

CREDIT UNION “PAYMENT CENTER” (LTD.)

Financial Statements
Prepared in accordance with the International
Accounting Standards (IAS)
as at December 31, 2016

Contents

	Page
Statement of Financial Position for the year ended December 31, 2016	5
Income Statement for the year ended December 31, 2016	6
Statement of Changes in Equity for the year ended December 31, 2016	7
Statement of Cash Flows for the year ended December 31, 2016	8
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016	9
1. Principal activities of the Credit Union “Payment Center”	9
2. Operating environment of Credit Union “Payment Center”	10
3. Framework for the presentation of financial statements	11
4. Principles of accounting policy	12
5. Cash and cash equivalents	17
6. Financial assets at fair value through profit or loss	17
7. Due from other banks	18
8. Loans and receivables	18
9. Investment property	18
10. Property and equipment and intangible assets (amortizable property)	18
11. Current claims for tax on income	19
12. Other assets	19
13. Due to other banks	20
14. Due to customers	20
15. Other liabilities	20
16. Share capital	21
17. Interest income and expense	21
18. Gains less losses from transactions with financial assets at fair value through profit or loss	21
19. Fee and commission income and expense	21
20. Other operating income	22
21. Administrative and other operating expenses	22
22. Staff costs	22
23. Income tax	22
24. Dividends	24
25. Risk management	26
26. Capital management	31
27. Contingent liabilities	31
28. Fair value of financial instruments	32
29. Information about related parties	32
30. Events after the reporting date	33

AUDIT REPORT

To the Shareholders of the Credit Union “Payment Center” (Ltd.)

We have audited the accompanying annual financial statements of the Credit Union “Payment Center” (Limited Liability Company) (OGRN 1025400002968, 630102 Russian Federation, Novosibirsk, Kirov Str., 86) which comprise the statement of financial position as of December 31, 2016 and the statement of profit or loss, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union “Payment Center” (Ltd.) as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards.

Basis for opinion

We have performed our audit in accordance with the International accounting standards (IAS). Our responsibility in accordance therewith is defined in section “Auditor’s responsibility for audit of the annual financial statements” hereof. We are independent as to the audited person in accordance with the Rules of independent auditors and audit organizations and Code of professional ethics for auditors corresponding to the Code of professional accountants elaborated by the Council for international ethics standards for professional accountants and we have performed other obligations in accordance with such requirements professional ethics. We suppose that audit evidence are sufficient and proper enough to serve as a basis for our opinion.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of these annual financial statements in accordance with International Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Upon preparation of annual financial statements, management is responsible for estimation of ability of an audited company to continue as a going concern, for disclosure of information related to a going concern and for the preparation of financial statements on the basis of a going concern assumption, except for the cases when management intends to liquidate an audited person or terminate its business or it has no alternative but to liquidate it or cancel its business.

Responsibility of an Auditor for Audit of the Financial Statements

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

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

- a) Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the audited person.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the audited person.
- d) Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the audited person’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the audited person to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Opinion based on requirements of Article 42 of the Federal Law “On Banks and Banking Business” No. 395-1 dated December 2, 1990 (amended and restated).

Management of the Credit Union is responsible for compliance with mandatory standards established by the Bank of Russia and for such internal control and risk management systems as are necessary for the Credit Union “Payment Center” to comply with the requirements established by the Bank of Russia thereto.

In compliance with Article 42 of the Federal Law “On Banks and Banking Business” No. 395-1 dated December 2, 1990 while evaluating the annual financial statements of the Bank for 2015, our audit involved evaluating if the Credit Union “Payment Center”:

- complies with mandatory requirements of the Bank of Russia as at January 1, 2017;
- complies with internal control and risk management requirements established by the Bank of Russia;

The procedures for such audit were selected depending on our judgement and included sending requests, analyzing, examining documents, comparing requirements, procedures and methods applied by the Credit Union “Payment Center” with the requirements established by the Bank of Russia, as well as recalculating and comparing amounts and other information.

Results of our audit are the following:

- 1) as for compliance of the Credit Union “Payment Center” with mandatory regulations of the Bank of Russia:

Statutory ratios of the Credit Union “Payment Center” as at January 1, 2017 were within the limits established by the Bank of Russia.

Our audit involved procedures related to accounting data of the Credit Union “Payment Center” only in part necessary to express an opinion whether the annual financial statements of the Credit Union “Payment Center” present fairly, in all material respects, the financial position of the Credit Union “Payment Center” as at January 1, 2017, and its financial performance and its cash flows for 2016 in accordance with Russian Financial Reporting Standards for the credit institutions;

- 2) as for compliance of the Bank’s system of internal control and risk management with the requirements set by the Bank of Russia therefor:

- a) in accordance with the requirements and recommendations of the Bank of Russia as at December 31, 2016 the internal audit service of the Credit Union “Payment Center” is subordinated and accountable to the Board of the Credit Union “Payment Center”, risk management department of the Credit Union “Payment Center” was not either subordinated or accountable to the subdivisions accepting respective risks, heads of internal audit service and risk management department meet qualification standards established by the Bank of Russia;

- b) internal documents of the Credit Union “Payment Center” effective as of December 31, 2016, establishing methods of revealing and managing credit, operating, market, interest, legal, liquidity, reputational and stress testing risks, significant for the Credit Union “Payment Center”, have been approved by the authorized management bodies of the Credit Union “Payment center” in accordance with the requirements and recommendations of the Bank of Russia;

- c) as at December 31, 2016 Credit Union “Payment Center” has a reporting system regarding credit, operating, market, interest, legal, liquidity and reputational risks, significant for the Credit Union “Payment Center” as well as equity (capital) of the Credit Union “Payment Center”;

- d) frequency and sequence of reports prepared by the risk management department and the internal control service of the Credit Union “Payment Center” in relation to credit, operating, market, interest, legal, liquidity and reputational risks, is established by the internal documents of the Credit Union “Payment Center”; such reports prepared by the specified divisions included assessments of effectiveness of respective methods and recommendations on improving thereof;

- e) as of December 31, 2016 the Board of the Credit Union “Payment Center” and its executive bodies are responsible for compliance with limit values of risks and capital adequacy ratios, established in its internal documents. In order to ensure that risk management procedures are applied effectively and consistently, the Board of Credit Union “Payment Center” and its executive management bodies regularly analyzed reports prepared by its respective subdivisions throughout 2016.

We have performed our audit regarding internal control and risk management systems of the Credit Union “Payment Center” only for the purpose of assessment of compliance thereof with the requirements established by the Bank of Russia to such systems. March 30, 2017

Chief executive of audit task

Director */signed/* A. A. Ivanov

Auditor’s Qualification Certificate (non-expiry)

No. 03-000043 non-expiry

Principal Number of Registration Entry 29603043450

Seal: Altai-Audit-Consulting
Limited Liability Company
Barnaul *Russian Federation

Altai-Audit-Consulting (LLC)
656043 Barnaul, prospect Lenina, 3, OGRN 102220176862
SRO RSA ORNZ10303003293

Credit Union “Payment Center” (Ltd.)

Statement of Financial Position for the year ended December 31, 2016

	2016	2015
Assets		
Cash and cash equivalents	27,265,075	22,886,490
Financial instruments at fair value through profit or loss	1,035,269	952,484
Due from other banks	4,843,961	5 855,440
Loans and accounts receivable	1,114,069	1 334,703
Investment property	26,280	29,264
Premises and equipment	35,911	42,159
Intangible assets	28,077	6,569
Deferred tax asset	7,360	13,298
Current income tax asset	83,371	37,992
Other assets	571,910	539,907
Total Assets	35,011,283	31,698,306
Liabilities		
Due to other banks	14,721,620	15,162,325
Customer accounts	6,078,787	5,231,684
Other liabilities	5,713,339	4,756,618
Total liabilities	26,513,746	25,150,627
Equity		
Share capital	6,680	6,680
Retained earnings	8,490,857	6,540,999
Total equity	8,497,537	6,547,679
Total liabilities and equity	35,011,283	31,698,306

_____ ✍ Grigoriy Mats

Chairman of the Management Board
Credit Union “Payment Center” (Ltd.)

_____ ✍ Olga Bondareva

Chief Accountant
Credit Union “Payment Center” (Ltd.)

seal

March 30, 2017.

Income Statement for the year ended December 31, 2016
(in thousands of Russian Roubles)

	2016	2015
Interest income	1,619,741	1,597,156
Interest expense	(35,087)	(8,846)
Net interest income	1,584,654	1,588,310
Income less losses from transactions with financial instruments at fair value through profit or loss	11,624	56,281
Income less losses from foreign currency transactions	3,563,255	2,409,985
Income less losses from foreign currency revaluation	(64,700)	75,752
Fee and commission income	4,937,501	3,850,115
Fee and commission expense	(5,167,678)	(4,262,680)
Changes in provision for impairment of other assets	(184)	13,145
Other operating income	462,322	331,144
Net income	5,326,794	4,062,052
Administrative and other operating expenses	(1,605,653)	(1,355,515)
Staff costs	(338,217)	(239,356)
Income before taxation	3,382,924	2,467,181
Income tax expenses	(683,066)	(507,156)
Income from continuing operations	2,699,858	1,960,025
Income for the period	2,699,858	1,960,025
Income for the period attributable to: owners of the credit institution	2,699,858	1,960,025
Total income for the period	2,699,858	1,960,025
Comprehensive income attributable to: owners of the credit institution	2,699,858	1,960,025

_____ ✍ Grigoriy Mats

Chairman of the Management Board
Credit Union "Payment Center" (Ltd.)

_____ ✍ Olga Bondareva

Chief Accountant
Credit Union "Payment Center" (Ltd.)

seal

March 30, 2017.

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

	Share Capital	Attributable to shareholders of Credit Union "Payment Center" Retained earnings	Total Equity
Balance at December 31, 2011	6,680	1,588,135	1,594,815
Comprehensive income		1,423,311	
Payment of dividends for 2011			
Balance at December 31, 2012	6,680	3,011,446	3,018,126
Comprehensive income		955,365	
Payment of dividends for 2012			
Balance at December 31, 2013	6,680	3,966,811	3,973,491
Comprehensive income		864,163	
Payment of dividends for 2013			
Balance at December 31, 2014	6,680	4,830,974	4,837,654
Comprehensive income		1,960,025	
Payment of dividends for 2014		(250,000)	
Balance at December 31, 2015	6,680	6,540,999	6,547,679
Comprehensive income		1,960,025	
Payment of dividends for 2015		(750,000)	
Balance at December 31, 2016	6,680	8,490,857	8,497,537

_____ ✍ Grigoriy Mats

 Chairman of the Management Board
 Credit Union "Payment Center" (Ltd.)

_____ ✍ Olga Bondareva

 Chief Accountant
 Credit Union "Payment Center" (Ltd.)

seal

March 30, 2017.

Statement of Cash Flows for the year ended December 31, 2016

(in thousands of Russian Roubles)

	2016	2015
Cash flows from operating activities		
Interest received	1,600,637	1,580,142
Interest paid	(35,044)	(11,244)
Income less losses from transactions with financial instruments at fair value through profit or loss available for sale	(206)	(462)
Income less losses from foreign currency transactions	3,563,255	2,409,985
Fee and commission received	4,922,140	3,830,185
Fee and commission paid	(5,347,200)	(4,225,275)
Other operating income	462,322	331,144
Staff costs	(307,366)	(248,135)
Operating expenses paid	(1,581,582)	(1,360,178)
Income tax paid	(715,973)	(464,640)
Cash flows from operating activities before changes in operating assets and liabilities	2,560,983	1,841,522
Changes in operating assets and liabilities		
Net (increase) decrease in financials instruments at fair value through profit or loss	(54,683)	(416,991)
Net (increase) decrease in due from other banks	1,014,311	(4,762,931)
Net (increase) decrease in loans and accounts receivable	220,634	(309,050)
Net (increase) decrease in other assets	(26,096)	(27,462)
Net increase (decrease) in due to other banks	(440,886)	3,524,639
Net increase (decrease) in customer accounts	847,103	(2,898,563)
Net increase (decrease) in other liabilities	1,093,381	718,389
Effect of exchange rate changes on operating income	171,083	(627,606)
Net cash received from (used in) operating activities	2,824,847	(4,799,575)
Cash flows from investing activities		
Purchase of premises and equipment	6,687	38,951
Purchase of intangible assets	(28,149)	982
Proceeds from sale of premises and equipment		
Net cash received from (used in) investing activities	(21,462)	39,933
Dividends paid	(750,000)	(250,000)
Effect of CBR exchange rate changes on cash and cash equivalents	(235,783)	703,358
Net increase of in cash and cash equivalents	4,378,585	(2,464,762)
Cash and cash equivalents at the beginning of the period	22,886,490	25,351,252
Cash and cash equivalents at the end of the period	27,265,075	22,886,490

_____ ✍ Grigoriy Mats

Chairman of the Management Board
Credit Union "Payment Center" (Ltd.)

_____ ✍ Olga Bondareva

Chief Accountant
Credit Union "Payment Center" (Ltd.)

seal

March 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016
(in thousands of Russian Roubles)

1. Principal activities of the Credit Union “Payment Center”

These financial statements prepared in compliance with the International Accounting Standards include financial statements of the Credit Union “Payment Center” (Ltd.) (hereinafter referred to as the “Credit Union “Payment Center”). Credit Union “Payment Center” is a settlement nonbanking credit institution established in the form of a limited liability company.

Principal business activity of the Credit Union “Payment Center” is banking operations. Credit Union “Payment Center” is currently operating under a banking license No. 3166–K dated April 14, 2014 issued by the Central Bank of the Russian Federation. Under this license, Credit Union “Payment Center” is authorized to perform following transactions in rubles and foreign currency:

1. Open and maintain corporate bank accounts.
2. Transfer funds between bank accounts of legal entities, including correspondent banks, at their request.
3. Collect cash, bills, payment and settlement documents, provide cash services to individuals and legal entities.
4. Non-cash purchase and sale of foreign currency.
5. Transfer funds without opening bank accounts, including electronic money, except for postal orders.

A non-bank credit organization has the right to provide cash services to individuals only in respect of a transfer of funds without opening bank accounts, including electronic money, except for postal orders.

In 2016 Credit Union “Payment Center” carried out all transactions on a non-cash basis.

In accordance with regulations of the Central Bank of Russia, Credit Union “Payment Center” is not authorized to perform the following banking operations:

- Attract funds of individuals and legal entities to deposits;
- Open and maintain retail bank accounts;
- Transfer funds at the request of individuals between their bank accounts;
- Attract precious metals to deposits;
- Issue bank guarantees.

Credit Union “Payment Center” is recommended to invest temporarily surplus funds within the regulatory limits exclusively in:

- bonds of the Russian Federation;
- deposits in the Bank of Russia;
- bonds of the bank of Russia;
- loans and deposits in non-resident banks of the countries with investment rating not lower than BBB according to the classification of Standard & Poor's or not lower than an equivalent rating of such agencies as Fitch Rating and Moody's and ranked "0", "1" according to the classification of Export Credit Agencies, which are parties to the Agreement of Member Countries of the Organization for Economic Cooperation and Development (OECD) “On Main Principles of Issuing and Using Officially Supported Export Credits,” the high income countries that are members of the OECD and (or) the European Union and that adopted the common Euro currency, as well as credit organizations that are residents of the Russian Federation;
- government debt instruments of the countries ranked "0", "1," as well as the high income countries that are members of the OECD and (or) the European Union and that adopted the common Euro currency.

Besides the correspondent account with the Bank of Russia, Credit Union “Payment Center” is recommended to open correspondent accounts only with non-resident banks of the countries with investment rating not lower than “BBB” according to the classification of Standard & Poor's or not lower than an equivalent rating of such agencies as Fitch Rating and Moody's and in countries ranked "0", "1," or in the countries that are members of the OECD and (or) the European Union and that

adopted the common Euro currency, as well as credit organizations that are residents of the Russian Federation.

Restrictions imposed on the activity of Credit Union “Payment Center” allow to considerably lower financial risks of clients upon making settlements.

Credit Union “Payment Center” is currently an operator, a settlement center and a participant of Zolotaya Korona payment system, a settlement center of GOROD Federal System (collecting and processing utility payments), a settlement center of Transport Card payment system, and a member of a service collecting money transfers in favor of various service providers.

On December 20, 2012, Credit Union “Payment Center” was registered as an operator of Zolotaya Korona payment system. Since February 1, 2013 Credit Union “Payment Center” started to perform transactions as a settlement center of Zolotaya Korona payment system.

Today Zolotaya Korona payment system has a status of a socially important system, and Credit Union “Payment Center” is recognized as a credit institution that is significant in the payment service market.

Credit Union “Payment Center” is a principal member of MasterCard and Visa International Payment Systems, and a member of the Russian National SWIFT Association.

Credit Union “Payment Center” actively proposes sponsorship to the credit organizations concerning the entry into and further participation in VISA International and MasterCard Payment Systems as an associated (affiliated) member. The sponsorship includes a set of measures required to enter the payment systems or change the sponsor, settlement procedures with payment systems and claim settlement. As at December 31, 2016, Credit Union “Payment Center” is a sponsor of 93 Russian banks.

On May 31, 2016 Standard and Poor’s International Rating Agency has reevaluated “Stable” credit rating to “Positive” and confirmed BB- long-term, B- short-term international rating and ruAA-rating according to the national scale to Credit Union “Payment Center”.

Following the results of 2016 RAEX Russian Rating Agency (Expert RA) has assigned A+(I) “Stable” creditworthiness rating. High ROI (ROE for 2016 – 38,4%, ROA – 8,9% regarding earnings after tax excluding post balance sheet events), concentration of active transactions for major credit risk objects and strong competitive positions of the Credit Union “Payment Center” in RF and CIS money transfer market, have positively influenced the rating level.

Credit Union “Payment Center” does not have any subsidiaries or representative offices.

Credit Union “Payment Center” does not participate in the banking (consolidated) groups.

Credit Union “Payment Center” is registered and located at the address: 86 Kirova St., Novosibirsk, 630102. There is another office at the address: 11 Musy Jalilya St., Novosibirsk, 630055.

As at December 31, 2016 CFT-Service Close Joint-Stock Company is the sole member (owner) of Credit Union “Payment Center”.

2. Operating environment of Credit Union “Payment Center”

The economic situation in the Russian Federation demonstrates the features of a typical developing market. It is strongly dependent on oil-and-gas prices; the national currency is not convertible outside the country. The tax, foreign currency and customs legislations allow for the various interpretations and are frequently modified. Together with the other shortcomings of the legal and fiscal systems, this creates additional difficulties for the banks, including Credit Union “Payment Center”, that carry out their activities in the Russian Federation.

Political situation in the reporting year was still volatile. Economy of the Russian Federation was under negative influence of ongoing conflict in Ukraine, sanctions of the western countries targeting the Russian Federation and Russian retaliatory sanctions. This caused limited access to external funding for the Russian banks and companies. However, inflation rate growth following the results of 2016 reached 5.4%, which is way below level of prior years (12.91% in 2015, 11.6% in 2014, and 6.5% in 2013).

World political environment is controversial. Decrease of inflation growth rate in 2016 may continue in 2017, if relation between Russia and the USA will transfer from confrontation to more

even level of communication. This could ease sanctions against Russia. While flare-up can lead to a fresh strain.

High uncertainty and volatility of financial markets may significantly influence the transactions of Credit Union “Payment Center”. The consequences of international sanctions are hardly estimated. Future economic situation and legal developments may differ greatly from what our expectations.

The core activities of Credit Union “Payment Center” are interbank settlements in the payment systems and have a commission character. The settlement operations are executed as grossed up payments, which implies that at the moment of transaction for each individual settlement document, enough funds are to be available on a payer’s account. The banks and banking payment agents of Credit Union “Payment Center” are obliged to keep their account balance so that it was sufficient for nonstop operations on their accounts during a business day. This circumstance creates a comprehensive excess of funds placed by Credit Union “Payment Center” temporarily in deposits of the Bank of Russia and correspondent accounts with the other banks.

Settlement transactions with foreign currency brought the major profit to Credit Union “Payment Center” in the reporting year, interests on placed deposit took second place with respect to profitability.

In 2016, despite the difficulties, the turnover on accounts of banks being participants of settlements with the Credit Union grew by 9.3% and amounted to RUM 810.7 bln. The major customers of Credit Union “Payment Center” are the banks of Russia and the CIS countries. As at the end of the year 1687 correspondent account have been opened with the Credit Union “Payment Center”, including 640 accounts in rubles and 1047 in foreign currency.

In 2016 Credit Union “Payment Center” successfully performed bank prepaid card transactions of MasterCard and VISA International payment systems. The turnover of these prepaid card transactions in 2016 as compared with 2015 increased by 60% and amounted to RUB 117.8 bln (in 2015 – RUB 74 bln.).

Therefore, in 2017, Credit Union “Payment Center” expects that the most profit will result from foreign exchange transactions and interest on the deposits placed with the other banks just as it was in 2016.

3. Framework for the presentation of financial statements

Financial statements of Credit Union “Payment Center” have been prepared in accordance with IAS, including all previously adopted standards and interpretations of the Standing Interpretations Committee and International Financial Reporting Interpretations Committee. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the periods presented. Credit Union “Payment Center” maintains its accounting records in the currency of the Russian Federation and in accordance with the banking 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 aspects, with IAS. The major adjustments are as follows: restatement of equity of Credit Union “Payment Center”, reclassification of some assets in accordance with IAS, revaluation of PP&E to fair value and deferred income tax recognition.

These financial statements are presented in the national currency of the Russian federation (i.e. in thousands of Russian rubles) as at the end of the banking day on December 31, 2016.

The applied accounting policies are consistent with those used in the previous financial year except for the new and revised IAS that are mandatory in respect for annual periods beginning on January 1, 2016.

According to Credit Union “Payment Center”, the changes to IAS standards will not substantially influence the financial statements of Credit Union “Payment Center” at the time of their initial use.

4.Principles of accounting policy

Key measurement assumptions

When recognizing financial instruments, Credit Union “Payment Center” applies the following valuation methods: at fair value, at amortized cost or at cost.

Fair value is an amount at which an asset can be exchanged, or a liability settled, between knowledgeable, independent parties that would like to make this transaction.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange through the information and analysis systems or the other information sources and if those prices represent actual and regular market transactions carried out by independent participants of the market.

The fair value of financial instruments quoted in an active market is based on:

- stock exchange market quotations (market prices) (as a rule, for financial instruments traded through market operators);
- bid price for financial assets and ask price for financial liabilities, as well as the estimated fair value that is determined based on the data from the information systems, dealers and other sources.

When no quoted prices are readily available in the active market, the following data can be used to determine fair value:

- the last quotation (bid or ask price) obtained from independent external sources (if there was no significant change in economic conditions from the date when such quotation was obtained to the reporting period end);
- actual value of a standard transaction performed by Credit Union “Payment Center” (if there was no significant change in economic conditions from the transaction date to the reporting period end).

The definition of the fair value is based on the assumption that an entity is a going concern without any intention or need to liquidate, to curtail considerably the scale of its operations or to undertake a transaction under unfavorable conditions.

Amortized cost is an amount at which a financial asset or financial liability is measured at initial recognition less any repayments (principal repayments, interest repayments and other repayments due according to the agreement conditions, and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount and any impairment losses.

Cost is an 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.

Initial recognition of financial instruments

Credit Union “Payment Center” recognizes a financial asset or a financial liability in its statement of financial position when Credit Union “Payment Center” becomes a party to the contractual provisions of the respective instrument.

Upon initial recognition Credit Union “Payment Center” measures a financial asset or a financial liability at its fair value plus, in the case of a financial asset or a financial liability that are not measured at fair value through profit or loss, any transaction costs that are directly attributable to the acquisition of such financial asset or financial liability. No gain or loss is recognized upon initial recognition of a financial asset or a financial liability unless there is a difference between the transaction price and its fair value evidenced by comparison with other current transactions with the same instrument on the market or by the measurement technique that uses only data from the existent markets as the base data.

If the settlement conditions are standard, a purchase or a sale of financial assets is recognized in accounting on a settlement date, i.e. the date when a financial asset is delivered to or by Credit Union “Payment Center”.

Settlement date accounting implies:

- recognition of an asset on the day it is received by Credit Union “Payment Center”, and
- derecognition of an asset and recognition of any gain or loss on its disposal on the day it is delivered by Credit Union “Payment Center”.

When settlement date accounting is applied Credit Union “Payment Center” accounts for any change in the fair value of the asset to be received during the period between the trade date and the settlement date the same way as it accounts for a change in the acquired asset, which means:

- a change in a fair value is not recognized for assets carried at cost or amortized cost;
- it is recognized in profit or loss for assets classified as financial assets at fair value through profit or loss;
- it is recognized in the corporate equity for the assets classified as available for sale.

Derecognition of financial assets

Credit Union "Payment Center" derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- Credit Union "Payment Center" transfers the financial asset which complies with criteria of derecognition.

A financial asset is considered to be transferred by Credit Union "Payment Center" if either of the following conditions is fulfilled:

- Credit Union "Payment Center" transfers the contractual rights to receive the cash flows of the financial asset;
- Credit Union "Payment Center" retained the contractual rights to receive the cash flows of the financial asset, but assumed a contractual obligation to make payments to one or several recipients, as well as there are other certain conditions.

When transferring a financial asset Credit Union "Payment Center" estimates a degree of its risks and benefits related to holding this financial asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash equivalents that are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include short-term interbank deposits (on demand, for a period not exceeding three months, from the date of initial recognition to the date of derecognition) and overnight deposits.

When there are any restrictions on the use of any facilities, such facilities are not recognized as cash and cash equivalents.

Financial assets at fair value through profit or loss

Credit Union "Payment Center" classifies such assets into two categories: financial assets at fair value through profit or loss held for trading and other financial assets designated as at fair value through profit or loss upon initial recognition.

Financial assets at fair value through profit or loss are securities acquired by Credit Union "Payment Center" for the purpose of generating a short-term profit. Generating a short-term profit refers to the intention of Credit Union "Payment Center" to generate a profit from short-term fluctuations in price and the sale of a security, as well as to receive interest for the period when the securities are kept in portfolio of Credit Union "Payment Center".

The financial assets at fair value through profit or loss, whether by designation or otherwise, are measured at fair value based on quoted market prices.

Realized and unrealized gains and losses from transactions with financial assets at fair value through profit or loss are recognized as Net gain/loss from transactions with financial instruments at fair value through profit and loss in the Income in the income statement for the period when they were earned/incurred.

Interest income from financial assets at fair value through profit or loss is measured using the effective interest rate method and is recognized in the income statement as interest income from financial assets at fair value through profit or loss.

Due from other banks

Due from other banks includes balances of correspondent accounts with other credit organizations that must be maintained for at least three months, the deposits made by Credit Union

“Payment Center” for the purpose of earning interest or for any other purposes (e.g. as a security for settlements), as well as interest accrued on deposited funds.

When a deposit or loan is made for the purpose of earning interest and when the relevant interest rate is above/below the prevailing interest rate, the resulting difference between the fair value of such a loan or deposit and its par value is recognized in consolidated profit or loss as an Income (expense) generated by an asset invested at an interest rate that is above (below) the prevailing interest rate at the moment when such a loan is issued or such a deposit is made. The carrying value of such a loan or deposit is thereafter adjusted for any amortization of such income or expense. Interest income is recognized in the consolidated income statement using the effective interest rate method. When a deposit or loan is made for a different purpose, the interest rate is not compared to the prevailing interest rate.

Loans and receivables

Loans and receivables include balances of the accounts with other organizations as guarantee security deposits to make settlements in international payment systems.

Property and equipment

The assets are recorded at cost or at their revalued amounts less any subsequent accumulated depreciation and any subsequent impairment losses (where applicable).

At the end of each reporting period, Credit Union “Payment Center” assesses whether there is any indication that an asset may be impaired. If any of those indications is present, Credit Union “Payment Center” determines a recoverable value, which is the highest of an asset’s fair value less costs for sale and its value in use.

The gain or loss arising on the disposal or retirement of PP&E is determined as the difference between net proceeds and the carrying amount of the asset and is recognized in profit or loss.

Amortization of property and equipment is calculated on the straight-line basis during useful life of assets.

Investment property

Investment property is the real estate that is not going to be used by Credit Union “Payment Center” for banking activity and that is held for to make lease profit to increase the value of the capital invested or to achieve the both goals.

Investment property is recorded at purchase cost. If there are indications of investment property impairment, Credit Union “Payment Center” estimates a recoverable value of the investment property, which is the highest of the value obtained as a result of its use and a fair value less costs for sale.

Subsequent expenses are capitalized only if there is a probability for Credit Union “Payment Center” to obtain related future economic benefit and provided that their cost can be reliably measured. All other maintenance costs are recorded as expenses when they are undertaken. If Credit Union “Payment Center”, as an owner of investment property, occupies it, such property is moved to the Property and Equipment category.

The investment property objects are depreciated by the straight-line method during a useful life of the assets.

A rental income obtained is recorded in the profit or loss for the year as part of other operating income.

Depreciation

Other assets are depreciated by the straight-line method, i.e. a straight-line decrease in original cost to residual cost during a useful life of an asset, using the following annual depreciation standards:

Buildings	2-5%
Equipment in the building	20-33%
Office and computer equipment	20-49%

If Credit Union “Payment Center” plans to use an asset before the end of its physical life, its residual cost equals zero. Residual cost and a useful life of assets can be reevaluated, and be adjusted for the reporting date if required.

Land is not subject to depreciation.

Intangible assets

Intangible assets are recognized at a depreciation rate. Intangible assets with a limited term of a useful life are depreciated within a period of useful life that does not exceed 10 years and are analyzed concerning depreciation in the case there are signs of possible depreciation of an intangible asset. The periods and methods of depreciation of intangible assets with an unlimited useful life are analyzed at the end of each financial year.

Profit and losses that appear as a result of retirement of intangible assets are determined as a difference between net proceeds from retirement and a book value of an asset and are recognized in the profit and loss statement.

Operating leases

When Credit Union “Payment Center” acts as a lessee, operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Share capital

In accordance with the amendments to IAS 32, which are effective for annual periods beginning on or after January 1, 2009, Credit Union “Payment Center”, which is a limited liability company, classifies its members’ interests as equity elements.

Share capital is presented at initial cost; the equity payments made before January 1, 2003, are adjusted to reflect the purchasing power of the ruble as of December 31, 2002.

Dividends

The dividends declared after the reporting period are disclosed in the *Events After the Reporting Period* note. When dividends are declared to holders of equity instruments after the reporting period, such dividends are not recognized as a liability at the end of the reporting period. Dividends are recognized as profit distribution when approved by the shareholders at a general meeting.

Income taxes

Tax expenses are recognized in financial statements in accordance with the applicable Russian law. The income tax expense reported in the Income Statement comprises current tax and movements in deferred tax. Current tax expense is based on expected taxable profit for the year and the tax rates that have been enacted by the balance sheet date. Tax expenses, with the exclusion of income tax expense, are recognized as operating expenses.

Deferred income tax is recognized by the method of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit (loss).

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Income and expense

Interest income and expense are recognized in profit or loss on an accrual basis using the effective interest method, whatever the debt instrument. Interest income includes coupon income on fixed income securities and accrued discount. Fee and commission income and expense, as well as other income and expenses, are recognized on an accrual basis as the services are provided. Non-interest expenses are recognized when tangible assets are received or services are rendered.

Foreign currency revaluation

Foreign currency transactions are recorded according to the official exchange rate of foreign currency set by the Bank of Russia against the ruble at the date of transaction.

Foreign exchange difference arising as a result of foreign exchange transactions where the exchange rate differs from the exchange rate set by the bank of Russia, less foreign exchange expense, is recognized as income in the Income Statement.

Foreign currency denominated monetary assets and liabilities are revalued to the currency of the Russian Federation at the official exchange rate of foreign currency set by the Bank of Russia against the ruble at the reporting date.

As of December 31, 2016, the exchange rates set by the Bank of Russia that were used to translate foreign currency account balances, were as follows:

RUB 60.6569 = USD 1 (as at December 31, 2015: RUB 72.8827 = USD 1),
RUB 63.8111 = EUR 1 (as at December 31, 2015: RUB 79.6972 = EUR 1),
RUB 87.4012 = KGS 100 (as at December 31, 2015: RUB 94.8376 = KGS 100),
RUB 76.8295 = TJS 1 (as at December 31, 2015: RUB 10.9929 = TJS 1),
RUB 18.1637 = KZT 100 (as at December 31, 2015: RUB 21.5165 = KZT 100),
RUB 33.6665 = AZN 1 (as at December 31, 2015: RUB 46.7377 = AZN 1),
RUB 30.5269 = MDL 10 (as at December 31, 2015: RUB 37.0621 = MDL 10),
RUB 22.8248 = GEL 1 (as at December 31, 2015: RUB 30.4312 = GEL 1),
RUB 17.2023 = TRY 1 (as at December 31, 2015: RUB 25.0758 = TRY 1).

Inflation accounting

Until December 31, 2002, Russian economy was considered hyperinflationary. Therefore, Credit Union "Payment Center" applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. In accordance with IAS 29, nonmonetary items were restated into the measurement units as of December 31, 2002 by using the respective inflation rates for their initial cost. In the periods that followed, accounting was done based on the obtained restated cost non-monetary items were measured on the basis of the revised historical cost.

Salary and related payroll contribution

The contributions related to payroll, bonus and vacation bonus accounting, contributions to the Pension Fund, the Social Insurance Funds and the Medical Insurance Funds of the Russian Federation are paid as the respective work is carried out by the employees of Credit Union "Payment Center". The contributions related to temporary disability benefits, maternity leave benefits and nonmonetary benefits are made when a relevant event occurs.

The payments due to the employees of Credit Union "Payment Center" for unused leaves are recognized as *Other Liabilities* in the Statement of Financial Position and at the same time as vacations that fall on the reporting period in the Profit and Loss Statement and as vacations that fall on the periods preceding the reporting period in the retained earnings statement.

Credit Union "Payment Center" does not have own pension plan or any compensation programs for its employees other than those required by the Russian state pension system. Credit Union "Payment Center" does not provide any termination benefits or any other substantial benefits that require allocation to reserves.

Changes in the presentation of financial statements

Comparative data can be adjusted where appropriate to bring them to conformity with the results of the current year.

5. Cash and cash equivalents

	2016	2015
Account balances with the Bank of Russia	1,369,182	2,235,368
Deposit with RF Central Bank	20,061,000	17,656,000
Correspondent accounts held with banks in the Russian Federation	5,834,893	2,973,408
foreign banks	0	21,714
Total cash and cash equivalents	27,265,075	22,886,490

The funds include the amount of demand deposits with the Central Bank of Russia at a 9,8% rate of return.

6. Financial assets at fair value through profit or loss

	2016	2015
Federal loan bonds (OFZ)	992,592	926,479
Accrued coupon yield, discount	42,677	26,005
Total trading securities	1,035,269	952,484

Trading portfolio of Credit Union "Payment Center" includes federal-loan bonds (OFZ) traded on the organized market. Federal loan bonds are government securities issued by the Ministry of Finance of the Russian Federation with a par value in Russian rubles. As at December 31, 2016, portfolio of Credit Union "Payment Center" comprises several issues of federal loan bonds (OFZ) where the maturity dates fall within the period beginning on June 14, 2017 and ending on March 15, 2018, the coupon yield ranges from 7.40% to 7.50% and the average bond yield for the period of share placing ranges from 9.95% to 10.61% in respect of the issue.

As at December 31, 2016, the largest part of the federal loan bond securities portfolio with a par value of RUB 1.014.270 ths. was provided as a collateral to secure bank guarantees issued to Credit Union "Payment Center" to ensure transactions with MasterCard international payment system, and mobile operators.

The trade securities are measured at fair value based on quoted market prices.

7. Due from other banks

	2016	2015
Deposits in resident banks	850,399	860,026
Deposits in nonresident banks		
CIS countries	0	0
Large OECD banks	3,981,234	4,985,918
Interest payable to Credit Union "Payment Center" on its correspondent accounts with other credit organizations	12,328	9,496
Total due from other banks	4,843,961	5,855,440

As at December 31, 2016 Credit Union "Payment Center" has placed the funds in the resident banks (UniCredit Bank CJSC, Alfa Bank). Balances on correspondent accounts with THE BANK OF NEW YORK are additionally included into "due from other banks" item because of restriction risk in the amount of RUB 323.165 ths security deposit with a payment system operator which is not socially important, and RUB 3,000 ths placed into a guarantee fund of the exchange market.

8. Loans and receivables

	2016	2015
Funds provided by VISA and MasterCard international payment systems	1,114,069	1,334,703
Total in other banks	1,114,069	1,334,703

Loans and receivables include balance on the accounts held with other organizations as collateral guarantee deposits to carry out settlements using MasterCard, VISA International and China UnionPay international payment systems.

9. Investment property

	2016	2015
Balance sheet value as at January 1	29,264	47,408
Receipt	-	43
Depreciation	(1,946)	(17,639)
Amortization	(1,038)	(548)
Coast as at December 31	29,213	31,159
Accumulated amortization	(2,933)	(1,895)
Balance sheet value as at December 31	26,280	29,264

The investment property is a part of the Credit Union “Payment Center” premises that is planned to be used for expanding the bank activity in the future. At the present time, the investment property is temporarily used to obtain a rental income. In 2016 building price was depreciated according to the report on cost estimation.

10. Property and equipment and intangible assets (amortizable property)

	Building	Building equipment	Office and computer equipment	Intangibles assets
Balance sheet value as of January 1, 2014	58,966	3,811	3,786	8,061
Receipts	52	224	308	193
Write-offs				(1,175)
Markdown	(21,939)			
Amortization expenses	(682)	(780)	(1,587)	(510)
Balance sheet value as of December 31, 2015	36,397	3,255	2,507	6,569
Cost as of December 31, 2015	38,755	4,626	8,036	8,208
Accumulated amortization	(2,358)	(1,371)	(5,529)	(1,639)
Balance sheet value as of December 31, 2015	36,397	3,255	2,507	6,569
Receipts		326		28,149
Write-offs			(2,646)	
Markdown	(2,420)			
Amortization expenses	(1,063)	(848)	403	(6,641)

Balance sheet value as of December 31, 2016	32,914	2,733	264	28,077
Cost as of December 31, 2016	36,335	4,952	5,390	36,357
Accumulated amortization	(3,421)	(2,219)	(5,126)	(8,280)
Balance sheet value as of December 31, 2016	32,914	2,733	264	28,077

As at December 31, 2016 the intangible assets of Credit Union “Payment Center” included the Training Course for Employees of Bank Paying Agents of the Credit Union “Payment Center”, the website “Golden Bonus-Money Transfer”, trademarks mycard, mycard.ru, “Send-Receive!”, video commercial “Kukuruza. Kukuruza Agents” Card, software licenses.

11. Current claims for tax on income

	2016	2015
Current claims for tax on income	83,371	37,992
Total claims for tax on income	83,371	37,992

12. Other assets

	2016	2015
Settlements on stock trading	400,000	400,000
Provisions	41,726	52,891
Accounts receivable	129,675	86,776
Other claims for taxes	409	300
Other assets	100	8
Provisions for impairment of other assets		(68)
Total other assets	571,910	539,907

The provisions are advertisement and information materials, plastic cards of MasterCard and VISA International payment systems to be issued to individuals.

13. Due to other banks

	2016	2015
Balances on correspondent accounts with Russian resident banks	12,784,574	13,209,355
Obligations to accrue interest	181	
Balances on correspondent accounts with non-resident banks	1,807,758	1,952,970
Other attracted funds of RF and foreign banks (security payments)	129,107	
Total due to other banks	14,721,620	15,162,325

The bank funds on accounts of settlement participants with Credit Union “Payment Center” are funds that are required for

- money transfer settlements via Zolotaya Korona payment system and the Golden Crown international money transfers;
- bank card transactions via Zolotaya Korona payment system;
- transactions on remittances from individuals to service providers, and
- Settlements with MasterCard and VISA international payment systems in respect of transactions of affiliate (associate) banks.

14. Due to customers

	2016	2015
Settlement accounts of legal entities	4,411,394	3,753,497

Funds intended for transactions via prepaid cards	1,667,393	1,478,187
Total due to customers	6,078,787	5,231,684

Presented below is the industry breakdown for legal entity customers' funds:

	2016	2015
Retail trade, except for vehicle trade	1,266,599	982,296
Wholesale trade, except for vehicle trade	901,915	593,381
Financial services, except for insurance and pension support services	756,369	224,020
IT services	498,827	125,287
Software development, consultancy and related activities	363,345	625,734
Headquarters business, management consultancy	313,978	943,770
Telecommunications	284,268	199,665
Lease financing	9,161	10,527
Real estate operations	7,100	189
Specific construction activity	4,759	664
Administration and maintenance activity, other supporting activity of a company	2,203	2,185
Vehicle trade and maintenance	926	801
Law and accounting services	912	4,102
Electricity, gas, and water	868	1,066
Tourism	54	37,716
Marketing services and market investigation	47	189
Support activities in the sphere of finance and insurance	44	1,378
Insurance, reinsurance, personal pension schemes, except for mandatory social insurance	12	-
Other services	7	522
Supplementary and additional transport activity	-	5
Total funds of legal entity customers	4,411,394	3,753,497

15. Other liabilities

	2016	2015
Amounts in Zolotaya Korona payment system (remittances ready for disbursement)	4,247,098	3,558,990
Outstanding settlements	888,954	595,152
Accounts payable	541,096	597,359
Conventional deferred income	0	0
Other liabilities	36,191	5,117
Total other liabilities	5,713,339	4,756,618

Item "Accounts payable" shows the amount of payable for transactions with the Credit Union "Payment Center" to the banking payment agents, service suppliers, contractors and other creditors.

16. Share capital

	2016	2015
Share capital	6,680	6,680

Before the equity payments were adjusted to reflect the purchasing power of the ruble as of December 31, 2002, the share capital of Credit Union "Payment Center" was RUB 1,000 ths.

17. Interest income and expense

	2016	2015
Interest income		
Return on balance of accounts	1,524,549	1,531,567
Return on OFZ (coupon and discount yield)	95,192	65,589
Total interest income	1,619,741	1,597,156
Interest expense		
Due to other banks	(34,685)	(8,846)
Due to other companies	(402)	
Total interest expense	(35,087)	(8,846)
Net interest income	1,584,654	1,588,310

18. Gains less losses from transactions with financial assets at fair value through profit or loss

	2016	2015
Net revaluation of securities at fair value	11,830	56,743
Net realized gains from conversion and redemption of securities	(206)	(462)
Total gains less losses from security transactions	11,624	56,281

19. Fee and commission income and expense

	2016	2015
Fee and commission income		
Zolotaya Korona - Cash Remittances Fees	3,521,487	2,280,031
Fees and commissions payable to service providers	489,726	843,644
Fees and commissions for issued prepaid cards	915,751	719,257
Fees and commissions for settlement transactions	10,537	6,550
Other	0	633
Total fee and commission income	4,937,501	3,850,115
Fee and commission expenses		
Zolotaya Korona - Cash Remittances Fees	(4,180,182)	(3,170,791)
Fees and commissions payable to service providers	(387,428)	(570,854)
Fees and commissions for issued prepaid cards	(352,393)	(293,884)
Expenses for FAKTURA.RU services	(178,563)	(185,719)
Other	(69,112)	(41,432)
Total fee and commission expenses	(5,167,678)	(4,262,680)
Net fee and commission income	(230,177)	(412,565)

20. Other operating income

	2016	2015
Other income for participating in international payment systems	72,148	52,171
Income for uncalled cash remittances and electronic money	291,559	238,721
Other income for participating in Zolotaya Korona payment system	52,568	22,292
Other	46,047	17,960
Total other operating income	462,322	331,144

21. Administrative and other operating expenses

	2016	2015
Expenses for advertising and marketing services	(851,263)	(724,568)
Payment for information and technical services in payment systems	(441,091)	(259,083)
Payment for the production of plastic cards	(39,810)	(51,387)
Expenses for licenses and bank software package support	(49,139)	(56,905)
Expenses related to economic operations in prior years found in the reporting year	(29,043)	(41,960)
Expenses for renting and maintaining the rental property	(25,293)	(38,004)
Payment for the use of rights to trademarks	(12,726)	(12,742)
Expenses for premises and equipment depreciation	(4,139)	(37,171)
Expenses for Call-center services	(82,591)	(91,620)
Other	(70,558)	(42,075)
Total operating expenses	(1,605,653)	(1,355,515)

22. Staff costs

	2016	2015
Salary	(286,218)	(196,212)
Contributions to social funds	(51,999)	(42,816)
Short-term extended benefits		(328)
Total staff costs	(338,217)	(239,356)

23. Income tax

Income tax expenses are comprised of the following components:

	2016	2015
Current income tax expense	(677,128)	(506 151)
Changes in deferred taxation related to appearance and write-off of temporary differences	(5,938)	(1 005)
Income tax expense for the year	(683,066)	(507 156)

In 2016, the current income tax rate applicable to operating activities of the Credit Union "Payment Center" was 20% (in 2015, it was 20%), which remained unchanged throughout the reporting period.

Presented below is the comparison of the theoretical tax expense and the actual tax expense:

	2016	2015
Total pretax income according to IAS, including income from securities	3,382,924 75,358	2,467,181 53,731
Theoretical tax deduction (refund) at a relevant rate (20% in 2014 and in 2013)	(676,585)	(493,437)
Adjustment of income tax on government securities taxable at a different rate (15%)	3,768	2,687
Adjustment of tax on nontaxable losses on conversion of securities	0	0
Adjustment of tax on other non-taxable income less expenses	(6,662)	(7,425)
Changes in the amount of net deferred tax asset	(3,587)	(8,981)

Income tax expense for the previous year	0	0
Income tax expense for the year	(683,066)	(507,156)

The differences between IAS and the Russian tax legislation result in temporary differences between the book value of several assets and liabilities for the purposes of making financial statements and computing an income tax. The tax consequences of the movement of the temporary differences are recognized at a 20% tax rate (20% in 2015).

The coupon yields on government securities are taxable at a 15% rate (15% in 2015).

Presented below are the tax effects of the temporary differences in 2016:

	2015	Change	2016
Tax effect of deductible temporary differences			
Revaluation of other assets measured at fair value through profit or loss	(1,834)	(5,800)	(7,634)
Written-off assets	3,452	(1,267)	2,185
Assessed compensation for unused leave	573	(573)	
Accounts receivable	0	1,338	1,338
Property and equipment	(2,321)	823	(1,498)
Unrecognized expenses from transactions after the reporting date during the income tax calculation	13,428	(459)	12,969
Recognized tax asset	13,298	(5,938)	7,360
Recognized tax liability	0	0	0

Presented below are the tax effects of the temporary differences in 2015:

	2014	Change	2015
Tax effect of deductible temporary differences			
Revaluation of other assets measured at fair value through profit or loss	11,886	(13,720)	(1,834)
Written-off assets	3,840	(388)	3,452
Expenses for sale of securities	3,348	(3,348)	0
Provision for impairment	2,922	(2,922)	0
Assessed compensation for unused leave	2,329	(1,756)	573
Net deferred tax asset	24,325	(22,134)	2,191
Effect of taxable temporary differences			
Accounts receivable	(4,660)	4,660	0
Property and equipment	(2,562)	241	(2,321)
Unrecognized expenses from transactions after the reporting date during the income tax calculation	(2,795)	16,223	13,428
VAT paid	(5)	5	0
Net deferred tax liability	(10,022)	21,129	11,107
Recognized tax asset	14,303	(1,005)	13,298
Recognized tax liability	0	0	0

24. Dividends

	2016	2015
Dividends declared during the reporting year	750,000	250,000

In accordance with the legislation of the Russian Federation, the accumulated retained profit of the Credit Union "Payment Center" may only be distributed as dividends among its participants.

As at December 31, 2016 retained profit of the Credit Union "Payment Center" amounted to RUB 2,500,764 ths (RUS 4,357,652 for the previous years).

During 2016 dividends in the total amount of RUB 750 mln were paid to the only participant of the Credit Union "Payment Center". A decision on the distribution of the profit gained in 2016 had not been made when this report was signed.

25. Risk management

Risk and capital management in the Credit Union is organized to ensure its stable and reliable operation upon implementation of its growth projects.

Key internal document on risk and capital management in the Credit Union in the reporting year was "Procedure for risk and capital management" defining the system of risk and capital management, frequency and forms of control of their indicators. Besides, in the reporting year Credit Union "Payment Center" has approved a "Strategy for Risk and Capital Management" (hereinafter referred to as the "Strategy"), which was elaborated in compliance with the Instruction of the Bank of Russia No. 3624-U "On requirements to management of risks and capital of the credit institution and a banking group" dated April 15, 2015 (hereinafter referred to as the "CBR Instruction No. 3624-U"). Risk and capital management system defined in the Strategy is developed in order to:

- Detect, estimate and aggregate significant risks and control their volume;
- Assess adequacy of capital available at the Credit Union to cover significant risks and new risks to be accepted due to implementation of projects according to Credit Union's development strategy;
- Plan the capital proceeding from results of overall assessment of significant risks benchmarks of business introduced by the Credit Union's development strategy, requirements set by the Bank of Russia to capital adequacy.

Procedures defined in the Strategy are planned to be completely implemented in 2017, but in the reporting year, the Board of the Credit Union has already defined risks significant for the Credit Union, approved internal limits regarding separate types of risks that were mandatory to comply with in the reporting year.

Approaches to risk and capital management are defined based on the status of the Credit Union and the limitations (license and regulatory) set to operations of the Credit Union, as well as key transactions performed by the Credit Union.

The functions in the area of risk management are distributed among the management bodies and subdivisions of Credit Union "Payment Center" as follows:

- management bodies of Credit Union "Payment Center" (General shareholders' meeting, Board of Credit Union "Payment Center", Management Board, and Chairman of the Board) determine the level of risks in carrying out operations and approve certain types (volumes) of operations relating to risk acceptance;
- subdivisions of Credit Union "Payment Center" manage risks of conducted operations within the established limits;
- Internal Audit Service creates and manages effective functioning of regulatory risk management system, including minimization of regulatory risk, timely detection and assessment;
- Internal Audit Service controls the use and efficiency of methodology of estimating bank risks and procedures of bank risk management.

In the reporting year Credit Union has developed methods for determining risks significant for it on the basis of set of indicators describing level of risks by transactions performed by the Credit

Union: complexity of operations (transactions); volumes of performed operations (transactions) by various areas of activities; launch of new operations (implementation of new products).

As a result of identification process, a list of risks significant for the Credit Union was developed.

In the reporting year significant risks include financial bank risks – credit risk, market risk, liquidity risk as well as nonfinancial bank risks – operational risk, regulatory risk, legal risk and reputational risk.

Credit risk

This is a probability that a contractor (borrower) will fail to fulfill contractual obligations.

Key types of operations (transactions) performed by the Credit Union that require credit risk assessment:

- Placement of guarantee deposits in order to secure settlements, including guarantee deposits in the foreign currency with the international payment systems in accordance with their rules;
- Placements into credit side of account (deposits, securities) to receive interest income;
- Credit Union performing functions of a settlement center for the systems and services, including Golden Crown payment system, “Gorod” Federal System of utility payments;
- Credit Union performing settlements as a sponsor in compliance with the rules of the international payment systems MasterCard, VISA International and Mir payment system;
- Outstanding accounts receivable, business deals.

Key methods for credit risk minimization:

- Compliance with limits and restrictions set by the Bank of Russia;
- Compliance with internal limits upon settlement and currency exchange transactions fixed by the Credit Union in accordance with corporate strategy, scale and type of performed transactions;
- Authorization: procedure used to check if a payer (payer’s bank) has enough funds to perform a transaction;
- Establishing a minimum required balance: balance on the account of a client bank with the Credit Union placed as a security for settlement of obligations of a bank with the payment systems and the Credit Union, which shall not be considered upon setting an authorization limit for the client bank;
- Security payment: amount of funds provided by the client bank to the Credit Union under sponsorship agreement to ensure settlement of obligations of a bank with the payment systems and the Credit Union;
- Placement of funds into asset groups with 0% and 20% risk ratio respectively (correspondent account and deposits with the Bank of Russia, correspondent account with credit organizations and foreign banks recommended for settlement nonbanking credit institutions by the Bank of Russia).

Market risk

Market risk – is a risk of losses caused by an unfavorable change in current (fair) cost of financial instruments and foreign exchange rates and (or) official prices for precious metals.

For Credit Union “Payment Center”, this risk appeared due to the trading portfolio of government securities and in connection with settlements in foreign currency. Key factors that influence the cost of market risk of the Credit Union in relation with investment portfolio:

- Risk group including securities issuer due to assessment of issuer country and currency in which securities are denominated and funded;
- Volume and term of securities portfolio;
- Changes in market prices of securities.

Main factor influencing the cost of market (currency) risk of the Credit Union is the open foreign-currency position that appears due to currency-exchange transactions.

Interest risk

Interest risk is a risk of losses due to unfavorable fluctuations in market interest rates on assets, obligations and off-balance sheet liabilities not relating to securities portfolio and sensitive to fluctuations in interest rates influencing the capital stock income level and value of assets of the Credit Union “Payment Center”.

Type of business of the Credit Union and requirements of the regulator to placement of funds determine main factors influencing the level of interest risk:

- Changes in market rates for placement of funds in rubles and foreign currency into deposits of commercial banks including foreign banks;
- Changes in rates for placement of funds into deposits of the Bank of Russia;
- Changes in rates of remuneration for balances in correspondent accounts.

Interest risk is evaluated considering sensitivity of interest income to fluctuations of market rates.

The table below shows the analysis of average effective interest rates with a breakdown by the types of the main currencies for the main monetary financial instruments. The analysis is based on the weighted average effective interest rates as of the end of the year.

	2016			2015		
	EUR	USD	RUB	EUR	USD	RUB
Cash and cash equivalents	-	-	9,78	0,01	0,025	10,00
Financial assets measured at fair value through profit or loss	-	-	10,31	-	-	9,71
Due from other banks	-	0,24	-	-	0,21	1,16
Loans and receivables	-	0,29	-	-	0,35	-

To determine level of sensitivity of income to market rates fluctuations, average active rate is amended as follows: 1% for placements in roubles and 0.05% for placements in foreign currency, provided that all other variables remain unchanged.

Analysis of sensitivity of financial result and own funds (capital) to the changes of interest rates is performed for placements of funds into short-term deposits of the Bank of Russia and correspondent accounts with credit institutions on the basis of reduced scenario of 1% symmetrical rise (fall) in the yield curve for placements in roubles and 0.05% for placements in foreign currency, provided that all other variables remain unchanged. Analysis result can be seen in the table below, in RUB ths:

	Influence on the financial result and capital as at January 1, 2017	Influence on the financial result and capital as at January 1, 2016
Rise of interest rates	155,399	132,677
Fall of interest rates	-155,399	-132,677

Influence on the own funds (capital) of the Credit Union upon fluctuations of interest rates comprises 2.08% of the capital of the Credit Union as at January 1, 2017 (2.32% of the capital of the Credit Union as at January 1, 2016).

In compliance with CBR Instruction No. 129-I “On banking and other transactions of settlement non-banking credit institutions, mandatory ratios and control of the Bank of Russia for their implementation” dated April 26, 2006, Credit Union “Payment Center” performs placement of funds on its own behalf and at its own expense within the limits set by mandatory ratios and only into:

- Debt securities of the Russian Federation;

- Obligations of the Bank of Russia;
- Government debt instruments of countries with “0”, “1” assessment and countries with high rate of income, members of OECD and (or) European Union, and adopted the euro as their currency.

The only type of securities in Credit Union’s portfolio are federal loan bonds issued by RF Ministry of Finance. Credit Union places funds into securities with the yield, coupon payout period and term to maturity are determined in advance and are not subject to revision. All securities are quoted, fully negotiable in the organized market and may be sold freely.

Securities portfolio structure as at December 31, 2016:

Name	Number, items	Balance (fair) value, RUB ths.	Transferred as a security under pledge agreement, items
SU26204RMFS8	454,120	460,918	440,000
SU26206RMFS1	574,270	574,351	574,270
Total	1,028,390	1,035,269	1,014,270

Securities portfolio structure as at December 31, 2015:

Name	Number, items	Balance (fair) value, RUB ths.	Transferred as a security under pledge agreement, items
SU25077RMFS	7,270	7,503	7,270
SU26203RMFS	139,450	141,388	139,000
SU26204RMFS	332,920	326,235	332,920
SU26206RMFS	492,670	477,358	492,670
Total	972,310	952,484	971,860

Currency risk

Currency risk is a risk of losses caused by foreign-exchange fluctuations if there is an open foreign-currency position.

Identification of currency risk requires analysis of all transactions carried out by Credit Union “Payment Center” for the purpose of establishing occurrence of currency risk factors or a possibility that they can occur.

Currency risk is caused by an open foreign-currency position. It occurs as a result of currency exchange transactions.

- When an individual client performs a transaction without opening an account and converts roubles into foreign currency at the internal currency exchange rate of the Credit Union (there is an increase in foreign exchange liabilities without growth of foreign exchange assets);
- Upon sell/buy of foreign currency for roubles to the clients of the Credit Union (legal entities, including credit institutions and foreign banks).

Methods used to minimize currency risk

Main methods applied in the Credit Union to manage currency risk:

- Weekly observe the limitations regarding the amount of open foreign-currency positions established by the Bank of Russia and internal limits set by the Board of the Credit Union;
- Sign counter compensating (they are opposite to the existing value of the open foreign-currency position) cash contracts upon exchange deals;
- Additionally limit value of open foreign-currency positions to reduce the possibility of losses due to unexpected changes in exchange rate level: Credit Union aims to keep open foreign-currency position for each separate foreign currency not exceeding 5% of the capital (internal limit for open foreign-currency position is 9.5% of the capital);
- Increase capital which will allow to increase the value of admissible open foreign-currency position and lower the risk of violating the limits established by the Bank of

Russia. Sources of additional capital are defined in the Credit Union's internal document regulating capital attraction.

Assets and liabilities of Credit Union "Payment Center" are shown in the Table according to their balance-sheet value with a breakdown by the main currencies.

	As at December 31, 2016			As at December 31, 2015		
	Monetary financial assets	Monetary financial liabilities	Net balance position	Monetary financial assets	Monetary financial liabilities	Net balance position
RUB	25,814,406	17,838,162	7,976,244	21,767,139	16,448,204	5,318,935
USD	7,819,039	7,347,578	471,461	8,229,925	7,102,129	1,127,796
EUR	1,213,015	1,186,477	26,538	1,528,224	1,509,931	18,293
Other currency	164,823	141,529	23,294	173,018	90,363	82,655
Total	35,011,283	26,513,746	8,497,537	31,698,306	25,150,627	6,547,679

Table below presents the change in the financial result and own funds resulting from possible changes in the exchange rates of main currencies used on the accounting date, with all other variable characteristics remaining constant:

	As at December 31, 2016 года		As at December 31, 2015	
	Impact on profit or loss	Impact on own funds	Impact on profit or loss	Impact on own funds
5% USD strengthening	70,066	70,066	56,390	56,390
5% USD weakening	(70,066)	(70,066)	(56,390)	(56,390)
5% EUR strengthening	1,537	1,537	915	915
5% EUR weakening	(1,537)	(1,537)	(915)	(915)

Liquidity risk

This is a risk manifesting itself in that a credit organization is unable to finance own activity, i.e. to increase assets and to perform liabilities when they occur, without losses that can have sizes inappropriate for financial stability.

Main sources of liquidity risk in the Credit Union:

- Insolvency of a counterparty with which funds of the Credit Union are placed;
- Massive outflow of clients' funds from accounts opened with the Credit Union.

The Board selects counterparties, financial instruments for placement of funds in accordance with the strategy of the Credit Union and sets limits for placement of funds.

Credit Union continually monitors liquidity risk management, as well as compliance with the set limits.

Chairman of the Management Board of the Credit Union controls balances on the correspondent accounts. Department performing follow-up control of bank transactions and statements monitors liquidity ratio and its compliance with threshold limit values under checkup of daily compliance of Credit Union's mandatory ratios. Risk management department performs quarter analysis of data for long-term liquidity management. Internal audit service not less that once a year monitors compliance with established procedures and estimation of quality of decisions made for liquidity management and performs self-assessment of liquidity risk management.

Operational risk

Main sources of operational risk in the Credit Union:

- Errors made upon entrance and processing of data upon performance of banking transactions and other operations due to mistaken actions of the staff of the Credit Union and/or failures/errors upon software adjustment;
- Theft, abuse of authority; withholding of unlawful acts;

- Inadequacy of internal processes structure;
- Equipment and systems breakdown caused by force majeure.

Regulatory risk

Risk of direct or indirect losses caused by violation of RF legislation, internal regulations, standards of self-regulatory organizations or other standards determined by the Credit Union "Payment Center" as mandatory in its internal documents and contracts, and by application of sanctions and (or) other actions taken by regulatory agencies.

Main sources of regulatory risk in the Credit Union:

- Noncompliance of internal regulatory documents of the Credit Union with the legislation of the Russian Federation and regulatory acts of supervision bodies;
- Inefficient organization of the internal control system, lacks of control environments that cause implementation of regulatory risk events due to actions of staff or Credit Union's management bodies;
- Conflict of interests;
- Failure of employees and staff of the Credit Union to comply with the legislation of the Russian Federation and regulatory acts of supervision bodies, including client identification and customer research, Rules of internal control aimed at counteraction of laundering of illegal proceeds and financing of terrorism, constituent and internal documents of the Credit Union "Payment Center".

Main methods of regulatory risk reduction include remedial measures, amendments to internal regulatory documents, staff training and eliminating the sources of regulatory risk.

In order to reduce the possibility of regulatory risk events and limit the extent of possible losses, the commission for investigation of significant events of regulatory risk develops specific measures aimed at regulatory risk reduction. Remedial measures are developed for the most significant event of regulatory risk following the results of identification, measurement and monitoring of regulatory risk.

During the reporting period, risk management procedures and methods of risk assessment have not been materially altered.

Legal risk

Legal risk is a risk of losses due to breach by the Credit Union and (or) its counterparties of signed contracts, errors of law upon operation, inadequacy of legal system, breaches of regulatory acts, or counteragents of the Credit Union being under jurisdiction of different states.

Credit Union "Payment Center" has the following sources for occurrence of a legal risk:

- Noncompliance of the Credit Union's internal documents with the legislation of the Russian Federation and inability of the Credit Union to timely bring its business and internal documents into conformity with amendments in legislation;
- Ineffective organization of legal process causing legal errors made during the activities of employees or management bodies of the Credit Union;
- Breach of contracts of the Credit Union;
- Weak framework of legal issues upon development and implementation of new solutions and terms of banking operations and other transactions, financial innovations and technologies;
- Imperfection of the legal system.

Identification and assessment of legal risk level is performed on a regular basis by employees of the Legal department, including cases when it is necessary to agree signed contracts, give legal assessment of terms for banking and other transactions, financial innovations and solutions. Identification of legal risk is performed by the staff of units directly involved into the transactions and operations process.

Credit Union "Payment Center" determined the following order (procedure) to minimize a legal risk:

- standardization of operations (transactions) and making contracts;

- coordination by the legal department of contracts concluded by Credit Union “Payment Center” and operations (transactions) carried out that are different from standards ones;
- analysis and estimation of an influence exerted on activity of Credit Union “Payment Center” by the factors of a legal risk both in total and with a breakdown into their classification;
- assessment by the legal department of a level of a legal risk assumed in connection with the implementation of new products and the beginning of carrying out new types of operations;
- Monitoring of changes in the legislation of the Russian Federation.

Reputation risk

This risk occurs because of the negative image of Credit Union “Payment Center” for its customers, contractors, shareholders, investors, lenders, market analysts, and regulatory authorities, which may negatively affect the ability of Credit Union “Payment Center” to maintain current business relationships, to establish new ones, and to keep financial resources at a required level on a continuous basis.

Main sources of reputation risk:

- Credit Union “Payment Center” fails to comply with the legislation of the Russian Federation, statutory and internal documents, business practice and professional ethics principles;
- Credit Union fails to comply with contractual obligations with creditors and other clients and counterparties;
- Credit Union, its affiliated parties and owners cannot effectively counteract legalization (laundering) of illegal proceeds and financing of terrorism and other illegal business performed by unfair clients and counterparties and (or) employees of the credit institution;
- High level of operation risk, drawbacks of internal control system organization, including those related to counteracting legalization (laundering) of illegal proceeds and financing of terrorism;
- Negative information is announced in mass media about the Credit Union or its employees, participants, members of management bodies, affiliated parties and owners.

Identification and assessment of reputational risk implies analysis of all types of business performed by the Credit Union with respect to existence or possibility of occurrence if reputational risk and is performed on a regular basis on the basis of official and unofficial information entering from various sources including mass media and Internet.

In order to minimize reputational risk Credit Union “Payment Center” applies the following methods:

- Constant control for compliance with the legislation of the Russian Federation, including bank secrecy act and organization of internal control aimed at AML/CTF;
- Implementation of identification program and customer research, identification of beneficiaries, compliance with KYC principle;
- Ensuring timely settlements requested by clients and counterparties and settlements of other transactions;
- Control of fairness of financial statements and other information disclosed to participants, clients and counterparties, regulatory authorities and other interested parties;
- Monitoring of business reputation of participants and persons affiliated with the Credit Union “Payment Center”.

26. Capital management

Management of capital of Credit Union “Payment Center” pursues the following objectives:

- meeting the requirements to the capital, established by the Bank of Russia;

- enabling Credit Union “Payment Center” to operate as a constantly operating enterprise.

As of December 31, 2016, the amount of capital managed by Credit Union “Payment Center” comprised RUB 6,547,679 ths (2015: RUB 6,547,679 ths). Credit Union “Payment Center” controls on a daily basis if its capital adequacy ratio complies with that one established by the Bank of Russia.

In accordance with the applicable requirements to capital set by the Bank of Russia, Credit Union “Payment Center” shall maintain a ratio of capital and assets weighted with respect to risk (a "capital adequacy ratio") at a level of at least 12%.

Presented below are a regulatory capital and its major components (indices) based on the annual statements of Credit Union “Payment Center” prepared in accordance with the Russian legislation:

	2016	2015
Fixed capital, including base capital	4,965,460	4,428,865
Additional capital	2,491,466	1,292,786
Total regulatory capital	7,456,926	5,721,651

Credit Union “Payment Center” observed all requirements set by the Bank of Russia for the ratio of capital adequacy during the reporting year.

27. Contingent liabilities

Court proceedings

Based on its own assessment and the recommendations of internal and external professional consultants, Credit Union “Payment Center” considers that legal claims for considerable amounts against its activity are highly unlikely. Credit Union “Payment Center” does not form a provision for losses for court proceedings.

Tax legislation

The tax legislation of the Russian Federation allows for the possibility of different interpretations and is subject to frequent changes. Interpretation of the legislation by management of Credit Union “Payment Center” as applied to its transactions and activities can be litigated by competent regional or federal authorities. Russian tax authorities may take a more rigid position when interpreting the legislation and determining the amount of tax. The transactions and activities that have not been contested before may be contested. As a result of tax inspections, additional taxes, fines and penalties can be charged. The tax periods remain open for inspection by competent tax bodies with respect to the tax payments for three calendar years preceding the year in which a decision on inspection was made. In certain cases, inspections may cover a longer period. The tax authorities may assess transactions made by Credit Union “Payment Center” based on own interpretation of their legal form and according to the procedure for their presentation in accounting and tax records.

In the opinion of Credit Union “Payment Center”, restructuring of taxable income and expenses decreasing a tax base will not result in occurrence of significant additional tax liabilities. The provision for possible losses with respect to a potential tax liability is not formed.

The correctness of tax calculations is the matter of analysis and detailed inspections by fiscal bodies that are authorized to impose significant fines and penalties. This circumstance creates tax risks for tax payers in the Russian Federation.

As at December 31, 2016, the management considers that Credit Union “Payment Center” follows moderate and appropriate policy in the tax legislation, which enables it to minimize tax risks.

28. Fair value of financial instruments

Fair value is an amount at which a financial instrument can be exchanged during a current transaction between independent interested parties, except for the cases of forced sale or liquidation. The best proof of fair value is the price of the financial instrument quoted on the market.

During the reporting period, Credit Union “Payment Center” operated only with financial instruments such as cash and cash equivalents, due from other banks, due to other banks, due to customers, financial assets measured at fair value through profit or loss (OFZ).

These financial instruments are recorded in the balance sheet at fair value. The fair value of OFZ was calculated by Credit Union “Payment Center” based on market quotations.

Presented below is the information about the fair value of the financial instruments:

	December 31, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Assets				
Cash and cash equivalents	27,265,075	27,265,075	22,886,490	22,886,490
Financial assets measured at fair value through profit or loss (OFZ)	1,035,269	1,035,269	952,484	952,484
Due from other banks	4,843,961	4,843,961	5,855,440	5,855,440
Loans and receivables	1,114,069	1,114,069	1,334,703	1,334,703
Liabilities				
Due to other banks	14,721,620	14,721,620	15,162,325	15,162,325
Due to customers	6,078,787	6,078,787	5,231,684	5,231,684

29. Information about related parties

In accordance with IAS 24 “Disclosure of information on related parties”, the parties are considered to be related if one of them has a possibility to control another one or to exert a significant influence when another party is making financial and operating decisions. When all possible relations between the related parties are under consideration, it is the content of such relations that is taken into account, but not their legal form.

As at December 31, 2016, the related parties included three main categories: participants of Credit Union “Payment Center”, members of the Board, members of the Management Board of Credit Union “Payment Center”, and other related parties.

In the reporting year, the sole participant of Credit Union “Payment Center” was CFT-Service CJSC, it holds 100% of shares of the Credit Union “Payment Center”.

Center of Financial Technologies Group of Companies (CFT GC) includes: Center of Financial Technologies CJSC, Billing Center CJSC, Zolotaya Korona CJSC, Sovremennye Sistemy CJSC, CardStandard PC CJSC, TECHNOSERVICE CJSC, “CFT, Inc” Corporation, and several others.

All companies of CFT GC except for CFT-Service CJSC are included in the category of other related parties.

The personnel of Credit Union “Payment Center” that are members of the Board of Credit Union “Payment Center” and the Management Board of Credit Union “Payment Center” were paid short-term remunerations for their work activities this reporting year and deferred remunerations to be paid in 2020. No other operations (transactions) with the members of the Board of Credit Union “Payment Center” and the Management Board of Credit Union “Payment Center” were performed in 2015 and 2016.

The two other categories of related parties were involved in the settlement operations for provided services and the operations with respect to sale/purchase of foreign currency at market rates. The sole participant of Credit Union “Payment Center” was paid interest for maintaining the balance of the account that provided a guarantee of making settlement operations.

The sole member of Credit Union “Payment Center” and other legal entities comprising CFT GC have settlement accounts with Credit Union “Payment Center”. Total balance of the “Due to customers that are not credit organizations” item is 27,9% of the funds owned by CFT GC (19.1% in 2015). Among those funds, RUB 45,023 ths (RUB 4,678 ths in 2015) were owned by the sole member of Credit Union “Payment Center”, and RUB 1,649,580 ths (RUB 995,120 ths in 2015) belonged to the other related parties.

Income and expense items with respect to operations with related parties:

	2016			2015		
	Sole member	Board and Management Board	Other related parties	Sole member	Board and Management Board	Other related parties
Fee and commission income	43	0	1,609	1	0	1,943
Other operating expense	0	0	13,618	0	0	10,132
Interest expense	(375)	0	0	(358)	0	0
Foreign exchange transaction gains less losses	(2,717)	0	6,886	(144)	0	(20,986)
Foreign exchange translation gains less losses	29,902	0	250,981	(7,025)	0	(122,563)
Fee and commission expenses	0	0	(1,046,179)	0	0	(831,061)
Administrative and other operating expenses	(70,209)	0	(272,174)	0	0	(224,786)
Staff costs	0	(90,349)	0	0	(111,196)	0
Total profit (loss) from operations with related parties	(43,356)	(90,349)	(1,045,259)	(7,526)	(111,196)	(1,187,321)

30. Events after the reporting date

The events that could influence the financial position, the status of the assets and liabilities of Credit Union “Payment Center” and the evaluation of its consequences did not occur in Credit Union “Payment Center” after the reporting date.