

JSC RN Bank

Financial statements

*for the year ended 31 December 2015
together with independent auditor's report*

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Independent auditor's report

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Independent auditor's report

To the shareholders and Board of Directors of
JSC RN Bank

We have audited the accompanying financial statements of JSC RN Bank, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the 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 of the audited entity, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Ernst & Young LLC


30 March 2016

Moscow, Russia

Statement of financial position**As of 31 December 2015***(thousands of Russian rubles)*

	Notes	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents	5	1,444,967	9,029,855
Obligatory reserve with the CBR		11,646	115,696
Amounts due from credit institutions	6	3,363,630	1,337,745
Derivative financial assets	7	2,881,955	1,230,707
Loans to customers	8	43,257,756	25,628,989
Investment securities available for sale		200,322	-
Property and equipment		10,485	26,165
Intangible assets	9	455,956	562,519
Deferred income tax assets	10	593,694	68,605
Other assets	11	152,384	112,264
Total assets		52,372,795	38,112,545
Liabilities			
Amounts due to the CBR	12	2,006,986	1,002,404
Amounts due to credit institutions	13	27,178,330	19,080,781
Derivative financial liabilities	7	-	169,653
Amounts due to customers	14	13,624,696	9,603,470
Deferred income tax liabilities		-	-
Other liabilities	11	1,709,853	771,806
Total liabilities		44,519,865	30,628,114
Equity			
Share capital	15	3,333,091	3,333,091
Share premium		5,580,800	5,580,800
Accumulated deficit		(1,038,271)	(1,429,460)
Unrealized gain on revaluation of securities available for sale		173	-
Unrealized loss on cash flow hedges		(22,863)	-
Total equity		7,852,930	7,484,431
Total equity and liabilities		52,372,795	38,112,545

Signed and authorized for release on behalf of the Board of the Bank


 Chairman of the Management Board
 Bruno Robert Louis Kintzinger

"30"
 " March 2016




 Chief Accountant
 Darya Lvova

The accompanying notes on pages 9 to 54 are an integral part of these financial statements.

Statement of profit or loss and comprehensive income**For the year ended 31 December 2015***(thousands of Russian rubles)*


	<i>Notes</i>	2015	2014
Interest income			
Loans to customers	17	6,158,146	1,744,341
Amounts due from credit institutions		470,146	266,487
Total interest income		6,628,292	2,010,828
Interest expense			
Amounts due to customers		(647,733)	(190,600)
Amounts due to credit institutions		(2,423,110)	(643,778)
Total interest expense		(3,070,843)	(834,378)
Net interest income		3,557,449	1,176,450
Allowance for loan impairment	6, 8	(417,771)	(847,087)
Net interest income after allowance for loan impairment		3,139,678	329,363
Fee and commission income	18	50,236	57,989
Fee and commission expense	18	(111,954)	(30,720)
Net fee and commission income/(expense)	18	(61,718)	27,269
Net gains from financial instruments at fair value through profit or loss		1,767,534	1,077,660
Net gains/(losses) from foreign currencies:		(2,849,430)	(1,039,131)
- dealing		428	6,707
- translation differences		(2,849,858)	(1,045,838)
Other income		3,339	4,408
Non-interest income/(loss)		(1,078,557)	42,937
Personnel expenses	19	(459,700)	(542,459)
Other administrative expenses	19	(965,436)	(470,469)
Depreciation of property and equipment		(17,428)	(17,631)
Amortisation of intangible assets	9	(144,578)	(208,246)
Non-interest expense		(1,587,142)	(1,238,805)
Profit/(loss) before income tax expense		412,261	(839,236)
Income tax benefit/(expense)	10	(21,072)	62,879
Total net profit/(loss) for the year		391,189	(776,357)
Other comprehensive income/(loss)			
Items which may be reclassified to profit or loss in subsequent periods:			
Revaluation reserve for securities available for sale		173	-
Unrealized loss on cash flow hedges		(22,863)	-
Other comprehensive loss, net of tax		(22,690)	0
Total comprehensive income/(loss)		368,499	(776,357)

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 Chairman of the Management Board
 Bruno Robert Louis Kintzinger

30
 March 2016





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 Darya Lvova

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Statement of changes in equity**For the year ended 31 December 2015***(thousands of Russian rubles)*

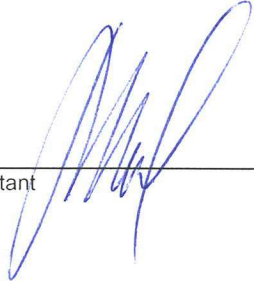
	<i>Share capital</i>	<i>Share premium</i>	<i>Accumulated deficit</i>	<i>Unrealized gain on revaluation of security</i>	<i>Unrealized loss or gain from hedges</i>	<i>Total equity</i>
1 January 2014	1,333,891	5,580,000	(653,103)	-	-	6,260,788
Loss for the year	-	-	(776,357)	-	-	(776,357)
Total comprehensive loss for the year	-	-	(776,357)	-	-	(776,357)
Issue of share capital (Note 15)	1,999,200	800	-	-	-	2,000,000
31 December 2014	3,333,091	5,580,800	(1,429,460)	-	-	7,484,431
Profit for the year	-	-	391,189	-	-	391,189
Other comprehensive loss	-	-	-	173	(22,863)	(22,690)
Total comprehensive income for the year	-	-	391,189	173	(22,863)	368,499
31 December 2015	3,333,091	5,580,800	(1,038,271)	173	(22,863)	7,852,930

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 Bruno Robert Louis Kintzinger


 30th March 2016





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 Darya Lvova

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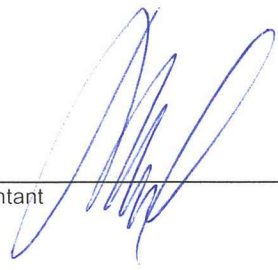
Statement of cash flows**For the year ended 31 December 2015***(thousands of Russian rubles)*

	<i>Notes</i>	2015	2014
Cash flows from operating activities			
Interest received		7,228,990	2,213,387
Interest paid		(3,476,135)	(160,573)
Fees and commissions received		49,261	53,066
Fees and commissions paid		(112,064)	(31,636)
Results of operations with financial instruments at fair value		2,773,752	-
Realized gains less losses from dealing in foreign currencies		429	23,314
Other income received		1,049	9,408
Personnel expenses paid		(419,140)	(348,822)
Other operating expenses paid		(549,744)	(356,191)
Cash flows from operating activities before changes in operating assets and liabilities		5,496,398	1,401,953
<i>Net (increase)/decrease in operating assets</i>			
Obligatory reserve with the CBR		104,050	(115,682)
Amounts due from credit institutions		(2,152,523)	(1,351,258)
Loans to customers		(18,377,370)	(26,432,594)
Other assets		(35,956)	(61,796)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to the CBR		1,000,000	1,000,000
Amounts due to credit institutions		5,996,583	18,403,462
Amounts due to customers		955,675	8,223,448
Other liabilities		330,500	406,205
Net cash outflows from operating activities before income tax		(6,682,643)	1,473,738
Income tax expense		(578,691)	-
Net cash from / (used in) operating activities		(7,261,334)	1,473,738
Cash flows from investing activities			
Purchase of property and equipment, intangible assets		-	(10,918)
Proceeds from sale of property and equipment		-	-
Purchase of securities available for sale		(200,106)	-
Net cash used in investing activities		(200,106)	(10,918)
Cash flows from financing activities			
Proceeds from issue of share capital		-	2,000,000
Net cash from financing activities		-	2,000,000
Effect of exchange rates changes on cash and cash equivalents		(123,448)	336,142
Net decrease/(increase) in cash and cash equivalents		(7,584,888)	3,798,962
Cash and cash equivalents, beginning		9,029,855	5,230,893
Cash and cash equivalents, ending	5	1,444,967	9,029,855

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 Chairman of the Management Board
 Bruno Robert Louis Kintzinger




 Chief Accountant
 Darya Lvova

30
 March 2016

The accompanying notes on pages 9 to 54 are an integral part of these financial statements.

(thousands of Russian rubles)

1. Principal activities

These are the financial statements of JSC RN Bank.

The Bank (former CJSC Bank Sibir) was formed in the Russian Federation (the city of Omsk) on 9 March 1989. In 1995, the Bank was reorganized into a limited liability partnership. In 2002 the Bank changed its legal form to a closed joint stock company. Since May 2013, the Bank is registered and located in Moscow. On 5 September 2013, following the decision of the sole shareholder (Decision No. 1 dated 5 September 2013), the Bank changed its name as follows:

Full corporate name of the Bank: Closed joint stock company RN Bank.
Short name: CJSC RN Bank.

Location (legal address): Russia 109028, Moscow, Serebryanicheskaya naberezhnaya, 29.

Main State Registration Number: 1025500003737.

Record concerning the establishment was made in the Uniform State Register of Legal Entities on 6 November 2002.

Bank's identification code (BIC): 044583105.

Taxpayer identification number (TIN): 5503067018.

Contact telephone number: + 7 (495) 775-40-68.

Contact fax number: + 7 (495) 775-40-67.

Email address: help@rn-bank.ru

Web-site: www.rn-bank.ru

In 2014 the Bank changed its legal form from a closed joint stock company to a joint stock company. The decision was approved by the Shareholders on 31 October 2014. The change was made to the Unified Register of Legal Entities on 9 December 2014.

The Bank carries out its activities based on the following licenses:

- ▶ License No. 170 issued on 6 November 2013 to carry out banking operations in rubles and foreign currencies (without the right to accept deposits from individuals).
- ▶ License No. 170 issued on 6 November 2013 to accept deposits from individuals denominated in rubles and foreign currencies.

The Bank is a member of the deposit insurance system and was included in the register of banks participating in the obligatory insurance system on 3 February 2005 (Certificate No. 551). The system operates under the federal laws and regulations and is governed by the State Corporation "Agency for Deposits Insurance". Insurance covers the Bank's liabilities to individual depositors in the amount up to RUB 1,400 thousand both in 2015 and 2014 per each individual in case of business failure or revocation of the CBR banking license.

As of 31 December 2015 the Bank:

- ▶ has no ratings assigned by Russian or international rating agencies;
- ▶ is not a member of a banking group;
- ▶ is not a professional participant of the securities market;
- ▶ has no branches and representative offices in the Russian Federation;
- ▶ does not have any subsidiaries or affiliates.

As of 31 December 2015, the average headcount of the Bank was 165 employees (31 December 2014: 194 employees).

As of 31 December 2015 and 2014, Limited Liability Company BARN B.V. – Netherlands is the sole shareholder of the Bank. The ownership in the share capital of the Bank: 100.00%.

(thousands of Russian rubles)

2. Basis of preparation

Statement of compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These financial statements are based on RAL, as adjusted and reclassified in order to comply with IFRS.

Basis of measurement

These financial statements have been prepared under the historical cost convention except for financial instruments at fair value. For example, derivative financial instruments have been measured by the Bank at fair value. The historical cost is generally estimated based on the fair value of consideration transferred in exchange of goods and services.

Presentation currency

These financial statements are presented in thousands of Russian rubles ("RUB").

Inflation accounting

The Russian economy was considered hyperinflationary until 31 December 2002. As such, the Bank applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at 31 December 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

The application of this standard resulted in an increase in the share capital by RUB 64,091 thousand and an increase in accumulated deficit by the similar amount.

Reclassifications

The following reclassifications have been made to 2014 balances to conform to the 2015 presentation:

	As previously reported	Reclassification	As adjusted
Other provisions	(13,513)	13,513	-
Allowance for loan impairment	(833,574)	(13,513)	(847,087)
	As previously reported	Reclassification	As adjusted
Loans to customers	25,609,447	19,542	25,628,989
Other assets	337,282	(225,018)	112,264
Other liabilities	977,282	(205,476)	771,806

3. Summary of accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS and interpretations effective for annual reporting periods beginning on 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. They include the following:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- ▶ a performance condition must contain a service condition;
- ▶ a performance target must be met while the counterparty is rendering service;
- ▶ a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- ▶ a performance condition may be a market or non-market condition;
- ▶ if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendments are not relevant to the Bank, since the Bank has no share-based payments.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Bank's current accounting policy, and thus this amendment does not impact the Bank's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- ▶ an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar";
- ▶ the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Bank has not applied the aggregation criteria in IFRS 8.12.

IFRS 13 Fair Value Measurement

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Bank's current accounting policy, and thus this amendment does not impact the Bank's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Bank did not record any revaluation adjustments during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank as it does not receive any management services from other entities.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- ▶ joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- ▶ this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Bank is not a joint arrangement, and thus this amendment is not relevant for the Bank.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Bank does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods, the Bank has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Bank.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Bank, since the Bank is an existing IFRS preparer.

The following significant accounting policies have been applied in the preparation of the financial statements.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans issued and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Bank determines the classification of its financial assets upon initial recognition.

Date of recognition

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Bank commits to purchase the asset or a requirement arises due to contractual encumbrances. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss represent financial assets and liabilities, which are:

- ▶ acquired principally for the purpose of reselling or repurchasing in the near term;
- ▶ part of a portfolio of identified financial instruments that are managed as a single portfolio and for which there is evidence of a recent actual pattern of near-term profit-taking;
- ▶ derivative financial instruments (except for derivative financial instruments designated as a hedging instrument in an effective hedge); or
- ▶ classified by the Bank as financial instruments at fair value through profit or loss at initial recognition.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets (continued)

Financial assets and liabilities are classified by the Bank as financial assets and liabilities at fair value through profit or loss if:

- ▶ these assets or liabilities are managed and evaluated on a fair value basis;
- ▶ designation of these assets and liabilities into the category of assets and liabilities at fair value through profit or loss eliminates or significantly reduces the mismatch which otherwise would arise; or if
- ▶ the corresponding asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Gains or losses on financial assets held for trading are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the statement of profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss.

Measurement of financial instruments at initial recognition

When financial instruments are recognized initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- ▶ if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., Level 1 inputs) or based on a valuation technique that uses only data from observable markets, the Bank recognizes the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- ▶ in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognizes that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

Fair value measurement

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, irrespective of whether this price is directly observable or is determined by calculation using another valuation technique.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ in the principal market for the asset or liability; or
- ▶ in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets (continued)

The fair value of financial instruments traded in an active market at the reporting date is determined based on their quoted market price or dealer price quotations. Where quoted market prices are not available, the fair value of financial instruments is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include comparative data on recent transactions between unwilling parties, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on respective market-based measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

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

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

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the 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 to realize the asset and settle the liabilities simultaneously.

The right to set-off must not be contingent on a future event and should be enforceable in all the following circumstances:

- ▶ in the normal course of business;
- ▶ in the event of default; and
- ▶ in the event of insolvency or bankruptcy of an entity or any of its counterparties.

These conditions are not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- ▶ a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- ▶ other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Obligatory cash balances with the Central Bank of the Russian Federation

The Bank cannot use obligatory cash balances with the Central Bank of the Russian Federation to finance its day-to-day operating activities.

Foreclosed assets

Under certain circumstances, assets relating to defaulted loans are foreclosed. Foreclosed assets are measured at the lower of the carrying amount and the fair value less costs to sell.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments, including foreign currency forwards and swaps. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss for the period.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognized in profit or loss.

Hedge accounting

The Bank uses derivative financial instruments to manage the risk of fluctuations of cash flows resulting from interest risk and changes in exchange rates. The Bank applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Bank documents the relationship between the hedged item and the hedging instrument, including the nature of the hedging risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship.

At the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risks in the hedged item. Hedges are assessed on a quarterly basis. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedging risk during the period, for which the hedge is designated, are expected to offset in a range of 80% to 125%.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized as other comprehensive income directly in the cash flow hedge reserve within equity in "Unrealized loss on hedging instruments". The ineffective portion of gain or loss on the hedging instrument is recognized in the statement of profit or loss in "Net gains/(losses) from financial instruments at fair value through profit or loss". When hedged cash flows affect the statement of profit or loss, the gain or loss on the hedging instrument is reclassified to the corresponding income or expense line of the statement of profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss in "Gains less losses arising from derivative financial instruments".

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets (continued)

Fair value hedges

For designated and qualifying fair value hedges, change in the fair value of a hedging derivative is recognized in the statement of profit or loss within "Gains less losses arising from financial instruments at fair value through profit or loss". The change in the fair value of the hedged item attributable to the risk being hedged is recorded as the adjustment to the carrying amount of the hedged item and is recognized in the statement of profit or loss within "Net gains/(losses) from financial instruments at fair value through profit or loss". If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, using the effective interest rate method, the difference between the carrying amount of the hedged item on termination and its nominal value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the statement of profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers and debt securities issued. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method.

Operating leases

Where the Bank is a lessee under lease agreements where the lessor retains substantially all the risks and benefits of ownership of the assets, such leases are classified as operating leases. Leased assets are not recognized in the financial statements and lease expenses are recognized in profit or loss on a straight-line basis over the lease period.

Where the operating lease terminates prior to the expiration of the lease term, any fines and forfeits due to the lessor are expensed in the period when such operating lease was terminated.

Impairment of financial assets

The Bank assesses on a regular basis whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists for loans that are individually significant, or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether individually significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets 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 an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans deemed by the Bank to be uncollectible due to the lack of repayment sources including liquid collateral are written off against the associated allowance.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss and to allowance accounts.

Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Renegotiated loans

Provided that an income source is available to the borrower, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

- ▶ if the loan restructuring is not caused by the financial difficulties of the borrower, the Bank uses the same approach as for financial liabilities described below;
- ▶ if the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Bank recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case the loan is not impaired after restructuring, the Bank recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Non-financial assets

Other non-financial assets, excluding deferred taxes, are assessed for any indications of impairment at each reporting date.

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.

Impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed 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 amortization, if no impairment loss had been recognized.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position where:

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

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

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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

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

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 in equity, in which case it is recognized within other comprehensive income or within equity.

The current income tax expense is calculated in accordance with the regulations of the Russian Federation.

The current income tax expense comprises the tax payable and calculated based on the taxable profit for the period by applying the statutory tax rates enacted or substantially enacted at the reporting date, and includes adjustments to the income tax payable for the prior periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax regulation that have been enacted or substantively enacted at the reporting date.

Russia also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of property and equipment begins when they become available for use. Depreciation is accrued on a straight-line basis over the estimated useful life:

<i>Property and equipment</i>	<i>Depreciation period</i>
Furniture	5-7 years
Equipment	2-5 years
Computer equipment	2 years
Capital investments in leased property and equipment	3-6 years
Light vehicles	3 years
Other property and equipment	3-5 years

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to current and capital repairs are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Property and equipment (continued)

An item of property and equipment is derecognized upon sale or when no future economic benefits are expected from its continuing use. Gains or losses on sale or other disposal of property and equipment are determined as the difference between the sale price and the carrying amount of property and equipment and are recognized in profit or loss.

Intangible assets and goodwill

Intangible assets other than goodwill include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is accrued on a straight-line basis over the useful life of an intangible asset. The useful lives of intangible assets are assessed to be either finite or indefinite. At present, the useful life of intangible assets with finite useful life is estimated as not exceeding 5 years.

Intangible assets with cost of no less than RUB 15 million are immediately expensed.

An intangible asset is derecognized upon sale, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Collateral

The Bank obtains collateral against customers' obligations where necessary. Collateral is generally the pledge of the customer's assets entitling the Bank to claim such assets with regard to the customers' current and future obligations.

Other provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Pension obligations and other employee benefits

The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-employment benefits.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium (additional paid-in capital).

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- ▶ *Fee and commission income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

- ▶ *Fee and commission income from providing transaction services*

Fees arising from negotiating of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to certain conditions are recognized after fulfilling the corresponding conditions.

Foreign currency translation

The financial statements are presented in Russian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the presentation currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation are recognized in profit or loss as gains/losses from translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange ruling at the date of the initial transaction. Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in profit or loss.

The official CBR exchange rates at 31 December 2015 and 31 December 2014 were RUB 72.8827 and RUB 56.2584 to 1 USD, respectively.

The official CBR exchange rates at 31 December 2015 and 31 December 2014 were RUB 69.6972 and RUB 68.3427 to 1 EUR, respectively.

The official CBR exchange rates at 31 December 2015 and 31 December 2014 were RUB 60.5087 and RUB 47.0644 to 100 JPY, respectively.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Government grants

Government grants are the government aid in the form of providing an entity with resources in exchange for fulfillment of certain past or future conditions related to operating activities of such entity.

Government grants, including non-monetary grants at fair value, are recognized when there is reasonable assurance that:

- ▶ an entity will fulfill relevant conditions; and
- ▶ grants will be received.

The Bank systematically recognizes government grants in profit or loss over the period necessary to match the grant to the costs that it is intended to compensate.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates is as follows:

Fair values of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. More details are provided in Note 21.

Allowance for loan impairment

A loan is impaired as a result of one or more events that occurred after the initial recognition of a loan and had an impact on the estimated future cash flows from the loan that can be reliably estimated. There is no direct objective evidence of impairment for loans not individually impaired.

The Bank estimates an allowance for impairment of loans issued to retail customers using its own model, which accounts for the following: past actual loss experience by each type of loan, probability of default based on the evaluation of the borrower's financial performance, and loss given default, including fair value and collateral liquidity.

The Bank regularly reviews its loans and receivables to analyze them for impairment.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

In case there are few available sources of historical data relating to the loss of similar borrowers, the Bank uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties based on the accumulated experience. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

(thousands of Russian rubles)

4. Significant accounting judgments and estimates (continued)

Standards issued but not yet effective

The standards that are issued but not yet effective at the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is 1 February 2015 or earlier. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue from leases, insurance contracts and revenue arising from financial instruments and other contractual rights and obligations related to the scope of IAS 17 *Leases*, IFRS 4 *Insurance Contracts* and IAS 39 *Financial Instruments: Recognition and Measurement* (or, in case of earlier application, IFRS 9 *Financial Instruments*), respectively, is not within the scope of IFRS 15 and is subject to the corresponding standards.

Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to tariff-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that tariff-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted. These amendments are not expected to have any impact on the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

(thousands of Russian rubles)

4. Significant accounting judgments and estimates (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Pursuant to the amendments, biological assets that meet the definition of bearer plants are excluded from the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments specify that products that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is applied to government grants related to bearer plants. The amendments become effective retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted. These amendments are not expected to have any impact on the Bank as the Bank does not have any bearer plants.

IFRS 16 Leases

In January 2016 IASB issued IFRS 16 *Leases* to replace IAS 17 *Leases*. The standard introduces new requirements to recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after 1 January 2019.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments will not have any impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. In December 2015, the IASB decided to defer the effective date of these amendments indefinitely. These amendments will have no impact on the Bank.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- ▶ the materiality requirements in IAS 1;
- ▶ that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- ▶ that entities have flexibility as to the order in which they present the notes to financial statements;
- ▶ that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

(thousands of Russian rubles)

4. Significant accounting judgments and estimates (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. These amendments are not expected to have any impact on the Bank.

Annual improvements 2012-2014 cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Bank. They include the following:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods". The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(thousands of Russian rubles)

4. Significant accounting judgments and estimates (continued)

Standards issued but not yet effective (continued)

IAS 34 Interim Financial Reporting – disclosure of information "elsewhere in the interim financial report"

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cash on hand	10	10
Current accounts with the CBR	191,917	1,138,060
Balances on nostro accounts with other credit institutions rated not lower than BBB	53,040	18,028
Term deposits (up to 90 days) with other banks rated not lower than BBB	<u>1,200,000</u>	<u>7,873,757</u>
Total cash and cash equivalents	<u>1,444,967</u>	<u>9,029,855</u>

Cash and cash equivalents are neither impaired, nor past due.

As of 31 December 2015, the Bank had balances with two counterparties (2014: four counterparties).

As of 31 December 2015, total balances with all counterparties comprised 48.44% and 34.60% of the total cash and cash equivalents, respectively.

As of 31 December 2014, total balances with all counterparties vary from 14.45% to 25.43% of the total amount of cash and cash equivalents.

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Term deposits with credit institutions:		
- Rated not lower than BBB	3,503,781	1,351,258
Allowance for impairment	<u>(140,151)</u>	<u>(13,513)</u>
Amounts due from credit institutions	<u>3,363,630</u>	<u>1,337,745</u>

As of 31 December 2015, the Bank had balances with two counterparties (2014: one counterparty).

7. Derivative financial instruments

In 2015 the Bank did not enter into derivative financial instruments for trading purposes. Derivative financial instruments represent hedges. The table below shows the fair values of derivative financial instruments, recorded in the financial statements as assets or liabilities.

The Bank measures derivative financial instruments using valuation techniques based on the market interest rates. Significant changes in the specified variables may produce materially different estimates of fair values.

(thousands of Russian rubles)

7. Derivative financial instruments (continued)

Below are fair values of the derivative non-trading financial instruments recognized in assets and liabilities and their nominal values as of 31 December 2015:

31 December 2015	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Currency exchange contracts				
Swaps	3,094,140	2,915,862	412,836	-
Currency interest contracts				
Swaps	18,739,790	18,569,831	2,469,119	-
	21,833,930	21,485,693	2,881,955	-

Below are fair values of the derivative financial instruments held for trading recognized in assets and liabilities and their nominal values as of 31 December 2014:

31 December 2014	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Currency exchange contracts				
Swaps	2,600,576	1,842,436	626,732	-
Currency interest contracts				
Swaps	6,691,755	8,246,356	603,975	169,653
	9,292,331	10,088,792	1,230,707	169,653

As of 31 December 2015, the Bank had positions in the currency exchange swaps, which are contractual agreements between two parties to exchange movements in foreign currency rates, and currency interest swaps, which are contractual agreements stipulating that on the fixed date a party shall pay a fixed interest to the other party and shall receive a payment of the interest at a floating rate.

As of 31 December 2015, the Bank entered into derivative transactions with three counterparties. As of 31 December 2015, total balances with all counterparties were as follows: 76% with non-resident counterparties and 24% with a resident counterparty.

As of 31 December 2014, the Bank entered into derivative transactions with two non-resident counterparties.

To manage exposure to currency and interest rate risks, in 2015 the Bank implemented hedge accounting in relation to all derivative transactions entered into in 2015.

The table below shows non-trading derivative financial instruments by hedges recognized in assets or liabilities as of 31 December 2015:

	31 December 2015	
	Asset	Liabilities
Hedging contracts		
Currency exchange contracts	412,836	-
Cash flow hedges	412,836	-
Currency interest contracts	1,491,851	-
Cash flow hedges	1,491,851	-
Non-hedging contracts	977,268	-
Total	2,881,955	-

Non-hedging contracts comprise derivative transactions entered into before 1 January 2015.

For cash flow hedges:

- ▶ The expected period of the cash flows movement including when they are expected to affect profit or loss: from January 2015 through June 2017.
- ▶ In 2015, RUB 1,531,511 thousand was recognized in other comprehensive income for the period, RUB 1,467,438 was reclassified to profit or loss with RUB (450,303) thousand included in line interest expenses on amounts due to customers and RUB (367,562) thousand included in line interest expenses on amounts due to banks. Translation differences amounted to RUB 2,285,303 thousand.

(thousands of Russian rubles)

8. Loans to customers

Loans to customers comprise:

	31 December 2015	31 December 2014
Loans to legal entities		
Factoring	10,765,610	5,340,625
Total gross loans of legal entities	10,765,610	5,340,625
Loans to individuals		
Car loans	32,306,032	21,121,938
Government grant receivable*	1,306,422	-
Total gross loans of individuals	33,612,454	21,121,938
Allowance for impairment	(1,120,308)	(833,574)
Total loans to customers	43,257,756	25,628,989

* On 1 April 2015, the Bank joined the Government-sponsored concessional car lending program of the Russian Ministry of Industry and Trade. This program sets the reduced rate for the loans attracted for the credit purchase of new cars produced in 2015 with the price not exceeding RUB 1 mln. The program applies to RUB-denominated loans maturing in three years with the initial contribution of 20% of the car price.

Allowance for impairment of loans to customers

Below are movements in the allowance for impairment of loans to customers for the year ended 31 December 2015:

	Loans to legal entities	Loans to individuals	Total
1 January 2015	775,485	58,089	833,574
Charge/(reversal) of allowance	(376)	291,508	291,132
Write-off against allowance	-	(4,398)	(4,398)
31 December 2015	775,109	345,199	1,120,308
Allowance for impairment on a collective basis	769,807	182,247	952,054
Allowance for impairment on an individual basis	5,302	162,952	168,254

At 31 December 2015, 7 uncollectible loans in the total amount of RUB 4,398 thousand were written off by the Bank.

Below are movements in the allowance for impairment by groups of loans to customers for the year ended 31 December 2014:

	Loans to legal entities	Loans to individuals	Total
1 January 2014	-	-	-
Charge of allowance	775,485	58,089	833,574
31 December 2014	775,485	58,089	833,574
Allowance for impairment on a collective basis	637,198	36,994	674,192
Allowance for impairment on an individual basis	138,287	21,095	159,382

(thousands of Russian rubles)

8. Loans to customers (continued)**Allowance for impairment of loans to customers (continued)**

Loans before allowance for impairment and the respective impairment amount as of 31 December 2015 are presented in the table below:

	<i>Loans, gross</i>	<i>Allowance</i>	<i>Loans less allowance for impairment</i>
Loans to legal entities			
Loans not individually impaired:	10,760,138	769,807	9,990,331
- not overdue	10,698,569	751,971	9,946,598
- less than 31 days overdue	61,569	17,836	43,733
- 31 to 90 days overdue	-	-	-
Loans individually impaired:	5,472	5,302	170
- not overdue	-	-	-
- less than 31 days overdue	-	-	-
- 31 to 90 days overdue	2,718	2,718	-
- 90 to 180 days overdue	2,754	2,584	170
- over 180 days overdue	-	-	-
Total loans to legal entities	10,765,610	775,109	9,990,501
Loans to individuals			
Loans not individually impaired:	33,415,738	182,247	33,233,491
- not overdue	32,792,792	119,953	32,672,839
- less than 31 days overdue	469,679	16,438	453,241
- 31 to 90 days overdue	153,267	45,856	107,411
Loans individually impaired:	196,716	162,952	33,764
- not overdue	7,421	7,421	-
- less than 31 days overdue	1,837	1,837	-
- 31 to 90 days overdue	10,528	10,528	-
- 90 to 180 days overdue	72,710	38,946	33,764
- over 180 days overdue	104,220	104,220	-
Total loans to individuals	33,612,454	345,199	33,267,255
Total loans to customers	44,378,064	1,120,308	43,257,756

Loans before allowance for impairment and the respective impairment amount as of 31 December 2014 are presented in the table below:

	<i>Loans, gross</i>	<i>Allowance</i>	<i>Loans less allowance for impairment</i>
Loans to legal entities			
Loans not individually impaired:	5,023,708	637,198	4,386,510
- not overdue	5,023,708	637,198	4,386,510
- less than 31 days overdue	-	-	-
- 31 to 90 days overdue	-	-	-
Loans individually impaired:	316,917	138,287	178,630
- not overdue	316,917	138,287	178,630
- less than 31 days overdue	-	-	-
- 31 to 90 days overdue	-	-	-
- 90 to 180 days overdue	-	-	-
- over 180 days overdue	-	-	-
Total loans to legal entities	5,340,625	775,485	4,565,140
Loans to individuals			
Loans not individually impaired:	21,097,977	36,994	21,060,983
- not overdue	20,957,511	36,748	20,920,763
- less than 31 days overdue	120,597	212	120,385
- 31 to 90 days overdue	19,869	34	19,835
Loans individually impaired:	23,961	21,095	2,866
- not overdue	5,228	4,207	1,021
- less than 31 days overdue	1,942	1,464	478
- 31 to 90 days overdue	5,524	4,979	545
- 90 to 180 days overdue	3,823	3,322	501
- over 180 days overdue	7,444	7,123	321
Total loans to individuals	21,121,938	58,089	21,063,849
Total loans to customers	26,462,563	833,574	25,628,989

(thousands of Russian rubles)

8. Loans to customers (continued)

Key assumptions and judgments in loan impairment assessment

A loan is impaired as a result of one or more events that occurred after the initial recognition of a loan and had an impact on the estimated future cash flows from the loan that can be reliably estimated. There is no direct objective evidence of impairment for loans not individually impaired.

Objective evidence of impairment of loans to legal entities and individuals is in particular associated with the following:

- ▶ at least one of the loan-related payments is over 90 days overdue (fully or partially);
- ▶ the Client is subject to legal actions and complaints as a defendant in cases related to unsettled loans – with the Bank;
- ▶ the loans of the Client were written off of the Bank's balance sheet;
- ▶ the Client's debt was restructured and the outstanding amount was reduced through forgiving or postponement of the principle amount and/or interest and/or commission payment (as appropriate);
- ▶ the Client is subject to the insolvency procedure (liquidation/bankruptcy).

The Bank determines the impairment allowance for loans to legal entities based on the following major assumptions:

- ▶ financial position of the Client and its ability to fulfill obligations to the Bank;
- ▶ collateral considered in the future cash flows assessment is the collateral which may be sold on the market.

Impaired loans

As of 31 December 2015, interest income on impaired loans amounted to RUB 3,744 thousand (31 December 2014: RUB 719 thousand).

Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- ▶ corporate lending: charges over vehicles, charges over spare parts, bank guarantees, corporate or personal sureties, the rights of claim under corporate deposits;
- ▶ retail lending: charges over vehicles, personal sureties.

The main purpose of collateral agreements is to reduce possible loan losses when settling obligations under credit agreements. Fair value of collateral is determined based on the market value identified at the time when the loan/funding was raised, and is reassessed on a regular basis.

(thousands of Russian rubles)

8. Loans to customers (continued)**Collateral and other credit enhancements (continued)**

Below are the carrying values of collateral by the types of loans to customers and types of collateral as of 31 December 2015:

	Carrying value of collateral (as of the reporting date)	Carrying amounts of loans to customers
Loans to legal entities		
Loans not individually impaired:		
- Vehicles	10,072,910	-
- Guarantees of credit institutions	206,165	-
- Rights of claim under corporate deposits	38,200	-
- Corporate sureties	41,364,339	-
- Personal sureties	10,324,900	-
- No collateral	-	-
Total loans not impaired, gross	62,006,514	10,760,139
Loans individually impaired:		
- Vehicles	2,436	-
- Guarantees of credit institutions	-	-
- Rights of claim under corporate deposits	-	-
- Corporate sureties	82,000	-
- Personal sureties	246,000	-
- No collateral	-	-
Total loans impaired, gross	330,436	5,472
Total loans to legal entities	62,336,950	10,765,610
Loans to individuals		
Loans not individually impaired:		
- Vehicles	63,418,525	-
- Personal sureties	108,644	-
- No collateral	-	-
Total loans not impaired, gross	63,527,169	33,415,738
Loans individually impaired:		
- Vehicles	219,507	-
- Personal sureties	-	-
- No collateral	-	-
Total loans impaired, gross	219,507	196,716
Total loans to individuals	63,746,676	33,612,454
Total loans to customers	126,083,626	44,378,064

(thousands of Russian rubles)

8. Loans to customers (continued)**Collateral and other credit enhancements (continued)**

Below are the carrying values of collateral by the types of loans to customers and types of collateral, except for surplus collateral, as of 31 December 2014:

	<i>Carrying value of collateral (as of the reporting date)</i>	<i>Carrying amounts of loans to customers</i>
Loans to legal entities		
Loans not individually impaired:		
- Vehicles	4,590,088	-
- Guarantees of credit institutions	152,060	-
- Corporate sureties	27,134,549	-
- No collateral	-	-
Total loans not impaired, gross	31,876,697	5,023,708
Loans individually impaired:		
- Vehicles	301,400	-
- Guarantees of credit institutions	17,100	-
- Corporate sureties	818,950	-
- No collateral	-	-
Total loans impaired, gross	1,137,450	316,917
Total loans to legal entities	33,014,147	5,340,625
Loans to individuals		
Loans not individually impaired:		
- Vehicles	38,477,462	-
- Personal guarantees	-	-
- Personal sureties	55,915	-
- No collateral	-	-
Total loans not impaired, gross	38,533,377	21,097,977
Loans individually impaired:		
- Vehicles	12,348	-
- Personal guarantees	-	-
- Personal sureties	-	-
- No collateral	-	-
Total loans impaired, gross	12,348	23,961
Total loans to individuals	38,545,725	21,121,938
Total loans to customers	71,559,872	26,462,563

Restructured loans

As of 31 December 2015, 32 restructured loans to individuals, with the carrying amount of RUB 15,401 thousand, are recognized on the balance sheet.

As of 31 December 2014, two restructured loans to individuals, with the carrying amount of RUB 1,066 thousand, are recognized on the balance sheet.

Concentration of loans to customers

As of 31 December 2015, the concentration of loans issued to the ten largest groups of interrelated parties amounted to RUB 5,372,718 thousand (12.14% of total loan portfolio). An allowance of RUB 303,182 thousand was charged against these loans.

As of 31 December 2014, the concentration of loans issued to the ten largest groups of interrelated parties amounted to RUB 3,274,452 thousand (12% of total loan portfolio). An allowance of RUB 395,458 thousand was charged against these loans.

(thousands of Russian rubles)

9. Intangible assets

The movements in intangible assets during 2015 were as follows:

	<u>Computer software</u>
Cost	
31 December 2014	727,037
Acquisitions	51,991
Disposals	(13,976)
31 December 2015	765,052
Accumulated amortization	
31 December 2014	(164,518)
Amortization charge	(144,578)
Disposals	-
31 December 2015	(309,096)
Net book value	
31 December 2015	455,956

The movements in intangible assets during 2014 were as follows:

	<u>Computer software</u>
Cost	
31 December 2013	784,990
Acquisitions	10,918
Disposals	(68,871)
31 December 2014	727,037
Accumulated amortization	
31 December 2013	(25,143)
Amortization charge	(208,246)
Disposals	68,871
31 December 2014	(164,518)
Net book value	
31 December 2014	562,519

The list of individually significant intangible assets as of 31 December 2015 is set out below:

	<u>Net book value</u>	<u>Remaining useful life, months</u>
CFT system software (automated banking system)	193,051	33
NeoFlex Front Office software (system for processing loan applications for loans to individuals)	188,045	33
Credit Reseau software (system for automated corporate lending)	20,223	33

The list of individually significant intangible assets as of 31 December 2014 is set out below:

	<u>Net book value</u>	<u>Remaining useful life, months</u>
CFT system software (automated banking system)	236,666	45
NeoFlex Front Office software (system for processing loan applications for loans to individuals)	231,427	45
Credit Reseau software (system for automated corporate lending)	27,467	45

(thousands of Russian rubles)

10. Taxation

The corporate income tax expense comprises:

	<u>2015</u>	<u>2014</u>
Current income tax expense	(546,204)	-
Deferred tax credit – origination and reversal of temporary differences	525,132	62,879
Income tax benefit/(expense)	<u>(21,072)</u>	<u>62,879</u>

Russian legal entities must file income tax declarations. The standard income tax rate for companies (including banks) was 20% for 2015 and 2014.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	<u>2015</u>	<u>2014</u>
Profit/(loss) before tax	412,261	(839,236)
Statutory tax rate	20%	20%
Income tax at the applicable income tax rate	<u>(82,452)</u>	<u>167,847</u>
Non-deductible expenditures and non-taxable income	(11,079)	(11,778)
Unrecognized deferred tax asset movement	72,040	(87,464)
Other	419	(5,726)
Income taxed at a lower rate	-	-
Income tax carried forward not recognized as deferred tax asset	-	-
Income tax (expense)/benefit	<u>(21,072)</u>	<u>62,879</u>

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	<u>31 December 2015</u>	<u>Recognized in profit or loss</u>	<u>31 December 2015</u>
Allowance for impairment	123,475	(89,558)	33,917
Derivative financial instruments	(225,960)	344,790	118,786
Loans to customers	45,277	362,487	407,764
Other assets	(2,478)	8,058	5,580
Other liabilities	128,291	(100,644)	27,647
Tax loss carried forward	165,311	(72,040)	93,270
Unrecognized deferred tax asset	(165,311)	72,040	(93,270)
Total deferred tax assets	<u>68,605</u>	<u>525,133</u>	<u>593,694</u>
	<u>1 January 2014</u>	<u>Recognized in profit or loss</u>	<u>31 December 2014</u>
Allowance for impairment	(892)	124,367	123,475
Derivative financial instruments	-	(225,960)	(225,960)
Loans to customers	-	45,277	45,277
Other assets	4,287	(6,765)	(2,478)
Other liabilities	2,331	125,960	128,291
Tax loss carried forward	77,847	87,464	165,311
Unrecognized deferred tax asset	(77,847)	(87,464)	(165,311)
Total deferred tax assets	<u>5,726</u>	<u>62,879</u>	<u>68,605</u>

The Bank recognized a tax asset equal to its estimated sufficient taxable profit available in the foreseeable future to realize the deferred tax asset in accordance with the Bank's business plan which is adjusted for expected adverse economic changes in the market where the Bank operates.

(thousands of Russian rubles)

11. Other assets and liabilities

Other assets comprise:

	31 December 2015	31 December 2014
Prepayments	51,468	48,095
Prepaid taxes other than income tax	66,968	32,296
Guarantee deposits under lease agreements	18,507	18,507
Receivables from insurance companies	15,441	13,366
Other	-	-
Other assets	152,384	112,264

Other liabilities comprise:

	31 December 2015	31 December 2014
Payroll payable	264,492	205,297
Trade payables	696,649	138,308
Settlements with insurance companies	598,358	228,326
Taxes payable	150,354	189,873
Other	-	10,002
Other liabilities	1,709,853	771,806

12. Amounts due to the CBR

Amounts due to the CBR comprise:

	31 December 2015	31 December 2014
Short-term loans	2,006,986	1,002,404
Amounts due to the CBR	2,006,986	1,002,404

13. Amounts due to credit institutions

Amounts due from credit institutions comprise:

	31 December 2015	31 December 2014
Short-term deposits received from banks rated not lower than BBB and maturing within 1 year	13,205,092	14,976,706
Long-term deposits received from banks rated not lower than BBB and maturing after 1 year	13,973,238	4,104,075
Amounts due to credit institutions	27,178,330	19,080,781

As of 31 December 2015, the Bank raised RUB 16,802,531 thousand (2014: RUB 11,721,881 thousand) as deposits of resident banks and RUB 10,375,799 thousand (2014: RUB 7,358,900 thousand) as deposits of non-resident banks.

As of 31 December 2015, the Bank had balances on short-term and long-term deposits with six counterparties. As of 31 December 2015, total balances with all counterparties comprised as follows: 46.35% with resident bank, 38.18% with non-resident bank and 15.48% with four resident banks of the total amount due to credit institutions.

As of 31 December 2014, the Bank had balances on short-term and long-term deposits with three counterparties. As of 31 December 2014, total balances with all counterparties comprised as follows: 56.7% with resident bank, 38.57% with non-resident bank and 5.34% with resident bank of the total amount due to credit institutions.

(thousands of Russian rubles)

14. Amounts due to customers

Amounts due to customers comprise:

	31 December 2015	31 December 2014
Current accounts and demand deposits:		
- Corporate customers	9,984	1,517
- Retail customers	1,041,436	467,664
Short-term deposits of legal entities maturing within a year	38,201	5,831,286
Long-term deposits of legal entities maturing after one year	12,535,075	3,303,003
Amounts due to customers	13,624,696	9,603,470

As of 31 December 2015, the Bank raised RUB 38,201 thousand (2014: RUB 665,806 thousand) as deposits of resident legal entities and RUB 12,535,075 thousand (2014: RUB 8,468,483 thousand) as deposits of non-resident legal entities.

As of 31 December 2015, the Bank had balances on short-term and long-term deposits with six counterparties. As of 31 December 2015, total balances with all counterparties comprised as follows: 99.7% with non-resident legal entity and 0.3% with resident legal entity of the total amount of short-term and long-term deposits.

As of 31 December 2014, the Bank had balances on short-term and long-term deposits with three counterparties. As of 31 December 2014, balances with all counterparties totaled as follows: 92.7% with resident legal entity and 7.3% with non-resident legal entity of the total amount of short-term and long-term deposits.

15. Equity

In 2014, movements in ordinary shares outstanding, issued and fully paid were as follows. In 2015 there were no movements in shares.

	Number of shares	Nominal value (RUB thousand)	Inflation adjustment	Total
31 December 2013	907,000	1.4	64,091	1,333,891
Issue of share capital	1,428,000	1.4	-	1,999,200
31 December 2014	2,335,000	1.4	64,091	3,333,091

At of 31 December 2015 and 2014, the number of authorized ordinary shares was 2,335,000, with the nominal value of RUB 1,400 per share. All authorized shares have been issued and fully paid.

In 2015 the Bank did not place any additionally issued shares.

In 2014, the share capital of the Bank was increased from RUB 1,333,891 thousand to RUB 3,333,091 thousand (including inflation adjustment) through additional issue of shares on the following terms:

- ▶ The Bank issued 1,428,000 ordinary book-entry registered shares with a nominal value of RUB 1,400 per share and a total nominal value of RUB 1,999,200 thousand.
- ▶ Additional issue of ordinary book-entry registered shares was placed via private offering with BARN B.V. (Netherlands), the Bank's sole shareholder. The issue was placed after the CBR registered the Decision on additional issue of shares.
- ▶ On 29 September 2014, BARN B.V. (Netherlands), the sole shareholder of the Bank, purchased the shares of additional issue within the limits established by the Agreement for the purchase of ordinary registered shares of 19 September 2014 for the nominal value of RUB 1,400.56 per share.
- ▶ The capital was increased by RUB 2,000,000 thousand of which RUB 1,999,200 thousand were taken to share capital and RUB 800 thousand as share premium.

(thousands of Russian rubles)

16. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia by several countries in 2014. The ruble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Legal

In the ordinary course of business, the Bank 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 of the Bank.

Taxation

A significant part of the Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation, which is applied to the transactions and activity of the Bank, may be challenged by relevant regional and federal authorities.

Recent tendencies in application and interpretation of various provisions of the Russian tax legislation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of certain provisions of this legislation and tax assessments, as well as may introduce additional tax requirements. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be applied by relevant authorities. Fiscal periods remain open and are subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review was taken. Under certain circumstances tax reviews may cover longer periods.

The Russian transfer pricing legislation enables tax authorities to use transfer pricing adjustments and charge additional liabilities on the income tax and the value-added tax in regard to all controlled transactions, in case if the price used in the transaction differs from the market price, and if the Bank cannot provide the evidence that market prices were used in controlled transactions. Due to the absence of law enforcement precedents based on new rules, consequences of any disputes with tax authorities relating to prices cannot be estimated reliably, but may influence the Bank's financial results and performance. In 2015 the Bank used its actual transaction prices as the basis of tax liabilities, which resulted from controlled transactions. According to Bank's management, Bank acts in compliance with transfer pricing legislation of the Russian Federation in regard to controlled transactions, as well as properly prepares and provides notice and, if necessary, transfer pricing documentation to tax authorities. The transfer pricing documentation confirms the Bank's application of market prices in regard to controlled transactions.

According to the Federal law as of 24 November 2014 (N 376-FL), also known as "the law about the "de-offshorisation" or "the law about controlled foreign corporations", starting from the year of 2015 the Russian tax legislation initiated the use of the following definitions: "the tax resident" in regard to foreign entities, "the actual recipient of income" and "the controlled foreign corporation". The adoption of the mentioned law was a result of the increased administrative and, in some cases, tax pressure on Russian taxpayers, who have subsidiaries abroad. According to the Bank's management, the Federal law N 376-FL has not caused any significant influence on Bank's tax liabilities in 2015.

As of 31 December 2015, the Bank's management believes that its interpretation of the relevant legislation is reasonable and that the Bank's tax, currency and customs positions will be aligned with relevant authorities.

*(thousands of Russian rubles)***16. Commitments and contingencies (continued)****Commitments and contingencies**

As of 31 December, the Bank's financial commitments and contingencies comprised the following:

	31 December 2015	31 December 2014
Less than 1 year	96,107	116,740
From 1 to 5 years	61,650	180,190
Operating lease commitments	157,757	296,930

The Bank entered into operating lease agreement for the office premises that are the Bank's location and business address. In accordance with the agreement the total period of lease is 5 years with the options of renewal upon expiry and early termination. Lease payments are increasing annually, which reflects the market trends.

The Bank also entered into operating lease agreements for the cars used by the Bank in carrying out its core activities. The term of the agreements is 2 years.

In 2014, RUB 149,719 thousand are recognized as operating lease expenses in profit or loss (2014: RUB 71,362 thousand) (Note 19).

17. Interest income

	2015	2014
Loans to legal entities	1,348,515	844,006
Loans to individuals	4,801,176	900,335
Securities available for sale	8,454	-
Interest income	6,158,146	1,744,341

18. Net fee and commission income

Net fee and commission income comprises:

Net fee and commission income

	2015	2014
Commission on factoring transactions	50,236	57,989
Fee and commission income	50,236	57,989
Commission for cash acceptance and transfer	109,529	28,443
Cash operations	766	617
Settlement operations	1,318	1,660
Other	341	-
Fee and commission expense	111,954	30,720
Net fee and commission income/(expense)	(61,718)	27,269

19. Personnel and other operating expenses

Personnel and other operating expenses comprise:

Personnel expenses

	2015	2014
Personnel benefits	381,055	464,027
Payroll related taxes and charges	78,645	78,432
Total personnel expenses	459,700	542,459

*(thousands of Russian rubles)***19. Personnel and other operating expenses (continued)****Other general and administrative expenses**

	2015	2014
Promotion expenses	420,949	92,579
Audit	13,082	10,880
Communications and information services	92,865	68,866
Business travel	16,991	15,664
Advisory services	88,196	25,733
Taxes other than income tax	70,840	34,403
Training, participation in conferences	342	648
Security	1,702	1,537
Professional services	26,783	29,092
Lease expenses (Note 16)	149,719	71,362
Entertainment expenses	20,933	51,679
Repair and maintenance of property and equipment	23,149	27,637
Telecommunication services	16,575	5,471
Personnel expenses	16,108	24,989
Low-value and short-life items, expenses on materials for administrative and other needs	–	2,909
Other	7,202	7,020
Total general and administrative expenses	965,436	470,469

20. Risk management**Introduction**

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other internal controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating, legal, reputational and country risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

20.1. Internal control

The Bank has established internal control that is harmonized with the nature and scale of transactions and the level and combination of the risks assumed.

Internal control is aimed at, among other things, ensuring the following:

- ▶ appropriate and comprehensive risk assessment and management process, effectiveness of financial and operational activities, efficiency of asset and liability management;
- ▶ appropriate reliability, security and stability of the Bank in line with the nature and scale of transactions, protection of the rights of shareholders, customers and creditors of the Bank;
- ▶ accuracy, completeness and objectivity as well as timely preparation and presentation of (statutory) financial statements, statistical and other reports and safeguarding information security;
- ▶ compliance with statutory regulations, Bank's founding and internal documents;
- ▶ noninvolvement of the Bank and its personnel in illegal activities, including money laundering and terrorism financing, as well as ensuring timeliness of data submitted to the state agencies and the CBR.

(thousands of Russian rubles)

20. Risk management (continued)

20.1. Internal control (continued)

Internal control management is performed by the following bodies within the scope of their powers as set forth in the Bank's founding and internal documents:

- ▶ General Shareholders' Meeting;
- ▶ Board of Directors;
- ▶ Management Board;
- ▶ Chairman of the Management Board;
- ▶ Audit Commission (Auditor);
- ▶ Chief Accountant / Deputy Chief Accountant;
- ▶ Internal Control, Operational Risks and Compliance Committee;
- ▶ Internal Audit Function;
- ▶ Internal Control Function;
- ▶ Department of Financial Monitoring;
- ▶ Risk Management Department;
- ▶ other personnel or divisions responsible for internal control within their scope of activities.

The Bank's internal control system includes the following areas of focus:

- ▶ control over organization of Bank's operations performed by the management bodies;
- ▶ control over functioning of the banking risk management system and banking risk assessment;
- ▶ control over distribution of powers with respect to banking operations and other transactions;
- ▶ control over data flow management (information provision and transmission) and information security assurance;
- ▶ control over anti-money laundering and counter-terrorism financing;
- ▶ ongoing monitoring of internal control system to assess its compliance with the Bank's operating objectives, detection of deficiencies, proposal development, and control over enhancement of the Bank's internal control system ("monitoring of the internal control system").

Control and monitoring over the system of banking risk management and internal control are performed by the Bank on a regular basis as provided in its internal regulations.

The Bank takes appropriate measures to enhance internal control aimed at ensuring its effectiveness, taking into account changing internal and external factors that affect the Bank's activities.

Monitoring of the internal control system is performed by the management and personnel of various business units, including departments responsible for banking operations and other transactions and their recognition in accounting and reporting as well as the Internal Audit Function, Internal Control Function and auditors engaged by the Bank's shareholders.

Frequency of monitoring of various types of banking activities is defined taking into account associated banking risks, frequency and nature of changes in the areas of the Bank's activities. Audit plans of the Internal Audit Function are annually approved by the Bank's Board of Directors.

The results of the review are documented and communicated to the respective managers of the Bank and its departments.

The Bank's Internal Audit Function is formed to perform the audit and assist the Bank's management bodies in ensuring the Bank's effective operation, protecting interests of the Bank's shareholders and customers and continuously monitoring and assessing the effectiveness and adequacy of internal control, including:

- ▶ the effectiveness of financial and operating activities;
- ▶ the fairness of accounting records, accuracy, completeness and objectivity of financial statements;
- ▶ the effectiveness of the risk management system;
- ▶ compliance with Russian statutory regulations, Bank's founding and internal documents;
- ▶ the effectiveness of asset and liability management, including physical asset security.

(thousands of Russian rubles)

20. Risk management (continued)

20.1. Internal control (continued)

The Bank has ensured consistency, independence and objectivity of the Internal Audit Function, professional qualification of its head and personnel, also there has been established environment for the Internal Audit Function to comply with its duties efficiently and smoothly. The Internal Audit Function operates under direct control of the Board of Directors.

The Bank has established the procedures of:

- ▶ control (including additional audits) over measures taken to eliminate violations identified by the Internal Audit Function;
- ▶ reporting of the Internal Audit Function at least semiannually on the measures taken to follow the recommendations and to eliminate the identified violations to the Board of Directors.

Internal control function

Internal Control Function is responsible for ensuring the compliance of the Bank's activities with the current legislation of the Russian Federation, the Bank's internal regulations and standards for self-regulating organizations. The Internal Control Function also reviews the Bank's documentation, performs assessment of regulatory risks, provides recommendations on risk mitigation and ensures the Bank's compliance with the Russian legislation and standards and taking measures aimed at protection of the Bank's business reputation.

The Internal Control Function reports on the work performed to the Chairman of the Management Board and to the Management Board at least once a year and communicates the performance results during the meeting of the Internal Control, Operational Risks and Compliance Committee.

Internal control, operational risks and compliance committee

Internal Control, Operational Risks and Compliance Committee reviews the information on the activities of the Internal Audit Function and Internal Control Function, the results of internal audits and first level control. The Committee also deals with the issues related to operational risk, development of internal control rules on anti-money laundering and counter - terrorism financing, results of business continuity and/or disaster recovery plans ("BC/DR plans") and other issues.

Risk management system

The Bank's risk management system is based on the following components:

- ▶ strategy;
- ▶ methodology;
- ▶ procedures;
- ▶ control;
- ▶ update.

The goal of risk management system is to maintain the overall risk accepted by the Bank at the level defined by the Bank subject to its strategic objectives. The priority is to ensure the maximum safety of assets and equity by mitigation of risk exposures which might lead to unexpected losses.

The goal of the risk management system is achieved through the use of a systemic and complex approach that focuses on the following:

- ▶ risk identification and analysis of all risks arising in the course of the Bank's activities;
- ▶ interpretation of approach to various risk types;
- ▶ quantitative and qualitative assessment (measurement) of specific risk types;
- ▶ establishing correlation between individual risks in order to assess the impact of the actions planned to be taken to limit a particular type of risk on the increase or decrease in the level of other risks;
- ▶ performing full risk level analysis concerning operations planned and completed by the Bank to determine the total amount of risk level;
- ▶ assessment of whether the total amount of risk level is acceptable and reasonable;
- ▶ establishing a subsystem of risk monitoring at the origination phase of negative tendency and a subsystem of swift and adequate response aimed at preventing or mitigating the risk.

(thousands of Russian rubles)

20. Risk management (continued)

20.1. Internal control (continued)

Each risk faced by the Bank must be identified and recognized. The risks are classified into internal and external as well as controlled or not controlled by the Bank. Risks are identified on a regular basis due to the fast-evolving internal and external environment.

The management of the Bank determines its approach towards all indicated risks. A part of the risks which the Bank is not ready to assume must be totally excluded, while the Bank terminates activities related to these risks. With regard to the risks assumed, the Bank defines the maximum acceptable risk exposure. The Bank's strategy governs its risk approach.

The Bank's management strategy is based on the break-even principle and focuses on achieving optimum correlation between profitability of the Bank's business activities and level of assumed risks.

The Bank's risk management strategy involves:

- ▶ compliance with the Bank's strategic goals set by the Board of Directors;
- ▶ development of priority lending schemes;
- ▶ effective capital management with the aim to maintain its adequate level.

Risk management strategy implies using the whole range of risk mitigation instruments and choosing each particular instrument depending on the risk type.

Evaluation of various risk types involves various methodologies which are set out in the Bank's internal documents.

The Bank complies with the requirements set by the CBR to risk and capital management systems and internal control. The Chief Risk Management Officer, the Head of the Internal Audit Function and the Head of Internal Control Function comply with qualification criteria established by Regulation of the CBR No. 3223-U and business reputation requirements set forth by Federal Law No. 395-1.

Risk reporting

Information on various risks relevant to the Bank is analyzed with the aim of control and early identification of risks, and subsequent communication to the Bank's management.

Risk reporting with various level of detail and different time intervals is performed by the Bank's departments, including the Risk Management Department and Treasury in order to provide the personnel and management of the Bank with the up-to-date and necessary information on the level of risks relevant to the Bank.

Daily reports include information on the Bank's open currency position, gap analysis of the assets and liabilities maturity gap to assess the liquidity risk, calculation of statutory liquidity ratios, calculation of maximum risk attributable to one borrower or a group of related borrowers, calculation of the Bank's capital adequacy ratios.

Monthly report on interest rate risk testing is reviewed during the Financial Committee of the Bank's Management Board and includes gap analysis of the assets and liabilities maturity gap and the results of the basic scenario testing (change in the interest rate by 100 b.p.), results of the stress testing (change in the interest rate by 300-500 b.p.), analysis of changes in the external conditions of the Bank's activities in terms of macroeconomic trends and financial markets analysis.

Monthly report on credit risk testing is reviewed during the Risk Committee of the Bank's management Board and provides information on the quality of the Bank's loan portfolio in aggregate and broken down by interbank loans, financing to car dealers (factoring), retail lending (car loans), state and changes in major quality indicators, overdue debts, their amount, dynamics, structure and timing, the amount of created provisions, collateral quality and credit risk concentration.

Internal Control Function and Department of Financial Monitoring on the quarterly basis provide the Internal Control, Operational Risks and Compliance Committee with information on operating and/or regulatory risks identified.

(thousands of Russian rubles)

20. Risk management (continued)

20.2. Credit risk

Credit risk is the risk that the Bank will incur a loss because its borrowers or counterparties failed to discharge their contractual obligations.

The Bank has developed credit policies and procedures for the financing of end consumers and dealers which provide guidelines on evaluation of the borrower's financial performance, procedure for lending decision-making, control over timely repayment of loans.

Credit risk management is performed through:

- ▶ monitoring;
- ▶ setting limitation;
- ▶ diversification;
- ▶ scenario analysis.

In accordance with the requirements of the CBR the Bank limits risk concentrations per borrower or group of related borrowers, maximal large credit risk, aggregate risk on Bank's insiders, maximum amount of loans, bank guarantees and sureties provided by the bank to its participants (shareholders). Actual exposures against limits are monitored by the Accounting Department daily.

Additionally, the Bank limits concentrations of exposure to individual customers and counterparties, as well as groups of related customers depending on the level of accepted credit risk.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Bank's credit rating system.

In the table below loans to banks of high grade are those having a minimal level of credit risk, normally with a credit rating on or close to sovereign level or very well collateralized. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired.

The Bank classifies liabilities of individuals and legal entities other than banks into two main categories: Standard loans, including those past due but not impaired, and individually impaired loans.

2015	Notes	Neither past due nor impaired				Individually impaired loans	Total
		High grade	Standard grade	Sub-standard grade	Standard loans		
Cash and cash equivalents	5	691,927	753,040	-	-	-	1,444,967
Amounts due from credit institutions	6	-	3,503,781	-	-	-	3,503,781
Loans to customers:	8						
- Individuals		-	-	-	33,415,738	196,716	33,612,454
- Legal entities		-	-	-	10,760,138	5,472	10,765,610
Total		691,927	4,256,821	-	44,175,876	202,188	49,326,812

(thousands of Russian rubles)

20. Risk management (continued)**20.2. Credit risk (continued)**

Credit quality per class of financial instruments as of 31 December 2014:

2014	Notes	Neither past due nor impaired			Standard loans	Individually impaired loans	Total
		High grade	Standard grade	Sub-standard grade			
Cash and cash equivalents	5	1,138,071	7,891,784	-	-	-	9,029,855
Amounts due from credit institutions	6	-	1,351,258	-	-	-	1,351,258
Loans to customers:	8						
- Individuals		-	-	-	21,097,977	23,961	21,121,938
- Legal entities		-	-	-	5,023,708	316,917	5,340,625
Total		1,138,071	9,243,042	-	26,121,685	340,878	36,843,676

During 2015 in the comparative information of 2014 the deposits of CBR were reclassified into high grade. An analysis of past due loans, by age, is provided below. The majority of the past due loans are not considered to be impaired.

Aging analysis of past due but not impaired loans per class of financial assets as of 31 December 2015:

2015	Notes	Less than 30 days	31 to 90 days	Total
Amounts due from credit institutions		-	-	-
Loans to customers:	8			
- Individuals		469,679	153,267	622,946
- Legal entities		61,569	-	61,569
Total		531,248	153,267	684,515

Aging analysis of past due but not impaired loans per class of financial assets as of 31 December 2014:

2014	Notes	Less than 30 days	31 to 90 days	Total
Amounts due from credit institutions		-	-	-
Loans to customers:	8			
- Individuals		120,597	19,869	140,466
- Legal entities		-	-	-
Total		120,597	19,869	140,466

See Note 8 for more detailed information with respect to the allowance for impairment of loans to customers.

20.3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions interest rate, equity financial instruments exposed to general and specific market movements and changes in the level of volatility of market prices and currency exchange rates.

The purpose of market risk management is to maintain the risk accepted by the Bank at the appropriate level defined by the Bank subject to its business strategy. The priority is to ensure maximum safety of assets and equity by reducing (excluding) the possibility of loss incurred on the Bank's operations at financial markets as well as other Bank's operations involving the acceptance of risk exposure.

The Bank manages its market risk by setting open position limits in relation to interest rate repricing and currency positions and stop-loss limits which are monitored on a monthly basis and reviewed and approved by the Management Board.

(thousands of Russian rubles)

20. Risk management (continued)

20.3. Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the CBR regulations. Positions are monitored on a daily basis.

As of 31 December 2015, a change in the value of the Russian ruble to other currencies would have caused increase (reduction) in equity and profit or loss as indicated in the following table. This analysis was performed net of tax and is based on the expected change in currency exchange rates. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2015	
	<i>Increase in the currency exchange rate</i>	<i>Decrease in the currency exchange rate</i>
Change in USD to RUB exchange rate (+40%/-13%)	1,938	(630)
Change in EUR to RUB exchange rate (+43%/-15%)	106,042	(36,992)
Change in JPY to RUB exchange rate (+47%/-11%)	114,000	(26,681)
		2014
10% appreciation of USD against RUB		703
10% appreciation of EUR against RUB		10,857
10% appreciation of JPY against RUB		14,493

As of 31 December 2014, a reduction in the value of the Russian ruble against the above-mentioned currencies would produce the reverse effect with all other variables held constant.

(thousands of Russian rubles)

20. Risk management (continued)**20.3. Market risk (continued)**

The table below discloses the Bank's currency risk exposure as of 31 December 2015 and 2014. Currency risk is limited and controlled based on the balance between open current position and the Bank's equity. This ratio cannot exceed 10% for each foreign currency and 20% of overall amount of open positions.

	2015					2014				
	RUB	USD (RUB equivalent)	EUR (RUB equivalent)	JPY (RUB equivalent)	Total	RUB	USD (RUB equivalent)	EUR (RUB equivalent)	JPY (RUB equivalent)	Total
Assets										
Cash and cash equivalents	1,394,044	4,846	13,010	33,067	1,444,967	7,646,879	7,028	1,375,935	13	9,029,855
Obligatory reserve with the CBR	11,646	-	-	-	11,646	115,696	-	-	-	115,696
Amounts due from credit institutions	3,363,630	-	-	-	3,363,630	1,337,745	-	-	-	1,337,745
Derivative financial instruments	2,881,955	-	-	-	2,881,955	1,230,707	-	-	-	1,230,707
Loans to customers	43,257,756	-	-	-	43,257,756	25,628,989	-	-	-	25,628,989
Investment securities available for sale	200,322	-	-	-	200,322	26,165	-	-	-	26,165
Other assets	86,637	-	-	-	86,637	66,661	-	-	-	66,661
Total assets	51,195,990	4,846	13,010	33,067	51,246,913	36,052,842	7,028	1,375,935	13	37,435,818
Liabilities										
Amounts due to the CBR	2,006,986	-	-	-	2,006,986	1,002,404	-	-	-	1,002,404
Amounts due to credit institutions	16,802,531	-	10,375,799	-	27,178,330	14,976,707	-	4,104,074	-	19,080,781
Derivative financial liabilities	-	-	-	-	-	169,653	-	-	-	169,653
Amounts due to customers	2,609,652	-	-	11,015,044	13,624,696	3,292,765	-	410,091	5,900,614	9,603,470
Other liabilities	582,602	-	-	-	582,602	289,048	-	-	-	289,048
Total liabilities	22,001,771	-	10,375,799	11,015,044	43,392,614	19,730,577	-	4,514,165	5,900,614	30,145,356
Net balance sheet position	29,194,219	4,846	(10,362,789)	(10,981,977)	7,854,299	16,322,265	7,028	(3,138,230)	(5,900,601)	7,290,462
Off-balance sheet receivables	-	-	10,609,399	11,224,530	21,833,929	-	-	3,246,804	6,045,527	9,292,331
Off-balance sheet payables	(21,485,693)	-	-	-	(21,485,693)	(10,088,792)	-	-	-	(10,088,792)
Net position	7,708,526	4,846	246,610	242,553	8,202,535	6,233,473	7,028	108,574	144,926	6,494,001

(thousands of Russian rubles)

20. Risk management (continued)**20.4. Interest rate risk**

Interest rate risk is the risk of financial losses due to unfavorable changes in interest rates. The Bank's net interest income and the market value of assets and liabilities that are sensitive to changes in interest rates may be subject to interest rate risk.

The Bank applies the method of interest rate assessment in accordance with the Procedure for Preparation and Submission of Reporting Forms 0409127 "Information on Interest Rate Risk" provided for by CBR Ordinance No. 2332-U of 12 November 2009. The Bank includes all balance and off-balance sheet financial instruments sensitive to the changes in interest rate risk except for the off-balance sheet instruments which are subject to total interest rate risk assessment in accordance with Regulation No. 387-P. Such off-balance sheet financial instruments include currency-interest rate swaps.

31 December 2015	Less than 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rates	Total
Total balance sheet assets and off-balance sheet receivables	8,227,887	11,978,145	6,059,930	10,468,371	25,780,608	1,640,897	64,155,838
Total balance sheet and off-balance sheet liabilities	6,041,765	12,117,019	23,887,374	17,075,912	33,159,498	11,570,403	103,851,971
Gap	2,186,122	(138,874)	(17,827,444)	(6,607,541)	(7,378,890)	x	x
Gap ratio (accumulated relative gap, cumulative total)	1.36	1.11	0.62	0.62	x	x	x
Change in net interest income:							
+ 400 basis points	83,798	(4,629)	(445,686)	(66,075)	x	x	x
- 400 basis points	(83,798)	4,629	445,686	66,075	x	x	x
Time ratio	0.9583	0.8333	0.6250	0.2500	x	x	x
31 December 2014	Less than 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rates	Total
Total balance sheet assets and off-balance sheet receivables	13,307,425	4,363,454	3,215,415	3,507,558	15,147,217	2,297,966	41,839,035
Total balance sheet and off-balance sheet liabilities	6,625,310	7,990,286	5,245,224	3,955,310	7,577,303	9,921,662	41,315,095
Gap	6,682,115	(3,626,832)	(2,029,809)	(447,752)	7,569,914	x	x
Gap ratio (accumulated relative gap, cumulative total)	2.01	1.21	1.05	1.02	x	x	x
Change in net interest income:							
+ 400 basis points	256,139	(120,890)	(50,745)	(4,478)	x	x	x
- 400 basis points	(256,139)	120,890	50,745	4,478	x	x	x
Time ratio	0.9583	0.8333	0.625	0.25	x	x	x

(thousands of Russian rubles)

20. Risk management (continued)

20.4. Interest risk (continued)

The tables below summarize the impact on the statement of profit or loss and equity of the assumed increase or decrease in interest rates by 400 basis points. Negative amounts in the table reflect a potential net reduction in the statement of financial results or equity, while positive amounts reflect net potential increase.

31 December 2015	Effect on profit before tax	Effect on equity
Increase in basis points (+ 400)	(432,592)	(432,592)
Decrease in basis points (- 400)	432,592	432,592

31 December 2014	Effect on profit before tax	Effect on equity
Increase in basis points (+ 400)	80,026	80,026
Decrease in basis points (- 400)	(80,026)	(80,026)

20.5. Operational risk

Operational risk is one of the main risks inherent to the Bank's operations. Operational risk is the risk of losses resulting from inconsistency with the nature and scope of the Bank's business and/or non-compliance with applicable legislation of internal practices and procedures of banking and other transactions, their breach by the employees of the Bank and/or other persons (through inadvertent or deliberate actions or omission to act), inappropriate (insufficient) functionalities (specifications) of IT and other systems applied by the Bank and/or their failures (malfunctions), or ensuing from the effect of external events.

The Bank's operational risk management policy involves prevention of operational risk and identification of new operational risks arising in the course of the Bank's activities and also develops procedures to identify, evaluate and prevent these risks.

The Bank manages its operational risk in accordance with CBR Letter No. 76-T of 24 May 2005 *On Organizing Management of Operational Risks in Credit Institutions* and recommendations of the Basel Committee on banking supervision.

Operational risk management system is based on principle of segregating powers and duties among all levels of the Bank's Management.

Risk management department regularly provides operational risk report that covers data on the level of operational risk across the Bank's business lines, risk mitigation measures, etc. The report is presented to heads of structural units, executive bodies and the Board of Directors.

The Bank assesses operational risk in accordance with CBR Regulation No. 346-P of 3 November 2009 *On the Procedure for Calculating Operational Risk Exposure*.

The Internal Control, Operational Risks and Compliance Committee considers various issues on a quarterly basis, including operational risk management reviews, first level control results, identified instances of the operational risk, results of the BC/DR plan testing, an action plan developed based on the results of the BC/DR plan testing, incidents in the Bank's information systems, and other issues.

Information on the identified instances of external fraud, respective measures taken, a number of fraud instances prevented by the Bank, statistics on the customer requests, their reasons and respective measures taken are considered at the meetings of the Operating Committee of the Bank's Management Board on a monthly basis.

The operational risk management strategy selected by the Bank determines that the Internal Control, Operational Risks and Compliance Committee and the Operating Committee of the Management Board should take primary responsibility for the timely management of operational risks.

Compliance with prudential ratios

In 2015 and 2014, the Bank complied with prudential ratios set by the CBR.

(thousands of Russian rubles)

20. Risk management (continued)**20.6. Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations or make current payments on instructions of its customers unless it will restructure its assets and/or urgently mobilize adequate funds for making such payments. Liquidity risk arises when the maturity of assets and liabilities does not match.

Liquidity management policy was developed in the Bank to ensure control over liquidity and meet its payment obligations in full and on a timely basis. The liquidity management policy is reviewed and approved by the Management Board.

The liquidity management policy requires:

- ▶ projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- ▶ maintaining a diverse range of funding sources;
- ▶ managing the concentration and profile of debts;
- ▶ development of fund-raising plans using borrowed funds;
- ▶ maintaining liquidity and funding contingency plans;
- ▶ monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and projected cash flows arising from projected future business. Then it provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term funds in credit institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Any decisions on the liquidity management policy are taken by the Finance Committee and implemented by the Treasury. Summary of the report prepared by the Treasury is communicated to the Management of the Bank and the Board of Directors.

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on certain liquidity ratios established by the CBR. As at 31 December, these ratios were as follows:

	2015	2014
N2 "Instant Liquidity Ratio" (assets receivable or realizable within one day / liabilities repayable on demand; statutory ratio \geq 15%)	91.68	152.13
N3 "Current Liquidity Ratio" (assets receivable or realizable within 30 days / liabilities repayable within 30 days; statutory ratio \geq 50%)	291.81	195.60
N4 "Long-Term Liquidity Ratio" (assets receivable in more than one year / sum of capital and liabilities repayable in more than one year; statutory ratio \leq 120%)	60.06	95.67

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

As at 31 December 2015	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Later than 5 years	No maturity	Total
Liabilities							
Amounts due to the CBR	-	-	2,071,260	-	-	-	2,071,260
Amounts due to credit institutions	663,797	2,580,257	12,661,558	12,613,104	-	-	28,518,716
Deliverable derivative financial instruments:							
- Cash inflow	(11,972)	(61,706)	(10,603,476)	(11,277,820)	-	-	(21,954,974)
- Cash outflow	-	78,957	10,779,000	8,215,062	-	-	19,073,019
Amounts due to customers	1,051,419	2,250	35,954	13,566,704	-	-	14,656,327
Other liabilities	396,084	17,624	-	168,894	-	-	582,602
Total liabilities	2,099,328	2,617,382	14,944,296	23,285,944	-	-	42,946,950

(thousands of Russian rubles)

20. Risk management (continued)**20.6. Liquidity risk (continued)**

<i>As at 31 December 2014</i>	<i>On demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Later than 5 years</i>	<i>No maturity</i>	<i>Total</i>
Liabilities							
Amounts due to the CBR	1,002,404	-	-	-	-	-	1,002,404
Amounts due to credit institutions	1,025,890	5,399,122	9,096,391	4,300,583	-	-	19,821,986
Deliverable derivative financial instruments:							
- Cash inflow	(2,600,706)	(11,841)	(38,594)	(6,700,129)	-	-	(9,351,270)
- Cash outflow	1,971,713	72,415	375,108	5,866,458	-	-	8,285,694
Amounts due to customers	3,069,586	2,711,892	571,142	3,444,951	-	-	9,797,571
Other liabilities	60,722	-	-	228,326	-	-	289,048
Total liabilities	4,529,609	8,171,588	10,004,047	7,140,189	-	-	29,845,433

Risks assumed by the Bank

As of 31 December 2015, the Bank had the following liquidity level:

	<i>On demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Later than 5 years</i>	<i>No maturity</i>	<i>Total</i>
Assets							
Cash and cash equivalents	1,444,967	-	-	-	-	-	1,444,967
Obligatory reserve with the CBR	-	-	-	-	-	11,646	11,646
Amounts due from credit institutions	3,363,630	-	-	-	-	-	3,363,630
Derivative financial assets	11,972	(17,251)	(175,524)	3,062,758	-	-	2,881,955
Loans to customers	2,233,754	10,025,517	9,997,396	20,993,745	7,344	-	43,257,756
Investment securities available for sale	24,844	74,236	-	-	101,242	-	200,322
Property and equipment	-	-	-	-	-	10,486	10,486
Intangible assets	-	-	-	-	-	455,956	455,956
Deferred income tax assets	-	-	-	-	-	593,695	593,695
Other assets	87,344	37,299	8,966	18,775	-	-	152,384
Total assets	7,166,511	10,119,801	9,830,838	24,075,278	108,586	1,071,783	52,372,797
Liabilities							
Amounts due to the CBR	-	-	2,006,986	-	-	-	2,006,986
Amounts due to credit institutions	660,744	2,532,668	12,044,808	11,940,110	-	-	27,178,330
Amounts due to customers	1,051,419	2,250	35,951	12,535,076	-	-	13,624,696
Other liabilities	550,856	944,853	10,623	203,521	-	-	1,709,853
Total liabilities	2,263,019	3,479,771	14,098,368	24,678,707	-	-	44,519,865
Net position	4,903,492	6,640,030	(4,267,530)	(603,429)	108,586	1,071,783	7,852,932

(thousands of Russian rubles)

20. Risk management (continued)**20.6. Liquidity risk (continued)**

As of 31 December 2014, the Bank had the following liquidity level:

	<i>On demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Later than 5 years</i>	<i>No maturity</i>	<i>Total</i>
Assets							
Cash and cash equivalents	9,029,855	-	-	-	-	-	9,029,855
Obligatory reserve with the CBR	-	-	-	-	-	115,696	115,696
Amounts due from credit institutions	1,337,745	-	-	-	-	-	1,337,745
Derivative financial assets	628,992	(72,415)	(375,108)	1,049,238	-	-	1,230,707
Loans to customers	742,869	3,883,745	6,468,970	14,515,103	18,302	-	25,628,989
Property and equipment	-	-	-	-	-	26,165	26,165
Intangible assets	-	-	-	-	-	562,519	562,519
Deferred income tax assets	-	-	-	-	-	68,605	68,605
Other assets	16,697	61,942	15,118	18,507	-	-	112,264
Total assets	11,756,158	3,873,272	6,108,980	15,582,848	18,302	772,985	38,112,545
Liabilities							
Amounts due to the CBR	1,002,404	-	-	-	-	-	1,002,404
Amounts due to credit institutions	1,019,562	5,318,165	8,638,980	4,104,074	-	-	19,080,781
Derivative financial liabilities	-	(11,842)	(38,594)	220,089	-	-	169,653
Amounts due to customers	3,066,793	2,672,121	561,553	3,303,003	-	-	9,603,470
Other liabilities	171,878	359,000	12,602	228,326	-	-	771,806
Total liabilities	5,260,637	8,337,444	9,174,541	7,855,492	-	-	30,628,114
Net position	6,495,521	(4,464,172)	(3,065,561)	7,727,356	18,302	772,985	7,484,431

20.7. Legal risk

Legal risks inherent to the Bank's activities are as follows:

- ▶ risks to perform transactions that are considered invalid in accordance with the applicable legislation of the Russian Federation;
- ▶ risks to conclude agreements containing inadequate provisions concerning the Bank's responsibility or provisions that may cause significant impairment of assets or growing liabilities of the Bank;
- ▶ risks of unfavorable outcome of litigations involving the Bank;
- ▶ risks arising from changes in applicable legislation and judicial practices pertaining to key business issues of the Bank.

To manage the legal risk, the Bank applies internal rules for the approval and sign-off of legally significant documents. As regards its core activities, the Bank develops and uses standard contract templates as well as regularly monitors the effective legislation and promptly communicates key changes that are significant to the Bank to its management and personnel of the business units involved. The Bank has internal rules for the approval and sign-off of the Bank's responses to certain claims (complaints) made by its customers and requests submitted by state authorities. Moreover, the Bank has a process in place ensuring that new contracts that are significant to the Bank comply with effective legislation and that counterparties that are legal entities have due legal capacity. The overall law enforcement practice applicable to the Bank's operations is being established.

The above risks are not specific to the Bank but inherent to all financial institutions.

Current and potential claims against the Bank

As of 31 December 2015, the Bank had no uncovered risks relating to court proceedings that may impact the Bank's future financial and business performance.

(thousands of Russian rubles)

20. Risk management (continued)

20.8. Strategic risk

Strategic risk is a risk of losses which the Bank may incur as result of mistakes (deficiencies) in making decisions defining the Bank's strategy due to lacking or inadequate accounting for potential threats to the Bank's operations, insufficiently reasoned or incorrect determination of priority areas where the Bank can achieve competitive advantages, lack or insufficient resources required (financial, material and technical, etc.).

The Management Board formulates the development strategy of the Bank for a period from three to five years as well as a business plan for the current financial year, which are approved by the Board of Directors. The Management Board is informed on the business plan implementation for the current financial year on a monthly basis and the development strategy implementation on an annual basis.

The Management Board introduces respective amendments to the strategy and the business plan, if necessary, which are subsequently approved by the Board of Directors.

20.9. Reputational risk

The Bank has consistent corporate reputation, promotes positive image of the Bank, quality of its services and nature of its business in general, based on the actual operating results. The risk that the Bank may incur losses as a result of business reputation deterioration is assessed by the Management of the Bank as minimal.

20.10. Country risk

Country risk (including non-payment risk) is a risk that the Bank may incur losses as a result of foreign counterparties (legal or individual persons) failing to meet their obligations or doing that improperly due to economic, political and social changes or because the currency of a monetary liability may be inaccessible to a counterparty due to specifics of the national legislation (irrespective of the counterparty's financial position).

The Bank is the resident in the Russian Federation and is operating in the Russian Federation.

The Bank engages in transactions with non-resident counterparties registered in the EU, the USA and Japan.

21. Fair value measurements

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(thousands of Russian rubles)

21. Fair value measurements (continued)**Fair value hierarchy (continued)**

As of 31 December 2015, fair value hierarchy disclosures are as follows:

	<i>Quoted prices in active markets</i>	<i>Significant observable inputs</i>	<i>Significant unobservable inputs</i>	
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Assets measured at fair value				
Investment securities available for sale	200,322	-	-	200,322
Derivative financial instruments	-	2,881,955	-	2,881,955
Total assets measured at fair value	200,322	2,881,955	-	3,082,277
Assets for which fair values are disclosed				
Cash and cash equivalents	-	1,444,967	-	1,444,967
Amounts due from credit institutions	-	3,363,630	-	3,363,630
Loans to customers	-	-	41,057,488	41,057,488
Other assets	-	-	86,637	86,637
Total assets for which fair values are disclosed	-	4,808,597	41,144,125	45,952,722
Liabilities for which fair values are disclosed				
Amounts due to the CBR	-	2,006,986	-	2,006,986
Amounts due to credit institutions	-	27,163,999	-	27,163,999
Amounts due to customers	-	-	13,540,362	13,540,362
Other liabilities	-	-	582,602	582,602
Total liabilities for which fair values are disclosed	-	29,170,985	14,122,964	43,293,949

As of 31 December 2014, fair value hierarchy disclosures are as follows:

	<i>Quoted prices in active markets</i>	<i>Significant observable inputs</i>	<i>Significant unobservable inputs</i>	
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Assets measured at fair value				
Derivative financial instruments	-	1,230,707	-	1,230,707
Total assets measured at fair value	-	1,230,707	-	1,230,707
Assets for which fair values are disclosed				
Cash and cash equivalents	-	9,029,855	-	9,029,855
Amounts due from credit institutions	-	1,337,745	-	1,337,745
Loans to customers	-	-	23,838,877	23,838,877
Other assets	-	-	66,661	66,661
Total assets for which fair values are disclosed	-	10,367,600	23,905,538	34,273,138
Liabilities measured at fair value				
Derivative financial instruments	-	169,653	-	169,653
Total liabilities measured at fair value	-	169,653	-	169,653
Liabilities for which fair values are disclosed				
Amounts due to the CBR	-	1,002,404	-	1,002,404
Amounts due to credit institutions	-	19,025,595	-	19,025,595
Amounts due to customers	-	-	9,111,580	9,111,580
Other liabilities	-	-	289,048	289,048
Total liabilities for which fair values are disclosed	-	20,027,999	9,400,628	29,428,627

(thousands of Russian rubles)

21. Fair value measurements (continued)**Financial instruments not recorded at fair value in the statement of financial position**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2015			31 December 2014		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
Financial assets						
Cash and cash equivalents	1,444,967	1,444,967	-	9,029,855	9,029,855	-
Amounts due from credit institutions	3,363,630	3,363,630	-	1,337,745	1,337,745	-
Loans to customers	43,257,756	41,057,488	(2,200,268)	25,628,989	23,838,877	(1,790,112)
Other assets	86,637	86,637	-	66,661	66,661	-
Total financial assets	48,152,990	45,952,722	(2,200,268)	36,063,251	34,273,139	(1,790,112)
Financial liabilities						
Amounts due to the CBR	2,006,986	2,006,986	-	1,002,404	1,002,404	-
Amounts due to credit institutions	27,178,330	27,163,999	14,331	19,080,781	19,025,595	55,186
Amounts due to customers	13,624,696	13,540,362	84,334	9,603,470	9,111,580	491,890
Other liabilities	582,602	582,602	-	289,048	289,048	-
Total financial liabilities	43,392,614	43,293,949	98,665	29,975,703	29,428,627	547,076
Total unrecognized change in fair value			(2,101,603)			(1,243,036)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortized cost

The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBR and credit institutions and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

22. Segment reporting

The Bank determined operating segments based on its organizational structure. The information on operating segments is presented in the same manner as the internal reporting is presented to the Management Board.

For the purposes of this disclosure, "operating segments" are determined by the Bank based on the definition specified in IFRS 8 *Operating Segments*.

For the management purposes, the Bank's activities are divided into three business segments:

- ▶ Corporate banking – provision of financing to car dealers, maintenance of term deposits placed by corporate customers.
- ▶ Retail banking – provision of loans to retail customers (car loans) and rendering of related financial services.
- ▶ In-house activities – interbank lending, trading with securities, foreign currencies and derivative financial instruments, and other internal transactions.

(thousands of Russian rubles)

22. Segment reporting (continued)

The management monitors operating results separately for each business unit for the purpose of making decisions on the resource allocation and performance assessment.

Transfer prices for transactions between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

Information on each segment is reviewed using the methods similar to those applied in making decisions on the resource allocation between segments and performance assessment.

The breakdown of the Bank's assets and liabilities by operating segment in 2015 and 2014 is shown in the table below.

	31 December 2015	31 December 2014
Assets		
Retail banking	33,162,470	21,063,850
Corporate banking	9,990,501	4,565,140
In-house activities	9,219,824	12,483,555
Total assets	52,372,795	38,112,545
Liabilities		
Retail banking	1,042,206	468,435
Corporate banking	47,414	746
In-house activities	43,430,245	30,158,933
Total liabilities	44,519,865	30,628,114

(thousands of Russian rubles)

22. Segment reporting (continued)

The analysis of the Bank's income and expenses by segment for the year ended 31 December 2015 and 2014 is shown in the table below.

	2015					2014				
	Corporate banking	Corporate banking	In-house activities	Reconciliation*	Total	Corporate banking	Corporate banking	In-house activities	Reconciliation	Total
Revenue										
Interest income	4,806,116	1,348,515	473,660	–	6,628,291	904,246	845,113	264,564	(3,095)	2,010,828
Fee and commission income	–	50,236	–	–	50,236	–	57,989	–	–	57,989
Total revenue	4,806,116	1,398,751	473,660	–	6,678,527	904,246	903,102	264,564	(3,095)	2,068,817
Expenses										
Interest expense	(2,889,030)	(915,069)	(142,364)	875,620	(3,070,843)	(268,241)	(276,554)	(289,580)	(2)	(834,377)
Fee and commission expense	(111,954)	–	–	–	(111,954)	(30,720)	–	–	–	(30,720)
Allowance for impairment	(291,508)	377	(126,639)	–	(417,770)	(58,089)	(775,485)	(13,513)	–	(847,087)
Net gains/(losses) from foreign currencies	–	–	(203,747)	(874,810)	(1,078,557)	–	–	38,529	4,408	42,937
Other administrative expenses	(1,319,698)	(186,061)	(81,383)	–	(1,587,142)	(746,928)	(490,566)	–	(1,312)	(1,238,806)
Total expenses	(4,612,190)	(1,100,753)	(554,133)	810	(6,266,266)	(1,103,978)	(1,542,605)	(264,564)	3,094	(2,908,053)
Profit/(loss) before income tax expense	193,926	297,998	(80,473)	810	412,261	(199,732)	(639,503)	–	(1)	(839,236)
Income tax expense	(16,666)	(4,406)	–	–	(21,072)	29,360	33,519	–	–	62,879
Total net profit for the year	177,260	293,592	(80,473)	810	391,189	(170,372)	(605,984)	–	(1)	(776,357)

* The differences refer to the effect of hedging of 2014.

In 2015 and 2014, the Bank had no revenue from transactions with a single external customer or counterparty that would amount to 10% or more of its total revenue.

(thousands of Russian rubles)

23. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

23.1. Transactions with the members of the Supervisory Board and the Management Board

The total compensations to the members of the Supervisory Board and the Management Board included in personnel expenses in 2015 and 2014 amounted to RUB 89,543 thousand and RUB 43,708 thousand, respectively.

23.2. Transactions with related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions.

The Bank entered into transactions with related parties as part of its normal business. There is no increased risk of arrears or other unfavorable events resulting from such transactions.

The Bank's related parties are as follows:

As a result of a share sale and purchase transaction, BARN B.V., a limited liability company (the Kingdom of the Netherlands) became the Bank's sole shareholder as of 30 August 2013. Ownership interest: 100.00%.

The direct owners of the Bank are:

- ▶ UniCredit Bank Austria AG – 40%;
- ▶ Renault S.A., France – 30%;
- ▶ Nissan Motor Co., Ltd., Japan – 30%.

	31 December 2015	31 December 2014
Shareholders	BARN B.V.	BARN B.V.
Transactions with other related parties	AO UniCredit Bank RCI Banque S.A. Nissan Financial Services Co, Ltd. Renault Finance S.A. RNGM S.A. OOO Nissan Manufacturing RUS OOO RN Finance RUS Nissan Motor Acceptance Corporation CJSC Renault Russia DIAC	AO UniCredit Bank RCI Banque S.A. Nissan Financial Services Co, Ltd. Renault Finance S.A. RNGM S.A. OOO Nissan Manufacturing RUS OOO RN Finance RUS Representative office of RCI Banque S.A. CJSC Renault Russia SOGESMA S.A.R.L.

The outstanding balances of, and gains and losses resulting from, transactions with related parties are presented below:

	31 December 2015		31 December 2014	
	Shareholder	Other related parties	Shareholder	Other related parties
Assets				
Cash and cash equivalents	-	11,306	-	1,968,016
Loans to customers	-	157,145	-	117,140
Financial assets at fair value through profit or loss	-	2,881,955	-	1,230,707
Other assets	-	-	-	12,413
Total assets	-	3,050,406	-	3,328,276
Liabilities				
Amounts due to credit institutions	-	22,971,981	-	18,061,217
Financial liabilities at fair value through profit or loss	-	-	-	169,653
Amounts due to customers	-	12,536,920	410,090	8,724,198
Other liabilities	-	4,304	-	38,946
Total liabilities	-	35,513,205	410,090	26,994,014
Commitments and guarantees received	-	29,555	-	13,905

(thousands of Russian rubles)

23. Related party disclosures (continued)**23.2. Transactions with related parties (continued)**

	2015		2014	
Interest income	-	1,363,676	-	651,413
Interest expense	(426)	(2,503,089)	(919)	(577,698)
Fee and commission income	-	50,236	-	53,066
Fee and commission expense	-	(43,106)	-	(16,663)
Net gains and losses from financial instruments	-	1,767,534	-	1,077,660
Other operating income	-	5,914	-	4,604
Other operating expenses	-	(77,607)	-	(31,444)
Net gains/(losses) from foreign currencies	34,325	(2,961,476)	(40,761)	(1,334,631)

In 2014, no assets were purchased from the shareholder.

24. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The Bank's capital adequacy is monitored using the ratios established by the CBR.

The primary objective of capital management is monitoring compliance of the Bank's capital with external requirements and maintenance of robust credit ratings and capital ratios to ensure the Bank's operation and maximize shareholder value.

25. CBR capital adequacy ratio

Under the requirements set by the CBR, banks have to maintain a capital adequacy ratio of at least 10% of risk-weighted assets (the ratio is calculated in the statutory financial statements prepared in accordance with Russian accounting legislation). The CBR requirements for core capital ratio at least 5.5% of risk-weighted assets, and for base capital are at least 5% of risk-weighted assets.

	1 January 2016	1 January 2015
Share capital (ordinary shares)	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Statutory reserve	11,006	-
Current year profit		
Prior years profit	1,123,675	220,119
Loss of the current year	(530,961)	(641,405)
Loss of prior years	(384,144)	(593,258)
Intangible assets	(1,003)	(2,843)
Negative additional paid-in capital (accounts receivable overdue more than 30 days)	(1,504)	(8)
Core capital	9,066,869	7,832,405
Share capital	9,066,869	7,832,405
Equity (capital)	9,066,869	7,832,405
Core capital adequacy, % (H1.1) (CBR requirements >= 5%)	17.9%	22.7%
Share capital adequacy, % (H1.2) (CBR requirements >= 5.5%)	17.9%	22.7%
Equity capital adequacy, % (H1.0) (CBR requirements >= 10%)	17.9%	22.7%


In 2015 and 2014, the Bank's operations complied with all externally imposed capital requirements.

(thousands of Russian rubles)

26. Events after the reporting date

It was announced by CBR as of 30 November 2015 (N 3855-U) about the reduction of requirements for capital adequacy and about the changes in value of the following ratios:

- ▶ the minimum allowable numeric value of the ratio N1.1 is now set at 4.5 percent;
- ▶ the minimum allowable numeric value of the ratio N1.2 is now set at 6.0 percent;
- ▶ the minimum allowable numeric value of the ratio N1.0 is now set at 8.0 percent.


Chairman of the Management Board
Bruno Robert Louis Kintzinger




Chief Accountant
Darya Lvova