The Bank assesses its intention and ability to hold its held-to-maturity financial assets to maturity not only when those financial assets are initially recognised, but also at each closing date.

Initially, financial assets held to maturity are recorded at fair value (that includes transaction costs) and are subsequently carried at amortised cost. Gains and losses on financial assets held to maturity are recognised in profit or loss when such assets are impaired, as well as through the amortisation process.

If the Bank sells a significant portion of its portfolio of financial assets held to maturity before their maturity, the remaining financial assets from this category shall be reclassified as financial assets available for sale.

Interest earned on financial assets held to maturity is recognised in the statement of profit and loss.

Long-term assets intended for sale. Long-term assets are accounted for in the statement of financial position as long-term assets intended for sale if their carrying value is to be repaid mainly as a result of a sale transaction within 12 months from the end of the reporting period.

Financial and non-financial assets are reclassified into this category if the following terms are observed:

- (a) assets are available for immediate sale in their current condition;
- (b) management of the Bank approved and started implementing the program on the buyer search;
- (c) assets are offered for sale at the price being reasonable;
- (d) sale is expected within 1 year;
- (e) significant changes in the plan of asset sale or rejection of this plan are hardly probable.

Long-term assets intended for sale in the statement of financial position of the current period are not reclassified in the comparison statement of financial position.

Premises and equipment, investment property, intangible assets intended for sale are in general measured at the lower of carrying value and fair value less sale costs. Premises, equipment and intangible

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Notes to the Financial Statements for the year ended 31 December 2016

assets intended for sale are not depreciated. The Bank accounts for loss from impairment at the initial and subsequent write-off of their cost up to fair value less sale costs. The cost of reclassified non-current financial instruments, deferred taxes and investment property accounted for at fair value is not decreased to the lower of the carrying value and fair value less sale costs.

Investment property

Investment property is property held by the Bank to earn rentals or for capital appreciation or both, rather than for: (a) use in the Bank's ordinary course of business or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is initially recognised at cost and subsequently remeasured at fair value based on its market value. The market value of the Bank's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have professional experience in valuation of property of similar location and category. Changes in the fair value of investment property are recorded in profit or loss in the statement of profit and loss and other comprehensive income and presented separately. Initial direct costs incurred by lessors under an operating lease contract shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

If the investment property is used by the Bank for its own operating activities, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Premises and equipment. Except for premises, these are stated at cost, restated to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required (Note 13).

Premises of the Bank recorded at the fair value are held at revalued amount subject to revaluation to market value on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued.

The revaluation reserve for premises included in other comprehensive is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank.

In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises have been revalued to market value as at 31 December 2016. Revaluation is based on the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. The basis used for the appraisal was fair value.

Management has updated the carrying value of the premises measured in accordance with the revaluation model at the end of the reporting period using market-based evidence and is satisfied that sufficient market-based evidence of fair value is available to support the updated fair values.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to the respective category of premises and equipment at their carrying amount at transfer. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recorded for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

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Depreciation. Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful life, years
Premises	32
Premises' engineering systems, including power supply	5
Office equipment	4
Computer equipment	2,5
Other equipment	5

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date (Note 13).

Intangible assets. Intangible assets of the Bank include trade mark (service mark), licenses and software. The trade mark is amortised on a straight line basis over expected useful life of 10 years. The trade mark is amortised on a straight line basis over expected useful life of 10 years. Licenses and software are amortized on a straight-line basis over 5 years (Note 13).

Impairment of non-financial assets. Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Costs to sell are the costs associated with disposal of an asset tested for impairment, less finance costs. Value in use of an asset reviewed for impairment is the present value of the future cash flows expected to be derived from the use of an asset and its subsequent disposal. If there is not any evidence of impairment of an asset reviewed for impairment, its recoverable amount is not determined. The Bank assesses indications of possible impairment using internal and external data sources.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial liabilities carried at amortised cost. Financial liabilities carried at amortised cost include due to other banks, customer accounts and debt securities in issue.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks (Note 15).

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers (Note 16).

Debt securities in issue. Debt securities in issue include bonds and promissory notes issued by the Bank (Note 17).

Subordinated debt. Subordinated debt received is reflected when funds are advanced to the Bank.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Russian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised outside profit or loss, either in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period in other comprehensive income or directly in equity (Note 27).

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry-forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are

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Notes to the Financial Statements for the year ended 31 December 2016

not recorded for temporary differences on initial recognition of an asset or a liability in a transaction if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

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

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

Share capital. Ordinary shares and discretionary dividends are classified as equity (Note 21). The share capital contributed before 1 January 2003 is restated for the effects of inflation. The share capital contributed after the above date is stated at cost.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations (Note 28).

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts (Note 24).

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability (for example fees for issuing loans and maintaining a loan account). The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

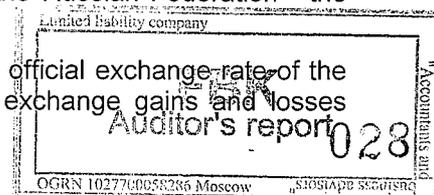
When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the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

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of shares and other securities, which are earned on execution of the underlying transaction are recorded on its completion. Other management advisory and services are recognised based on the applicable service contracts, usually on a time-proportion basis. The same principle is applied for deposit services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates, i.e. the currency of the Russian Federation - the Russian Rouble.

Monetary assets and liabilities are translated into Russian Roubles at the official exchange rate of the Bank of Russia at the end of the respective reporting period. Foreign exchange gains and losses



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Notes to the Financial Statements for the year ended 31 December 2016

resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Russian roubles at year-end official exchange rates of the Bank of Russia are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value revaluation gain or loss.

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme (Note 26).

Segment reporting. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Bank shall report separately in its financial statements information about an operating segment that meets any of the following quantitative thresholds:

- its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments;
- the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of:
 - the combined reported profit of all operating segments that did not report a loss in the reporting period; and
 - the combined reported loss of all operating segments that reported a loss in the reporting period;
- its assets are 10 per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

As the information is available from management reporting and can differ from the IFRS financial statements, reconciliations shall be made and reasons disclosed:

- the total of the reportable segments' revenues to the Bank's revenue.
- the total of the reportable segments' measures of profit or loss to the Bank's profit or loss before tax expense (tax income) and discontinued operations. However, if the Bank allocates to reportable segments items such as tax expense (tax income), the Bank may reconcile the total of the segments' measures of profit or loss to the Bank's profit or loss after those items.
- the total of the reportable segments' assets to the Bank's assets.
- the total of the reportable segments' liabilities to the Bank's liabilities.
- the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the Bank.

5 Cash and cash equivalents

(in thousands of Russian Roubles)

Correspondent accounts with other banks
 Cash balances with the Bank of Russia, other than mandatory

31 December 2016 31 December 2015

31 December 2016	31 December 2015
793 947	577 233
346 292	246 892
Auditor's report	
029	
OGRN 1027700058286 Moscow	

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reserve deposits Cash balances with the Bank of Russia, other than mandatory reserve deposits		
Cash on hand	247 213	395 962
Settlements with currency and stock exchanges	36 963	265 815
Total cash and cash equivalents	1 424 415	1 485 902

As at 31 December 2016 the Bank had cash balances above 10% of the Bank capital with one counterparty commercial banks except balances with the Bank of Russia (2015: two counterparty commercial banks except balances with the Bank of Russia). The aggregate amount of these balances was RUB 533 256 thousand or 37.4% of the total amount of cash and cash equivalents (2015: RUB 360 174 thousand 24.2% of the total amount of cash and cash equivalents).

The Bank analyses cash quality based on Moody's ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or Standard and Poor's, reconciling them to the rating categories through an adjustment table.

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 30.

Refer to Note 33 for the estimated fair value of each class of cash and cash equivalents.

6 Due from other banks

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Loans and deposits with other banks	14 505	458 163
Reverse repo agreements with other banks	-	199 363
Total due from other banks	14 505	657 526

Amounts due from other banks are not collateralised.

The Bank analyses the credit quality of due from other banks based on Moody's ratings. If an issuer does not have this type of rating, the Bank uses ratings of Fitch Ratings or Standard and Poor's, reconciling them to the rating categories through an adjustment table.

As of 31 December 2016 due from other banks in the total amount of RUB 14 505 thousand (2015: RUB 657 526 thousand) is current and non-depreciated.

The primary factor that the Bank considers in determining whether amounts due from other banks are impaired is their overdue status. As a result, the Bank presents above an ageing analysis of discounted promissory notes of credit institutions that are individually determined to be impaired.

The Bank does not have renegotiated balances representing the carrying amount of due from other banks that would otherwise be past due, whose terms have been renegotiated.

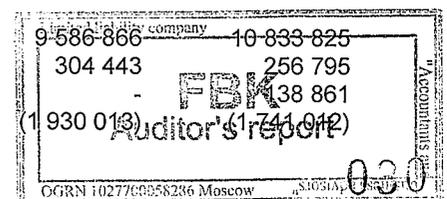
During 2016 and 2015, the Bank did not make provisions for impairment of due from other banks.

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 30.

Refer to Note 33 for the estimated fair value of each class of due from other banks.

7 Loans and advances to customers

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Corporate loans		
Loans to individuals	304 443	256 795
Loans to state and municipal organisations	-	38 861
Less: provision for impairment of loans and advances to customers	(1 930 013)	(1 741 012)



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Total loans and advances to customers	7 961 296	9 488 469
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Corporate loans comprise loans to legal entities. Loans are granted for current needs (working capital financing, acquisition, repair, modernization of movable property and real estate, portfolio investments, expansion and consolidation of business, etc.). Loans are provided for periods of up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and export-import transactions. The repayment source is cash flow from operating or financial activities of the borrower.

Loans to individuals are issued for housing acquisition, construction and reconstruction of real estate, mortgages, consumer loans and overdrafts.

Loans to state and municipal organisations comprise corporate loans to federal state unitary enterprises (FGUP).

As at 31 December 2016, loans and advances to customers of RUB 46 202 thousand (2015: RUB 187 114 thousand) are secured with the Bank's own promissory notes with the collateral value of RUB 47 200 thousand (2015: RUB 46 561 thousand) (Note 17).

As at 31 December 2016 there were no loans to customers transferred by the Bank as collateral on loans received from OJSC SME Bank (2015: loans to customers in the amount of RUB 145 023 thousand were transferred by the Bank as collateral on loans received from OJSC SME Bank) (Note 15).

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

<i>(in thousands of Russian Roubles)</i>	Corporate loans	Loans to individuals	Total
<i>Neither past due nor impaired</i>			
- Large borrowers	1 106 786	-	1 106 786
- Loans to medium size entities	966 152	-	966 152
- Small borrowers	439 252	102 382	541 634
Total neither past due nor impaired loans and advances to customers	2 512 190	102 382	2 614 572
<i>Individually impaired</i>			
- without delays in payment	6 595 638	201 358	6 796 996
- 31 to 90 days overdue	78 125	-	78 125
- over 91 days overdue	400 913	703	401 616
Total individually impaired loans and advances to customers	7 074 676	202 061	7 276 737
Total loans and advances to customers (before impairment provision)	9 586 866	304 443	9 891 309
Less: provision for impairment of loans and advances to customers	(1 905 150)	(24 863)	(1 930 013)
Total loans and advances to customers	7 681 716	279 580	7 961 296

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Analysis by credit quality of loans outstanding as at 31 December 2015 is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate loans	Loans to individuals	Loans to state and municipal organisations	Total
<i>Neither past due nor impaired</i>				
- Large borrowers	2 216 720	-	-	2 216 720
- Loans to medium size entities	1 248 510	-	-	1 248 510
- Small borrowers	600 544	115 754	-	716 298
Total neither past due nor impaired loans and advances to customers	4 065 774	115 754	-	4 181 528
<i>Past due but not impaired</i>				
- less than 30 days overdue	55 085	-	-	55 085
- 31 to 90 days overdue	15 179	-	-	15 179
- over 91 days overdue	29 403	-	-	29 403
Total past due but not impaired loans and advances to customers	99 667	-	-	99 667
<i>Individually impaired</i>				
- without delays in payment	5 044 785	138 474	-	5 183 259
- over 91 days overdue	1 623 599	2 567	138 861	1 765 027
Total individually impaired loans and advances to customers	6 668 384	141 041	138 861	6 948 286
Total loans and advances to customers (before impairment provision)	10 833 825	256 795	138 861	11 229 481
Less: provision for impairment of loans and advances to customers	(1 575 050)	(27 101)	(138 861)	(1 741 012)
Total loans and advances to customers	9 258 775	229 694	-	9 488 469

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and booked portfolio provisions for incurred impairment losses. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

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Notes to the Financial Statements for the year ended 31 December 2016

Neither past due nor impaired loans include three classes: loans to large borrowers, loans to medium size entities and loans to small entities. Loans to borrowers with outstanding loan amount above RUB 170 000 thousand as at 31 December 2016 (2015: RUB 170 000 thousand) are recognised as loans to large borrowers. Loans to borrowers or a group of related borrowers with outstanding loan amount from RUB 70 000 to RUB 170 000 thousand (2015: from RUB 70 000 to RUB 170 000 thousand) are recognised as loans to medium size entities. Loans to borrowers or a group of related borrowers with outstanding loan amount below RUB 70 000 thousand (2015: below RUB 70 000 thousand) are recognised as loans to small business

Provision for impairment of loans and advances to customers. Movements in the provision for impairment of loans and advances to customers during 2016 and 2015 are as follows:

	Corporate loans	Loans to individuals	Loans to state and municipal organisations	Total
(in thousands of Russian Roubles)				
Provision for impairment of loans and advances to customers as at 1 January 2015	1 043 446	18 899	135 920	1 198 265
Provision for impairment of loans and advances to customers during 2015	1 446 081	8 202	2 941	1 457 224
Disposal of provision of loans and advances to customers	(848 534)	-	-	(848 534)
Loans and advances to customers written off during 2015 as uncollectible	(65 943)	-	-	(65 943)
Provision for impairment of loans and advances to customers as at 31 December 2015	1 575 050	27 101	138 861	1 741 012
Accrual (Reversal) of provision for impairment of loans and advances to customers during 2016	1 482 188	452	(30 409)	1 452 231
Disposal of provisions of sold loans and advances to customers	(1 152 088)	(2 690)	-	(1 154 778)
Loans and advances to customers written off during 2016 as uncollectible	-	-	(108 452)	(108 452)
Provision for impairment of loans and advances to customers as at 31 December 2016	1 905 150	24 863	-	1 930 013

Provisions for disposed loans in the amount of RUB 1 154 778 thousand (2015: RUB 848 534 thousand) relate to loans for which there was an assignment of claim. The statement of profit and loss and other comprehensive income reflects gains from sale of loans of RUB 103 723 thousand (2015: RUB 660 195 thousand).

Loan security. As a rule the Bank requires collateral and/or guarantees for loans to corporate entities and federal state unitary enterprises. Acceptable collateral includes real estate, securities (within the Bank's risk limits for such securities), promissory notes of the Bank, transport and production equipment, inventory, certain contract rights and certain personal property. Guarantees can be provided by controlling shareholders (or other controlling persons), government entities, banks and other solvent legal entities (all within risk limits for such guarantees). A guarantor is evaluated on the same basis as the borrower itself. The Bank assesses the collateral value based on an internal expert valuation performed by the Bank's specialists, an independent appraiser's valuation or on the basis of discounted carrying amount of the collateral. In accordance with the Bank's policy, the value of collateral for loans to legal entities should cover the principal and interest on loan accrued for a period of at least three months. Borrowers must insure the collateral or make an additional payment to the Bank reflecting the increase in credit risk.

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The Bank provided uncollateralised loans or partially collateralised loans to major borrowers or borrowers associated with the lowest level of risk. These loans were provided to the clients with stable financial position and good credit history with the Bank for the last three years.

The Bank usually requires collateral and/or guarantees for loans to individuals. Acceptable collateral includes real estate, personal property, government and the Bank's securities, motor vehicles and other liquid assets. The Bank accepts guarantees from its clients, both individuals and legal entities. According to the Bank's policy, the value of collateral or the amount of guarantee must cover the principal and interest on the loan for a period of at least a year. The Bank determines the value of collateral based on internal or independent valuation or its discounted carrying amount. Individual guarantors are evaluated on the same basis as the borrower itself.

Collateral held by the Bank for past due loans, assessed for impairment on a collective basis, is similar to collateral received for other loans (see description above). According to the Bank's assessment the fair value of collateral received for past due loans, assessed for impairment on a collective basis, to individuals exceeds the carrying amount of such loans.

Fair value of collateral for past due individually impaired loans as at 31 December 2016 and 31 December 2015 was estimated by the Bank's Credit Department using its internal methodology.

Actual net realisable value of collateral may differ from the value disclosed in the financial statements due to potential difficulties during the foreclosure which cannot be predicted.



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Notes to the Financial Statements for the year ended 31 December 2016

Information about collateral for loans and advances to customers as at 31 December 2016 is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate loans	Loans to individuals	Total
Unsecured loans and advances to customers	2 458 917	127 216	2 586 133
Loans and advances to customers collateralised by:			
- non-residential real estate (including vessels)	1 859 812	77 376	1 937 188
- goods in turnover	1 155 412	1 771	1 157 183
- vehicles	1 091 796	-	1 091 796
- surety of legal entities and individuals	1 021 942	4 947	1 026 889
- residential real estate	62 087	-	62 087
- equipment	31 750	22 068	53 818
- promissory notes of the Bank	-	46 202	46 202
Total loans and advances to customers	7 681 716	279 580	7 961 296

Information about collateral for loans and advances to customers as at 31 December 2015 is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate loans	Loans to individuals	Total
Unsecured loans and advances to customers	1 926 310	145 550	2 071 860
Loans and advances to customers collateralised by:			
- non-residential real estate (including vessels)	2 284 246	-	2 284 246
- goods in turnover	1 705 779	-	1 705 779
- vehicles	1 538 231	-	1 538 231
- surety of legal entities and individuals	1 265 103	-	1 265 103
- residential real estate	274 117	49 244	323 361
- equipment	253 220	-	253 220
- promissory notes of the Bank	11 661	34 900	46 561
- securities	108	-	108
Total loans and advances to customers	9 258 775	229 694	9 488 469

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

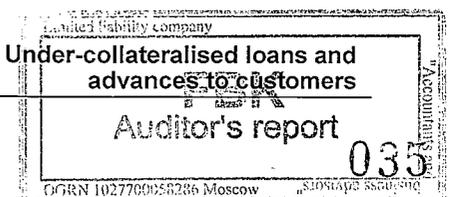
Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due. The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral as at 31 December 2016:

Over-collateralised loans and
advances to customers

Under-collateralised loans and
advances to customers

Auditor's report



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

	Carrying value of the assets	Fair value of the collateral	Carrying value of the assets	Fair value of the collateral
<i>(in thousands of Russian Roubles)</i>				
Corporate loans	5 472 951	25 052 245	4 113 915	395 486
Loans to individuals	81 310	245 631	223 133	20 101
Total	5 554 261	25 297 876	4 337 048	415 587

The effect of collateral as at 31 December 2015:

	Over-collateralised loans and advances to customers		Under-collateralised loans and advances to customers	
	Carrying value of the assets	Fair value of the collateral	Carrying value of the assets	Fair value of the collateral
<i>(in thousands of Russian Roubles)</i>				
Corporate loans	8 000 507	9 877 866	2 833 318	685 435
Loans to individuals	76 217	167 538	180 578	10 663
Loans to state and municipal organisations	-	-	138 861	-
Total	8 076 724	10 045 404	3 152 757	696 098

The fair value of collateral represented by residential and non-residential real estate at the end of the reporting period approximated its market value. The fair value of other collateral was determined by the Bank's Credit Department based on its internal methodology and considering location of the assets accepted as collateral.

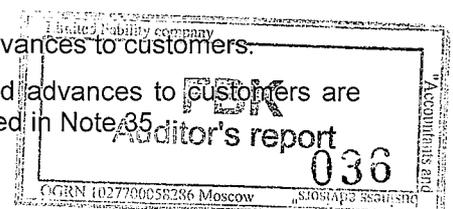
Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>(in thousands of Russian Roubles)</i>	31 December 2016		31 December 2015	
	Amount	%	Amount	
Trade	3 871 274	39,1	3 675 136	32,7
Cargo transport service	2 523 006	25,5	3 361 034	29,9
Manufacturing	717 571	7,3	809 256	7,2
Infrastructure construction	595 977	6,0	893 022	8,0
Consultancy	591 610	6,0	707 542	6,3
Lease of non-residential property	338 753	3,4	175 880	1,6
Individuals	304 443	3,1	256 795	2,3
Shipbuilding	300 100	3,0	488 992	4,4
Construction	209 398	2,1	403 283	3,6
Transport and communication	166 391	1,7	93 980	0,8
Other	272 786	2,8	364 561	3,2
Total loans and advances to customers (before impairment provision)	9 891 309	100,0	11 229 481	100,0

As at 31 December 2016 the Bank had 19 borrowers (2015: 18 borrowers) with the total amount of loans outstanding above 10% of the Bank capital. The gross amount of these loans was RUB 4 196 858 thousand or 42.4% of the total amount of loans and advances to customers before provision for impairment of loans and advances to customers (2015: RUB 4 595 223 thousand or 40.9% of the total amount of loans and advances to customers before provision for impairment of loans and advances to customers).

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 30. The information on related party balances is disclosed in Note 35.



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

8 Financial assets available for sale

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Government debt securities		
- Russian Federation bonds (OFZ)	1 149 407	1 626 750
- Municipal bonds	14 208	-
Corporate debt securities		
- Corporate euro bonds	519 673	-
- Corporate bonds	124 306	3 075
Total financial assets available for sale	1 807 594	1 629 825

Russian Federation bonds (OFZ) represent RUB-denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ in the Bank's portfolio as at 31 December 2016 have maturity dates from January 2023 to September 2031 (2015: maturity date from April 2017 to February 2017) and the coupon rates ranging from 7.0% to 8.5% p.a. (2015: coupon rate from 7,0% to 8,15% p.a.) depending on the issue.

Municipal bonds are presented by interest bearing securities denominated in the currency of the Russian Federation issued by the Government of Moscow and traded at MICEX. Municipal bonds in the Bank's portfolio as at 31 December 2016 have the maturity in June 2022 (2015: none), the coupon yield from 7,0% per annum.

Corporate euro bonds are presented by interest bearing securities denominated in USD issued by large Russian commercial banks and companies and traded at the international market. Corporate euro bonds in the Bank's portfolio as at 31 December 2016 have the maturities from July 2020 to December 2022 (2015: none), the coupon yield from 4,2% to 6,9% per annum depending on the issue.

As at 31 December 2016, corporate bonds are represented by Rouble-denominated securities issued by Russian commercial banks and companies. These bonds in the Bank's portfolio have maturity dates from September 2017 to October 2023 (2015: from September 2017 to March 2023) and the coupon rates from 7,55% to 11.1% p.a. (2015: 8.0% to 12.35% p.a.) depending on the issue.

Due to the sale of corporate euro bonds classified earlier into the category investments held to maturity, securities from this category were reclassified into the category financial assets available for sale in February 2016. The aggregate carrying value of reclassified corporate euro bonds was RUB 1 969 460 thousand. As at 31 December 2016 all the reclassified corporate euro bonds were sold by the Bank.

As at 31 December 2015 financial assets available for sale comprise bonds of SB Bank (LLC) denominated in RUB in the amount of RUB 29 631 thousand (2014: none). Bonds of SB Bank (LLC) are overdue in February 2015 they were found 100% depreciated due to license recalling from this credit institution. In August 2016 claims on these bonds were transferred by the Bank on the claim assignment agreement.

Debt securities available for sale are not collateralised.

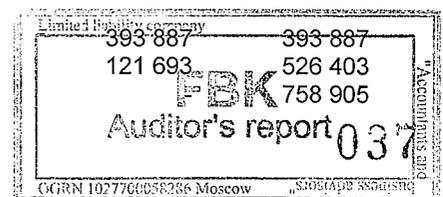
For traded investments, the fair value is determined by reference to the current market value at the close of business on 31 December 2016 and 31 December 2015.

The primary factor that the Bank considers in determining whether a debt security is impaired is its overdue status or the existence of the facts of overdue payments under earlier issues of securities.

The Bank analyses financial assets available for sale based on Moody's ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or Standard and Poor's, reconciling them to the rating categories through an adjustment table.

Credit quality analysis of debt securities available for sale as at 31 December 2016 is as follows:

<i>(in thousands of Russian Roubles)</i>	Government debt securities	Corporate debt securities	Total
<i>Neither past due nor impaired</i>			
<i>(at fair value)</i>			
- Baa1 rated	-		
- Baa2 rated	404 710		
- Baa3 rated	758 905		



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

- BBB- rayed	-	128 399	128 399
Total debt securities available for sale	1 163 615	643 979	1 807 594

Credit quality analysis of debt securities available for sale as at 31 December 2015 is as follows:

<i>(in thousands of Russian Roubles)</i>	Government debt securities	Corporate debt securities	Total
<i>Neither past due nor impaired</i>			
<i>(at fair value)</i>			
- Baa2 rated	-	1 376	1 376
- Baa3 rated	1 626 750	1 699	1 628 449
Total debt securities available for sale	1 626 750	3 075	1 629 825

Refer to Note 33 for the fair value of financial assets available for sale.

Geographical, currency, interest rate and maturity analyses of financial assets available for sale are disclosed in Note 30.

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

9 Financial assets pledged under repo agreements

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Financial assets available for sale		
Government debt securities		
- Russian Federation bonds (OFZ)	99 614	904 614
- municipal bonds	-	1 395 602
Corporate debt securities		
- Corporate Eurobonds	-	2 368 153
- Corporate bonds	-	2 002 284
Total financial assets available for sale	99 614	6 670 653
Investments held to maturity		
Debt corporate securities		
- Corporate Eurobonds	-	1 890 046
Total investments held to maturity	-	1 890 046
Total financial assets pledged under repo agreements	99 614	8 560 699

Financial assets at fair value through profit or loss pledged under repo agreements as at 31 December 2016 and 31 December 2015 comprise the following securities.

Russian Federation bonds (OFZ) represent RUB-denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ in the Bank's portfolio as at 31 December 2016 have maturity dates in September 2031 (2015: maturity date from April 2017 to February 2017) and the coupon rates ranging 8.5% p.a. (2015: coupon rate from 7,0% to 8,15% p.a.) depending on the issue.

Municipal bonds are presented by interest securities denominated in the currency of the Russian Federation issued by the subjects of the Russian Federation and local authorities and freely traded at MICEX. Municipal bonds in the Bank's portfolio as of 31 December 2015 have maturities from November 2016 to June 2022, the coupon yield is from 7,0% to 11,4% depending on the issue.

Corporate Eurobonds are represented by USD-denominated interest-bearing securities issued by large Russian commercial banks and companies and freely traded in the international market. As at 31 December 2015, corporate Eurobonds in the Bank's portfolio have maturity dates from November 2017 to February 2013 and coupon rates ranging from 4.95% to 6.6%, depending on the type of issue.

As at 31 December 2015, corporate bonds are represented by Rouble-denominated securities issued by Russian commercial banks and companies. These bonds in the Bank's portfolio have maturity dates from September 2017 to March 2028 and coupon rates ranging from 7.6% to 12.4% p.a., depending on the type of issue.

Financial assets available to sale through profit or loss and financial assets available for sale pledged under repo agreements are recorded at fair value, that is also reflected by writeoffs due to credit risk. As trading securities are carried at their fair values based on observable market data, the Bank does not analyze or monitor impairment indicators.

Investments held to maturity pledged under repo agreements are presented by the following securities as of 31 December 2015.

Corporate Eurobonds are presented by interest-bearing securities denominated in USD issued by large-sized Russian companies and freely traded at the international market. Corporate Eurobonds in the Bank's portfolio as of 31 December 2015 have maturities from April 2017 to May 2018, the coupon yield is from 3,9% to 9,1% a year depending on the issue.

The Bank analyses debt securities based on Moody's ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or Standard and Poor's, reconciling them to the rating categories through an adjustment table.

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Credit quality analysis of financial assets pledged under repo agreements as at 31 December 2016 is as follows:

<i>(in thousands of Russian Roubles)</i>	Government debt securities
Neither past due nor impaired (at fair value)	
- Baa3 rated	99 614
Total financial assets pledged under repo agreements	99 614

Credit quality analysis of financial assets pledged under repo agreements as at 31 December 2015 is as follows:

<i>(in thousands of Russian Roubles)</i>	Government debt securities	Corporate debt securities	Total
<i>Neither past due nor impaired (at fair value)</i>			
- Baa1 rated	-	764 292	764 292
- Baa2 rated	444 433	2 368 345	2 812 778
- Baa3 rated	1 801 211	1 100 072	2 901 283
- Ba1 rated	-	352 974	352 974
- Ba2 rated	54 572	-	54 572
- Ba3 rated	-	1 089 915	1 089 915
- B2 rated	-	59 651	59 651
- B1 rated	-	525 234	525 234
Total financial assets pledged under repo agreements	2 300 216	6 260 483	8 560 699

Information on the fair value of each of the categories of financial assets pledged under repo arrangements is presented in Note 33.

Interest rate analysis of financial assets pledged under repo agreements is disclosed in Note 30.

The Bank holds a license of the Russian Federation Federal Commission for Securities Market to carry our operations with securities.

MARITIME BANK (Open Joint-Stock Company)
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10 Investments held to maturity

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Corporate debt securities		
- Corporate Eurobonds	11 630	11 630
Less: provision for impairment of investments held to maturity	(11 630)	(11 630)
Total investments held to maturity	-	-

As at 31 December 2016 and 31 December 2015, corporate Eurobonds are represented by Rouble-denominated securities issued by a Russian company. These bonds in the Bank's portfolio have maturity date in June 2019 (2015: June 2019) and the coupon rate of 2.0% p.a. (2015: 2.0% p.a.).

11 Long-term assets intended for sale

The table below shows key categories of long-term assets intended for sale:

<i>(in thousands of Russian Roubles)</i>	31 December 2016
Plot of land, cadastral number 47:07:0605001:485	297 460
Plot of land, cadastral number 47:07:0605001:486	129 623
Plot of land, cadastral number 47:07:0605001:108	11 297
Total long-term assets intended for sale	438 380

Long-term assets intended for sale were received by the Bank during 2016 on settlement agreements. As at 31 December 2015 the Bank did not have long-term assets intended for sale.

12 Investment property

Information of change in fair value of investment property is given below:

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Cost at 1 January	67 548	67 548
Transfer into long-term assets intended for sale	(67 548)	-
Cost at 31 December	-	67 548

The fair value analysis of the Bank's investment property as at 31 December 2015 has shown that its fair value does not materially differ from the carrying amount.

As at 31 December 2015 investment property is represented by land of 20 000 sq. m. located in Krasnodar Krai, Novorossiysk. The land was transferred into the Bank's ownership from its bankrupt borrower CJSC Stroyindustria on 1 July 2014. Due to the previously failed trades, the Bank had taken a decision to retain the ownership of the land. As there were no first-priority and second-priority creditors, the Bank was obligated to transfer cash in the amount of 20% of the value of the collateral received (RUB 13 510 thousand) to a special bank account of CJSC Stroyindustria, as required by Article 138, Law No. 127-F3 "On Bankruptcy". Compensation of the outstanding amount of the claim in bankruptcy from the receiver amounted to RUB 4 636 thousand.



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

The rent revenue as at 2015 amounted to RUB 1 416 thousand.

There were no direct operating expenses relating to investment property generating rental income during 2015.

In August 2016 this plot of land was transferred into long-term assets intended for sale and sold to other party for RUB 75 000 thousand. As a result of this transaction the Bank received the income of RUB 7 452 thousand.

13 Premises, equipment and intangible assets

	Note	Premises	Technical premises including power supply	Office and computer equipment	Total premises and equipment	Intangible assets	Total
<i>(in thousands of Russian Roubles)</i>							
Cost or valuation as at 31 December 2014		530 748	36 318	68 909	635 975	41	636 016
Accumulated depreciation and amortisation		-	(10 256)	(45 194)	(55 450)	(41)	(55 491)
Carrying amount as at 31 December 2014		530 748	26 062	23 715	580 525	-	580 525
Additions		-	-	2 664	2 664	-	2 664
Revaluation	23	70 138	-	-	70 138	-	70 138
Disposals		-	-	(8 508)	(8 508)	-	(8 508)
Depreciation and amortisation	26	(17 533)	(5 468)	(9 406)	(32 407)	-	(32 407)
Disposals - accumulated depreciation and amortisation		-	-	8 508	8 508	-	8 508
Carrying amount as at 31 December 2015		583 353	20 594	16 973	620 920	-	620 920
Cost or valuation as at 31 December 2015		583 353	36 318	63 065	682 736	41	682 777
Accumulated depreciation and amortisation		-	(15 724)	(46 092)	(61 816)	(41)	(61 857)
Carrying amount as at 31 December 2015		583 353	20 594	16 973	620 920	-	620 920
Additions		-	-	11 212	11 212	22 892	34 104
Revaluation	23	1 214	-	-	1 214	-	1 214
Disposals		-	-	(9 078)	(9 078)	(26)	(9 104)
Depreciation and amortisation	26	(20 006)	(5 753)	(7 424)	(33 183)	(2 023)	(35 206)
Disposals - accumulated depreciation and amortisation		-	-	1 670	1 670	5	1 675
Carrying amount as at 31 December 2016		564 561	14 841	13 353	592 755	20 848	613 603
Cost or valuation as at 31 December 2016		564 561	36 318	65 199	666 078	22 907	688 985
Accumulated depreciation and amortisation		-	(21 477)	(51 846)	(73 323)	(2 059)	(75 382)
Carrying amount as at 31 December 2016		564 561	14 841	13 353	592 755	20 848	613 603

Premises were revalued to market value as at 31 December 2016 and 31 December 2015. Revaluation is based on the report of an independent appraiser, who holds a recognised and relevant professional Auditor's report 042

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

qualification and who has recent experience in valuation of property of similar location and category. The basis used for the appraisal was fair value. Fair value was estimated using appropriate valuation techniques and market prices. Revaluation surplus on premises for 2016 was RUB 1 214 thousand (2015: RUB 70 138 thousand). Tax effect recorded directly in other comprehensive income is disclosed in Note 27.

Had the premises been appraised using the cost model, the net book value would have included:

<i>(in thousands of Russian Roubles)</i>	31 December 2015	31 December 2014
Initial cost	515 984	515 984
Accumulated depreciation and impairment	(66 308)	(49 663)
Net book value	449 676	466 321

14 Other assets

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Collateral obtained into ownership for non-payment	380 016	380 079
Cash on hand deficit	87 634	89 900
Settlements on agreements of assignment of claims	76 101	-
Prepayment for goods and services	28 006	39 484
Security deposit paid with the stock exchange	14 000	14 419
Outstanding credit card settlements	5 039	5 552
Outstanding tax settlements (other than on income tax)	2 711	3 081
Precious metals in coins	2 563	2 678
Fee due for issuance of a bank guarantee	2 177	1 962
Receivables on accrued fines and penalties	1 502	17 463
Claims to charge overdue debt	156	9 593
Other	6 879	21 752
Less: provision for impairment of other assets	(184 176)	(132 426)
Total other assets	422 608	453 537

Movements in the provision for impairment of other assets during 2016 and 2015 are as follows:

<i>(in thousands of Russian Roubles)</i>	2016	2015
Provision for impairment of other assets as at 1 January	132 426	19 619
Movements in the provision for impairment of other assets during the year	51 750	181 223
Other assets written off during the year as uncollectible	-	(68 416)
Provision for impairment of other assets as at 31 December	184 176	132 426

15 Due to other banks

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Correspondent accounts of other banks	19	3 060
Repo agreements with other banks	-	1 034 703
Loans from other banks	-	302 650

Total Due to other banks

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

As at 31 December 2016 and 31 December 2015, due to other banks comprise loans received from OJSC MSP Bank within the framework of the SME support program in the total amount of RUB 302 650 thousand. Funds borrowed from OJSC MSP Bank were pledged by the rights of claim under loan agreements, whereunder loans were issued from funds borrowed from OJSC MSP Bank (Note 7).

As at 31 December 2016 the Bank did not have due to commercial counterparty banks (2015: the Bank had loans from 2 commercial counterparty banks) in the amount exceeding 10,0% of the Bank's equity. The aggregate amount of these loans as at 31 December 2015 was RUB 1 337 353 thousand or 99,8% of total due to other banks.

The information on the fair value of each of due to other banks' categories is presented in Note 33.

Geographical, currency, maturity and interest rate analyses of due from other banks and due to the Bank of Russia are disclosed in Note 30.

16 Customer accounts

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
State and public organisations		
- Current/settlement accounts	109 831	38 416
- Term deposit	29 967	10 000
Other legal entities		
- Current/settlement accounts	1 930 761	1 639 445
- Term deposit	2 339 978	4 033 284
Individuals		
- Current/settlement accounts	373 331	364 245
- Term deposit	6 422 982	5 660 165
Total customer accounts	11 206 850	11 745 555



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Economic sector concentrations within customer accounts are as follows:

<i>(in thousands of Russian Roubles)</i>	31 December 2016		31 December 2015	
	Amount	%	Amount	
Individuals	6 796 313	60,7	6 024 409	51,4
Fishing	2 019 232	18,0	1 133 045	9,6
Manufacturing	640 611	5,7	995 946	8,5
Trade	601 260	5,4	2 383 735	20,3
Construction	272 641	2,4	72 701	0,6
Transport	258 089	2,3	227 532	1,9
Services	194 716	1,7	145 694	1,2
Real estate	94 912	0,8	67 707	0,6
Finance	76 063	0,7	449 244	3,8
Other	253 013	2,3	245 542	2,1
Total customer accounts	11 206 850	100,0	11 745 555	100,0

As at 31 December 2016, the Bank had cash balances of 6 customers (2015: 5 customers) above 10% of the Bank's capital. The aggregate amount of these balances was RUB 1 589 634 thousand or 14.2% of total customer accounts (2015: RUB 3 554 000 thousand or 30.3% of total customer accounts).

Refer to Note 33 for the disclosure of the fair value of each class of customer accounts.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 30.

17 Debt securities in issue

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Promissory notes	91 428	543 389
Bonds	-	20 112
Total debt securities in issue	91 428	563 501

Promissory notes are discount promissory notes issued by the Bank are denominated in Russian Roubles (2015: in Russian Roubles and USD).

As at 31 December 2016, loans and advances to customers in the amount of RUB 46 202 thousand (2015: RUB 187 114 thousand) are secured with the Bank's own promissory notes with the collateral value of RUB 47 200 thousand (2015: RUB 46 561 thousand) (Note 7).

On 6 March 2013 the Bank launched a bond placement. The total bond issue amounted to RUB 1 500 000 thousand with maturity date on 9 March 2016 and a coupon rate of 15% p.a. as at 31 December 2015. The total number of placed bonds is 1 500 000 with the nominal value of RUB 1 (one) thousand each. As at 31 December 2015, the bond amount outstanding was RUB 20 112 thousand, including the amount of accumulated coupon income of RUB 763 thousand. The bonded loan was repaid according to the issue terms in March 2016.

Refer to Note 33 for the disclosure of the fair value of each class of debt securities in issue.

Geographical, currency, maturity and interest rate analyses of promissory notes issued are disclosed in Note 30.

18 Subordinated debt

(in thousands of Russian Roubles)

31 December 2016

31 December 2015

Auditor's report

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CGRN 1027700038286 Moscow

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Subordinated debt	448 861	1 308 905
Total subordinated debt	448 861	1 308 905

On 22 June 2012 the Bank attracted a subordinated loan from MB MARITIME INVESTMENT GROUP LIMITED (British Virgin Islands) of USD 4 000 thousand. As at 31 December 2016, this debt is carried at amortised cost of RUB 242 628 thousand (2015: RUB 291 531 thousand). The loan matures on 1 January 2025 and interest on this subordinated debt is paid on a quarterly basis at 6.4% p.a. Effective interest rate for this loan equals 6.4% p.a.

On 7 June 2012 the Bank attracted a subordinated loan from MB MARITIME INVESTMENT GROUP LIMITED of USD 3 400 thousand. As at 31 December 2016, this debt is carried at amortised cost of RUB 206 233 thousand (2015: RUB 247 801 thousand). The loan matures on 1 January 2025 and interest is paid on this subordinated debt on a quarterly basis at 6.4% p.a. Effective interest rate for this loan equals 6.4% p.a.

On 21 August 2009 the Bank attracted a subordinated loan from East-West United Bank S.A. (Luxemburg) of USD 5 000 thousand. On 17 December 2014 under a claim assignment agreement this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED. As at 31 December 2015, this debt is carried at amortised cost of RUB 364 414 thousand. The loan matures on 1 January 2025 and interest is paid on this subordinated debt on a quarterly basis at 6.4% p.a. In June 2016 the Bank increased the share capital by exchanging claims on the subordinated debt.

On 26 August 2008 the Bank attracted two subordinated loans from East-West United Bank S.A. of USD 2 000 thousand and EUR 2 000 thousand. On 17 December 2014 under a claim assignment agreement this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED. As at 31 December 2015 this debt is carried at amortised cost of RUB 145 765 thousand and RUB 159 394 thousand, respectively. These loans mature on 1 January 2025 and interest is to be paid on these subordinated debts on a quarterly basis at 6.4% p.a. In June 2016 the Bank increased the share capital by exchanging claims on the subordinated debt.

On 13 November 2007 the Bank attracted a subordinated loan from LLC RTK (the Russian Federation) amounting to RUB 70 000 thousand. On 30 April 2009 under a claim assignment agreement this loan was transferred to private limited liability company Cuprite Enterprises Limited. On 30 June 2011 under a claim assignment agreement this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED. As at 31 December 2015, this debt is carried at amortised cost of RUB 70 000 thousand. These loan mature on 1 January 2025 and interest on this subordinated debt is to be paid on a monthly basis at 11,0% p.a. In June 2016 the Bank increased the share capital by exchanging claims on the subordinated debt.

On 29 June 2005 the Bank attracted a subordinated loan from OJSC Sovbunker (the Russian Federation) amounting to RUB 30 000 thousand. On 2 June 2008, under a claim assignment agreement this loan was assigned to LLC RTK and on 30 April 2009 it was transferred to private limited liability company Cuprite Enterprises Limited (Cyprus). On 30 June 2011, under a claim assignment agreement this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED. As at 31 December 2015 this debt is carried at amortised cost of RUB 30 000 thousand. These loan mature on 1 January 2025 and interest on this subordinated debt is to be paid on a monthly basis at 7.0% p.a. In June 2016 the Bank increased the share capital by exchanging claims on the subordinated debt.

For fair value of subordinated debt refer to Note 30.

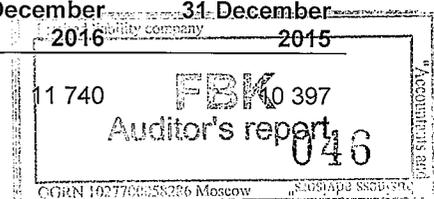
Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 30.

The information on subordinated debt transactions with related parties is disclosed in Note 36.

19 Other financial liabilities

Other financial liabilities comprise the following:

<i>(in thousands of Russian Roubles)</i>	Note	31 December 2016	31 December 2015
Deferred fees on bank guarantees		11 740	397



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Total other financial liabilities	11 740	10 397
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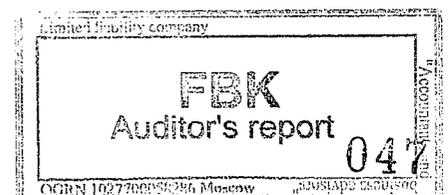
Refer to Note 33 for the disclosure of the fair value of each class of other financial liabilities.

Geographical, currency, maturity and interest rate analyses of other financial liabilities are disclosed in Note 30.

20 Other liabilities

Other liabilities comprise the following:

<i>(in thousands of Russian Roubles)</i>	Note	31 December 2016	31 December 2015
Accrued employee benefit costs		27 192	28 777
Taxes payable other than income tax		14 102	12 392
Liabilities under claim assignment agreements		12 131	14 577
Amounts payable		7 437	9 610
Liabilities on transfer of balances from closed settlement accounts		2 010	-
Dividends payable	28	450	450
Other		2 505	1 836
Total Other liabilities		65 827	67 642



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

21 Share capital and share premium

(in thousands of Russian Roubles), except for number of shares	31 December 2016		31 December 2015		
	Number of outstanding shares	Nominal value	Number of outstanding shares	Nominal value	Inflation adjusted amount
Ordinary shares	12 588 271	1 406 739	10 098 003	1 009 800	1 461 863
Total share capital	-	1 406 739	-	1 009 800	1 461 863

The total authorised number of ordinary shares is 12 588 thousand shares (2015:10 098 thousand shares) with a par value of RUB 111,75 per share (2015: RUB 100 per share).

In June 2016 the Bank's share capital was increased by exchange of claims on subordinated debt/deposits of principal amount without unpaid interests by the Bank's shares. As a result of exchange the Bank placed 2 490 268 ordinary voting shares with par value of RUB 100, and that caused the increase of the Bank's share capital by RUB 249 027 thousand. As a result of exchange the Bank's share capital comprised RUB 1 710 890 thousand and was divided into 12 588 271 ordinary uncertified registered shares. The increase of the Bank's share capital was registered according to the requirements of the Russian legislation. The acquirer of shares was LLC "Agency of investments and development TEK". The transaction was approved by the general meeting of shareholders on 2 August 2016.

In October 2016 the Bank placed 12 588 271 ordinary voting shares with par value of RUB 111,75 by converting ordinary registered uncertified Bank's shares issued earlier with par value of RUB 100 each totaling 12 588 271 items and also at the expense of retained earnings in the amount of RUB 147 912,184 thousand. As a result of conversion the Bank's share capital was RUB 1 406 739 thousand.

As a result of exchange and conversion of the Bank's shares the share of LLC "Agency of investments and development TEK" as at 31 December 2016 was 99,8006%.

Share premium is the amount by which the contributions to the capital exceed the nominal value of shares issued. As at 31 December 2016, share premium amounted to RUB 548 248 thousand (2015: RUB 100 000).

22 Retained earnings

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of accounting (financial) statements prepared in accordance with Russian Accounting Rules. The Bank's uncovered losses and funds recognised in the financial statements under Russian Accounting Rules as at 31 December 2016 are RUB 842 146 thousand (2015: retained earnings of the Bank and funds were RUB 404 479 thousand).

Retained earnings reflected in the Bank's statutory records includes a reserve fund in the amount of RUB 256 486 thousand (2015: RUB 631 257 thousand) that represents funds provided, as required by the regulations of the Russian Federation, in respect of the Bank's general banking risks, including future losses and other unforeseen risks or contingent liabilities.



MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

23 Other comprehensive income recognized in equity

An analysis of other comprehensive income by item for each component of equity is as follows:

	Note	Revaluation reserve for premises	Fair value reserve for financial assets available for sale	Total
Year ended 31 December 2015				
Revaluation of financial assets available for sale		-	326 163	326 163
Revaluation of premises and equipment	13	70 138	-	70 138
Income tax recorded directly in other comprehensive income	27	(14 028)	(65 233)	(79 261)
Total other comprehensive income		56 110	260 930	317 040
Year ended 31 December 2016				
Revaluation of financial assets available for sale		-	235 844	235 844
Revaluation of premises and equipment	13	1 214	-	1 214
Income tax recorded directly in other comprehensive income	27	(243)	(47 169)	(47 412)
Total other comprehensive income		971	188 675	189 646

24 Interest income and expense

(in thousands of Russian Roubles)

	2016	2015
Interest income		
Loans and advances to customers	1 778 340	1 584 525
Financial assets available for sale	224 924	660 420
Investments held to maturity	5 269	65 647
Loans and deposits with other banks	1 520	5 423
Correspondent accounts with other banks	633	59
Financial assets at fair value through profit or loss	17	7 044
Total interest income	2 010 703	2 323 118
Interest expense		
Term deposits of individuals	669 659	706 332
Term deposits of legal entities	163 136	240 100
Due to the Bank of Russia	138 967	689 373
Subordinated debt	41 332	109 435
Current and settlement accounts	19 659	57 327
Term placements of other banks	17 817	114 602
Promissory notes issued	12 656	57 471
Bonds issued	439	96 940
Correspondent accounts of other banks	-	1 102
Total interest expense	1 063 665	2 072 682
Net interest income	947 038	250 436

Interest income on impaired financial assets is RUB 483 545 thousand (2015: 406 311 RUB 62 196 thousand) and is recorded within loans and advances to customers (Note 7)

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

25 Fee and commission income and expense

<i>(in thousands of Russian Roubles)</i>	2016	2015
Fee and commission income		
Settlement transactions	102 332	46 980
Guarantees issued	65 250	94 848
Currency control	38 392	31 549
Cash transactions	3 811	16 368
Other	1 346	1 704
Total fee and commission income	211 131	191 449
Fee and commission expense		
Cost of attracting new customers for the Bank under agency agreements	17 880	11 462
Plastic cards	11 723	9 099
Settlement transactions	10 833	7 557
Services of depository	6 303	6 624
Delivery and accompanying of cash	2 238	2 073
Other	555	97
Total fee and commission expense	49 532	36 912
Net fee and commission income	161 599	154 537

26 Administrative and other operating expenses

<i>(in thousands of Russian Roubles)</i>	Note	2016	2015
Staff costs		462 832	383 259
Mandatory insurance of deposits		70 616	25 865
Depreciation of premises and equipment and amortisation of intangible assets	13	35 206	32 407
Taxes other than income tax		30 539	23 952
Operating lease expense		29 175	26 885
Expense on property disposal		19 747	49 880
Professional services		14 341	33 553
Other costs of premises and equipment		12 799	13 283
Communication, telecommunication and information system services		12 236	12 040
Security services		8 245	7 351
Software maintenance expenses		7 754	12 088
Expense on support of issue and servicing of bank cards		3 985	-
Advertising and marketing services		2 765	1 789
Insurance		1 348	6 118
Other		41 657	10 991
Total administrative and other operating expenses		753 245	639 461

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

27 Income taxes

Income tax expense comprises the following components:

<i>(in thousands of Russian Roubles)</i>	2016	2015
Current income tax expense	19 866	47 443
Deferred taxation movement relating to origination and reversal of temporary differences	(36 837)	(114 050)
Less: deferred taxation recognized directly in other comprehensive income	(47 412)	(79 261)
Recovery for income tax for the year	(64 383)	(145 868)

The income tax rate applicable to the majority of the Bank's 2016 profit is 20.0% (2015: 20.0%). A reconciliation between the expected and the actual taxation charge is provided below:

<i>(in thousands of Russian Roubles)</i>	2016	2015
Loss before taxation	(1 226 988)	(638 445)
Theoretical tax charge at statutory rate (2016: 20.0%; 2015: 20.0%)	(245 398)	(127 689)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	182 008	(15 807)
- Income on government securities taxed at different rates	(993)	(2 372)
Recovery for income tax for the year	(64 383)	(145 868)

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20.0% (2015: 20.0%).

<i>(in thousands of Russian Roubles)</i>	31 December 2015	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31 December 2016
Tax effect of deductible/(taxable) temporary differences				
Loans and advances to customers	83 920	(68 570)	-	15 350
Financial assets available for sale	41 757	-	(47 169)	(5 412)
Translation of financial assets available for sale at the applicable foreign exchange rate	(92 522)	103 205	-	10 683
Provision for financial assets available for sale in tax records	(12 378)	9 119	-	(3 259)
Premises and equipment	(50 172)	52 940	(243)	2 525
Debt securities issued	18 208	(18 208)	-	-
Other liabilities	13 528	(363)	-	13 165
Other assets	48 933	6 126	-	55 059
Tax loss according to the Russian legislation	212 297	-	-	212 297
Net deferred tax assets	263 571	84 249	(47 412)	300 408

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

<i>(in thousands of Russian Roubles)</i>	31 December 2014	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31 December 2015
Tax effect of deductible/(taxable) temporary differences				
Financial assets at fair value through profit or loss	(18 970)	18 970	-	-
Loans and advances to customers	41 849	42 071	-	83 920
Financial assets available for sale	106 990	-	(65 233)	41 757
Translation of financial assets available for sale at the applicable foreign exchange rate	(237 027)	144 505	-	(92 522)
Provision for financial assets available for sale in tax records	(58 223)	45 845	-	(12 378)
Premises and equipment	(23 877)	(12 267)	(14 028)	(50 172)
Debt securities issued	15 145	3 063	-	18 208
Other liabilities	17 937	(4 409)	-	13 528
Other assets	38 112	10 821	-	48 933
Compensations awarded by court	263 367	(51 070)	-	212 297
Other	4 218	(4 218)	-	-
Net deferred tax assets	149 521	193 311	(79 261)	263 571

As at 31 December 2016, a tax loss of RUB 1 061 485 thousand (2015: RUB 1 061 485 thousand) is reflected in the Bank's statutory tax records prepared in accordance with the Russian legislation. Under the current Russian tax legislation, organisations can utilise the tax loss carryforwards against the profits of future reporting periods.

28 Dividends

<i>(in thousands of Russian Roubles)</i>	2016	2015
Dividends payable as at 1 January	450	450
Dividends declared during the year	-	-
Dividends paid during the year	-	-
Dividends payable as at 31 December	450	450

29 Segment analysis

The Bank has identified the following operating segments in its activities:

Main banking operations. This segment includes operations of the Bank's head office and branches. This segment provides a full range of services for acceptance of deposits and issuance of loans to corporate clients, individuals, small- and medium-size businesses, and private entrepreneurs, as well as other banking services such as rendering of settlement and cash services, money transfers, currency exchange services, servicing of debit and credit cards of individuals.

Treasury operations. This segment includes operations of the Bank's head office, such as stock exchange and money market operations, trading and brokerage services on the securities and foreign exchange markets, including 'repo' deals, transactions with derivatives, liquidity management operations, raising and origination of loans, centralized risk management activities through borrowings, issues of debt securities, investing in liquid assets such as short-term placements.

Segment assets and liabilities comprise operating assets and liabilities of the Bank, being the majority of the Bank's assets and liabilities but exclude such items as taxation, other borrowings and some other items as stated below.

The operating segments' financial statements and results of operation are prepared on the basis of the Bank's accounting policy in compliance with the International Financial Reporting Standards.

Segment information on main reportable segments of the Bank as at 31 December 2016 is disclosed in the table below:

	Banking operations	Treasury operations	Non-allocated	Total
ASSETS				
Cash and cash equivalents	1 387 452	36 963	-	1 424 415
Mandatory cash balances with the Bank of Russia	-	-	267 320	267 320
Due from other banks	-	14 505	-	14 505
Loans and advances to customers	7 961 296	-	-	7 961 296
Financial assets available for sale	-	1 807 594	-	1 807 594
Financial assets pledged under repo agreements	-	99 614	-	99 614
Long-term assets intended for sale	-	-	438 380	438 380
Premises, equipment and intangible assets	-	-	613 603	613 603
Other financial assets	-	-	67	67
Other assets	382 349	14 000	26 259	422 608
Deferred tax asset	-	-	300 408	300 408
Total assets	9 731 097	1 972 676	1 646 037	13 349 810
LIABILITIES				
Due to the Bank of Russia	-	100 030	-	100 030
Due to other banks	19	-	-	19
Customer accounts	11 206 850	-	-	11 206 850
Debt securities in issue	-	91 428	-	91 428
Subordinated debt	-	448 861	-	448 861
Other financial liabilities	11 740	-	-	11 740
Other liabilities	-	12 131	53 696	65 827
Total liabilities	11 218 609	652 450	53 696	11 924 755

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Segment information on main reportable segments of the Bank as at 31 December 2015 is disclosed in the table below:

	Banking operations	Treasury operations	Non- allocated	Total
ASSETS				
Cash and cash equivalents	1 220 087	265 815	-	1 485 902
Mandatory cash balances with the Bank of Russia	-	-	89 159	89 159
Due from other banks	-	657 526	-	657 526
Loans and advances to customers	9 488 469	-	-	9 488 469
Financial assets available for sale	-	1 629 825	-	1 629 825
Financial assets pledged under repo agreements	-	8 560 699	-	8 560 699
Investment property	-	-	67 548	67 548
Premises, equipment and intangible assets	-	-	620 920	620 920
Other financial assets	-	-	67	67
Other assets	391 634	14 419	47 484	453 537
Current tax assets	-	-	77 128	77 128
Deferred tax asset	-	-	263 571	263 571
Total assets	11 100 190	11 128 284	1 165 877	23 394 351
LIABILITIES				
Due to the Bank of Russia	-	6 807 199	-	6 807 199
Due to other banks	3 060	1 337 353	-	1 340 413
Customer accounts	11 745 555	-	-	11 745 555
Debt securities in issue	-	563 501	-	563 501
Subordinated debt	-	1 308 905	-	1 308 905
Other financial liabilities	10 397	-	-	10 397
Other liabilities	-	14 577	53 065	67 642
Total liabilities	11 759 012	10 031 535	53 065	21 843 612

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

The table below shows a breakdown of statement of profit and loss and other comprehensive income of the Bank by operating segments for the year ended 31 December 2016:

	Banking operations	Treasury operations	Non-allocated	Total
Net interest income/(expenses)	926 519	20 519	-	947 038
Provision for impairment of interest-bearing assets	(1 452 231)	-	-	(1 452 231)
Gains less losses from transactions with financial assets and liabilities	103 723	(158 268)	-	(54 545)
Gains less losses from trading in foreign currencies	-	(400 004)	-	(400 004)
Foreign exchange translation gains less losses	-	-	317 344	317 344
Fee and commission income	69 061	142 070	-	211 131
Fee and commission expenses	(40 436)	(9 096)	-	(49 532)
Provision for impairment of other assets	-	-	(51 750)	(51 750)
Other operating income	58 806	-	-	58 806
Operating expenses	(675 253)	(12 236)	(65 756)	(753 245)
Income tax recovery	-	-	64 383	64 383
NET PROFIT/(LOSS)	(1 009 811)	(417 015)	264 221	(1 162 605)
Other comprehensive income	-	-	189 646	189 646
COMPREHENSIVE INCOME/(EXPENSE)	(1 009 811)	(417 015)	453 867	(972 959)

The table below shows a breakdown of statement of profit and loss and other comprehensive income of the Bank by operating segments for the year ended 31 December 2015:

	Banking operations	Treasury operations	Non-allocated	Total
Net interest income/(expenses)	580 766	(330 330)	-	250 436
Provision for impairment of interest-bearing assets	(1 457 224)	(181 223)	-	(1 638 447)
Gains less losses from transactions with financial assets and liabilities	660 195	388 478	-	1 048 673
Gains less losses from trading in foreign currencies	-	262 986	-	262 986
Foreign exchange translation gains less losses	-	-	(194 453)	(194 453)
Fee and commission income	111 216	80 233	-	191 449
Fee and commission expenses	(28 118)	(8 794)	-	(36 912)
Provision for impairment of other assets	-	-	39 925	39 925
Other operating income	77 359	-	-	77 359
Operating expenses	(589 270)	(12 040)	(38 151)	(639 461)
Income tax recovery	-	-	145 868	145 868
NET PROFIT/(LOSS)	(645 076)	199 310	(46 811)	(492 577)
Other comprehensive income	-	-	317 040	317 040
COMPREHENSIVE INCOME/(EXPENSE)	(645 076)	199 310	270 229	(175 537)

30 Financial risk management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Assessment of assumed risk is also a basis for optimal allocation of risk-weighted capital, pricing of transactions and performance measurement. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

MARITIME BANK (Open Joint-Stock Company)
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The Bank's Management Board sets the Bank's general risk policy as well as specific policies for managing each type of major risk. Proposals on setting limits for consideration of the Management Board are prepared by a risk-controlling department. The risk-controlling department operates separately from business departments involved in operations creating exposure.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets. The Bank's maximum exposure to credit risk is usually reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, as well as an ad hoc review.

Loan applications originated by the relevant client relationship managers are passed on to the Credit Department for approval of credit limit and subsequently are submitted for consideration to the Credit Committee. The Credit Committee holds meetings on a weekly basis. The Credit Committee in the Head Office in Moscow also reviews loan applications from all branches. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. The Bank usually requires collateral and/or guarantees for loans. Acceptable collateral includes real estate, securities, transportation and production equipment, inventory, precious metals, contract rights and personal property. The Bank accepts guarantees from controlling shareholders (or other controlling persons) of small businesses, government entities, banks, other solvent legal entities, individuals (for loans to individuals). In order to limit credit risk, several types of collateral may be used simultaneously.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual compliance with limits with regard to accepted risk is monitored on a permanent basis.

In order to monitor credit risk exposures, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposures to customers with deteriorating creditworthiness are reported to, and reviewed by, the Board of Directors. Management monitors and follows up past due balances.

The Credit Department of the Bank analyses loans by their maturities and carries out subsequent control of overdue balances. Management of the Department considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 7.

Exposure Limits. To manage its credit risk, the Bank places its counterparties into risk groups, which reflect the possibility of default on their obligations. Counterparties placed into particular risk groups are assigned exposure limits. The Bank has developed credit risk limit calculation and monitoring procedures for the following categories of borrowers: corporate customers, resident banks and non-resident banks. Exposure limits are also set for single and related borrowers and banking operations subject to credit risk.

Exposure limits for corporate clients are set on the basis of their ownership structure, business reputation, credit history, financial condition, future financial trends, quality of financial management, transparency, industry and regional position and facilities and modern equipment quality. Exposure limits for counterparty banks are set on the basis of their financial condition, position among comparable banks, transparency of asset and liability structure and operations, operating environment (for non-resident banks), capital structure, concentration of banking operations, credit history, business reputation and relationship with the Bank. Branch and/or banking group structure is also taken into account in setting exposure limits for a particular counterparty bank.

The amount of a loan granted to an individual is limited by his/her creditworthiness, which is calculated individually for each client by using reducing ratios to the amount of his/her income and by taking into account the amount of his/her previous loans received and guarantees given. Also the amount of a loan depends on collateral provided by the client.

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

Risk Concentration. In order to reduce and diversify its credit risk, the Bank monitors its credit risk concentration, sets exposure limits for single borrowers and groups of related borrowers that are lower than those set by the standards of the Bank of Russia and sets limits for loans and bank guarantees made to related parties of the Bank. Concentration and exposure limits for large credit operations and related borrowers and high-risk credit operations are approved at the Bank's Central Head Office level.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies for credit related commitments as it does for balance sheet financial instruments, including approvals of transaction, risk mitigating limits and monitoring procedures.

Market risk. The Bank takes on exposure to market risks arising from open positions in interest rate, currency and equity instruments, all of which are exposed to general and specific market movements. The Assets and Liabilities Management Committee set limits on the level of exposure. The Treasury Department and the Market Risk Function monitor them on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The main goal of market risk management is to optimise risk/return ratio, minimise loss given unfavourable developments and to reduce the deviation of actual financial result from the expected result.

The Bank categorises market risk into:

- interest rate risk;
- equity risk;
- currency risk

The Bank manages its market risks through controlling open positions in bonds, stock, currencies and derivatives. For this purpose the Bank sets open position, stop-loss and other limits. Market risk limits are updated at least once a year and controlled constantly. The Bank develops a market risk management methodology and sets limits for specific operations.

Currency risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of exchange rates on its financial position and cash flows. The Assets and Liabilities Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. The Treasury Department and the Risk Management and Planning Department monitor them on a daily basis.

The Bank issued loans in foreign currency. Depending on cash flows received by the borrower, changes in foreign exchange rates may affect the borrowers' repayment ability and incurrence of loan losses.

The Treasury Department of the Bank's Head Office undertakes daily aggregation of the open currency position of the Bank and takes measures for maintaining of the Bank's open currency position on a minimum level. The Bank uses swaps, forwards and USD futures contracts tradable on the MICEX as the main instruments for hedging currency risks.

In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2016 and 31 December 2015.

(in thousands of Russian Roubles)	As at 31 December 2016				As at 31 December 2015		
	Monetary financial assets	Monetary financial liabilities	Net position		Monetary financial assets	Monetary financial liabilities	Net position
RUB	9 136 852	(8 902 915)	233 937 RUB		15 482 181	(17 022 881)	(1 540 700)
USD	2 145 288	(2 597 289)	(452 001) USD		6 181 783	(3 705 074)	2 476 709
EUR	283 898	(356 794)	(72 896) EUR		243 399	(1 044 870)	(801 471)
Other	8 773	(1 930)	6 843 Other		4 284	(3 145)	1 139
Total	11 574 811	(11 858 928)	(284 117) Total		21 911 647	(21 775 970)	135 677

Financial derivative instruments presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

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Amounts disclosed in respect of derivatives represent the fair value, at the reporting date, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

The following table presents movements of financial result and capital due to possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. Reasonably possible changes were estimated based on the analysis of historical data on utmost exchange rate fluctuations for December 2016:

<i>(in thousands of Russian Roubles)</i>	As at 31 December 2016	
	Impact on profit before taxation	Impact on comprehensive income
US Dollar strengthening by 20%	(90 400)	(72 320)
US Dollar weakening by 20%	90 400	72 320
Euro strengthening by 20%	(14 579)	(11 663)
Euro weakening by 20%	14 579	11 663

The following table presents movements of financial result and comprehensive income due to possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. Reasonably possible changes were estimated based on the analysis of historical data on daily exchange rate fluctuations for December 2015:

<i>(in thousands of Russian Roubles)</i>	As at 31 December 2015	
	Impact on profit before taxation	Impact on comprehensive income
US Dollar strengthening by 20%	495 342	396 274
US Dollar weakening by 20%	(495 342)	(396 273)
Euro strengthening by 20%	(160 294)	(128 235)
Euro weakening by 20%	160 294	128 235

The Bank issued loans and advances to customers in foreign currency. Movements in foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss. To reduce the currency risk the Bank has taken a decision on possible conversion of currency loans of individuals into Russian Roubles at their request.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Interest- free	Total
31 December 2016						
Total financial assets	2 362 747	1 085 422	4 556 541	1 916 454	1 653 647	11 574 811
Total financial liabilities	1 894 552	588 174	2 062 009	5 297 823	2 016 370	11 858 928
Net interest rate gap as at 31	468 195	497 248	2 494 532	(3 381 369)	(362 723)	(284 117)

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<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Interest-free	Total
December 2016						
Cumulative net interest rate gap as at 31 December 2016	468 195	965 443	3 459 975	78 606	(284 117)	
31 December 2015						
Total financial assets	11 327 497	1 704 601	4 423 699	2 880 722	1 575 128	21 911 647
Total financial liabilities	9 982 599	4 720 926	2 858 631	2 158 251	2 055 563	21 775 970
Net interest rate gap as at 31 December 2015	1 344 898	(3 016 325)	1 565 068	722 471	(480 435)	135 677
Cumulative net interest rate gap as at 31 December 2015	1 344 898	(1 671 427)	(106 359)	616 112	135 677	

The assets and liabilities of the Bank are mostly presented by the instruments with the fixed interest rate. The table below shows analysis of the Bank's exposure to interest rate risk as at the reporting date in case of interest rate fluctuations.

Risk management is aimed at minimising net gap established by analysis of assets and liabilities sensitive to interest rate changes. Depending on the amount of net gap, the Bank's Treasury Department takes decision to issue or attract resources at certain rates for a certain period in order to minimise potential losses as a result of movements in market interest rate.

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The Bank monitors interest rates of its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel of the Bank:

% p.a.	2016				2015			
	RUB	USD	EUR	Other	RUB	USD	EUR	Other
Assets								
Due from other banks	-	-	-	-	12,7%	-	-	-
Loans and advances to customers	14,00%	7,72%	6,57%	-	12,98%	12,5%	24,0%	-
Financial assets available for sale	7,77%	5,53%	-	-	7,88%	-	-	-
Financial assets pledged under repo agreements	6,5%	-	-	-	8,49%	8,41%	-	-
Liabilities								
Due to the Bank of Russia	11,0%	-	-	-	12,0%	-	-	-
Due to other banks	-	-	-	-	7,6%	4,5%	-	-
Customer accounts - current/settlement accounts of legal entities	-	-	-	-	1,0%	-	-	-
- current/settlement accounts of individuals	0,1%	-	-	-	0,1%	0,1%	0,1%	-
- term deposits of legal entities	9,97%	-	-	-	10,5%	3,90%	2,0%	-
- term deposits of individuals	1,24%	-	-	-	7,8%	5,13%	4,26%	-
Bonds issued	-	-	-	-	15,0%	-	-	-
Subordinated debt	-	6,4%	-	-	9,8%	6,4%	6,4%	-

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

Other price risk. The Bank has limited exposure to equity price risk. The Assets and Liability Management Committee monitors and authorises equity transactions. In 2016 and 2015 the Bank did not perform equity transactions.

The Bank is exposed to prepayment risk through providing fixed rate loans, including mortgage loans, which give the borrower the right to early repay the loans. The Bank's current year profit (loss) and equity at the current reporting date are not significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans to customers.

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

<i>(in thousands of Russian Roubles)</i>	Russia	OECD countries	Other countries	Total
ASSETS				
Cash and cash equivalents	874 201	550 214	-	1 424 415
Due from other banks	14 505	-	-	14 505
Loans and advances to customers	7 961 296	-	-	7 961 296
Financial assets available for sale	1 807 594	-	-	1 807 594
Financial assets pledged under repo agreements	99 614	-	-	99 614
Other financial assets	67	-	-	67
Total financial assets	10 757 277	550 214	-	11 307 491
LIABILITIES				
Due to the Bank of Russia	100 030	-	-	100 030
Due to other banks	19	-	-	19
Customer accounts	11 168 137	11 353	27 360	11 206 850
Debt securities in issue	91 428	-	-	91 428
Subordinated debt	-	-	448 861	448 861
Other financial liabilities	11 740	-	-	11 740
Total financial liabilities	11 371 354	11 353	476 221	11 858 928
Net balance sheet position	(614 077)	538 861	(476 221)	(551 437)
Credit related commitments	3 118 575	-	-	3 118 575

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2015 is set out below:

<i>(in thousands of Russian Roubles)</i>	Russia	OECD countries	Other countries	Total
ASSETS				
Cash and cash equivalents	1 158 595	327 307	-	1 485 902
Due from other banks	657 526	-	-	657 526
Loans and advances to customers	9 488 469	-	-	9 488 469
Financial assets available for sale	1 629 825	-	-	1 629 825
Financial assets pledged under repo agreements	8 560 699	-	-	8 560 699
Other financial assets	67	-	-	67
Total financial assets	21 495 181	327 307	-	21 822 488
LIABILITIES				
Due to the Bank of Russia	6 807 199	-	-	6 807 199
Due to other banks	1 340 413	-	-	1 340 413
Customer accounts	11 346 653	5 226	393 676	11 745 555
Debt securities in issue	521 788	-	41 713	563 501
Subordinated debt	-	-	1 308 905	1 308 905
Other financial liabilities	10 397	-	-	10 397
Total financial liabilities	20 026 450	5 226	1 744 294	21 775 970
Net balance sheet position	1 468 731	322 081	(1 744 294)	46 518
Credit related commitments	3 762 121	-	-	3 762 121

Liquidity risk. Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs, as based on the accumulated experience, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and securities. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Bank's liquidity management requires analysis of the level of liquid assets necessary to settle liabilities when due; access to various funding sources; availability of plans in case of funding problems and control over compliance of the balance sheet liquidity ratios with the statutory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia. These ratios are:

MARITIME BANK (Open Joint-Stock Company)
Notes to the Financial Statements for the year ended 31 December 2016

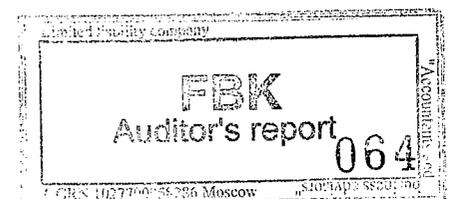
- Instant liquidity ratio (H2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 83.8% at 31 December 2016 (2015: 96.8%);
- Current liquidity ratio (H3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 70.9% at 31 December 2016 (2015: 111.4%);
- Long-term liquidity ratio (H4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 63,8% at 31 December 2016 (2015: 64.6%).

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Securities Department provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank 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 table below shows liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amounts included in the statement of financial position because the carrying amount is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.



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The maturity analysis of financial liabilities based on the contractual undiscounted cash flows as at 31 December 2016 is as follows:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
LIABILITIES						
Due to the Bank of Russia	100 301	-	-	-	-	100 301
Due to other banks	19	-	-	-	-	19
Customer accounts	3 800 017	578 671	2 104 683	4 797 062	-	11 280 433
Debt securities in issue	5 492	22 753	501	62 682	-	91 428
Subordinated debt	-	14 245	14 482	114 987	535 200	678 914
Other financial liabilities	11 740	-	-	-	-	11 740
Total potential future payments under financial obligations	3 917 569	615 669	2 119 666	4 974 731	535 200	12 162 835

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Notes to the Financial Statements for the year ended 31 December 2016

The maturity analysis of financial liabilities based on the contractual undiscounted cash flows as at 31 December 2015 is as follows:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
LIABILITIES						
Due to the Bank of Russia	6 835 877	-	-	-	-	6 835 877
Due to other banks	1 038 840	14 008	-	328 540	-	1 381 388
Customer accounts	4 235 035	4 402 455	2 974 962	552 024	-	12 164 476
Debt securities in issue	126	516 544	2 873	46 279	-	565 822
Subordinated debt	832	38 594	43 943	1 190 137	988 489	2 261 995
Other financial liabilities	10 397	-	-	-	-	10 397
Total potential future payments under financial obligations	12 121 107	4 971 601	3 021 778	2 116 980	988 489	23 219 955

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest at rates of term deposits.

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The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected and contractual maturities summarised as follows as at 31 December 2016:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 12 months	Total
ASSETS					
Cash and cash equivalents	1 424 415	-	-	-	1 424 415
Mandatory cash balances with the Bank of Russia	267 320	-	-	-	267 320
Due from other banks	14 505	-	-	-	14 505
Loans and advances to customers	402 879	1 085 422	4 556 541	1 916 454	7 961 296
Financial assets available for sale	1 807 594	-	-	-	1 807 594
Financial assets pledged under repo agreements	99 614	-	-	-	99 614
Other financial assets	67	-	-	-	67
Total financial assets	4 016 394	1 085 422	4 556 541	1 916 454	11 574 811
LIABILITIES					
Due to the Bank of Russia	100 030	-	-	-	100 030
Due to other banks	19	-	-	-	19
Customer accounts	3 793 641	565 421	2 061 508	4 786 280	11 206 850
Debt securities in issue	5 492	22 753	501,00	62 682	91 428
Subordinated debt	-	-	-	448 861	448 861
Other financial liabilities	11 740	-	-	-	11 740
Total financial liabilities	3 910 922	588 174	2 062 009	5 297 823	11 858 928
Liquidity gap arising from financial instruments	105 472	497 248	2 494 532	(3 381 369)	(284 117)
Cumulative liquidity gap as at 31 December 2016	105 472	602 720	3 097 252	(284 117)	

MARITIME BANK (Open Joint-Stock Company)
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Remaining expected and contractual maturities as at 31 December 2015 are summarised as follows:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 12 months	Total
ASSETS					
Cash and cash equivalents	1 485 902	-	-	-	1 485 902
Mandatory cash balances with the Bank of Russia	89 159	-	-	-	89 159
Due from other banks	657 526	-	-	-	657 526
Loans and advances to customers	479 447	1 704 601	4 423 699	2 880 722	9 488 469
Financial assets available for sale	1 629 825	-	-	-	1 629 825
Financial assets pledged under repo agreements	8 560 699	-	-	-	8 560 699
Other financial assets	67	-	-	-	67
Total financial assets	12 902 625	1 704 601	4 423 699	2 880 722	21 911 647
LIABILITIES					
Due to the Bank of Russia	6 807 199	-	-	-	6 807 199
Due to other banks	1 037 763	13 871	-	288 779	1 340 413
Customer accounts	4 182 677	4 192 832	2 855 758	514 288	11 745 555
Debt securities in issue	126	514 223	2 873,00	46 279	563 501
Subordinated debt	-	-	-	1 308 905	1 308 905
Other financial liabilities	10 397	-	-	-	10 397
Total financial liabilities	12 038 162	4 720 926	2 858 631	2 158 251	21 775 970
Liquidity gap arising from financial instruments	864 463	(3 016 325)	1 565 068	722 471	135 677
Cumulative liquidity gap as at 31 December 2015	864 463	(2 151 862)	(586 794)	135 677	

The portfolio of available-for-sale financial assets as at 31 December 2016 and 31 December 2015 is classified by contractual maturity except for the instruments included in the Lombard List of the Bank of Russia and Eurobonds of issuers whose liabilities are included in the Lombard List of the Bank of Russia. The securities included in the above list are recognised not only as highly marketable liquidity instruments but also as the instruments providing immediate access to the monetary funds of the Bank of Russia via lombard credit transactions or REPO transactions. Financial assets available for sale included in the Lombard List of the Bank of Russia and the above Eurobonds as at 31 December 2016 and 31 December 2015 are recorded within "On demand and less than one month" in these financial statements.

The Bank classifies customer accounts based on their contractual maturity. Expected maturities for the customer accounts usually exceed the contractual maturities. The portfolio of financial assets available for sale also includes liquid securities, which could be converted into cash in a short time period.

Management believes that matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

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Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Operational risk. Operational risk is risk to incur losses due to discrepancy and defects in the Bank's internal management, failure in informational and other systems or due to effect of external events on the Bank's activities.

The Bank classifies events of operational risk which can lead to financial losses due to event types of operational risk offered by the Basel Committee.

Operational risk management in the Bank is aimed at minimizing losses occurred in the Bank's activities and caused by internal and external factors.

The Bank monitors operational risk and special attention is paid to the occurred tendencies for change (increase) of the Bank's operational risk level which enables to focus on operational risk management on the identified bad areas of the Bank's activities.

Minimization of operational risk is performing a set of measures to decrease the possibility of occurrence of events or circumstances leading to operational losses and (or) to decrease (to limit) the size of potential operational losses.

The key method to minimize operational risk controlled in the Bank is designing the organizational structure, internal rules and procedures to perform banking operations and other transactions so that to rule out (minimize) the possibility of occurrence of factors of operational risk. Special attention is paid to observation of division of powers principles, the order of approval (agreement) and reporting relationships on the performed operations and other transactions.

In order to limit the level of operational risk and to limit the possibility of occurrence of operational risk factors the Bank has designed the "Plan of activities to secure going concern and (or) business recovery of MARITIME BANK (OJSC)"

Prudential risk. Prudential risk is risk to incur losses due to incompliance with the legislation, internal documents, and also as a result of imposing sanctions and (or) other treatments from supervisory bodies. Prudential risk is monitored by the Bank based on the legislations and regulations, internal regulations of the Bank.

31 Management of capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Russia, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio equal to 8.0% (2015: 10%) in accordance with prudential supervision requirements of the Bank of Russia. The amount of capital that the Bank managed as at 31 December 2016 totalled RUB 1 652 327 thousand (2015: RUB 2 798 705 thousand). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Management Board and Chief Accountant in order to present them to the Bank of Russia.

Under the current capital requirements set by the Bank of Russia banks have to maintain the ratio of regulatory capital to risk weighted assets H1 ("statutory capital ratio") above the prescribed minimum level.

The table below shows the regulatory capital based on the Bank's reports prepared according to the requirements of the Russian legislation (Basel III).

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Core capital	1 047 231	1 364 165
Additional capital	605 096	1 434 540

Total regulatory capital

1 652 327 **2 798 705**



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The level of capital adequacy ratio as at 31 December 2016 and 31 December 2015 is presented in the table below:

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Base capital adequacy ratio (H1.1)	6,8%	6,9%
Allowable value (H1.1)	not less than 4,5%	not less than 5,0%
Key capital adequacy ratio (H1.2)	6,8%	6,9%
Allowable value (H1.2)	not less than 6,0%	not less than 6,0%
Equity (capital) adequacy ratio (H1.0)	10,6%	14,0%
Allowable value (H1.0)	not less than 8,0%	not less than 10,0%

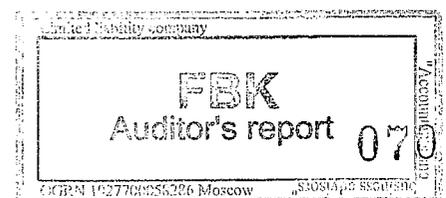
Also, in accordance with existing requirements to capital set by the Bank of Russia the Bank cannot exceed the maximum exposure per one borrower or a group of related borrowers (H6), which is set as a percentage of the Bank's capital. The level of capital adequacy ratio as at 31 December 2016 and 31 December 2015 is presented in the table below:

	31 December 2016	31 December 2015
Maximum risk per one borrower or a group of related borrowers (H6)	24,1%	18,8%
Acceptable ratio (H6)	Not more than 25,0%	Not more than 25,0%

During 2016 the Bank received a voluntary contribution from the shareholder in the amount of RUB 150 000 thousand which was accounted for in the equity (2015: none).

32 Contingencies and commitments

Legal proceedings. In the normal course of business, claims against the Bank are received. Management believes that probable obligations (if any) arising from such lawsuits or claims will not have a significant negative effect on financial position or performance of the Bank in the future. Based on its own estimate management of the Bank believes that legal proceedings on them will not result in significant losses for the Bank and therefore no provision for legal proceedings has been made in the financial statements.



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Tax legislation. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant 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 of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2016 management believes it follows proper interpretation of the respective legislation and the Bank's view of tax, currency and customs issues will be supported by regulatory bodies.

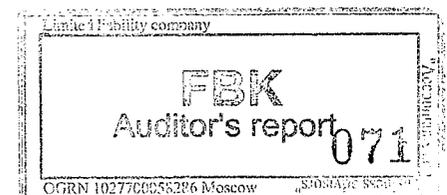
Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
Less than 1 year	15 358	158 370
From 1 to 5 years	9 043	74 760
Total operating lease commitments	24 401	233 130

In 2016 and 2015 the Bank did not sublease the premises rented by the Bank to any third party.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees 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. 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, as 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:

<i>(in thousands of Russian Roubles)</i>	31 December 2016	31 December 2015
Guarantees issued	1 549 637	2 036 446
Unused limits on bank guarantee issue	1 074 061	1 114 184
Undrawn credit lines	494 877	611 491
Total credit related commitments	3 118 575	3 762 121



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Changes in the provision for credit related commitments are presented below:

	Note	2016	2015
Provision for credit related commitments at 1 January		-	24 414
(Recovery of provision)/charges to provision for credit related commitments during the period		-	(24 414)
Provision for credit related commitments at 31 December		-	-

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Assets pledged and restricted

The Bank had assets pledged as collateral with the following carrying value:

	Note	31 December 2016		31 December 2015	
		Pledged assets	Related liability	Pledged assets	Related liability
<i>(in thousands of Russian Roubles)</i>					
Rights of claim to loans issued and advances to customers	7, 15	-	-	145 023	302 650
Financial assets available for sale	9	99 614	100 030	6 670 653	6 314 384
Investments held to maturity	9	-	-	1 890 046	1 524 993
Total		99 614	100 030	8 705 722	8 142 027

As at 31 December 2016 financial assets available for sale in the amount of RUB 99 614 thousand were pledged on REPO transactions with the Bank of Russia (2015: financial assets available for sale in the amount of RUB 6 670 653 thousand and investments held to maturity in the amount of RUB 1 890 046 thousand were pledged on REPO transactions with the Bank of Russia). As at 31 December 2015 rights to claim on the issued loans and advances to customers in the amount of RUB 145 023 thousand were pledged on agreements of attraction of loans from other banks.

Restricted assets of the Bank include mandatory cash balances with the Bank of Russia of RUB 267 320 thousand (2015: RUB 89 159 thousand) and represent mandatory reserve deposits with the Bank of Russia which are not available to finance the Bank's day to day operations.

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33 Fair value of financial instruments

(a) Fair value of financial instruments carried at amortised cost.

In accordance with the IFRS fair value hierarchy, all of the Bank's financial instruments carried at amortised cost as at 31 December 2016 and 31 December 2015 belong to Level 3.

Fair values of financial instruments carried at amortised cost are as follows:

(in thousands of Russian Roubles)	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Due from other banks	14 505	14 505	657 526	657 526
Loans and advances to customers	7 961 296	7 961 296	9 488 469	9 488 469
Other financial assets	67	67	67	67
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	7 975 868	7 975 868	10 146 062	10 146 062

(in thousands of Russian Roubles)	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL LIABILITIES				
Due to the Bank of Russia	100 030	100 030	6 807 199	6 807 199
Due to other banks	19	19	1 340 413	1 340 413
Customer accounts	11 206 850	11 206 850	11 745 555	11 745 555
Debt securities in issue	91 428	91 428	563 501	563 501
Subordinated debt	448 861	448 861	1 308 905	1 308 905
Other financial liabilities	11 740	11 740	10 397	10 397
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	11 858 928	11 858 928	21 775 970	21 775 970

Below are methods and assumptions used in determining the fair value of financial instruments which are not carried in the financial statements at fair value.

Due from other banks. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. The management believes that the fair values of due from other banks as at 31 December 2016 and 31 December 2015 do not materially differ from respective carrying amounts. This is primarily due to the short-term nature of investments and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (range of interest rates on the 31 December 2016 varies depending on the currency and maturity of the instrument).

Loans to customers. Loans to customers are reported net of impairment provisions. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that the fair values of loans to customers as at 31 December 2016 and 31 December 2015 do not materially differ from respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (range of interest rates on the 31 December 2016 varies depending on the currency and maturity of the instrument).

Due to CBR and other banks. The fair value of due to CBR and other banks maturing in less than one month approximates the carrying amount due to their relatively short-term maturity. The fair value of due to other banks maturing in more than 1 month is the present value of the estimated future cash flows discounted at the respective year-end market rates. According to the Bank, fair values of due to other banks as at 31 December 2016 and 31 December 2015 do not materially differ from their respective carrying amounts. This is primarily due to their short-term nature and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued

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at rates approximating market interest rates (range of interest rates on the 31 December 2016 varies depending on the currency and maturity of the instrument).

Customer accounts. The estimated fair value of liabilities with no stated maturity are amounts repayable on demand. The estimated fair value of fixed interest bearing placements and other borrowings without a quoted market price is based on discounted cash flows using interest rates for debts with similar maturity. The Bank believes that the fair values of customer accounts as at 31 December 2016 and 31 December 2015 do not materially differ from respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates, (range of interest rates on the 31 December 2016 varies depending on the currency and maturity of the instrument).

Debt securities in issue. The fair value of fixed interest bearing financial liabilities carried at amortised cost is determined by comparing the market interest rates at initial recognition of these instruments with current market rates on similar financial instruments. The estimated fair value of fixed interest bearing debt securities in issue is based on discounted cash flows using money market interest rates for debt instruments with similar credit risk and maturity (range of interest rates on the 31 December 2016 varies depending on the currency and maturity of the instrument).

Other borrowed funds. The fair value of subordinated deposits is based on discounted cash flows using effective interest rates as these instruments do not have market quotations and are attracted on special terms.

(b) Analysis by fair value hierarchy of financial assets carried at fair value.

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.

In accordance with the IFRS fair value hierarchy all Bank's financial assets as at 31 December 2016 and 31 December 2015 belong to Level 1, since quoted prices in an active market are used for their measurement.

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<i>(in thousands of Russian Roubles)</i>	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Financial assets available for sale	1 807 594	1 807 594	1 629 825	1 629 825
Financial assets pledged under repo agreements	99 614	99 614	8 560 699	8 560 699
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	1 907 208	1 907 208	10 190 524	10 190 524

(c) The methods and assumptions applied in determining fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank uses different valuation techniques. The fair value of floating rate derivative instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

(d) Fair value of non-financial assets

In accordance with the IFRS fair value hierarchy, all of the Bank's non-financial instruments carried at fair value as at 31 December 2015 and 31 December 2015 belong to Level 3.

The fair value of investment property and the category "premises" of the Bank's premises and equipment was determined using the method described in the accounting policies. The valuation was performed by an independent appraiser who applied different adjustment factors to market prices of items comparable to investment property, land and premises of the Bank under valuation in order to derive the market value of the items being valued. The adjustment factors comprise factors for the quality of the property, its location and environment, transport accessibility and other individual physical characteristics, approximating the used analogues to property under valuation. Data on the value of investment property and premises and equipment in the category "land and premises" are approved by the Bank's financial director who considers the relevance of inputs used for valuation purpose and the results obtained, using various valuation methods and techniques. The approved valuation results are reported by the financial director to the Bank's management.

As at 31 December 2016, if the adjustment factor increases by 10 %, the cost of investment property will increase by RUB 6 755 thousand (2015: RUB 6 755 thousand) and the cost of premises and equipment (buildings) will increase by RUB 56 456 thousand (2015: RUB 58 335 thousand). If the adjustment factor decreases by 10%, the cost of investment property will decrease by RUB 6 755 thousand (2015: RUB 6 755 thousand) and the cost of premises and equipment (land and premises) will decrease by RUB 56 456 thousand (2015: RUB 58 335 thousand). These adjustments may cause a 3,8% (2015: 4.2%) change in capital, which will not have a significant impact on capital adequacy.

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Below is reconciliation of opening and closing balances of assets carried at fair value which are classified in Level 3 of the fair value hierarchy:

<i>(in thousands of Russian Roubles)</i>	31 December 2015	Depreciation (Note 26)	Transfer to long-term assets intended for sale (Note 12)	Revaluation (Note 23)	31 December 2016
Investment property	67 548	-	(67 548)	-	-
Premises and equipment (premises and land)	583 353	(20 006)	-	1 214	564 561

In 2016 and 2015 there were no transfers of financial instruments between the levels of the fair value hierarchy.

34 Presentation of financial instruments by measurement category

Under IAS 39, Financial Instruments: Recognition and Measurement, the Bank classifies financial assets into the following categories: (a) loans and receivables; (b) financial assets available for sale; and (c) financial assets at fair value through profit and loss account. The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2016:

<i>(in thousands of Russian Roubles)</i>	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets available for sale	Total
FINANCIAL ASSETS				
Cash and cash equivalents	-	1 424 415	-	1 424 415
- Correspondent accounts with other banks	-	793 947	-	793 947
- Cash balances with the Bank of Russia, other than mandatory reserve deposits	-	346 292	-	346 292
- Cash on hand	-	247 213	-	247 213
- Settlements with currency and stock exchanges	-	36 963	-	36 963
Due from other banks	14 505	-	-	14 505
- Loans and deposits with other banks	14 505	-	-	14 505
Loans and advances to customers	7 961 296	-	-	7 961 296
- Corporate loans	9 586 866	-	-	9 586 866
- Loans to individuals	304 443	-	-	304 443
- Less: provision for impairment	(1 930 013)	-	-	(1 930 013)
Financial assets available for sale	-	-	1 807 594	1 807 594
- Russian Federation bonds (OFZ)	-	-	1 149 407	1 149 407
- Municipal bonds	-	-	14 208	14 208
- Corporate euro bonds	-	-	519 673	519 673
- Corporate bonds	-	-	124 306	124 306
Financial assets pledged under repo agreements	-	-	99 614	99 614
- Russian Federation bonds (OFZ)	-	-	99 614	99 614
Other financial assets	67	-	-	67
Total financial assets	7 975 868	1 424 415	1 907 208	11 307 491
Non-financial assets				2 042 319
Total assets				13 349 810

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2015:

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	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets available for sale	Investments held to maturity	Total
<i>(in thousands of Russian Roubles)</i>					
FINANCIAL ASSETS					
Cash and cash equivalents	-	1 485 902	-	-	1 485 902
- Correspondent accounts with other banks	-	577 233	-	-	577 233
- Cash on hand	-	395 962	-	-	395 962
- Settlements with currency and stock exchanges	-	265 815	-	-	265 815
- Cash balances with the Bank of Russia, other than mandatory reserve deposits	-	246 892	-	-	246 892
Due from other banks	657 526	-	-	-	657 526
- Loans and deposits with other banks	458 163	-	-	-	458 163
- Reverse repo agreements with other banks	199 363	-	-	-	199 363
Loans and advances to customers	9 488 469	-	-	-	9 488 469
- Corporate loans	10 833 825	-	-	-	10 833 825
- Loans to individuals	256 795	-	-	-	256 795
- State and municipal organizations	138 861	-	-	-	138 861
- Less: provision for impairment	(1 741 012)	-	-	-	(1 741 012)
Financial assets available for sale	-	-	1 629 825	-	1 629 825
- Russian Federation bonds (OFZ)	-	-	1 626 750	-	1 626 750
- Corporate bonds	-	-	3 075	-	3 075
Financial assets pledged under repo agreements	-	-	6 670 653	1 890 046	8 560 699
- Municipal bonds	-	-	1 395 602	-	1 395 602
- Russian Federation bonds (OFZ)	-	-	904 614	-	904 614
- Corporate Eurobonds	-	-	2 368 153	1 890 046	4 258 199
- Corporate bonds	-	-	2 002 284	-	2 002 284
Other financial assets	67	-	-	-	67
Total financial assets	10 146 062	1 485 902	8 300 478	1 890 046	21 822 488
Non-financial assets					1 571 863
Total assets					23 394 351

As at 31 December 2016 and 31 December 2015, all of the Bank's financial liabilities except for derivatives were carried at amortised cost.

35 Related party transactions

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

Transactions with related parties are entered into in the normal course of business with the Bank's significant shareholders, ultimate beneficiaries, directors and companies with which the Bank has significant shareholders in common. These transactions include settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions.

Other related parties of the Bank include individuals who can exercise influence over the Bank in making decisions on executing transactions with risk, including the principal terms of the transaction.

As at 31 December 2016, the outstanding balances with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Gross amount of loans and advances to	-	-	174	983

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	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
customers				
Customer accounts	-	1 044	29 288	468 625
Subordinated debt	448 861	-	-	-

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

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Interest income	-	-	59	133
Interest expense	(41 332)	-	(804)	(341)
Gains less losses from trading in foreign currencies	-	51	1 331	1 942
Fee and commission income	-	162	-	568
Other operating income	-	295 185	31 391	796 325

As at 31 December 2016, other rights and obligations arising from transactions with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Other contingent obligations	-	-	4 069	2 486

Aggregate amounts lent to and repaid by related parties during 2016 and changes in customer accounts of related parties are as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Change lent to related parties during the year		-	(1 429)	64
Changes in customer accounts of related parties during the year		(5 264)	(13 602)	430 543

As at 31 December 2015, the outstanding balances with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Gross amount of loans and advances to customers	-	-	1 603	919
Customer accounts	-	6 308	42 890	38 082
Subordinated debt	1 308 905	-	-	-

The income and expense items with related parties for 2015 were as follows:

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	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Interest income	-	-	303	6 014
Interest expense	(109 435)	(566)	(22 341)	(12 724)
Gains less losses from trading in foreign currencies	-	34	(755)	(2 175)
Fee and commission income	-	13	222	1 203
Other operating income	-	18	1 739 183	3 369 328
Administrative and other operating expenses	-	(83)	(1 655 917)	(4 089 725)

As at 31 December 2015, other rights and obligations arising from transactions with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Other contingent obligations	-	-	4 338	3 046

Aggregate amounts lent to and repaid by related parties during 2015 and changes in customer accounts of related parties are as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Change lent to related parties during the year	-	-	(1 094)	(5 367)
Changes in customer accounts of related parties during the year	(793 041)	249	(560 327)	(60 308)

Remuneration of key management personnel is presented below:

<i>(in thousands of Russian Roubles)</i>	2016		2015	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	104 032	-	66 054	-
- Short-term bonuses	16 717	-	9 960	-
- Benefits in-kind	36	-	21	-
- Payments based on the decision of the shareholders' meeting	2 160	1 071	2 160	1 071
- Payments as agreed by the parties	5 184	-	7 669	-
Total	128 129	1 071	85 864	1 071

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

In 2016 contributions to the Pension Fund of the Russian Federation in respect of related parties for the compensation of the Bank's key management personnel amounted to RUB 24 670 thousand (2015: RUB 15 108 thousand).

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36 Events after the end of the reporting period

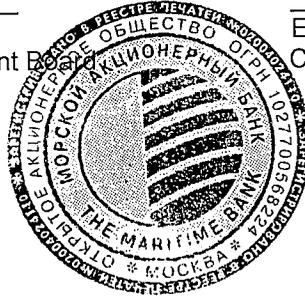
In April 2017 the Board of Directors of the Bank approved the "Strategy of development for MARITIME BANK for the period 2017-2019 and development prospects till 2021". According to the approved document the Bank's business model will remain unchanged. The Bank will keep developing lending, review the systems of credit risk management and strategic risk management.



A.B. Gilts
 Deputy Chairman of the Management Board



E.V. Antonenko
 Chief Accountant



MARITIME BANK (OJSQ)

Moscow

21 April 2016



