CREDIT BANK OF MOSCOW
(open joint-stock company)

Consolidated Financial Statements
for the year ended 31 December 2015

Contents

KPMG

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Auditors' Report

To the Shareholders and Supervisory Board of CREDIT BANK OF MOSCOW (open joint-stock company)

We have audited the accompanying consolidated financial statements of CREDIT BANK OF MOSCOW (open joint-stock company) (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: Credit Bank of Moscow (open joint-stock company).

Registered by the Central Bank of the Russian Federation on 18 August 1999, Registration No.1978.

Entered in the Unified State Register of Legal Entities on 18 November 2002 by the Department of Federal Tax Service, Registration No. 1027739555282, Certificate series 77 No. 004840877.

Address of audited entity: 2 (bldg. 1), Lukov pereulok, Moscow, Russia, 107045.

Independent auditor: JSC KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Assosiation). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

Report of findings from procedures performed in accordance with the requirements of Federal Law dated 2 December 1990 No 395-1 On Banks and Banking Activity

Management is responsible for the Group's compliance with mandatory ratios and for maintaining internal control and organising risk management systems in accordance with requirements established by the Bank of Russia.

In accordance with Article 42 of Federal Law dated 2 December 1990 No 395-1 *On Banks and Banking Activity* (the "Federal Law"), we have performed procedures to examine:

- the Group's compliance with mandatory ratios as at 1 January 2016 as established by the Bank of Russia; and
- compliance of elements of the Group's internal control and organization of its risk management systems with requirements established by the Bank of Russia.

These procedures were selected based on our judgment and were limited to analyses, inspections of documents, comparisons of the Bank's internal policies, procedures and methodologies to applicable requirements established by the Bank of Russia, as well as recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

- Based on our procedures with respect to the Group's compliance with mandatory ratios as established by the Bank of Russia, we found that the Group's mandatory ratios as at 1 January 2016 were within the limits established by the Bank of Russia.

We have not performed any procedures on the accounting records maintained by the Group other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

- Based on our procedures with respect to compliance of elements of the Group's internal control and organization of its risk management systems with requirements established by the Bank of Russia, we found that:

- as at 31 December 2015, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions accepting relevant risks in accordance with regulations and recommendations issued by the Bank of Russia;
- the Bank's internal documentation, effective on 31 December 2015, establishing the procedures and methodologies for identifying and managing the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing was approved by the authorized management bodies of the Bank in accordance with regulations and recommendations issued by the Bank of Russia;
- as at 31 December 2015, the Bank maintained a system for reporting on the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group's capital;

- the frequency and consistency of reports prepared by the Bank's risk management and internal audit functions during 2015, which cover the Group's credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2015, the Supervisory Board and executive management of the Bank had responsibility for monitoring the Group's compliance with risk limits and capital adequacy ratios as established by the Bank's internal documentation. With the objective of monitoring effectiveness of the Group's risk management procedures and their consistent application during 2015 the Supervisory Board and executive management of the Bank periodically discussed reports prepared by the risk management and internal audit functions, and considered proposed corrective actions.

Our procedures with respect to elements of the Group's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Federal Law and described above, are in compliance with the requirements established by the Bank of Russia.

Kolosov A.E.

Director

Power of attorney dated 16 March 2015 No. 44/15

JSC KPMG

Moscow, Russian Federation

28 March 2016

	Notes	2015 RUB'000	2014 RUB'000
Interest income	4	89 210 510	58 183 385
Interest expense	4	(59 922 036)	(32 300 883)
Net interest income	4	**29 288 474**	**25 882 502**
Provision for impairment of loans	13	(26 035 950)	(11 645 153)
Net interest income after provision for impairment of loans		**3 252 524**	**14 237 349**
Fee and commission income	5	9 369 110	9 027 215
Fee and commission expense	5	(1 717 768)	(1 736 309)
Net gain (loss) on financial instruments at fair value through profit or loss		1 201 576	(2 109 641)
Net realized loss and impairment of available-for-sale assets		(400 913)	(188 767)
Net foreign exchange gains (losses)		2 742 778	(2 485 718)
State deposit insurance scheme contributions		(707 566)	(567 995)
Other operating (loss) income, net		(549 361)	468 218
Non-interest income		**9 937 856**	**2 407 003**
Operating income		**13 190 380**	**16 644 352**
Salaries and employment benefits	6	(5 518 561)	(5 335 148)
Administrative expenses	6	(4 201 011)	(3 718 996)
Depreciation of property and equipment	14	(618 295)	(529 725)
Provisions for impairment of other assets and credit related commitments	7	(907 971)	(42 945)
Operating expense		**(11 245 838)**	**(9 626 814)**
Profit before income taxes		**1 944 542**	**7 017 538**
Income tax	8	(435 071)	(1 448 205)
Profit for the period		**1 509 471**	**5 569 333**
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of buildings		(433 440)	-
Income tax related to other comprehensive loss		86 688	-
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale securities			
- Net change in fair value		2 021 394	(1 528 714)
- Net change in fair value transferred to profit or loss		(149 397)	(21 148)
Income tax related to other comprehensive loss		(374 398)	309 972
Other comprehensive income (loss) for the year, net of tax		**1 150 847**	**(1 239 890)**
Total comprehensive income for the year		**2 660 318**	**4 329 443**
Basic and diluted earnings per share (in RUB per share)	32	**0.09**	**0.38**

Chairman of the Management Board — Vladimir A. Chubar

Acting Chief Accountant — Ekaterina V. Toloka

28 March 2016

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

	Notes	31 December 2015 RUB'000	31 December 2014 RUB'000
ASSETS			
Cash and cash equivalents	9	138 014 586	118 696 921
Obligatory reserves with the Central Bank of the Russian Federation		5 936 111	3 360 070
Due from credit and other financial institutions	10	277 295 869	6 880 576
Financial instruments at fair value through profit or loss, including	11	72 136 989	49 864 611
- *Pledged under sale and repurchase agreements*		*2 654 432*	*138 501*
Available-for-sale securities, including	12	87 402 909	11 111 625
- *Pledged under sale and repurchase agreements*		*2 115 753*	-
Loans to customers	13	593 065 265	378 014 328
Property and equipment	14	7 004 418	7 399 340
Current tax asset		1 759 906	1 311 489
Goodwill		-	301 089
Other assets	15	25 584 575	7 898 943
Total assets		**1 208 200 628**	**584 838 992**
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation	16	4 044 647	11 594 431
Deposits by credit and other financial institutions	17	84 659 913	54 302 953
Deposits by customers	18	898 692 231	334 852 198
Debt securities issued	19	121 154 765	118 621 304
Deferred tax liability	8	2 380 552	2 196 335
Current tax liability		-	13 720
Other liabilities	20	4 930 058	3 270 561
Total liabilities		**1 115 862 166**	**524 851 502**
Equity			
Share capital	21	24 741 640	15 329 692
Additional paid-in capital		35 047 463	9 768 757
Shares in the process of issue	21	-	5 000 000
Revaluation surplus for buildings		769 176	1 115 928
Revaluation reserve for available-for-sale securities		220 070	(1 277 529)
Retained earnings		31 560 113	30 050 642
Total equity		**92 338 462**	**59 987 490**
Total liabilities and equity		**1 208 200 628**	**584 838 992**

Commitments and Contingencies 22-24

Chairman of the Management Board — Vladimir A. Chubar

Acting Chief Accountant — Ekaterina V. Toloka

The consolidated statement of financial position is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

	Notes	2015 RUB'000	2014 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		82 579 116	55 752 518
Interest payments		(57 056 559)	(31 091 218)
Fees and commission receipts		9 853 178	8 705 726
Fees and commission payments		(1 717 768)	(1 817 535)
Net receipts (payments) from operations with securities		38 301	(1 321 414)
Net (payments) receipts from foreign exchange		(1 246 606)	5 643 301
State deposit insurance scheme contributions payments		(670 637)	(547 564)
Net other operating income receipts		1 023 813	593 889
Salaries and employment benefits paid		(5 456 036)	(5 375 435)
Administrative expenses paid		(4 883 334)	(3 116 554)
Income tax paid		(973 465)	(1 920 608)
Operating cash flows before changes in operating assets and liabilities		**21 490 003**	**25 505 106**
(Increase) decrease in operating assets			
Obligatory reserves with the Central Bank of the Russian Federation		(2 559 553)	(561 083)
Due from credit and other financial institutions		(243 752 224)	5 810 951
Financial instruments at fair value through profit or loss		(19 468 573)	(12 504 902)
Loans to customers		(208 355 528)	(47 873 795)
Other assets		(13 930 901)	(1 293 289)
Increase (decrease) in operating liabilities			
Deposits by the Central Bank of the Russian Federation		(15 523 831)	(2 990 217)
Deposits by credit and other financial institutions except syndicated and subordinated loans		37 250 376	(774 033)
Deposits by customers except subordinated loans		498 370 144	38 781 923
Promissory notes		(3 966 999)	(1 899 846)
Other liabilities		23 546	38 875
Net cash from operations		**49 576 460**	**2 239 690**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (purchase) sale of available-for-sale securities		(67 490 700)	10 911 611
Net purchase of property and equipment		(476 594)	(1 408 768)
Net receipt on acquisition of subsidiary		2 576 481	-
Net cash (used in) from investing activities		**(65 390 813)**	**9 502 843**

The consolidated statement of cash flows is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

	Notes	2015 RUB'000	2014 RUB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock		29 690 654	-
Proceeds from subordinated deposits		20 828 090	5 000 000
Proceeds from syndicated borrowings		251 237	14 194 180
Repayment of syndicated borrowings		(22 696 240)	(544 980)
Proceeds from issuance of subordinated bonds		-	5 000 000
Proceeds from issuance of other bonds		3 000 000	25 497 030
Repayment of other bonds		(11 998 080)	(19 409 155)
Net cash from financing activities		**19 075 661**	**29 737 075**
Effect of exchange rates changes on cash and cash equivalents		16 056 357	10 152 393
Change in cash and cash equivalents		**19 317 665**	**51 632 001**
Cash and cash equivalents, beginning of the period		118 696 921	67 064 920
Cash and cash equivalents, end of the period	9	**138 014 586**	**118 696 921**

Chairman of the Management Board — Vladimir A. Chubar

Acting Chief Accountant — Ekaterina V. Toloka

The consolidated statement of cash flows is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

	Share capital RUB'000	Additional paid-in capital RUB'000	Shares in the process of issue RUB'000	Revaluation surplus for buildings RUB'000	Revaluation reserve for available-for-sale securities RUB'000	Retained earnings RUB'000	Total equity RUB'000
1 January 2014	**15 329 692**	**9 768 757**	**-**	**1 115 928**	**(37 639)**	**24 481 309**	**50 658 047**
Total comprehensive income for the year	-	-	-	-	(1 239 890)	5 569 333	**4 329 443**
Transactions with owners, recorded directly in equity							
Shares in the process of issue (note 21)	-	-	5 000 000	-	-	-	**5 000 000**
Total transactions with owners, recorded directly in equity	**-**	**-**	**5 000 000**	**-**	**-**	**-**	**5 000 000**
31 December 2014	**15 329 692**	**9 768 757**	**5 000 000**	**1 115 928**	**(1 277 529)**	**30 050 642**	**59 987 490**
Total comprehensive income for the year	-	-	-	(346 752)	1 497 599	1 509 471	**2 660 318**
Transactions with owners, recorded directly in equity							
Shares issued (note 21)	9 411 948	25 278 706	(5 000 000)	-	-	-	29 690 654
Total transactions with owners, recorded directly in equity	**9 411 948**	**25 278 706**	**(5 000 000)**	**-**	**-**	**-**	**29 690 654**
31 December 2015	**24 741 640**	**35 047 463**	**-**	**769 176**	**220 070**	**31 560 113**	**92 338 462**

Chairman of the Management Board — Vladimir A. Chubar

Acting Chief Accountant — Ekaterina V. Toloka

The consolidated statement of changes in equity is to be read in conjunction with the notes, forming an integral part of consolidated financial statements.

1 Background

Principal activities

These consolidated financial statements include the financial statements of CREDIT BANK OF MOSCOW (open joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint-stock company. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 15 largest banks in Russia by assets and conducts its business in Moscow and the Moscow region with a branch network comprising 62 branches, 927 ATMs and 5 443 payment terminals.

The principal subsidiaries of the Group are as follows:

			Degree of control, %	
Name	**Country of incorporation**	**Principal activities**	**31 December 2015**	**31 December 2014**
CBOM Finance p.l.c.	Ireland	Raising finance	100%	100%
MKB-Leasing	Russia	Finance leasing	100%	100%
M-Leasing	Russia	Finance leasing	100%	100%
CJSC Mortgage Agent MKB	Russia	Raising finance	100%	100%
NKO INKAKHRAN (JSC)	Russia	Cash handling	100%	-

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c." and CJSC "Mortgage Agent MKB". "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank. CJSC "Mortgage Agent MKB" was established for the purposes of the mortgage loans securitization program launched by the Bank in 2014. In 2015 the Bank acquired 100% of shares in NKO "INKAKHRAN" (JSC) (note 33).

Shareholders

The Bank's shareholders as at 31 December 2015 are:

- LLC Concern Rossium - 56.83%
- REGION Portfolio investments, LLC - 9.47%
- RegionFinanceResurs, JSC - 8.69%
- European Bank for Reconstruction and Development (EBRD) - 4.54%
- PJSC Rosgosstrakh - 2.89%
- RBOF Holding Company I Ltd - 2.79%
- Powerboom Investments Limited - 2.30%
- International Finance Corporation (IFC) - 1.75%
- Other shareholders - 10.74%.

The majority shareholder of Concern Rossium, LLC, is Roman I. Avdeev, who is an ultimate controlling party of the Group.

Related party transactions are detailed in note 26.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale securities are stated at fair value and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 13 in respect of loan impairment estimates, in note 14 in respect of buildings revaluation, in note 31 in respect of estimates of fair values of financial assets and liabilities.

3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements. The accounting policies are consistently applied by the Group entities to all periods presented in these consolidated financial statements.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

The Group elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances, including cases when protective rights arising from collateral agreements on lending transactions become significant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Transactions eliminated on consolidation

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

Goodwill

Goodwill arises on acquisitions of subsidiaries.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group includes cash and nostro accounts with the Central Bank of the Russian Federation, and due from credit and other financial institutions with maturity of less than one month in cash and cash equivalents. The minimum reserve deposit with the Central Bank of the Russian Federation is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amotised cost in the consolidated statement of financial position.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments which are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits by the Central Bank of the Russian Federation and deposits by credit and other financial institutions. The difference between the sale and repurchase prices represents interest expense and is recognized in the profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within cash and cash equivalents and due from credit and other financial institutions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Securitisation

For securitised financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets are transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the consolidated statement of financial position.

When the Group transfers financial assets to another entity, but retains substantially all the risks and rewards related to the transferred assets, the transferred assets are recognised in the consolidated statement of financial position.

When the Group transfers substantially all the risks and rewards related to the transferred assets to an entity that it does not control, the assets are derecognised from the consolidated statement of financial position.

If the Group neither transfers nor retains substantially all the risks and rewards related to the transferred assets, the assets are derecognised if the Group has not retained control over the assets.

Offsetting

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

Leases

Finance leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. At the inception of the lease the amounts to be recognized at the commencement of the lease term are determined.

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. The commencement of the lease is considered to be the date of the lease agreement, or commitment if earlier. For purposes of this definition, a commitment should be in writing, signed by the parties with interest in the transaction, and should specifically set forth the principal terms of the transaction. However, if the property covered by the lease has yet to be constructed, installed or has not been acquired by the Group at the date of the lease agreement or commitment, the commencement of the lease is deemed to be the date when construction and installation of the property is completed or the property is acquired by the Group.

On commencement of the lease term, when the Group enters into a finance lease as a lessor, the present value of the lease payments (“net investment in leases”) is recorded as part of loans to customers. The difference between the gross receivable and the present value of the receivable is unearned finance income. Finance income is recognized over the term of the lease using the effective interest method, which reflects a constant periodic rate of return.

Any advance payments made by the lessee prior to commencement of the lease are recorded as a reduction in the net investment in the lease.

Operating leases

Group as lessor

The Group recognizes assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term.

Group as lessee

Where the Group is the lessee, the total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on a building is recognized as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognized in profit or loss, in which case it is recognized in profit or loss. A revaluation decrease on a building is recognized in profit or loss except to the extent that it reverses a previous revaluation increase recognized as other comprehensive income directly in equity, in which case it is recognized as other comprehensive income.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings	50
Furniture and other property	4-6
Computers and office equipment	4
Vehicles	5

When a building is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, typically between 1 and 5 years.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss.

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data related to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale securities that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the profit or loss and cannot be reversed.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that is recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably. Financial guarantee liabilities and allowance for credit related commitments are included in other liabilities.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

Interest income and expense are recognized in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service has been provided.

The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognized based on the Bank's contractual arrangements with the insurance provider rather than with the borrower. The Bank does not participate in the insurance risk, which is entirely borne by the partner; commission income from insurance is recognized in profit or loss when the Bank provides the agency service to the insurance company. The borrowers have a choice whether to purchase the insurance policy. A consumer loan customer's decision whether or not to purchase an insurance policy does not effect the stated interest rate offered to that customer.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment, and assess its performance, and for which discrete financial information is available.

Comparative information

The presentation of certain captions in the consolidated statement of profit or loss and other comprehensive income relating to interest income, fee and commission income, fee and commission expense and administrative expenses was changed for the year ended 31 December 2015 in comparison with the year ended 31 December 2014 to better present the nature of the underlying transactions. Current tax asset is presented separately in the consolidated statement of financial position as at 31 December 2015, as at 31 December 2014 it was presented within other assets. Comparative information is reclassified to conform to changes in presentation in the current year. The effect of this change in presentation is as follows:

	31 December 2014 as currently reported	**Reclassification amounts**	**31 December 2014 as previously reported**
	RUB'000	**RUB'000**	**RUB'000**
Reclassification of fees and commissions related to loans to customers from "Fee and commission income" to "Interest income"			
Interest income	58 183 385	74 843	58 108 542
Fee and commission income	9 027 215	(74 843)	9 102 058
Reclassification of property insurance expenses from "Fee and commission expense" to "Administrative expenses"			
Fee and commission expense	(1 736 309)	81 226	(1 817 535)
Administrative expenses	(3 718 996)	(81 226)	(3 637 770)
Changes in presentation of "Current tax asset"			
Current tax asset	1 311 489	1 311 489	-
Other assets	7 898 943	(1 311 489)	9 210 432

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of new standards on its financial position or performance.

- IFRS 9 *Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

- IFRS 16 replaces the existing lease accounting guidance in IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases* – Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Group has not analyzed the impact of these changes yet. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted.

- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2015 RUB'000	2014 RUB'000
Interest income		
Loans to customers	70 292 773	50 815 895
Financial instruments at fair value through profit or loss and available-for-sale securities	9 748 051	5 272 563
Due from credit and other financial institutions and the Central Bank of the Russian Federation	9 169 686	2 094 927
	89 210 510	**58 183 385**
Interest expense		
Deposits by customers	(44 195 297)	(21 151 465)
Debt securities issued	(11 398 722)	(7 754 569)
Deposits by credit and other financial institutions and the Central Bank of the Russian Federation	(4 328 017)	(3 394 849)
	(59 922 036)	**(32 300 883)**
Net interest income	**29 288 474**	**25 882 502**

5 Net fee and commission income

	2015 RUB'000	2014 RUB'000
Fee and commission income		
Plastic cards	1 923 007	1 631 646
Guarantees and letters of credit	1 591 936	1 715 822
Cash handling	1 546 129	1 247 386
Settlements and wire transfers	1 313 679	1 613 713
Insurance contracts processing	1 276 027	2 047 498
Other cash operations	923 604	344 384
Currency exchange commission	353 201	220 613
Other	441 527	206 153
	9 369 110	**9 027 215**
Fee and commission expense		
Settlements, wire transfers and plastic cards	(1 569 293)	(1 522 351)
Other	(148 475)	(213 958)
	(1 717 768)	**(1 736 309)**
Net fee and commission income	**7 651 342**	**7 290 906**

6 Salaries, employment benefits and administrative expenses

	2015 RUB'000	2014 RUB'000
Salaries	4 286 486	4 263 245
Social security costs	1 102 588	953 730
Other	129 487	118 173
Salaries and employment benefits	**5 518 561**	**5 335 148**
Advertising and business development	968 749	840 848
Occupancy	816 209	944 099
Operating taxes	531 235	573 843
Property maintenance	396 450	357 596
Security	349 277	299 589
Transport	272 045	97 982
Loss on revaluation of buildings	223 672	-
Computer maintenance and software expenses	166 357	109 339
Communications	129 379	101 044
Property insurance	91 887	81 226
Write-off of low-value fixed assets	90 958	173 663
Other	164 793	139 767
Administrative expenses	**4 201 011**	**3 718 996**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to profit or loss in the period the related compensation is earned by the employee.

7 Provision for impairment of other assets and credit related commitments

	2015 RUB'000	2014 RUB'000
Provision for impairment of credit related commitments	908 860	(187 311)
Provision for impairment of other assets	(889)	230 256
Other provisions	**907 971**	**42 945**

8 Income tax

	2015 RUB'000	2014 RUB'000
Current tax charge	476 605	822 025
Deferred taxation	(41 534)	626 180
Income tax expense	**435 071**	**1 448 205**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate for the Bank is 20% in 2015 and 2014.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of income taxes based on the statutory rate with the actual income tax expense is presented below:

	31 December 2015 RUB'000	%	31 December 2014 RUB'000	%
Income before tax	1 944 542		7 017 538	
Income tax using the applicable tax rate	388 908	20.0%	1 403 508	20.0%
Income taxed at lower rates	(5 341)	(0.3%)	(41 067)	(0.6%)
Net non-deductible costs	51 504	2.7%	85 764	1.2%
Income tax expense	**435 071**	**22.4%**	**1 448 205**	**20.6%**

Movements in temporary differences during the years ended 31 December 2015 and 2014 are presented as follows.

RUB'000	Balance 1 January 2015	Recognized in profit or loss	Recognized in other comprehensive income and equity	Recognized on acquisition of subsidiary	Balance 31 December 2015
Due from credit and other financial institutions	2 836	(245)	-	-	2 591
Financial instruments at fair value through profit or loss	(2 200)	175 058	-	-	172 858
Available-for-sale securities	334 840	1 244 592	374 398	-	1 953 830
Loans to customers	1 531 144	(276 602)	-	-	1 254 542
Property and equipment	476 077	(59 212)	(86 688)	(13 085)	317 092
Other assets	(48 741)	(645 099)	-	(16 481)	(710 321)
Deposits by credit and other financial institutions	19 918	(19 536)	-	-	382
Deposits by customers	390	11 679	-	-	12 069
Debt securities issued	45 835	(9 102)	-	-	36 733
Other liabilities	(163 764)	(463 067)	-	(32 393)	(659 224)
Total deferred tax liability (asset)	**2 196 335**	**(41 534)**	**287 710**	**(61 959)**	**2 380 552**

RUB'000	Balance 1 January 2014	Recognized in profit or loss	Recognized in other comprehensive income and equity	Balance 31 December 2014
Due from credit and other financial institutions	13 569	(10 733)	-	2 836
Financial instruments at fair value through profit or loss	70 510	(72 710)	-	(2 200)
Available-for-sale securities	(13 614)	658 426	(309 972)	334 840
Loans to customers	1 633 528	(102 384)	-	1 531 144
Property and equipment	425 200	50 877	-	476 077
Other assets	(39 457)	(9 284)	-	(48 741)
Deposits by credit and other financial institutions	2 278	17 640	-	19 918
Deposits by customers	-	390	-	390
Debt securities issued	46 395	(560)	-	45 835
Other liabilities	(258 282)	94 518	-	(163 764)
Total deferred tax liability (asset)	**1 880 127**	**626 180**	**(309 972)**	**2 196 335**

Income tax recognized in other comprehensive income

The tax effects relating to components of other comprehensive income comprise the following:

	2015			2014		
RUB'000	**Amount before tax**	**Tax benefit / (expense)**	**Amount net-of-tax**	**Amount before tax**	**Tax benefit**	**Amount net-of-tax**
Revaluation surplus for buildings	(433 440)	86 688	(346 752)	-	-	-
Revaluation reserve for available-for-sale securities	1 871 997	(374 398)	1 497 599	(1 549 862)	309 972	(1 239 890)
Other comprehensive income (loss)	**1 438 557**	**(287 710)**	**1 150 847**	**(1 549 862)**	**309 972**	**(1 239 890)**

9 Cash and cash equivalents

	31 December 2015 RUB'000	**31 December 2014 RUB'000**
Cash on hand	17 344 885	12 529 291
Correspondent account with the Central Bank of the Russian Federation	27 453 843	8 522 827
Nostro accounts with other banks		
rated from AA+ to AA-	5 328 877	11 851 004
rated from A+ to A-	5 690 810	7 233 613
rated from BBB+ to BBB-	6 830 951	3 986 168
rated from BB+ to BB-	882 723	4 084 581
rated from B+ to B-	184 616	75 452
not rated	877 347	423 064
Total nostro accounts with other banks	**19 795 324**	**27 653 882**
Due from credit and other financial institutions with maturity of less than 1 month		
Deposits with the Central Bank of the Russian Federation	-	36 600 000
rated from A+ to A-	17 618 251	8 392 430
rated from BBB+ to BBB-	6 385 399	2 000 287
rated from BB+ to BB-	12 850 750	292 413
rated from B+ to B-	21 887 770	16 655 517
not rated	14 678 364	6 050 274
Total due from credit and other financial institutions with maturity of less than 1 month	**73 420 534**	**69 990 921**
Total cash and cash equivalents	**138 014 586**	**118 696 921**

Ratings are based on Fitch, Moody's and Standard & Poor's rating systems.

No cash and cash equivalents are impaired or past due.

The correspondent account with the Central Bank of the Russian Federation represents balances held with the Central Bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 31 December 2015, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 50 735 211 thousand (31 December 2014: RUB 14 785 302 thousand).

As at 31 December 2015, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 56 143 699 thousand.

As at 31 December 2015, not rated due from credit and other financial institutions with maturity of less than 1 month includes term deposits secured by highly liquid debt securities under agreements to resell (reverse repo) in the amount of RUB 14 478 366 thousand (31 December 2014: RUB 6 041 252 thousand).

As at 31 December 2015, the Group has one counterparty (31 December 2014: no counterparties except for the CBR) whose nostro accounts with other banks and deposits with maturity of less than 1 month exceed 10% of total nostro accounts with other banks and deposits with maturity of less than 1 month from credit and other financial institutions. The gross value of these balances as at 31 December 2015 is RUB 17 618 251 thousand (31 December 2014: nil).

Information about the currency and maturity of cash and cash equivalents is presented in note 29.

10 Due from credit and other financial institutions

	31 December 2015 RUB'000	31 December 2014 RUB'000
Term deposits		
rated from BBB+ to BBB-	44 132 015	88 000
rated from BB+ to BB-	22 211 830	-
rated from B+ to B-	26 076 109	6 792 576
rated from CCC+ to CCC-	27 792 362	-
not rated	157 083 553	-
Total due from credit and other financial institutions	**277 295 869**	**6 880 576**

No amounts due from credit and other financial institutions are impaired or past due.

As at 31 December 2015, receivables under reverse sale and repurchase agreements included in due from credit and other financial institutions are RUB 238 815 412 thousand (31 December 2014: RUB 4 598 381 thousand).

As at 31 December 2015, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 269 671 374 thousand.

Included in not rated and rated from CCC+ to CCC- due from credit and other financial institutions are receivables in the amount of RUB 181 062 949 thousand secured by highly liquid rated debt securities under agreements to resell (reverse repo).

As at 31 December 2015, the Group has three counterparties (31 December 2014: four counterparties) whose deposit balances exceed 10% of total due from credit and other financial institutions. The gross value of these balances as at 31 December 2015 is RUB 210 587 665 thousand (31 December 2014: RUB 6 792 576 thousand).

Information about the currency and maturity and effective interest rates on amounts due from credit and other financial institutions is presented in note 29.

11 Financial instruments at fair value through profit or loss

	31 December 2015 RUB'000	31 December 2014 RUB'000
Held by the Group		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	508 810	-
Moscow Government bonds	223 936	115 020
Regional authorities and municipal bonds	3 391 004	7 244 254

	31 December 2015 RUB'000	31 December 2014 RUB'000
Corporate bonds		
rated AAA	170 475	842 067
from BBB+ to BBB-	22 847 946	9 907 665
from BB+ to BB-	20 382 401	15 233 908
from B+ to B-	15 260 063	8 081 725
from CCC+ to CCC-	-	47 184
not rated	5 771 732	7 238 900
Derivative financial instruments	926 190	1 015 387
Total held by the Group	**69 482 557**	**49 726 110**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Regional authorities and municipal bonds	2 303 352	138 501
Corporate bonds		
from BBB+ to BBB-	219 288	-
from BB+ to BB-	131 792	-
Total pledged under sale and repurchase agreements	**2 654 432**	**138 501**
Total financial instruments at fair value through profit or loss	**72 136 989**	**49 864 611**

No financial instruments at fair value through profit or loss are past due.

As at 31 December 2015, debt instruments in the amount of RUB 64 464 969 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2014: RUB 43 154 979 thousand).

Derivative financial instruments

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding as at 31 December 2015 and 2014 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resulting unrealised gains and losses on these unmatured contracts are recognized in profit or loss and in financial instruments at fair value through profit or loss or other liabilities, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	2015 RUB'000	2014 RUB'000	2015	2014
Buy RUB sell USD				
Less than 3 months	46 951 167	6 385 328	72.0062	56.6864
Buy RUB sell EUR				
Less than 3 months	16 503 696	-	79.1222	-
Between 3 months and 6 months	-	5 809 130	-	76.2319
Buy USD sell RUB				
Less than 3 months	14 527 633	11 876 712	73.8118	55.8263
Between 1 years and 2 years	7 078 650	-	70.7865	-
Buy EUR sell RUB				
Less than 3 months	11 869 556	-	79.0982	-
Between 3 months and 6 months	-	5 758 920	-	67.7520

	Notional amount		Weighted average contractual exchange rates	
	2015 RUB'000	2014 RUB'000	2015	2014
Buy USD sell EUR				
Less than 3 months	3 984 860	-	0.9109	-
Between 3 months and 6 months	3 984 860	-	0.8768	-
Between 6 months and 9 months	3 984 860	-	0.8677	-
Buy EUR sell USD				
Less than 3 months	885 689	-	1.0938	-
Buy GBP sell RUB				
Less than 3 months	5 940	-	108.0000	-
Buy CNY sell RUB				
Less than 3 months	-	5 110	-	9.3247

12 Available-for-sale securities

	31 December 2015 RUB'000	31 December 2014 RUB'000
Held by the Group		
Corporate bonds		
from BBB+ to BBB-	23 519 257	5 337 406
from BB+ to BB-	40 615 035	3 968 073
from B+ to B-	5 827 315	1 613 542
from CCC+ to CCC-	121 821	-
not rated	3 159 347	-
Promissory notes		
from BB+ to BB-	8 389 557	-
from B+ to B-	3 543 557	-
not rated	-	192 549
Equity investments	111 267	55
Total held by the Group	**85 287 156**	**11 111 625**
Pledged under sale and repurchase agreements		
Corporate bonds		
from BBB+ to BBB-	249 696	-
from BB+ to BB-	1 866 057	-
Total pledged under sale and repurchase agreements	**2 115 753**	**-**
Total available-for-sale securities	**87 402 909**	**11 111 625**

No available-for-sale securities are past due.

As at 31 December 2015, debt instruments in the amount of RUB 62 223 479 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2014: RUB 9 707 306 thousand).

13 Loans to customers

	31 December 2015 RUB'000	31 December 2014 RUB'000
Loans to corporate clients	510 205 763	265 917 879
Impairment allowance	(27 782 541)	(8 366 428)
Loans to corporate clients, net	**482 423 222**	**257 551 451**
Loans to individuals		
Auto loans	3 307 156	8 493 575
Mortgage loans	21 559 432	19 665 252
Credit card loans	4 141 275	5 163 899
Other loans to individuals	90 725 254	94 949 919
Impairment allowance	(9 091 074)	(7 809 768)
Total loans to individuals, net	**110 642 043**	**120 462 877**
Gross loans to customers	**629 938 880**	**394 190 524**
Impairment allowance	(36 873 615)	(16 176 196)
Net loans to customers	**593 065 265**	**378 014 328**

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 31 December 2015 and 31 December 2014:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Loans to customers		
- Not past due	562 343 490	361 562 775
- Not past due but impaired	21 794 590	18 074 192
- Overdue less than 31 days	7 398 954	3 341 060
- Overdue 31-60 days	4 356 496	1 263 771
- Overdue 61-90 days	1 606 736	881 005
- Overdue 91-180 days	10 882 199	2 558 685
- Overdue 181-360 days	18 205 851	4 614 081
- Overdue more than 360 days	3 350 564	1 894 955
Total gross loans to customers	**629 938 880**	**394 190 524**
Impairment allowance	**(36 873 615)**	**(16 176 196)**
Total net loans to customers	**593 065 265**	**378 014 328**

As at 31 December 2015, the gross amount of overdue loans with payments that are overdue at least one day totals RUB 45 800 800 thousand, which represents 7.3% of the gross loan portfolio (31 December 2014: RUB 14 553 557 thousand and 3.7% respectively).

Non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 32 438 614 thousand or 5.1% of the gross loan portfolio (31 December 2014: RUB 9 067 721 thousand and 2.3%, respectively).

As at 31 December 2015, the ratio of total impairment allowance to overdue loans equals 80.5% and the ratio of total impairment allowance to NPLs equals 113.7% (31 December 2014: 111.2% and 178.4%, respectively).

Movements in the loan impairment allowance for the years ended 31 December 2015 and 31 December 2014 are as follows:

	2015 RUB'000	2014 RUB'000
Balance at the beginning of the period	**16 176 196**	**8 919 003**
Net charge	26 035 950	11 645 153
Net write-offs	(5 338 531)	(4 387 960)
Balance at the end of the period	**36 873 615**	**16 176 196**

As at 31 December 2015, net interest accrued on overdue and impaired loans amounts to RUB 803 123 thousand (31 December 2014: RUB 802 934 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 31 December 2015 and 31 December 2014:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Loans to corporate clients		
- Not past due	456 119 669	244 633 302
- Not past due but impaired	21 794 590	18 074 192
- Overdue less than 31 days	5 906 042	1 755 632
- Overdue 31-60 days	3 180 256	337 509
- Overdue 61-90 days	213 323	107 039
- Overdue 91-180 days	7 965 233	386 288
- Overdue 181-360 days	14 148 922	607 032
- Overdue more than 360 days	877 728	16 885
Total gross loans to corporate clients	**510 205 763**	**265 917 879**
Impairment allowance	**(27 782 541)**	**(8 366 428)**
Total net loans to corporate clients	**482 423 222**	**257 551 451**

As at 31 December 2015, the Group estimates loan impairment for loans to corporate clients based on an analysis of the future cash flows for impaired loans and based on its internal credit rating adjusted for the value of collateral for portfolios of loans for which no indications of impairment have been identified. The key assumptions used in the analysis of future cash flows for impaired loans are based on the assessment of the value of collateral pledged to secure these loans when applicable. To estimate net realizable value of collateral for sale, management generally relies on market prices and professional judgment of internal appraisers, applying discount where appropriate.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus two percent, the impairment allowance as at 31 December 2015 would decrease/increase by RUB 9 648 464 thousand (31 December 2014: RUB 5 151 029 thousand).

The following table represents information about concentration of loans to corporate clients as at 31 December 2015 and 31 December 2014:

	31 December 2015		31 December 2014	
	RUB'000	**% of total loan portfolio**	**RUB'000**	**% of total loan portfolio**
Top 5 clients	89 083 321	14.1	44 086 955	11.2
Top 10 clients	164 471 465	26.1	77 848 603	19.7
Top 20 clients	258 572 251	41.0	118 347 021	30.0

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transaction: real estate and other property, equipment and motor vehicles, inventories, receivables, guarantees and sureties, securities, promissory notes.

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2015 and 31 December 2014:

	31 December 2015 RUB 000	**31 December 2014 RUB 000**
Securities	83 371 235	31 324 899
Real estate	82 071 384	67 975 785
Goods in turnover	28 178 103	24 369 121
Equipment and motor vehicles	14 548 057	11 157 034
Bank's own debt securities	8 471 000	182 726
Guaranteed deposits	4 992 040	-
Claims for contract receivables	3 105 425	11 495 806
Corporate guarantees and no collateral	257 685 978	111 046 080
	482 423 222	**257 551 451**

The Group generally does not consider corporate guarantees for impairment assessment purposes.

The amounts in the table above represent the carrying value of the related loan, and do not necessarily represent the fair value of the collateral.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

Management estimates that the impairment allowance for loans to corporate customers would have been approximately RUB 8 901 305 thousand higher without any collateral as at 31 December 2015 (31 December 2014: RUB 3 019 988 thousand).

Collateral obtained

During the year ended 31 December 2015, the Group obtained certain assets the carrying amount of which as at 31 December 2015 was RUB 238 415 thousand by taking possession of collateral for loans to corporate customers (during the year ended 31 December 2014: RUB 3 525 081 thousand). The Group's policy is to sell these assets as soon as it is practicable.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the years ended 31 December 2015 and 31 December 2014 are as follows:

	2015 RUB'000	2014 RUB'000
Balance at the beginning of the period	**8 366 428**	**4 453 275**
Net charge	20 539 441	4 811 710
Net write-offs	(1 123 328)	(898 557)
Balance at the end of the period	**27 782 541**	**8 366 428**

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 31 December 2015:

RUB'000	Auto loans	Mortgage loans	Credit card loans	Other loans	Total
- Not past due	3 138 330	18 746 326	3 439 798	80 899 367	106 223 821
- Overdue less than 31 days	23 724	221 695	98	1 247 395	1 492 912
- Overdue 31-60 days	9 525	78 073	39 944	1 048 698	1 176 240
- Overdue 61-90 days	9 985	125 636	33 930	1 223 862	1 393 413
- Overdue 91-180 days	33 199	1 085 725	122 832	1 675 210	2 916 966
- Overdue 181-360 days	57 814	461 521	331 872	3 205 722	4 056 929
- Overdue more than 360 days	34 579	840 456	172 801	1 425 000	2 472 836
Gross loans	**3 307 156**	**21 559 432**	**4 141 275**	**90 725 254**	**119 733 117**
Impairment allowance	**(113 863)**	**(902 046)**	**(545 475)**	**(7 529 690)**	**(9 091 074)**
Net loans	**3 193 293**	**20 657 386**	**3 595 800**	**83 195 564**	**110 642 043**

The following table provides information on the credit quality of loans to individuals as at 31 December 2014:

RUB'000	Auto loans	Mortgage loans	Credit card loans	Other loans	Total
- Not past due	8 231 688	18 613 314	4 285 871	85 798 600	116 929 473
- Overdue less than 31 days	38 895	196 019	1 521	1 348 993	1 585 428
- Overdue 31-60 days	23 094	112 733	81 393	709 042	926 262
- Overdue 61-90 days	17 596	42 209	71 866	642 295	773 966
- Overdue 91-180 days	44 461	160 623	178 233	1 789 080	2 172 397
- Overdue 181-360 days	93 655	164 958	391 589	3 356 847	4 007 049
- Overdue more than 360 days	44 186	375 396	153 426	1 305 062	1 878 070
Gross loans	**8 493 575**	**19 665 252**	**5 163 899**	**94 949 919**	**128 272 645**
Impairment allowance	**(120 461)**	**(305 563)**	**(618 437)**	**(6 765 307)**	**(7 809 768)**
Net loans	**8 373 114**	**19 359 689**	**4 545 462**	**88 184 612**	**120 462 877**

Management estimates loan impairment based on historical loss experience for these types of loans using historical loss migration patterns for the past twenty four months. The significant assumptions used by management in determining the impairment losses for loans to individuals is that loss migration rates and recovery rates are stable and can be estimated based on the historic loss migration pattern for the past twenty four months.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by three percent, the impairment allowance as at 31 December 2015 would increase/decrease by RUB 3 319 261 thousand (31 December 2014: RUB 3 613 886 thousand).

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars. Credit card overdrafts and other loans to individuals are not secured.

For the allowance on a portfolio basis, management does not estimate loan impairment based on a specific analysis of the fair value of collateral but instead applies actual historical loss experience.

As at 31 December 2015, impaired mortgage loans in the gross amount of RUB 2 813 106 thousand are secured by collateral with a fair value of RUB 2 065 408 thousand (31 December 2014: RUB 1 051 939 thousand and RUB 800 317 thousand, respectively).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2015 are as follows:

RUB'000	Auto loans	Mortgage loans	Credit card loans	Other loans	Total
Balance at the beginning of the period	**120 461**	**305 563**	**618 437**	**6 765 307**	**7 809 768**
Net charge	155 504	596 483	217 876	4 526 646	5 496 509
Net write-offs	(162 102)	-	(290 838)	(3 762 263)	(4 215 203)
Balance at the end of the period	**113 863**	**902 046**	**545 475**	**7 529 690**	**9 091 074**

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2014 are as follows:

RUB'000	Auto loans	Mortgage loans	Credit card loans	Other loans	Total
Balance at the beginning of the period	**111 366**	**186 329**	**309 052**	**3 858 981**	**4 465 728**
Net charge	153 371	122 259	555 935	6 001 878	6 833 443
Net write-offs	(144 276)	(3 025)	(246 550)	(3 095 552)	(3 489 403)
Balance at the end of the period	**120 461**	**305 563**	**618 437**	**6 765 307**	**7 809 768**

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Loans to individuals	119 733 117	128 272 645
Oil and industrial chemicals	95 427 480	21 780 382
Food and farm products	63 578 011	24 130 079
Services	61 159 187	29 283 288
Financial	46 866 680	16 207 141
Automotive, motorcycles and spare parts	42 089 711	26 525 458
Metallurgical	39 150 165	20 644 628
Residential and commercial construction and development	38 573 473	32 896 516

	31 December 2015 RUB'000	31 December 2014 RUB'000
Property rental	30 297 150	11 878 567
Industrial and infrastructure construction	24 808 966	12 990 509
Pharmaceutical and medical products	12 742 011	8 456 534
Clothing, shoes, textiles and sporting goods	10 503 336	15 805 953
Consumer electronics, appliances and computers	10 325 576	14 531 414
Construction and decorative materials, furniture	10 017 245	6 082 450
Industrial equipment and machinery	6 098 559	9 189 011
Telecommunications	4 023 846	2 725 139
Paper, stationery and packaging products	2 916 325	2 052 741
Consumer chemicals, perfumes and hygiene products	2 689 256	1 904 249
Electric utility	2 002 940	1 686 105
Gardening and pet products	329 515	911 264
Books, video, print and copy	323 184	308 363
Products for home, gifts, jewelry and business accessories	184 218	344 065
Equipment leasing	32 812	1 310 709
Other	6 066 117	4 273 314
	629 938 880	**394 190 524**
Impairment allowance	(36 873 615)	(16 176 196)
	593 065 265	**378 014 328**

Finance lease

Finance lease receivables included in loans to customers are as follows:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Gross investment in finance lease	9 316 528	9 563 693
Unearned interest income	(1 951 150)	(1 927 568)
Net investment in finance lease before allowance	**7 365 378**	**7 636 125**
Impairment allowance	(244 660)	(162 527)
Net investment in finance lease	**7 120 718**	**7 473 598**

The contractual maturity of the net investment in leases is as follows:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Less than 1 year	3 204 365	3 721 210
Between 1 and 5 years	3 430 071	3 155 946
More than 5 years	5 682	174 246
Overdue	480 600	422 196
	7 120 718	**7 473 598**

Loan maturities

The maturity of the loan portfolio is presented in note 29.

14 Property and equipment

The movement in property and equipment for the year ended 31 December 2015 is presented in the table below:

RUB'000	Land and buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2015	**6 191 074**	**487 116**	**329 088**	**1 928 814**	**70 338**	**9 006 430**
Acquisition of a subsidiary company	85 699	216 658	10 364	110 352	-	423 073
Additions	3 934	37 410	173 564	224 720	40 883	480 511
Disposals	-	(15 591)	(30 323)	(78 718)	-	(124 632)
Transfers	-	-	-	59 571	(59 571)	-
Revaluation	(657 112)	-	-	-	-	(657 112)
Elimination of accumulated depreciation on revalued buildings	(343 537)	-	-	-	-	(343 537)
At 31 December 2015	**5 280 058**	**725 593**	**482 693**	**2 244 739**	**51 650**	**8 784 733**
Accumulated depreciation						
At 1 January 2015	**212 393**	**244 178**	**193 266**	**957 253**	**-**	**1 607 090**
Depreciation charge	131 144	108 509	74 621	304 021	-	618 295
Disposals	-	(12 861)	(30 215)	(58 457)	-	(101 533)
Elimination of accumulated depreciation on revalued buildings	(343 537)	-	-	-	-	(343 537)
At 31 December 2015	**-**	**339 826**	**237 672**	**1 202 817**	**-**	**1 780 315**
Carrying value						
At 31 December 2015	**5 280 058**	**385 767**	**245 021**	**1 041 922**	**51 650**	**7 004 418**

The movement in property and equipment for the year ended 31 December 2014 is presented in the table below:

RUB'000	Land and buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2014	**4 770 815**	**457 241**	**260 798**	**1 656 076**	**106 403**	**7 251 333**
Additions	1 420 259	57 504	82 985	298 742	21 278	1 880 768
Disposals	-	(27 629)	(14 695)	(78 380)	(4 967)	(125 671)
Transfers	-	-	-	52 376	(52 376)	-
At 31 December 2014	**6 191 074**	**487 116**	**329 088**	**1 928 814**	**70 338**	**9 006 430**
Accumulated depreciation						
At 1 January 2014	**103 623**	**177 993**	**154 267**	**736 421**	**-**	**1 172 304**
Depreciation charge	108 770	91 089	53 694	276 172	-	529 725
Disposals	-	(24 904)	(14 695)	(55 340)	-	(94 939)
At 31 December 2014	**212 393**	**244 178**	**193 266**	**957 253**	**-**	**1 607 090**
Carrying value						
At 31 December 2014	**5 978 681**	**242 938**	**135 822**	**971 561**	**70 338**	**7 399 340**

Revalued assets

The buildings were independently valued at 31 December 2015. The valuation was carried out by an independent firm of appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

The appraisals were performed using the income capitalisation and comparative sales and/or offer approaches of valuation. The income capitalisation approach considers income and expense data relating to the property being valued and estimates fair value through a capitalisation process. The market approach is based upon an analysis of the results of comparable sales and/or offers of similar buildings. Final fair value was calculated based on integrated analysis of both approaches. Thus, these buildings were classified to Level 3 of the fair value hierarchy.

The following key assumptions are used in applying the income capitalisation approach:

- net income for the base year is calculated using information on actual rental rates, possible vacancy losses, operating and maintenance expenses;
- vacancy losses as a percentage of potential gross rent income are estimated in the range of 10.8% to 12.0%;
- buildings maintenance and general administrative expenses are estimated in the range from 11.2% to 18.0% of effective gross rent income;
- capitalisation rate in the range from 11.0% to 12.0% is applied to capitalise net income for the base year.

For the comparative sales and/or offers approach the most significant assumption made is a negotiation discount in the range from 10.5% to 12.0% implicit in advertized market prices.

Changes in these estimates could effect the value of the buildings. For example, to the extent that adjustments differs by plus/minus ten percent, the building valuation as of 31 December 2015 would be RUB 528 006 thousand (31 December 2014: RUB 597 868 thousand) higher/lower.

The carrying value of land and buildings as of 31 December 2015, if the land and buildings would not have been revalued, would be RUB 4 117 568 thousand (31 December 2014: RUB 4 118 046 thousand).

15 Other assets

	31 December 2015 RUB`000	31 December 2014 RUB`000
Receivables under cession agreements	900 282	1 053 760
Receivables and settlements with suppliers	896 189	776 850
Receivables for commissions	777 340	674 303
Funds deposited in National Settlement Depository	-	1 029 650
Impairment allowance	(139 896)	(158 813)
Total other financial assets	**2 433 915**	**3 375 750**
Property held for further leasing	18 002 027	-
Real estate held for sale	3 804 815	3 712 809
Intangible assets	354 719	141 564
Deferred expenses	114 479	130 509
Other	895 887	569 047
Impairment allowance	(21 267)	(30 736)
Total other non-financial assets	**23 150 660**	**4 523 193**
Total other assets	**25 584 575**	**7 898 943**

To avoid losses on the documentary instruments the Bank entered into ownership of planes. These planes are included in property held for further leasing.

Included in real estate held for sale is real estate in Moscow and Moscow region, obtained by taking control over collateral for impaired loans in 2015 and 2014.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December 2015 and 31 December 2014 are as follows:

	2015 RUB'000	2014 RUB'000
Balance at the beginning of the period	**189 549**	**102 445**
Net charge	(889)	230 256
Write-offs	(27 497)	(143 152)
Balance at the end of the period	**161 163**	**189 549**

16 Deposits by the Central Bank of the Russian Federation

	31 December 2015 RUB'000	31 December 2014 RUB'000
Payables under repurchase agreements or collateralized loans	4 044 647	95 235
Term deposits	-	11 499 196
Total deposits by the Central Bank of the Russian Federation	**4 044 647**	**11 594 431**

Information about the currency and maturity and effective interest rates on deposits by the Central Bank of the Russian Federation is presented in note 29.

17 Deposits by credit and other financial institutions

	31 December 2015 RUB'000	31 December 2014 RUB'000
Term deposits	52 523 973	29 908 945
Payables under repurchase agreements or collateralized loans	22 602 592	-
Demand deposits	8 043 136	772 086
Subordinated debt	1 490 212	1 150 791
Syndicated loans	-	22 471 131
Total deposits by credit and other financial institutions	**84 659 913**	**54 302 953**

Payables under repurchase agreements or collateralized loans included in deposits by credit and other financial institutions are payables secured by highly liquid rated debt securities under agreement to sell (repo) that are included in the Lombard list of the Central Bank of the Russian Federation.

Subordinated debt represents loans denominated in USD with an effective interest rate of 7.0% (31 December 2014: 6.8%) and maturity in 2017 (31 December 2014: in 2017).

As at 31 December 2015, the Group has four counterparties (31 December 2014: no counterparties) whose deposits balances exceed 10% of deposits by credit and other financial institutions. The gross value of these balances as at 31 December 2015 is RUB 60 599 915 thousand (31 December 2014: nil).

Information about the currency and maturity and effective interest rates on deposits by credit and other financial institutions is presented in note 29.

18 Deposits by customers

	31 December 2015 RUB'000	31 December 2014 RUB'000
Corporate customers		
Term deposits	645 758 476	152 095 958
Current accounts and demand deposits	25 832 712	19 023 561
Subordinated debt	21 885 357	-
Term notes	4 286 679	332 709
Total corporate customers	**697 763 224**	**171 452 228**
Individuals		
Term deposits	189 047 958	152 613 630
Current accounts and demand deposits	11 881 049	10 786 340
Total individuals	**200 929 007**	**163 399 970**
Total deposits by customers	**898 692 231**	**334 852 198**

As at 31 December 2015, customer accounts include deposits amounting to RUB 4 992 040 thousand representing security for loans to customers (31 December 2014: nil).

As at 31 December 2015, the Group has two counterparties (31 December 2014: no counterparties), whose demand and term deposits exceed 10% of total customer accounts. The gross value of these balances as at 31 December 2015 is RUB 493 626 596 thousand (31 December 2014: nil).

Information about the currency and maturity and effective interest rates on deposits by customers is presented in note 29.

19 Debt securities issued

	31 December 2015 RUB'000	31 December 2014 RUB'000
Promissory notes issued at nominal value	1 059 000	5 025 999
Accrued interest	265	19 874
Unamortized discount	(14 706)	(79 913)
Total promissory notes issued	**1 044 559**	**4 965 960**
Subordinated bonds	46 208 552	36 952 827
Bonds	73 901 654	76 702 517
Total bonds issued	**120 110 206**	**113 655 344**
Total debt securities issued	**121 154 765**	**118 621 304**

The table below provides a summary of bonds issued as at 31 December 2015 and 31 December 2014:

	Nominal amount of the initial issue RUB'000/ USD'000	Amount of the issue outstanding					
		31 December 2015 RUB'000	31 December 2014 RUB'000	Issue date	Maturity date	Coupon rate	
RUB denominated bonds issue 07	2 000 000	-	2 031 324	20.07.2010	14.07.2015	9.30%	
RUB denominated bonds issue 08	3 000 000	-	3 053 007	14.04.2010	08.04.2015	8.65%	
RUB denominated subordinated bonds issue 11	3 000 000	3 020 864	3 018 900	11.12.2012	05.06.2018	12.25%	*
RUB denominated bonds issue BO-02	3 000 000	-	3 013 996	25.09.2012	25.09.2015	8.85%	
RUB denominated bonds issue BO-03	4 000 000	-	4 059 421	27.04.2012	27.04.2015	9.40%	
RUB denominated bonds issue BO-06	3 666 245	3 722 125	5 061 010	24.10.2013	24.10.2018	12.25%	
RUB denominated bonds issue BO-07	7 000 000	6 939 068	6 790 403	30.10.2013	30.10.2018	9.10%	
RUB denominated subordinated bonds issue 12	2 000 000	2 085 240	2 084 580	27.02.2013	22.08.2018	12.25%	*
USD denominated Eurobonds issue	500 000	37 565 990	27 377 848	01.02.2013	01.02.2018	7.70%	*
USD denominated subordinated Eurobonds issue	500 000	36 049 080	28 380 937	13.05.2013	13.11.2018	8.70%	*
RUB denominated bonds issue BO-09	3 000 000	3 100 049	-	25.03.2015	25.03.2020	15.00%	
RUB denominated bonds issue BO-10	5 000 000	5 263 722	5 143 050	10.07.2014	10.07.2019	12.25%	
RUB denominated bonds issue BO-11	15 000 000	15 038 290	15 507 162	10.07.2014	10.07.2019	10.90%	
RUB denominated subordinated Eurobonds issue	5 000 000	5 053 367	5 050 530	26.11.2014	26.05.2025	16.50%	*
Mortgage-backed bonds	3 702 139	2 272 411	3 083 176	11.06.2014	07.06.2039	10.65%	
		120 110 206	**113 655 344**				

** Fixed coupon rate*

Bondholders are entitled to demand early redemption of certain bonds at their nominal value.

Coupon payments are made semi-annually or quarterly, and selected coupon rates are subject to change in accordance with terms of the issuance within a predetermined range.

Information about the currency and maturity and effective interest rates on debt securities issued is presented in note 29.

20 Other liabilities

	31 December 2015 RUB'000	31 December 2014 RUB'000
Derivative financial instruments	782 834	229 696
Payables to suppliers	510 907	1 013 333
Cash collection payables	182 234	190 671
Other liabilities	218 179	134 359
Total other financial liabilities	**1 694 154**	**1 568 059**
Allowance for credit related commitments	1 397 344	513 043
Deferred income	871 772	526 683
Payable to employees	360 966	282 714
Taxes payable	228 063	211 073
Payables to Deposit Insurance Agency	189 554	152 625
Other liabilities	188 205	16 364
Total other non-financial liabilities	**3 235 904**	**1 702 502**
Total other liabilities	**4 930 058**	**3 270 561**

21 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital comprises 23 879 709 866 shares (31 December 2014: 14 467 761 735 shares) with par value of 1 RUB per share. In addition, at 31 December 2015 the Bank has 12 396 448 142 authorized but unissued ordinary shares with an aggregate nominal value of RUB 12 396 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 861 930 thousand.

In 2014 the Bank commenced its share capital increase by placement of 1 272 264 631 additional ordinary shares with a par value of 1 RUB per share. The new shares were acquired, at a price above par value by the current majority shareholder Concern Rossium, LLC for RUB 5 000 million through a placement of a RUB 5 000 million subordinated loan in the Bank in December 2014 that was subsequently used for purchase of shares upon completion of their registration. The Bank and the majority shareholder entered into a contractual arrangement that established the unconditional right for the Bank to repay the subordinated debt by issuance of fixed number of additional ordinary shares to the majority shareholder. As such, this amount was presented as equity in the consolidated financial statements as at 31 December 2014. As at 31 December 2014 the share issue was in the process of registration. In February 2015 the CBR registered the Bank's share capital increase in the amount of RUB 5 000 million.

In June 2015 the Bank issued 3 639 683 500 additional ordinary shares with a par value of 1 RUB per share under an initial public offering. The Bank raised RUB 13 175 654 thousand during the offering.

In December 2015 the Bank issued 4 500 000 000 additional ordinary shares with a par value of 1 RUB per share under a secondary public offering. The Bank raised RUB 16 515 000 thousand during the offering.

22 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

	31 December 2015 RUB'000	**31 December 2014 RUB'000**
Guarantees and letters of credit	65 895 955	67 723 944
Undrawn loan commitments	6 449 869	6 312 891
Other contingent liabilities	137 258	326 790
	72 483 082	**74 363 625**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

23 Operating leases

Leases as lessee

Future minimum lease payments on non-cancellable lease agreements are as follows:

	31 December 2015 RUB'000	**31 December 2014 RUB'000**
Less than 1 year	887 475	532 510
Between 1 and 5 years	1 000 944	851 308
More than 5 years	32 120	38 538
	1 920 539	**1 422 356**

During the year ended 31 December 2015 RUB 816 209 thousand was recognised as an expense in profit or loss in respect of operating leases (31 December 2014: RUB 944 099 thousand).

24 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

25 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognized in the consolidated statement of financial position.

26 Related party transactions

The outstanding balances with related parties and related average interest rates as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	Amount RUB'000	**Average effective interest rate**	**Amount RUB'000**	**Average effective interest rate**
Loans to customers				
Under control of majority shareholder	991 190	17.4%	518 437	16.7%
Management	114 800	16.4%	22 478	14.9%
Total loans	**1 105 990**		**540 915**	

	31 December 2015		31 December 2014	
	Amount RUB'000	**Average effective interest rate**	**Amount RUB'000**	**Average effective interest rate**
Deposits by customers				
Under control of majority shareholder	476 883	10.8%	62 405	8.4%
Majority shareholder	282 531	13.2%	268 073	4.0%
Management	199 585	7.8%	156 043	8.6%
Parent company	56 024	10.0%	24 366	7.8%
Total deposits	**1 015 023**		**510 887**	
Guarantees issued				
Under control of majority shareholder	4 287 052		-	
Total guarantees	**4 287 052**		**-**	

Amounts included in profit or loss and other comprehensive income for the years ended 31 December 2015 and 2014 in relation to transactions with related parties are as follows:

	2015 RUB'000	**2014 RUB'000**
Interest income on loans to customers		
Majority shareholder	193 411	737
Under control of majority shareholder	118 208	80 280
Management	9 355	7 404
Total interest income	**320 974**	**88 421**
Interest expense on deposits by customers		
Parent company	76 808	13 608
Majority shareholder	24 998	67 163
Under control of majority shareholder	23 053	1 450
Management	15 069	10 113
Total interest expense	**139 928**	**92 334**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the years ended 31 December 2015 and 31 December 2014 (refer to note 6) is as follows:

	2015 RUB'000	**2014 RUB'000**
Members of the Supervisory Board	74 995	52 569
Members of the Management Board	86 631	228 035
	161 626	**280 604**

27 Capital management

The CBR sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. The Group calculates the amount of capital in accordance with Provision of the CBR dated 28 December 2012 No 395-P *On Methodology of Calculation of Own Funds (Capital) of the Credit Organisations (Basel III)* (Provision of the CBR No 395-P).

As at 31 December 2015 minimum level of main capital ratio (ratio N20.2) is 6.0%, basic capital ratio (ratio N20.1) is 5.0%, own funds (capital) ratio (ratio N20.0) is 10% (31 December 2014: 5.5%, 5.0%, 10.0%, respectively).

Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR offices that supervise the Bank with information on mandatory ratios in accordance with regulatory requirements. The accounting department controls on a daily basis compliance with capital adequacy ratios.

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 31 December 2015 and 31 December 2014.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015 RUB'000	**31 December 2014 RUB'000**
Tier 1 capital		
Share capital and additional paid-in capital	59 789 103	25 098 449
Shares in the process of issue	-	5 000 000
Retained earnings	31 560 113	30 050 642
Goodwill	-	(301 089)
Intangible assets	(354 719)	(141 564)
Core tier 1	**90 994 497**	**59 706 438**
Additional capital	-	-
Total tier 1 capital	**90 994 497**	**59 706 438**
Tier 2 capital		
Revaluation surplus for buildings	769 176	1 115 928
Revaluation reserve for investments available-for-sale	220 070	(1 277 529)
Subordinated loans		
Subordinated loans	42 291 275	360 054
Subordinated bonds	28 277 204	30 433 890
Total tier 2 capital	**71 557 725**	**30 632 343**
Total capital	**162 552 222**	**90 338 781**
Risk-weighted assets		
Banking book	749 365 459	459 721 138
Trading book	179 465 196	67 317 145
Operational risk	57 449 960	43 073 457
Total risk weighted assets	**986 280 615**	**570 111 740**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**16.5**	**15.8**
Total tier 1 capital expressed as a percentage of risk-weighted assets (Core tier 1 capital ratio) (%)	**9.2**	**10.5**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**9.2**	**10.5**

Included in subordinated bonds in tier 2 capital are subordinated bonds in the amount of RUB 23 398 755 thousand (31 December 2014: RUB 27 553 890 thousand) which are fully in compliance with Basel III requirements as adopted in the Russian Federation. Other subordinated loans are subject to accelerated amortization, following the transition rules applied by the CBR for inclusion in tier 2 capital of subordinated loans received before March 2013.

In June 2015 the State Corporation "Deposit Insurance Agency" provided a subordinated loan of RUB 20 231 000 thousand to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction. The Group does not recognize securities received and a subordinated obligation to return them to the lender in the consolidated statement of financial position of the Group. The obligation to return securities received to the State Corporation "Deposit Insurance Agency" is subordinated to other ordinary obligations of the Group, and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its Tier 2 capital for the purpose of statutory regulatory capital and capital calculated for capital management purposes in accordance with Basel III and Basel I requirements.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 31 December:

	31 December 2015 RUB'000	**31 December 2014 RUB'000**
Tier 1 capital		
Share capital and additional paid-in capital	59 789 103	25 098 449
Shares in the process of issue	-	5 000 000
Retained earnings	31 560 113	30 050 642
Goodwill	-	(301 089)
Total tier 1 capital	**91 349 216**	**59 848 002**
Tier 2 capital		
Revaluation surplus for buildings	769 176	1 115 928
Revaluation reserve for investments available-for-sale	220 070	(1 277 529)
Subordinated loans		
Subordinated loans	42 407 888	450 067
Subordinated bonds	29 340 130	31 431 944
Total tier 2 capital	**72 737 264**	**31 720 410**
Total capital	**164 086 480**	**91 568 412**
Risk-weighted assets		
Banking book	749 365 459	459 721 138
Trading book	179 465 196	67 317 145
Total risk weighted assets	**928 830 655**	**527 038 283**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**17.7**	**17.4**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**9.8**	**11.4**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with Basel I established by covenants in borrowing agreements. The Group complied with all externally imposed capital requirements as at 31 December 2015 and 31 December 2014.

28 Analysis by segment

The Group has four reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking: comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guarantees, corporate deposit taking, settlements and money transfers, currency conversion
- Retail banking: comprises retail demand and term deposit services; retail lending, including other loans to individuals, car loans and mortgages, money transfers and private banking services; banking card products, settlements and money transfers, currency conversion for individuals
- Treasury: comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and promissory notes
- Cash operations: comprises all operations connected with cash, cash handling, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

The segment breakdown of assets and liabilities is set out below:

	31 December 2015 RUB’000	31 December 2014 RUB’000
ASSETS		
Corporate banking	487 032 141	259 263 051
Retail banking	111 969 235	122 111 347
Treasury	557 505 468	174 024 442
Cash operations	17 344 885	12 529 291
Unallocated assets	34 348 899	16 910 861
Total assets	**1 208 200 628**	**584 838 992**

	31 December 2015 RUB'000	31 December 2014 RUB'000
LIABILITIES		
Corporate banking	697 763 224	171 452 227
Retail banking	200 929 007	163 399 970
Treasury	209 859 325	184 518 688
Unallocated liabilities	7 310 610	5 480 617
Total liabilities	**1 115 862 166**	**524 851 502**

Segment information for the main reportable segments for the year ended 31 December 2015 is set below:

RUB'000	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	48 791 721	21 501 052	18 917 737	-	-	89 210 510
Fee and commission income	2 447 074	4 274 211	178 092	2 469 733	-	9 369 110
Net gain on securities	-	-	800 663	-	-	800 663
Net foreign exchange gain	1 889 144	192 235	661 399	-	-	2 742 778
Revenue (expenses) from other segments	1 826 444	(976 371)	(933 718)	83 645	-	-
Revenue	**54 954 383**	**24 991 127**	**19 624 173**	**2 553 378**	**-**	**102 123 061**
Impairment losses on loans	(20 539 441)	(5 496 509)	-	-	-	(26 035 950)
Interest expense	(24 116 299)	(20 078 998)	(15 726 739)	-	-	(59 922 036)
Fee and commission expense	(1 437 475)	(183 726)	(96 567)	-	-	(1 717 768)
Other operating loss, net	(779 015)	115 762	113 892	-	-	(549 361)
General administrative and other expenses	(3 226 947)	(4 232 072)	(203 869)	(498 112)	(3 792 402)	(11 953 402)
Expense	**(50 099 177)**	**(29 875 543)**	**(15 913 283)**	**(498 112)**	**(3 792 402)**	**(100 178 517)**
Segment result	**4 855 206**	**(4 884 416)**	**3 710 890**	**2 055 266**	**(3 792 402)**	**1 944 544**

Segment information for the main reportable segments for the year ended 31 December 2014 is set below:

RUB'000	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	31 024 907	19 790 988	7 367 490	-	-	58 183 385
Fee and commission income	3 563 701	3 716 875	154 869	1 591 770	-	9 027 215
Net loss on securities	-	-	(2 298 408)	-	-	(2 298 408)
Net foreign exchange losses	(887 260)	(283 382)	(1 315 076)	-	-	(2 485 718)
Other operating income, net	(24 013)	264 993	227 238	-	-	468 218
(Expenses) revenue from other segments	(11 741 327)	2 380 160	9 161 392	199 775	-	-
Revenue	**21 936 008**	**25 869 634**	**13 297 505**	**1 791 545**	**-**	**62 894 692**
Impairment losses on loans	(4 811 710)	(6 833 443)	-	-	-	(11 645 153)
Interest expense	(9 497 168)	(11 654 297)	(11 149 418)	-	-	(32 300 883)
Fee and commission expense	(1 523 084)	(180 925)	(31 341)	(958)	-	(1 736 309)
General administrative and other expenses	(1 333 094)	(4 232 638)	(156 990)	(1 442 738)	(3 029 348)	(10 194 809)
Expense	**(17 165 057)**	**(22 901 303)**	**(11 337 750)**	**(1 443 696)**	**(3 029 348)**	**(55 877 154)**
Segment result	**4 770 951**	**2 968 331**	**1 959 756**	**347 849**	**(3 029 348)**	**7 017 538**

Information about major customers and geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation.

There are no external customers (groups of related customers) with individual income from operations which exceed 10% of total income from operations. The majority of non-current assets are located in the Russian Federation.

29 Risk management, corporate governance and internal control

Corporate governance framework

The Bank is established as an open joint-stock company in accordance with Russian law. The supreme governing body of the Bank is the general shareholders’ meeting that is called for annual or extraordinary meetings. The general shareholders’ meeting makes strategic decisions on the Bank’s operations.

The general shareholders’ meeting elects the Supervisory Board. The Supervisory Board is responsible for overall governance of the Bank’s activities.

Russian legislation and the charter of the Bank establish decisions that are exclusively approved by the general shareholders’ meeting and that are approved by the Supervisory Board.

As at 31 December 2015, the Supervisory Board includes:

- William F. Owens – Chairman

Members:

- Andrew S. Gazitua
- Roman I. Avdeev
- Andrey A. Kryukov
- Vladimir A. Chubar
- Mikhail E. Kuznetsov
- Nicholas D. Haag
- Thomas G. Grasse
- Bernard D. Sucher
- Alexey A. Stepanenko.

During the year ended 31 December 2015 the following changes occurred in the composition of the Supervisory Board:

- Alexander N. Nikolashin - resigned
- Andrey A. Kryukov – new member.

General activities of the Bank are managed by the sole executive body of the Bank (Chairman of the Management Board) and collective executive body of the Bank (Management Board). The Supervisory Board meeting elects the Chairman of the Management Board. The executive bodies are responsible for implementation of decisions of the general shareholders’ meeting and the Supervisory Board. Executive bodies report to the Supervisory Board and to the general shareholders’ meeting.

As at 31 December 2015, the Management Board includes:

- Vladimir A. Chubar – Chairman of the Management Board
- Dmitry A. Eremin – First Deputy Chairman of the Management Board
- Yury A. Ubeev – Deputy Chairman of the Management Board
- Alexey V. Kosyakov – Deputy Chairman of the Management Board
- Daria A. Galkina – Deputy Chairman of the Management Board
- Svetlana V. Sass – Chief Accountant, Member of the Management Board.

During the year ended 31 December 2015 no changes occurred in composition of the Management Board.

Internal control policies and procedures

The Supervisory Board and the Management Board have responsibility for the development, implementation and maintenance of internal controls in the Bank that are commensurate with the scale and nature of operations.

The purpose of internal controls is to ensure:

- proper and comprehensive risk assessment and management
- proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions
- completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.
- reliability of IT-systems, data and systems integrity and protection
- prevention of fraudulent or illegal activities, including misappropriation of assets
- compliance with laws and regulations.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management monitors the effectiveness of internal controls and periodically implements additional controls or modifies existing controls as considered necessary.

The Group developed a system of standards, policies and procedures to ensure effective operations and compliance with relevant legal and regulatory requirements, including the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the recording, reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentating of controls and procedures
- requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards, and
- risk mitigation, including insurance where this is effective.

In 2014 new requirements for the organisation of internal control system in credit organisations came into force. The new version of Regulation of the Central Bank of Russian Federation dated 16 December 2003 No 242-P *On the Organisation of Internal Control in Credit Organisations and Banking Groups* sets out the specific requirements for the internal audit service and the internal control service (the compliance service).

The main functions of the internal audit service include the following:

- audit and efficiency assessment of the system of internal control as a whole, fulfillment of the decisions of key management structures

- audit of efficiency of methodology of assessment of banking risks and risk management procedures, regulated by internal documents in credit organization (methods, programmes, rules and procedures for banking operations and transactions, and for the management of banking risks)
- audit of reliability of internal control system over automated information systems
- audit and testing of fairness, completeness and timeliness of accounting and reporting function and the reliability (including the trustworthiness, fullness and objectivity) of the collection and submission of financial information
- audit of applicable methods of safekeeping of the credit organization's property
- assessment of economic reasonability and efficiency of operations and other deals
- audit of internal control processes and procedures
- audit of the internal control service and the risk management service.

Internal control service conducts compliance activities focused primarily on regulatory risks faced by the Group.

The main functions of internal control (compliance) service include the following:

- identification of compliance risks and regulatory risks
- monitoring of events related to regulatory risk, including probability of occurrence and quantitative assessment of its' consequences
- monitoring of regulatory risk
- preparation of recommendations on regulatory risk management
- coordination and participation in design of measures to decrease regulatory risk
- monitoring of efficiency of regulatory risk management
- participation in preparation of internal documents on regulatory risk management, anti-corruption, compliance with corporate behaviour rules, code of professional ethics and minimisation of conflicts of interest
- analysis of dynamics of clients' complaints
- analysis of economic reasonableness of agreements with suppliers
- participation in interaction with authorities, self-organized organisations, associations and financial market participants.

Compliance with Group standards is supported by a program of periodic reviews undertaken by internal audit service. The internal audit function is independent from management and reports directly to the Supervisory Board. The results of internal audit reviews are discussed with relevant business process managers, with summaries submitted to the Audit Committee and Supervisory Board and senior management of the Group.

Russian legislation, including Federal Law dated 2 December 1990 No 395-1 *On Banks and Banking Activity*, Direction of the CBR dated 1 April 2014 No 3223-U *On Requirement to Head of Risk Management Service, Head of Internal Control Service, Head of Internal Audit Service of the Credit Organisation*, establish the professional qualifications, business reputation and other requirements for members of the Supervisory Board, Management Board, Heads of internal audit service, internal control service and risk management service and other key management personnel. All members of the Bank's governing and management bodies meet these requirements.

Management believes that the Bank complies with the CBR requirements related to risk management and internal control systems, including requirements related to the internal audit and control function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

Risk management policies and procedures

Management of risk is fundamental to the business of banking and forms an essential element of the Group's operations. The major (significant) risks faced by the Group are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has policies and procedures for the management of credit exposures (both for recognized and unrecognized exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and procedures to evaluate borrowers' credit worthiness developed together with the Risk Division.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Division with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk in relation to assets recognized at 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015 RUB'000	31 December 2014 RUB'000
ASSETS		
Cash and cash equivalents	120 669 701	106 167 630
Obligatory reserves with the Central Bank of the Russian Federation	5 936 111	3 360 070
Due from credit and other financial institutions	277 295 869	6 880 576
Financial instruments at fair value through profit or loss	72 136 989	49 864 611
Available-for-sale securities	87 291 642	11 111 570
Loans to customers	593 065 265	378 014 328
Other financial assets	2 433 915	3 375 750
Total maximum exposure to credit risk on statement of financial position	**1 158 829 492**	**558 774 535**

For the analysis of concentration of credit risk in respect of loans to customers refer to note 13.

The maximum exposure to credit risk in relation to guarantees and commitments at the reporting date is presented in note 22.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, can be covered by the funds deposited by customers and therefore bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

In accordance with the requirements of the CBR, the Bank also calculates on a daily basis mandatory maximum risk exposure ratio per borrower or group of related borrowers (N6), which regulates the Bank’s credit risk in respect of a borrower or a group of related borrowers and sets the maximum ratio of the total liabilities of a borrower (borrowers within a group of related borrowers) owed to the Bank, to the Bank's own funds (capital). As at 31 December 2015 and 31 December 2014, the maximum level of N6 ratio set by the CBR was 25%. The N6 ratio calculated by the Bank was in compliance with limits set by the CBR as at 31 December 2015 and 31 December 2014.

The Bank’s management is responsible for the compliance of the banking group, wherein the Bank is the parent credit institution, with the requirements of the CBR in respect of mandatory ratios, including the banking group’s maximum risk exposure ratio per borrower or group of related borrowers (N21); the banking group’s maximum risk exposure to large credit risks ratio (N22).

N21 ratio regulates the credit risk of the banking group, wherein the Bank is the parent credit institution, in respect of a borrower or a group of related borrowers and sets the maximum ratio of the banking group’s total credit claims (excluding unconsolidated participants of the banking group) to the borrower or group of related borrowers to the banking group’s own funds (capital).

N22 ratio regulates the total exposure to large credit risks of the banking group, wherein the Bank is the parent credit institution, and sets the maximum ratio of the banking group’s total exposure to large credit risks (excluding unconsolidated participants of the banking group) to the banking group’s own funds (capital).

The structure of the banking group, wherein the Bank is the parent credit institution, is determined in accordance with the requirements of Direction of the CBR dated 25 October 2013 No. 3090-U *Calculation of Own Funds (Capital), Mandatory Ratios and Open Currency Position Limits for Banking Groups* and may differ from the Group structure determined in accordance with IFRS requirements.

The Bank was in compliance with the mandatory ratios in respect of the banking group’s credit risk as at 31 December 2015 and 31 December 2014.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group’s consolidated statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements.

Similar financial instruments include derivatives, sales and repurchase agreements, and reverse sale and repurchase agreements.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

Sale and repurchase, reverse sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

These ISDA and similar master netting arrangements do not meet the offsetting criteria in the consolidated statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015:

				Related amounts subject to offset under specific conditions		
Types of financial assets/liabilities	**Gross amounts of recognized financial assets/liabilities RUB'000**	**Gross amount of recognized financial liabilities/assets offset in the consolidated statement of financial position RUB'000**	**Net amount of financial assets/liabilities presented in the consolidated statement of financial position RUB'000**	**Financial instruments RUB'000**	**Cash collateral received RUB'000**	**Net amount RUB'000**
Reverse sale and repurchase	289 550 623	-	289 550 623	289 550 623	-	-
Total financial assets	**289 550 623**	**-**	**289 550 623**	**289 550 623**	**-**	**-**
Sale and repurchase	26 647 239	-	26 647 239	26 647 239	-	-
Total financial liabilities	**26 647 239**	**-**	**26 647 239**	**26 647 239**	**-**	**-**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2014:

Types of financial assets/liabilities	Gross amounts of recognized financial assets/liabilities RUB'000	Gross amount of recognized financial liabilities/assets offset in the consolidated statement of financial position RUB'000	Net amount of financial assets/liabilities presented in the consolidated statement of financial position RUB'000	Related amounts subject to offset under specific conditions: Financial instruments RUB'000	Cash collateral received RUB'000	Net amount RUB'000
Reverse sale and repurchase	19 383 683	-	19 383 683	19 383 683	-	-
Total financial assets	**19 383 683**	**-**	**19 383 683**	**19 383 683**	**-**	**-**
Sale and repurchase	95 235	-	95 235	95 235	-	-
Total financial liabilities	**95 235**	**-**	**95 235**	**95 235**	**-**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the following basis:

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements – amortized cost.

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2015.

Types of financial assets/liabilities	Net amount RUB'000	Line item in the consolidated statement of financial position RUB'000	Carrying amount in the consolidated statement of financial position RUB'000	Financial assets/liabilities not in the scope of offsetting disclosure RUB'000	Note
Reverse sale and repurchase agreements	50 735 211	Cash and cash equivalents	138 014 586	87 279 375	9
	238 815 412	Due from credit and other financial institutions	277 295 869	38 480 457	10
Sale and repurchase agreements	4 044 647	Deposits by the Central Bank of the Russian Federation	4 044 647	-	16
	22 602 592	Deposits by credit and other financial institutions	84 659 913	62 057 321	17

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2014.

Types of financial assets/liabilities	Net amount RUB'000	Line item in the consolidated statement of financial position RUB'000	Carrying amount in the consolidated statement of financial position RUB'000	Financial assets/liabilities not in the scope of offsetting disclosure RUB'000	Note
Reverse sale and repurchase agreements	14 785 302	Cash and cash equivalents	118 696 921	103 911 619	9
	4 598 381	Due from credit and other financial institutions	6 880 576	2 282 195	10
Sale and repurchase agreements	95 235	Deposits by the Central Bank of the Russian Federation	11 594 431	11 499 196	16

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group is exposed to several types of operational risk, including unauthorized transactions by employees, operational errors by employees such as clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems and the risk that the Group will be used for money laundering and financing of terrorist activities.

The Group's Operational Risk Management Policy is based on Russian statutory requirements, recommendations of the CBR and the Basel Committee on Banking Supervision, and internationally recognized principles. The Group gathers data on operational risk occurrences and monitors key risk indicators, and organizational units carry out self-assessment of risk and subsequently provide operational risk mapping across the Group.

The Group also seeks to manage its operational risks by recruiting qualified staff, provides training, regularly updating operational procedures, monitoring the security of its IT systems and ensuring that its infrastructure systems are robust.

The Group established an Operational Risk Unit as a part of the Internal Control Division. The Operational Risk Unit determines policies and procedures in the area of operational risks.

The Operational Risk Unit collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools. The Operational Risk Unit reports to the Head of Internal Control Division on important developments and issues. The Head of Internal Control Division reports directly to the Chairman of the Management Board.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The Asset and Liability Management Committee (ALCO) sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group calculates liquidity ratios on a daily basis in accordance with the requirements of the CBR. These ratios are:

i) instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;

ii) current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;

iii) long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

The Group was in compliance with these ratios as at 31 December 2015 and 31 December 2014.

The following tables as at 31 December 2015 and 31 December 2014 show the undiscounted cash flows from financial liabilities on the basis of their contractual maturity. Bonds issued are shown in accordance with their early redemption dates. These expected cash flows can vary significantly from the actual future cash flows. Foreign currency payments are translated using the spot exchange rate at the reporting date.

31 December 2015 RUB'000	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**	**Carrying value**
LIABILITIES						
Deposits by the CBR	-	4 061 566	-	-	**4 061 566**	**4 044 647**
Deposits by credit and other financial institutions	29 969 117	44 331 293	3 931 759	8 159 293	**86 391 462**	**84 659 913**
Deposits by customers	139 780 249	322 114 330	385 766 303	86 563 741	**934 224 623**	**898 692 231**
Debt securities issued	6 647 413	8 613 235	17 139 405	118 065 559	**150 465 612**	**121 154 765**
Other financial liabilities	1 329 314	264 641	91 277	8 922	**1 694 154**	**1 694 154**
Total contractual future payments for financial obligations	**177 726 093**	**379 385 065**	**406 928 744**	**212 797 515**	**1 176 837 417**	**1 110 245 710**
Guarantees and letters of credit	65 895 955	-	-	-	**65 895 955**	
Credit related commitments	6 449 869	-	-	-	**6 449 869**	

31 December 2014 RUB'000	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**	**Carrying value**
LIABILITIES						
Deposits by the CBR	5 219 450	6 487 655	96 965	-	**11 804 070**	**11 594 431**
Deposits by credit and other financial institutions	7 938 559	31 751 202	7 159 674	9 180 940	**56 030 375**	**54 302 953**
Deposits by customers	111 410 664	104 727 101	68 452 686	74 065 848	**358 656 299**	**334 852 198**
Debt securities issued	2 552 445	13 499 922	19 570 101	109 910 990	**145 533 458**	**118 621 304**
Other financial liabilities	512 156	590 679	465 224	-	**1 568 059**	**1 568 059**
Total contractual future payments for financial obligations	**127 633 274**	**157 056 559**	**95 744 650**	**193 157 778**	**573 592 261**	**520 938 945**
Guarantees and letters of credit	67 723 944	-	-	-	**67 723 944**	
Credit related commitments	6 312 891	-	-	-	**6 312 891**	

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Management believes term deposits from individuals to be a stable source of funding based on the past experience, thus classifiing them in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

	31 December 2015 RUB'000	**31 December 2014 RUB'000**
Demand and less than 1 month	26 596 672	8 146 506
From 1 to 6 months	107 909 005	59 995 356
From 6 to 12 months	37 204 483	30 759 951
More than 1 year	17 337 798	53 711 817
	189 047 958	**152 613 630**

In accordance with terms of issuance of bonds the holders are entitled to demand early redemption of bonds at their nominal value at certain dates. Management believes based on the past experience that it can manage amounts that are claimed for early redemption by changing coupon rates on bonds, thus classifying bonds in accordance with their stated final maturity dates. Maturity based on early redemption dates as at 31 December 2015 and 31 December 2014 is shown in the tables below:

31 December 2015 RUB'000	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Bonds issued	15 038 290	3 100 049	12 202 791	82 443 298	5 053 367	2 272 411	**120 110 206**

31 December 2014 RUB'000	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Bonds issued	-	7 112 428	10 105 773	6 790 403	81 512 476	8 134 264	**113 655 344**

The following tables provide an analysis, by expected maturities, of amounts recognised in the consolidated statement of financial position.

Securities included in financial instruments at fair value through profit or loss and available-for-sale securities that qualify as collateral for borrowing from the Central Bank of the Russian Federation are shown in the category "Less than 1 month" as management believes they are liquid assets which can be sold quickly or pledged into a repo transaction in response to liquidity needs, if necessary. Liquid securities included in the Lombard list of the Central bank of the Russian Federation pledged as collateral are presented in accordance with maturity of related repo transactions.

As at 31 December 2015 and 2014 the contractual maturities of all instruments included in financial instruments at fair value through profit or loss and available-for-sale securities were as follows:

31 December 2015 RUB'000	**Less than month**	**1 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**No maturity**	**Total**
Financial instruments at fair value through profit or loss	2 757 203	30 519 203	19 300 715	17 093 588	1 295 746	1 170 534	-	**72 136 989**
Available-for-sale securities	66 538	9 308 366	17 016 804	54 241 816	3 817 855	2 840 263	111 267	**87 402 909**

31 December 2014 RUB'000	**Less than month**	**1 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**No maturity**	**Total**
Financial instruments at fair value through profit or loss	1 477 498	11 376 681	17 829 788	13 315 217	5 306 671	558 756	-	**49 864 611**
Available-for-sale securities	104 868	464 984	3 355 503	3 503 524	3 304 900	377 791	55	**11 111 625**

31 December 2015 RUB'000	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**No maturity**	**Overdue**	**Total**
ASSETS												
Cash and cash equivalents	138 014 586	-	-	-	-	-	-	-	-	-	-	**138 014 586**
Obligatory reserves with the CBR	-	-	-	-	-	-	-	-	-	5 936 111	-	**5 936 111**
Due from credit and other financial institutions	-	70 956 455	101 342 473	5 272 120	1 416 268	98 308 553	-	-	-	-	-	**277 295 869**
Financial instruments at fair value through profit or loss	61 997 153	2 864 799	3 876 735	184 555	1 196 705	528 642	1 488 400	-	-	-	-	**72 136 989**
Available-for-sale securities	60 107 726	2 115 753	5 066 642	7 061 565	7 670 898	258 658	4 847 710	36 453	126 237	111 267	-	**87 402 909**
Loans to customers	71 062 052	89 688 271	63 333 598	48 036 367	37 625 142	38 711 193	57 222 511	77 652 412	84 070 793	-	25 662 926	**593 065 265**
Property and equipment	-	-	-	-	-	-	-	-	-	7 004 418	-	**7 004 418**
Current tax asset	-	-	-	-	-	-	-	-	-	1 759 906	-	**1 759 906**
Other assets	716 103	590 784	1 082 870	642 105	236 377	131 052	65 526	-	-	22 119 758	-	**25 584 575**
	331 897 620	**166 216 062**	**174 702 318**	**61 196 712**	**48 145 390**	**137 938 098**	**63 624 147**	**77 688 865**	**84 197 030**	**36 931 460**	**25 662 926**	**1 208 200 628**
LIABILITIES												
Deposits by the CBR	-	4 044 647	-	-	-	-	-	-	-	-	-	**4 044 647**
Deposits by credit and other financial institutions	29 889 828	2 000 736	42 042 747	3 266 642	595 522	3 542 951	723 814	1 146 699	1 450 974	-	-	**84 659 913**
Deposits by customers	139 132 835	203 651 279	111 245 333	252 569 174	122 668 329	31 874 538	11 145 095	468 449	25 937 199	-	-	**898 692 231**
Debt securities issued	-	1 044 559	-	-	-	-	89 382 368	23 402 061	7 325 777	-	-	**121 154 765**
Income tax liability	-	-	-	-	-	-	-	-	-	2 380 552	-	**2 380 552**
Other liabilities	1 671 314	641 734	242 944	202 876	195 829	41 258	56 993	64 848	53 951	1 758 311	-	**4 930 058**
	170 693 977	**211 382 955**	**153 531 024**	**256 038 692**	**123 459 680**	**35 458 747**	**101 308 270**	**25 082 057**	**34 767 901**	**4 138 863**	**-**	**1 115 862 166**
Net position	**161 203 643**	**(45 166 893)**	**21 171 294**	**(194 841 980)**	**(75 314 290)**	**102 479 351**	**(37 684 123)**	**52 606 808**	**49 429 129**	**32 792 597**	**25 662 926**	**92 338 462**
Cumulative position	**161 203 643**	**116 036 750**	**137 208 044**	**(57 633 936)**	**(132 948 226)**	**(30 468 875)**	**(68 152 998)**	**(15 546 190)**	**33 882 939**	**66 675 536**	**92 338 462**	

Management of the Group in its liquidity forecasts estimates that the liquidity gaps in the table above will be sufficiently covered by planned prolongations and planned funding raised from usual sources of financing and by ability to sell quickly or pledge into a repo transaction securities received under reverse repurchase agreements, which are liquid assets, as well as by the undrawn credit line facilities from the CBR and other financial institutions.

31 December 2014 RUB'000	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**No maturity**	**Overdue**	**Total**
ASSETS												
Cash and cash equivalents	118 696 921	-	-	-	-	-	-	-	-	-	-	**118 696 921**
Obligatory reserves with the CBR	-	-	-	-	-	-	-	-	-	3 360 070	-	**3 360 070**
Due from credit and other financial institutions	1 145 728	5 734 848	-	-	-	-	-	-	-	-	-	**6 880 576**
Financial instruments at fair value through profit or loss	43 595 418	-	2 762 742	-	1 512 042	503 535	-	1 490 874	-	-	-	**49 864 611**
Available-for-sale securities	9 804 644	51 923	35 760	313 150	-	760 512	-	63 634	81 947	55	-	**11 111 625**
Loans to customers	22 725 911	61 782 830	36 896 767	22 575 440	24 931 404	55 085 438	38 367 556	58 690 448	50 459 492	-	6 499 042	**378 014 328**
Property and equipment	-	-	-	-	-	-	-	-	-	7 399 340	-	**7 399 340**
Current tax asset	-	-	-	-	-	-	-	-	-	1 311 489	-	**1 311 489**
Goodwill	-	-	-	-	-	-	-	-	-	301 089	-	**301 089**
Other assets	1 737 050	316 894	1 014 823	612 997	294 350	85 500	448	-	-	3 836 881	-	**7 898 943**
	197 705 672	**67 886 495**	**40 710 092**	**23 501 587**	**26 737 796**	**56 434 985**	**38 368 004**	**60 244 956**	**50 541 439**	**16 208 924**	**6 499 042**	**584 838 992**
LIABILITIES												
Deposits by the CBR	5 182 534	4 662 899	1 653 763	-	95 235	-	-	-	-	-	-	**11 594 431**
Deposits by credit and other financial institutions	7 930 108	27 859 288	3 744 917	5 722 025	1 216 375	2 787 002	3 332 260	784 412	926 566	-	-	**54 302 953**
Deposits by customers	110 934 205	68 535 075	32 432 520	35 147 077	27 854 352	14 802 607	37 019 766	8 126 596	-	-	-	**334 852 198**
Debt securities issued	2 246 173	1 768 795	8 063 419	5 044 763	-	-	-	93 363 890	8 134 264	-	-	**118 621 304**
Income tax liability	-	-	-	-	-	-	-	-	-	2 210 055	-	**2 210 055**
Other liabilities	801 841	561 087	350 054	343 792	344 766	23 695	16 604	24 713	25 211	778 798	-	**3 270 561**
	127 094 861	**103 387 144**	**46 244 673**	**46 257 657**	**29 510 728**	**17 613 304**	**40 368 630**	**102 299 611**	**9 086 041**	**2 988 853**	**-**	**524 851 502**
Net position	**70 610 811**	**(35 500 649)**	**(5 534 581)**	**(22 756 070)**	**(2 772 932)**	**38 821 681**	**(2 000 626)**	**(42 054 655)**	**41 455 398**	**13 220 071**	**6 499 042**	**59 987 490**
Cumulative position	**70 610 811**	**35 110 162**	**29 575 581**	**6 819 511**	**4 046 579**	**42 868 260**	**40 867 634**	**(1 187 021)**	**40 268 377**	**53 488 448**	**59 987 490**	

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate currency and equity financial instruments which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO which is chaired by the Chairman of the Management Board. Market risk limits are approved by the ALCO based on recommendations of the Risk Division's Financial Risk Management Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Management Board and/or the ALCO.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

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

RUB'000	Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue	Total
31 December 2015						
Interest-bearing assets	147 306 327	365 148 366	128 667 417	442 361 375	25 662 926	**1 109 146 411**
Interest-bearing liabilities	138 270 323	367 129 350	391 302 458	166 058 795	-	**1 062 760 926**
Net interest sensitivity gap as at 31 December 2015	**9 036 004**	**(1 980 984)**	**(262 635 041)**	**276 302 580**	**25 662 926**	**46 385 485**
31 December 2014						
Interest-bearing assets	95 372 382	116 256 110	68 692 135	232 329 863	6 499 042	**519 149 532**
Interest-bearing liabilities	95 667 791	148 720 676	80 140 838	164 229 392	-	**488 758 697**
Net interest sensitivity gap as at 31 December 2014	**(295 409)**	**(32 464 566)**	**(11 448 703)**	**68 100 471**	**6 499 042**	**30 390 835**

An analysis of sensitivity of profit or loss and equity to changes in market interest rates based on a simplified scenario of a 200 bp symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 31 December 2014 is as follows:

	2015		2014	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
200 bp parallel rise	951 996	951 996	(578 763)	(578 763)
200 bp parallel fall	(951 996)	(951 996)	578 763	578 763

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 200 bp symmetrical fall or rise in all yield curves is as follows:

	2015		2014	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
200 bp parallel rise	(860 099)	(3 027 271)	(885 452)	(1 215 950)
200 bp parallel fall	860 099	3 027 271	885 452	1 215 950

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 20% change in USD to RUB exchange rates is as follows:

	2015		2014	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
20% appreciation of USD against RUB	(2 275 867)	(2 275 867)	(104 804)	(104 804)
20% depreciation of USD against RUB	2 275 867	2 275 867	104 804	104 804

Equity price risk

Price risk is the risk that the value of an equity financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in an equity financial instrument.

Equity price risk is not significant.

Interest rate analysis

The interest rate policy is reviewed and approved by the ALCO. The average effective interest rates for interest bearing financial instruments are as follows:

	2015			2014		
	USD	**RUB**	**Other foreign currencies**	**USD**	**RUB**	**Other foreign currencies**
Interest bearing assets						
Cash and cash equivalents	3.3%	12.7%	6.5%	2.2%	17.2%	4.9%
Due from credit and other financial institutions	3.5%	12.9%	2.2%	-	15.3%	6.4%
Financial instruments at fair value through profit or loss						
– government and municipal bonds	-	11.7%	-	-	13.7%	-
– corporate bonds	3.9%	12.1%	-	11.3%	18.0%	-
Available-for-sale securities						
– corporate bonds	6.1%	10.2%	-	15.5%	19.1%	-
– promissory notes	4.7%	-	-	-	9.8%	-
Loans to customers	6.8%	16.6%	8.5%	10.1%	17.8%	9.7%
Interest bearing liabilities						
Deposits by the CBR	1.7%	-	-	2.1%	10.3%	-
Deposits by credit and other financial institutions						
– term deposits	4.1%	10.2%	1.5%	1.8%	12.2%	2.1%
– syndicated loans	-	-	-	2.2%	-	1.9%
– subordinated debt	7.0%	-	-	6.8%	-	-
Term deposits by customers						
– term deposits	2.4%	11.4%	4.1%	4.6%	14.9%	5.4%
– subordinated debt	4.9%	-	-	-	-	-
Debt securities issued	8.2%	11.9%	-	8.2%	10.7%	-

Currency analysis

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The exposure of assets and liabilities to foreign currency exchange rate risk is as follows:

31 December 2015 RUB'000	**USD**	**RUB**	**Other currencies**	**Total**
ASSETS				
Cash and cash equivalents	59 727 312	72 654 368	5 632 906	**138 014 586**
Obligatory reserves with the CBR	-	5 936 111	-	**5 936 111**
Due from credit and other financial institutions	209 513 317	14 053 586	53 728 966	**277 295 869**
Financial instruments at fair value through profit or loss	2 711 998	69 335 105	89 886	**72 136 989**
Available-for-sale securities	79 312 931	8 089 978	-	**87 402 909**
Loans to customers	182 817 944	394 026 650	16 220 671	**593 065 265**

31 December 2015 RUB'000	**USD**	**RUB**	**Other currencies**	**Total**
Property and equipment	-	7 004 418	-	**7 004 418**
Current tax asset	-	1 759 906	-	**1 759 906**
Other assets	18 144 937	7 426 240	13 398	**25 584 575**
	552 228 439	**580 286 362**	**75 685 827**	**1 208 200 628**
LIABILITIES				
Deposits by the CBR	4 044 647	-	-	**4 044 647**
Deposits by credit and other financial institutions	12 210 910	29 503 369	42 945 634	**84 659 913**
Deposits by customers	461 502 072	419 521 369	17 668 790	**898 692 231**
Debt securities issued	73 615 070	47 539 695	-	**121 154 765**
Income tax liability	-	2 380 552	-	**2 380 552**
Other liabilities	803 913	3 937 483	188 662	**4 930 058**
	552 176 612	**502 882 468**	**60 803 086**	**1 115 862 166**
Net position before hedging	**51 827**	**77 403 894**	**14 882 741**	**92 338 462**
Derivative financial instruments	(14 275 993)	29 973 084	(15 697 091)	-
Net position	**(14 224 166)**	**107 376 978**	**(814 350)**	**92 338 462**

31 December 2014 RUB'000	**USD**	**RUB**	**Other currencies**	**Total**
ASSETS				
Cash and cash equivalents	41 451 810	66 576 897	10 668 214	**118 696 921**
Obligatory reserves with the CBR	-	3 360 070	-	**3 360 070**
Due from credit and other financial institutions	-	5 832 109	1 048 467	**6 880 576**
Financial instruments at fair value through profit or loss	977 039	48 214 550	673 022	**49 864 611**
Available-for-sale securities	7 891 691	3 219 934	-	**11 111 625**
Loans to customers	78 156 198	293 000 004	6 858 126	**378 014 328**
Property and equipment	-	7 399 340	-	**7 399 340**
Goodwill	-	301 089	-	**301 089**
Current tax asset	-	1 311 489	-	**1 311 489**
Other assets	149 215	7 731 014	18 714	**7 898 943**
	128 625 953	**436 946 496**	**19 266 543**	**584 838 992**
LIABILITIES				
Deposits by the CBR	95 235	11 499 196	-	**11 594 431**
Deposits by credit and other financial institutions	40 952 764	7 797 466	5 552 723	**54 302 953**
Deposits by customers	37 635 265	283 532 572	13 684 361	**334 852 198**
Debt securities issued	55 758 785	62 862 519	-	**118 621 304**
Income tax liability	-	2 210 055	-	**2 210 055**
Other liabilities	330 314	2 861 808	78 439	**3 270 561**
	134 772 363	**370 763 616**	**19 315 523**	**524 851 502**
Net position before hedging	**(6 146 410)**	**66 182 880**	**(48 980)**	**59 987 490**
Derivative financial instruments	5 491 384	(5 446 284)	(45 100)	-
Net position	**(655 026)**	**60 736 596**	**(94 080)**	**59 987 490**

Geographical risk

The geographical risk is the risk due to political, economic or social instability in the respective country.

The geographical concentration of major financial assets and liabilities as at 31 December 2015 and 31 December 2014 is disclosed in the table below:

31 December 2015 RUB'000	Russia	OECD	Other non-OECD	Total
ASSETS				
Cash and cash equivalents	85 762 363	30 269 539	21 982 684	**138 014 586**
Obligatory reserves with the CBR	5 936 111	-	-	**5 936 111**
Due from credit and other financial institutions	258 580 188	-	18 715 681	**277 295 869**
Financial instruments at fair value through profit or loss	68 839 281	567 534	2 730 174	**72 136 989**
Available-for-sale securities	15 898 183	70 484 368	1 020 358	**87 402 909**
Loans to customers	489 337 845	33 306 856	70 420 564	**593 065 265**
	924 353 971	**134 628 297**	**114 869 461**	**1 173 851 729**
LIABILITIES				
Deposits by the CBR	4 044 647	-	-	**4 044 647**
Deposits by credit and other financial institutions	73 444 089	11 153 444	62 380	**84 659 913**
Deposits by customers	895 003 621	118 782	3 569 828	**898 692 231**
Debt securities issued	42 486 328	78 668 437	-	**121 154 765**
	1 014 978 685	**89 940 663**	**3 632 208**	**1 108 551 556**
Net position	**(90 624 714)**	**44 687 634**	**111 237 253**	**65 300 173**

31 December 2014 RUB'000	Russia	OECD	Other non-OECD	Total
ASSETS				
Cash and cash equivalents	75 603 830	30 075 851	13 017 240	**118 696 921**
Obligatory reserves with the CBR	3 360 070	-	-	**3 360 070**
Due from credit and other financial institutions	4 591 209	-	2 289 367	**6 880 576**
Financial instruments at fair value through profit or loss	48 035 786	1 128 178	700 647	**49 864 611**
Available-for-sale securities	991 506	10 120 119	-	**11 111 625**
Loans to customers	355 501 263	11 091 144	11 421 921	**378 014 328**
	488 083 664	**52 415 292**	**27 429 175**	**567 928 131**
LIABILITIES				
Deposits by the CBR	11 594 431	-	-	**11 594 431**
Deposits by credit and other financial institutions	19 836 114	34 432 588	34 251	**54 302 953**
Deposits by customers	333 873 149	128 224	850 825	**334 852 198**
Debt securities issued	57 811 990	60 809 314	-	**118 621 304**
	423 115 684	**95 370 126**	**885 076**	**519 370 886**
Net position	**64 967 980**	**(42 954 834)**	**26 544 099**	**48 557 245**

The majority of non-financial assets and liabilities is located in Russia.

30 Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety

RUB'000	Financial assets at fair value through profit or loss	Financial assets available for sale
2015		
Carrying amount of assets	2 654 432	2 115 753
Carrying amount of associated liabilities	1 978 085	2 066 562
2014		
Carrying amount of assets	138 501	-
Carrying amount of associated liabilities	95 235	-

Securities

The Group has transactions to sell securities under agreements to repurchase and to purchase securities under agreements to resell. Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. A part of securities that serve as collateral under reverse repurchase agreements has been pledged under sale and repurchase agreements by the Group.

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognized them. These securities are presented as "pledged under sale and repurchase agreements" in notes 11 and 12. The cash received is recognized as a financial liability for the obligation to repay the purchase price for this collateral, and is included in deposits by the Central Bank of Russian Federation (note 16). Because the Group sells the contractual rights to the cash flows of the securities, it cannot use the transferred assets during the term of the agreement.

These transactions are conducted under terms that are usual and customary to standard lending activities, as well as the requirements determined by exchanges where the Group acts as intermediary.

31 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

RUB'000	Held for trading	Loans and receivables	Available-for-sale	Other amortised	Total carrying	Fair value
Cash and cash equivalents	-	138 014 586	-	-	138 014 586	138 014 586
Obligatory reserves with the CBR	-	5 936 111	-	-	5 936 111	5 936 111
Due from credit and other financial institutions	-	277 295 869	-	-	277 295 869	277 295 869
Financial instruments at fair value through profit or loss	72 136 989	-	-	-	72 136 989	72 136 989
Available-for-sale financial assets	-	-	87 402 909	-	87 402 909	87 402 909
Loans to customers	-	593 065 265	-	-	593 065 265	598 244 308
Other financial assets	-	2 433 915	-	-	2 433 915	2 433 915
	72 136 989	**1 016 745 746**	**87 402 909**	**-**	**1 176 285 644**	**1 181 464 687**

RUB'000	Held for trading	Loans and receivables	Available-for-sale	Other amortised	Total carrying	Fair value
Deposits by the CBR	-	-	-	4 044 647	4 044 647	4 044 647
Deposits by credit and other financial institutions	-	-	-	84 659 913	84 659 913	84 659 913
Deposits by customers	-	-	-	898 692 231	898 692 231	912 243 118
Debt securities issued	-	-	-	121 154 765	121 154 765	119 441 817
Other financial liabilities	782 834	-	-	911 320	1 694 154	1 694 154
	782 834	**-**	**-**	**1 109 462 876**	**1 110 245 710**	**1 122 083 649**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2015 are:

- discount rates from 12.1 to 15.5% (roubles) and from 4.5% to 10.8% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 13.3% to 23.0% (roubles) and from 10.4% to 19.0% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 8.0% to 12.0% (roubles) and from 1.3% to 3.0% (foreign currency) are used for discounting future cash flows from retail deposits;
- discount rates from 9.5% to 12.0% (roubles) and from 2.0% to 4.9% (foreign currency) are used for discounting future cash flows from corporate deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

RUB'000	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	118 696 921	-	-	118 696 921	118 696 921
Obligatory reserves with the CBR	-	3 360 070	-	-	3 360 070	3 360 070
Due from credit and other financial institutions	-	6 880 576	-	-	6 880 576	6 880 576
Financial instruments at fair value through profit or loss	49 864 611	-	-	-	49 864 611	49 864 611
Available-for-sale financial assets	-	-	11 111 625	-	11 111 625	11 111 625
Loans to customers	-	378 014 328	-	-	378 014 328	371 724 419
Other financial assets	-	3 375 750	-	-	3 375 750	3 375 750
	49 864 611	**510 327 645**	**11 111 625**	**-**	**571 303 881**	**565 013 972**
Deposits by the CBR	-	-	-	11 594 431	11 594 431	11 594 431
Deposits by credit and other financial institutions	-	-	-	54 302 953	54 302 953	54 302 953
Deposits by customers	-	-	-	334 852 198	334 852 198	326 611 827
Debt securities issued	-	-	-	118 621 304	118 621 304	93 113 981
Other financial liabilities	229 696	-	-	1 338 363	1 568 059	1 568 059
	229 696	**-**	**-**	**520 709 249**	**520 938 945**	**487 191 251**

The main assumptions used by management to estimate the fair values of financial instruments as 31 December 2014 are:

- discount rates from 18.3 to 22.1% (roubles) and from 5.4% to 11.1% (foreign currency) are used for discounting future cash flows from corporate loans;

- discount rates from 14.7% to 22.5% (roubles) and from 6.2% to 20.0% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 16.9% to 28.7% (roubles) and from 7.2% to 8.0% (foreign currency) are used for discounting future cash flows from retail deposits;
- discount rates from 9.0% to 18.9% (roubles) and from 1.0% to 5.4% (foreign currency) are used for discounting future cash flows from corporate deposits.

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates used in estimating discount rates and foreign currency exchange rates.

The Group uses widely recognized valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

There is no active market for loans to customers. The estimation of fair value for loans to customers is based on management's assumptions.

Fair value hierarchy

The Group measures fair values for financial instruments recorded in the consolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortized cost for which amortized cost does not approximate their carrying amount as at 31 December 2015 and 31 December 2014:

31 December 2015	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Valuation technique used for Level 2 and 3	Total RUB'000
Financial assets at fair value through profit or loss	71 210 799	926 190	-	Discounted cash flows	**72 136 989**
Available-for-sale securities	74 338 170	13 064 739	-	Discounted cash flows	**87 402 909**
Loans to customers	-	-	598 244 308	Discounted cash flows	**598 244 308**
Deposits by customers	-	912 243 118	-	Discounted cash flows	**912 243 118**
Debt securities issued	118 397 258	1 044 559	-	Discounted cash flows	**119 441 817**

31 December 2014	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Valuation technique used for Level 2 and 3	Total RUB'000
Financial assets at fair value through profit or loss	48 849 224	1 015 387	-	Discounted cash flows	**49 864 611**
Available-for-sale securities	10 919 021	192 604	-	Discounted cash flows	**11 111 625**
Loans to customers	-	-	371 724 419	Discounted cash flows	**371 724 419**
Deposits by customers	-	326 611 827	-	Discounted cash flows	**326 611 827**
Debt securities issued	88 148 021	4 965 960	-	Discounted cash flows	**93 113 981**

During 2015 and 2014 there were no transfers of assets between Level 1 and Level 2.

32 Earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Profit for the period	1 509 471	5 569 333
Weighted average number of ordinary shares in issue	17 430 172 429	14 467 761 735
Basic and diluted earnings per share in RUB (per share)	**0.09**	**0.38**

33 Acquisitions and disposals

Acquisition of subsidiary

On 13 November 2015 the Group acquired 100% shares in NKO "INKAKHRAN" (JSC), a company operating in cash handling services. The purchase consideration was RUB 1 061 000 thousand, which was settled in cash.

Taking control of NKO "INKAKHRAN" (JSC) will enable the Group to reinforce its position in the market of cash handling services.

The fair value amounts of assets and liabilities of the acquired subsidiary recognized in the Group's consolidated financial statements were as follows at the date of acquisition:

RUB'000	Recognized amounts on acquisition
ASSETS	
Cash and cash equivalents	3 637 481
Mandatory balances with CBR	16 488
Current tax asset	68 584
Property and equipment	423 073
Deferred tax asset	61 959
Other assets	451 553
LIABILITIES	
Deposits and balances from banks and other financial institutions	3 032 218
Current accounts and deposits from customers	241 219
Other liabilities	324 701
Net identifiable assets and liabilities	**1 061 000**
Consideration paid	1 061 000
Cash acquired	3 637 481
Net cash inflow	**2 576 481**

The amounts of revenue and profit or loss of NKO "INKAKHRAN" (JSC) since the acquisition date and for the year ended 31 December 2015 as though the acquisition had been as of the beginning of the reporting year do not have a significant effect on consolidated revenue and profit or loss.

34 Events subsequent to the reporting date

In January 2016 the Bank paid out the third coupon in the amount of RUB 308.75 million or RUB 61.75 per bond on domestic bonds series BO-10. The issue was originally placed on 10 July 2014 with a maturity of 5 years. The nominal value of the issue is RUB 5 billion.

In January 2016 the Bank paid out the third coupon on the amount RUB 824.25 million or RUB 54.95 per bond on domestic bonds series BO-11. The issue was originally placed on 10 July 2014 in the amount of RUB 5 billion with maturity of 5 years and additional issue on 24 December 2014 in the amount of RUB 10 billion.

In February 2016 the Bank paid out the sixth coupon in the amount of RUB 122.16 million or RUB 61.08 per bond on domestic bonds series 12. The issue was originally placed on 27 February 2013 in the amount of RUB 2 billion with a maturity of 5.5 years.

In February 2016 Anton O. Virichev, Head of the Risk Management Directorate, was appointed a Member of the Management Board.

Chairman of the Management Board — Vladimir A. Chubar

Acting Chief Accountant — Ekaterina V. Toloka

28 March 2016