PJSC “Bank Saint Petersburg” Group

International Financial Reporting Standards Consolidated Financial Statements and Auditors’ Report

31 December 2015

CONTENTS

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Auditors' Report

To the Shareholders and Supervisory Board of PJSC "Bank Saint Petersburg"

We have audited the accompanying consolidated financial statements of PJSC "Bank Saint Petersburg" (the "Bank") and its subsidiaries (together with the Bank referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audited entity: PJSC "Bank Saint Petersburg".

Registered by the Central Bank of Russian Federation on 3 October 1990, Registration No. 436.

Entered in the Unified State Register of Legal Entities on 6 August 2002 by Saint Petersburg Authority of the Ministry of Taxes and Duties of the Russian Federation, Registration No. 1027800000140. Certificate series 78 No. 003196015.

Address of the audited entity: 64A, Malookhtinskij prospect, Saint Petersburg, Russian Federation, 195112.

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

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

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

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

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

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

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

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

Lukashova N.V.
Director (power of attorney dated 16 March 2015 No. 14/15)
JSC KPMG
21 March 2016
Moscow, Russian Federation

In thousands of Russian Roubles	Note	2015	2014
ASSETS			
Cash and cash equivalents	6	36 558 917	57 240 622
Mandatory reserve deposits with the Central Bank of the Russian Federation		2 388 138	3 290 084
Trading securities	7	13 193 472	205 425
Securities pledged under sale and repurchase agreements and loaned	8	70 314 051	39 138 709
Amounts receivable under reverse repurchase agreements	9	15 220 590	29 511 109
Due from banks	10	35 122 584	29 264 470
Loans and advances to customers	11	335 302 100	315 338 995
Investment securities available-for-sale	12	27 849 192	9 259 393
Prepaid income tax		412 959	819 399
Deferred tax asset	28	449	-
Investment property	13	3 162 532	1 591 433
Premises, equipment and intangible assets	14	14 476 946	14 535 188
Other assets	15	7 539 787	20 078 295
Long-term assets held for sale	16	992 859	1 327 028
TOTAL ASSETS		**562 534 576**	**521 600 150**
LIABILITIES			
Due to banks	17	135 833 080	102 596 690
Customer accounts	18	325 961 928	308 481 731
Bonds issued	19	19 200 016	23 864 107
Other debt securities issued	20	17 441 146	16 405 964
Other borrowed funds	21	2 642 299	5 671 179
Deferred tax liability	28	2 809 073	1 293 069
Other liabilities	22	1 863 550	11 993 069
TOTAL LIABILITIES		**505 751 092**	**470 305 809**
EQUITY			
Share capital	23	3 721 734	3 696 674
Share premium	23	21 393 878	21 393 878
Revaluation reserve for premises		3 820 496	3 901 555
Revaluation reserve for investment securities available-for-sale		1 596 286	(433 894)
Retained earnings		26 251 090	22 736 128
TOTAL EQUITY		**56 783 484**	**51 294 341**
TOTAL LIABILITIES AND EQUITY		**562 534 576**	**521 600 150**

Approved for issue and signed on behalf of the Management Board on 21 March 2016.

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "БАНК "САНКТ-ПЕТЕРБУРГ" (ПАО "Банк "Санкт-Петербург") ИНН 7831000027 БАНК САНКТ-ПЕТЕРБУРГ

V.S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

In thousands of Russian Roubles	Note	2015	2014
Interest income	25	50 793 475	38 760 300
Interest expense	25	(33 315 993)	(20 249 404)
Net interest income		**17 477 482**	**18 510 896**
Provision for loan impairment	10, 11	(12 293 143)	(7 285 909)
Net interest income after provision for loan impairment		**5 184 339**	**11 224 987**
Net gains (losses) from trading securities		839 259	(4 343 701)
Net gains from investment securities available-for-sale		474 793	265 091
Net gains from trading in foreign currencies		1 434 816	671 620
Net gains from foreign exchange translations		7 609 030	4 412 461
Net losses from derivatives		(4 178 591)	(1 128 118)
Fee and commission income	26	4 772 338	4 420 587
Fee and commission expense	26	(730 028)	(699 945)
(Provision for) recovery of impairment for credit related commitments	22	(134 901)	8 850
Impairment of investment property	13	-	(53 442)
Recovery of impairment of premises	14	-	188
Gain from acquisition of subsidiary		-	488 587
Other net operating income		317 438	440 575
Administrative and other operating expenses:	27		
- Staff costs		(4 473 777)	(4 477 139)
- Costs related to premises and equipment		(1 328 500)	(1 247 321)
- Other administrative and operating expenses		(5 039 192)	(3 934 654)
Profit before tax		**4 747 024**	**6 048 626**
Income tax expense	28	(1 128 509)	(1 252 952)
Profit for the year		**3 618 515**	**4 795 674**
Other comprehensive income (loss)			
Items that are or will be reclassified subsequently to profit or loss:			
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal		(727 652)	(372 323)
Gain (loss) from revaluation of investment securities available-for-sale		3 265 377	(669 638)
Deferred income tax recognised in equity related to components of other comprehensive income		(507 545)	208 393
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of premises		-	757 799
Deferred income tax recognised in equity related to components of other comprehensive income		-	(151 560)
Other comprehensive income (loss) for the year, net of income tax	24	**2 030 180**	**(227 329)**
Total comprehensive income for the year		**5 648 695**	**4 568 345**
Basic and diluted earnings per share (in Russian Roubles per share)	29	**8.33**	**10.93**

V.S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

In thousands of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve for investment securities available-for-sale	Retained earnings	Total equity
Balance as at 1 January 2014		**3 721 734**	**21 393 878**	**3 339 031**	**399 674**	**18 821 638**	**47 675 955**
Other comprehensive income (loss) recognised in equity	24	-	-	606 239	(833 568)	-	(227 329)
Profit for the year		-	-	-	-	4 795 674	4 795 674
Disposal of premises		-	-	(43 715)	-	43 715	-
Total comprehensive income for the year ended 31 December 2014		**-**	**-**	**562 524**	**(833 568)**	**4 839 389**	**4 568 345**
Purchase of treasury shares	23	(25 060)	-	-	-	(874 337)	(899 397)
Dividends declared							
- ordinary shares	30	-	-	-	-	(48 351)	(48 351)
- preference shares	30	-	-	-	-	(2 211)	(2 211)
Balance as at 31 December 2014		**3 696 674**	**21 393 878**	**3 901 555**	**(433 894)**	**22 736 128**	**51 294 341**
Other comprehensive income recognised in equity	24	-	-	-	2 030 180	-	2 030 180
Profit for the year		-	-	-	-	3 618 515	3 618 515
Disposal of premises		-	-	(81 059)	-	81 059	-
Total comprehensive income for the year ended 31 December 2015		**-**	**-**	**(81 059)**	**2 030 180**	**3 699 574**	**5 648 695**
Sale of treasury shares	23	25 060	-	-	-	705 441	730 501
Dividends declared							
- ordinary shares	30	-	-	-	-	(887 842)	(887 842)
- preference shares	30	-	-	-	-	(2 211)	(2 211)
Balance as at 31 December 2015		**3 721 734**	**21 393 878**	**3 820 496**	**1 596 286**	**26 251 090**	**56 783 484**

V.S. Guz
Chairman of the Management Board

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Chief Accountant

In thousands of Russian Roubles	Note	2015	2014
Cash flows from operating activities			
Interest received on loans and correspondent accounts		41 327 987	31 081 665
Interest received on securities		7 143 237	5 102 040
Interest received on amounts receivable under reverse repurchase agreements		2 234 430	1 823 950
Interest paid on due to banks		(10 929 952)	(6 363 159)
Interest paid on customer accounts		(18 327 227)	(10 402 407)
Interest paid on other debt securities issued		(441 769)	(345 749)
Net payments from securities trading		(69 842)	(2 100 931)
Net receipts from trading in foreign currencies		1 434 816	671 637
Net payments from transactions with derivatives		(1 592 892)	(7 916 739)
Fee and commissions received		4 814 621	4 422 026
Fee and commissions paid		(730 028)	(699 945)
Other operating income received		304 180	423 974
Staff costs paid		(4 371 292)	(4 220 617)
Premises and equipment costs paid		(551 450)	(704 437)
Administrative and other operating expenses paid		(5 031 644)	(3 847 341)
Income tax received (paid)		285 941	(1 616 943)
Cash flows from operating activities before changes in operating assets and liabilities		**15 499 116**	**5 307 024**
Changes in operating assets and liabilities			
Net decrease (increase) in mandatory reserve deposits with the Central Bank of the Russian Federation		901 946	(381 975)
Net (increase) decrease in trading securities		(12 787 149)	11 937 767
Net (increase) decrease in securities pledged under sale and repurchase agreements and loaned		(4 483 261)	24 427 934
Net decrease (increase) in amounts receivable under reverse repurchase agreements		14 260 421	(14 626 067)
Net increase in due from banks		(4 227 627)	(7 693 777)
Net increase in loans and advances to customers		(12 140 987)	(16 392 041)
Net decrease (increase) in other assets		971 218	(1 090 628)
Net increase in due to banks		29 171 408	30 304 300
Net increase in customer accounts		8 515 514	18 572 305
Net (decrease) increase in other debt securities issued		(2 056 067)	5 029 622
Net (decrease) increase in other liabilities		(1 400 337)	1 246 568
Net cash received from operating activities		**32 224 195**	**56 641 032**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets	14	(795 972)	(644 587)
Proceeds from disposal of premises and equipment and intangible assets		105 742	178 433
Net acquisition of investment securities available-for-sale		(42 221 710)	(38 478 739)
Proceeds from disposal of investment securities available-for-sale		459 402	24 760
Net proceeds from acquisition of subsidiary		-	1 011 643
Proceeds from disposal of long-term assets held-for-sale		413 039	89 302
Proceeds from disposal of investment property		5 100	3 484
Dividend income received		10 522	12 050
Net cash used in investing activities		**(42 023 877)**	**(37 803 654)**

In thousands of Russian Roubles	Note	2015	2014
Cash flows from financing activities			
Purchase of ordinary shares	23	-	(1 119 174)
Sale of treasury shares	23	730 501	219 777
Redemption of bonds issued		(9 376 171)	(3 501 045)
Proceeds from other borrowed funds		344 471	968 108
Repayment of other borrowed funds		(3 831 324)	(4 511 295)
Interest paid on bonds issued		(2 334 140)	(1 969 540)
Interest paid on other borrowed funds		(258 739)	(573 277)
Dividends paid	30	(888 414)	(50 159)
Net cash used in financing activities		**(15 613 816)**	**(10 536 605)**
Effects of exchange rate changes on cash and cash equivalents		**4 731 793**	**8 879 397**
Net (decrease) increase in cash and cash equivalents		**(20 681 705)**	**17 180 170**
Cash and cash equivalents at the beginning of the year		57 240 622	40 060 452
Cash and cash equivalents at the end of the year	6	**36 558 917**	**57 240 622**

V.S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

1 Introduction

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2015 for PJSC “Bank Saint Petersburg” (the “Bank”) and its subsidiaries, together referred to as the “Group” or PJSC “Bank Saint Petersburg” Group”. A list of subsidiaries is disclosed in note 37.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as the result of the corporatisation process of the former Leningrad Regional Office of Zhilsotsbank. In 2014 the Bank was reorganised from the Open Joint-Stock Company “Bank Saint Petersburg” to the Public Joint-Stock Company “Bank Saint Petersburg” following the resolution passed at the extraordinary Shareholders’ Meeting.

As at 31 December 2015, Mr. A.V. Savelyev and management of the Bank controls 53.2% of the ordinary shares of the Bank (2014: 52.3%), including: 23.7% of the ordinary shares of the Bank controlled by Mr. A.V. Savelyev (2014: 23.7%) and 29.5% of the ordinary shares controlled by management of the Bank, including 28.7% of the ordinary shares of the Bank are owned by LLC "Management Company "Vernye Druzya" (2014: 0%). In the company LLC "Management Company "Vernye Druzya", companies "NOROYIA ASSETS LIMITED", "ZERILOD HOLDINGS LIMITED" and "CARISTAS LIMITED" own 26.6% of the share capital each. Mr. A.V. Savelyev has a perpetual option to purchase a 100% interest in the companies "NOROYIA ASSETS LIMITED", "ZERILOD HOLDINGS LIMITED" and "CARISTAS LIMITED" (31 December 2014: the company "NOROYIA ASSETS LIMITED" owned 9.4% of the ordinary shares of the Bank, the company "ZERILOD HOLDINGS LIMITED" owned 9.4% of the ordinary shares of the Bank, the company "CARISTAS LIMITED" owned 8.9% of the ordinary shares of the Bank.)

The remaining ordinary shares of the Bank are owned as follows: 9.0% of the shares are owned by the East Capital Group (31 December 2014: 9.3%), 5.5% of the ordinary shares are owned by the European Bank for Reconstruction and Development (EBRD) (31 December 2014: 5.5%).

The remaining 32.3% of the ordinary shares are widely held (31 December 2014: 27.3%).

As at 31 December 2014, treasury shares purchased by the Bank in response to shareholders' request in accordance with Articles 75, 76 of Federal Law No. 208-FZ dated 26 December 1995 *On Joint Stock Companies* due to reorganisation of OJSC “Bank “Saint Petersburg” in the form of merger of Evropeyskiy CJSC ICB into OJSC "Bank "Saint Petersburg" composed 5.6%.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by the Federal Law No.177-FZ dated 23 December 2003 *On Retail Deposit Insurance in the Russian Federation*. The state deposit insurance system guarantees payment in the amount of 100% of total deposits placed with a bank, but limited to RR 1 400 000, in the event the bank’s license is revoked or the CBRF imposes a moratorium on payments.

As at 31 December 2015, the Bank had four branches within the Russian Federation (three branches located in the North-West region of Russia and one branch in Moscow) and fifty three outlets (2014: five branches within the Russian Federation (four branches located in the North-West region of Russia and one branch in Moscow) and fourty three outlets.

1 Introduction (continued)

Registered address and place of business. The Bank's registered address and place of business is Malookhtinsky Prospect, 64A, 195112, Saint Petersburg, Russian Federation.

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (RR thousands).

2 Operating Environment of the Group

Russian Federation. The economy of the Russian Federation displays certain characteristics of developing markets including relatively high inflation and interest rates.

In 2015 there was a negative impact on Russia from the external environment. At the end of 2014 there was depreciation of Russian Rouble which led to a sharp increase of the policy rate of the CBRF from 9.5% to 17.0%. These factors accelerated consumer inflation which picked at 16.9% in March 2015. During the year inflation slowed to 12.9% and, as the result, the policy rate of the CBRF was decreased to 11.0%. In such conditions, the GDP real growth was negative at -3.7%. Decline in the production industry was 3.4% p.a.

Thus in 2015 the Russian economy adapted to changes in the external environment without a significant drop in the GDP. Nevertheless, there are increasing risks for future growth. Capital investments decreased by 8.6% which impacts negatively future growth. Unemployment level did not rise significantly, as at the year end it was 5.8% versus 5.3% at the end of 2014. Labor market adapted to the new environment mainly by adjusting salary levels which were decreased by 9.5%.

The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the recent contraction in the capital and credit markets have further increased the level of economic uncertainty. In general, the current economic environment the Group operates in is characterised by significant growth of risks of different nature and general uncertainty, bounding the strategic horizon for market participants and aggregated risk appetite.

The current economic and political situation, including the situation in the Ukraine and introduction of sanctions against the Russian Federation by particular countries and introduction of responsive sanctions against particular countries by the Russian Federation creates risks for operations conducted by the Group.

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

Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

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

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (the "IFRS") under the historical cost convention, as modified by initial recognition of financial instruments at fair value and revaluation of premises, trading securities, investment securities available-for-sale and derivative financial instruments. The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all the periods presented in these consolidated financial statements.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

Subsidiaries are accounted for in consolidated financial statements using the acquisition method. Acquired identifiable assets, liabilities and contingencies as a result of business combination are stated at fair value as at the acquisition date irrespective of non-controlling interest.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the amount is negative ("negative goodwill") it is recognised in profit or loss after the management has assessed whether all acquired assets and all assumed liabilities and contingencies are identified and analyzed correctness of their estimate.

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

Intercompany transactions, balances and unrealised gains arising from intercompany transactions are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. *Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and stock exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market. Fair value of an instrument is best evidenced by the quoted price for that instrument in an active market. Fair value is the current bid price for financial assets and current asking price for financial liabilities that are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or the current value of investments are used for determination of the fair value of financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

3 Basis of Preparation and Significant Accounting Policies (continued)

Amortised cost is the historical value of an asset less any principal repayments, plus accrued interest, and for financial assets less any write-off for impairment losses incurred. Accrued interest includes amortisation of transaction costs deferred at initial recognition and amortisation of any premium or discount to maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

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

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

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

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

Foreign currency translation. The functional currency of the Group is the currency of the primary economic environment in which the Group operates. The Bank's and its subsidiaries' functional currency and the Group's presentation currency is the national currency of the Russian Federation, i.e. Russian Rouble.

Monetary assets and liabilities are translated into Russian Roubles at the official CBRF exchange rate at the respective reporting date. Foreign exchange gains and losses on monetary assets and liabilities translated at the CBRF official exchange rate as at the end of the year are included in the profit or loss for the year (as foreign exchange translation gains less losses). Non-monetary items are translated at historical rates. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value translation gain or loss.

3 Basis of Preparation and Significant Accounting Policies (continued)

As at 31 December 2015, the official rate of exchange used for translating foreign currency balances was USD 1 = RR 72.8827 and EURO 1 = RR 79.6972 (2014: USD 1 = RR 56.2584 and EURO 1 = RR 68.3427).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and are subject to insignificant change in value. All short term interbank placements, including overnight deposits, are included in cash and cash equivalents, all other interbank placements are recognised in due from banks. Amounts that relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory reserve deposits with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing deposits in the CBRF that are not available to finance day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Trading securities. Trading securities are included in financial assets at fair value through profit or loss that are classified as held for trading, as they are acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within the period from one to six months.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss as interest income. Dividends are included in other operating income when the Group's right to receive the dividend payment is established and provided the dividend is likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks with no intention of trading the instrument. Amounts due from banks are carried at amortised cost.

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and that have an impact on the amount or timing of the estimated future cash flows that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers when assessing whether a financial asset is impaired is its overdue status and realisability of related collateral, if any.

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

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences significant financial difficulty as evidenced by financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;

3 Basis of Preparation and Significant Accounting Policies (continued)

- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions;
- implementation of the borrower's investment plans is delayed; or
- the Group expects difficulties in servicing the borrower's debt due to volatility of the borrower's cash flows caused by its cyclic activity or irregularity of proceeds.

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

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

Impairment losses are recognised through an allowance account to decrease the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been currently incurred) discounted at the initial effective interest rate of the asset. The calculation of the discounted value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Uncollectible assets are written off against the related impairment allowance recorded in the consolidated statement of financial position after all the necessary procedures to recover the asset fully or partially have been completed and the amount of the loss has been determined.

Investment securities available-for-sale. This classification includes investment securities that the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Certain types of investment securities available-for-sale are carried at cost when the Group cannot measure their fair value with sufficient level of reliability. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other components of changes in the fair value are recognised directly in equity until the investments are derecognised or impaired, when the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss for the year.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

Advances receivable. Advances receivable are recognised if the Group makes a prepayment under a contract for services that are not yet provided, and are recorded at amortised cost.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by a contract or custom to sell or repledge the securities, in which case they are reclassified as trading securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customer accounts, as appropriate.

Securities lending transactions secured with cash collateral, which effectively provide a lender's return to the Group, are treated as sale and repurchase agreements ("repo agreements"), with interest income accrued but not paid reducing the amount of Group's liability.

Securities purchased under agreements to resell ("reverse repo agreements"), which provide the Group with a creditor's return, are recorded as amounts receivable under reverse repurchase agreements. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the reverse repo agreements using the effective interest method.

Investment securities held-to-maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturity, which management has the firm intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date. Investment securities held-to-maturity are measured at amortised cost.

Promissory notes purchased. Promissory notes purchased are included in due from banks or loans and advances to customers, based on their economic substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for this category of assets.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and impairment, where required.

Premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. Any increase in the carrying value as a result of revaluation is recognised in other comprehensive income and in revaluation reserve in equity. Any decrease in value accounted against previous increases of the same asset is recognised in other comprehensive income and reduces the revaluation reserve previously recognised in equity. All other decreases in value are recognised in profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

All other items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

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

Premises: 50 years

Office and computer equipment: 5 years

Leasehold improvements: over the term of the underlying lease.

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

Intangible assets. All intangible assets of the Group have definite useful lives and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 4 years. All other costs associated with computer software, e.g. its maintenance, are recognised when incurred.

Investment property. Investment property is property not occupied by the Group and held either to earn rental income or for capital appreciation or for both.

Investment property is stated at acquisition cost less accumulated amortisation and impairment (if necessary). In case of indications of impairment of investment property the Group evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset.

3 Basis of Preparation and Significant Accounting Policies (continued)

Subsequent expenditure is capitalised only when the Group receives the related future economic benefits and the cost can be reliably measured. All other repair and maintenance costs are recognised as an expense as incurred. If the owner occupies the investment property, it is transferred to the category "Premises and Equipment".

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and benefits incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Long-term assets held-for-sale. Long-term assets and disposal groups (which may include both long-term and short-term assets) are presented in the consolidated statement of financial position as long-term assets held-for-sale if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date. Assets are reclassified to long-term assets held-for-sale when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) management of the Group approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Long-term assets or disposal groups classified as held-for-sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current reporting period.

Long-term assets and disposal groups held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Held-for-sale premises and equipment (included in the disposal group) are not depreciated or amortised.

Liabilities directly associated with the disposal groups that will be transferred in the disposal transaction are presented separately in the consolidated statement of financial position.

Due to banks. Amounts due to banks are recorded when cash or other assets are advanced to the Group by counterparty banks. The non-derivative financial liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortised cost.

Other debt securities issued. Other debt securities issued include bonds, promissory notes and certificates of deposit issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other income.

Other borrowed funds. Other borrowed funds include liabilities to credit and corporate entities and financial institutions attracted for target financing and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised as gains less losses in accordance with the nature of transaction in profit or loss. The Group does not apply hedge accounting.

Income taxes. Tax expenses are provided for in the consolidated financial statements in accordance with the effective Russian legislation using tax rates and legislative regulations enacted or substantively enacted by the reporting date. The income tax charge comprises current tax charge and deferred tax and is recognised in profit or loss for the year except if it is recognised as other comprehensive income or directly in equity because it relates to transactions that are also recognised in the same or a different period as other comprehensive income or directly in equity.

3 Basis of Preparation and Significant Accounting Policies (continued)

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and previous periods. Taxable profits or losses are based on estimates if financial statements are approved prior to filing relevant tax returns. Taxes, other than on income, are recorded in administrative and other operating expenses.

Deferred income tax is calculated on the basis of balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply in the period when the temporary differences or deferred tax losses will be realised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. Uncertain tax positions of the Group are reassessed by management at every reporting date. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the reporting date.

Provisions for liabilities and future expenses. Provisions for liabilities and future expenses are non-financial liabilities of uncertain timing or amount. Related provisions are provided for in the consolidated financial statements where the Group has liabilities (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Payables. Payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Credit related commitments. The Group enters into credit related commitments, including commitments to provide loans, letters of credit and financial guarantees. Financial guarantees and letters of credit represent irrevocable commitments to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and letters of credit are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, other than the commitment to originate loans, if there is a probability that the Group concludes certain loan agreements and is not planning to disburse the loan immediately. Such commission income related to loan origination commitment is recognised as future period profit and is included in the loan’s carrying amount upon initial recognition. At each reporting date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the reporting date.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not mandatorily redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends in relation to own equity instruments are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are approved for issue are disclosed in the *Events after the reporting period* note. The statutory accounting reports are the basis for payment of dividends and other profit distribution. Russian legislation identifies the basis of profit distribution as the current year net profit.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

Fee and commission income/expenses attributable to the effective interest rate include fees received or paid in connection with the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

When loans issued or other debt instruments become doubtful of timely collection, they are written off to recoverable value with subsequent recognition of interest income based on the effective interest rate that was used to discount future cash flows with the purpose of determination of recoverable value.

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

Fiduciary assets. Assets held by the Group in its own name, but on the account and at the expense of third parties, are not reported in the consolidated statement of financial position. The analysis of such balances and transactions is presented in note 34. Commissions received from fiduciary activities are shown in fee and commission income.

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

Accounting for the effects of hyperinflation. The Russian Federation previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation ceased from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued as far as the associated services are rendered by the Group's employees.

Segment reporting. Segment reporting is prepared based on the internal management reports regularly reviewed by the chief operating decision maker. Segments with a majority of revenue, financial result or assets equal to at least ten percent of those from all the segments are reported separately.

The Group's operations are neither seasonal nor cyclic by nature.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes professional judgments and estimates in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss for the year, the Group makes professional judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that a one month delay in repayment of principal and interest on 5% of the total loans and advances to customers occurred, the allowance would be approximately RR 164 770 thousand higher (2014: RR 143 624 thousand higher).

Revaluation of investment securities available-for-sale. Investment securities available-for-sale are recorded based on fair value.

In the event it does not appear possible to assess fair value of certain types of equity securities falling into such category with an adequate degree of assurance (lack of active market quotes, as well as observable data such as price for similar instruments on the active market), such type of security is recorded based on historical cost. For details please refer to note 35.

Revaluation of premises. The fair values of the Group’s premises are determined by using valuation methods and are based on their market value. Market values of premises are estimated by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was assessed using the sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale. For details please refer to note 14. To the extent that the assessed fair value of premises differs by 10%, the effect of the revaluation adjustment would be RR 1 277 896 thousand (before deferred tax) as at 31 December 2015 (2014: RR 1 303 894 thousand).

5 Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2018. The standard is intended ultimately to replace *IAS 39 Financial Instruments: Recognition and Measurement.* The Group recognises that the new standard introduces significant changes to accounting for financial instruments and is likely to have a material impact on the consolidated financial statements. The Group does not intend to adopt this standard early.

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

6 Cash and Cash Equivalents

In thousands of Russian Roubles	**2015**	**2014**
Cash on hand	8 716 007	13 406 076
Cash balances with the CBRF (other than mandatory reserve deposits)	12 712 580	16 650 597
Correspondent accounts and overnight placements with banks		
- the Russian Federation	3 665 210	12 529 172
- other countries	2 381 520	6 498 493
Settlement accounts with trading systems	9 083 600	8 156 284
Total cash and cash equivalents	**36 558 917**	**57 240 622**

Correspondent accounts and overnight placements with banks of the Russian Federation and settlement accounts with trading systems are mainly represented by balances with Russian stock-exchanges and clearing houses.

Currency and interest rate analyses of cash and cash equivalents are disclosed in note 32.

7 Trading Securities

(in thousands of Russian Roubles)	2015	2014
Corporate bonds	10 471 754	-
Corporate Eurobonds	1 982 614	196 732
Federal loan bonds	568 163	-
Municipal bonds	43 593	-
Total debt securities	**13 066 124**	**196 732**
Corporate shares	127 348	8 693
Total trading securities	**13 193 472**	**205 425**

Corporate bonds are interest bearing securities denominated in Russian Rouble denominated securities issued by Russian companies and traded in the Russian market. These bonds have maturity dates from 19 January 2016 to 23 September 2032; coupon rates from 8.3% to 18.5% p.a.; and yields to maturity from 8.2% to 15.6% p.a. as at 31 December 2015, depending on the type of bond issue (2014: no such bonds).

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency issued by non-resident companies for the benefit of credit organisations resident in the Russian Federation traded in the international and Russian over-the-counter markets. Corporate Eurobonds have maturity dates from 17 February 2016 to 17 April 2020 (2014: from 18 March 2015 to 24 April 2018); coupon rates from 2.2% to 7.8% p.a. (2014: from 3.4% to 8.0% p.a.); and yields to maturity from 2.0% to 11.5% p.a. as at 31 December 2015 (2014 : from 7.8% to 8.3% p.a.), depending on the type of Eurobond issue.

Federal loan bonds are government securities denominated in Russian Ruble issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 20 January 2016 to 19 January 2028; coupon rates from 6.0% to 12.0% p.a.; and yields to maturity from 8.8.% to 10.9% p.a. as at 31 December 2015, depending on the type of bond issue (2014: no such bonds).

Municipal bonds are securities denominated in Russian Ruble issued by the municipal administrations of Moscow, Saint-Petersburg, Belgorod Region, Volgograd Region, Voronezh Region, Smolensk Region, Tomsk Region, Tula Region, Krasnoyarsk Territory, Stavropol Territory and Komi Republic. These bonds have maturity dates from 18 May 2017 to 23 June 2021; coupon rates from 6.9% to 12.0% p.a.; and yields to maturity from 8.8% to 13.5% p.a. as at 31 December 2015, depending on the type of bond issue (2014: no such bonds).

Corporate shares are shares of Russian companies (2014: shares of Russian companies).

Trading securities are carried at fair value which also reflects the credit risk of these securities.

Debt trading securities of the Group are divided by the credit rating of the issuer assigned by rating agencies Moody’s, S&P and Fitch into the following groups:

Group A - debt securities with credit rating of the issuer at least BBB-, according to S&P rating agency or equivalent rating of other agencies.

Group B - debt securities with credit rating of the issuer between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

7 Trading securities (continued)

Group C - debt securities with credit rating of the issuer between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D - debt securities with credit rating of the issuer below B-, according to S&P rating agency or equivalent rating of other agencies or without credit rating.

Analysis by credit quality of debt trading securities outstanding at 31 December 2015 is as follows:

In thousands of Russian Roubles	**Corporate bonds**	**Corporate Eurobonds**	**Federal loan bonds**	**Municipal bonds**	**Total**
Not overdue or impaired					
Group A	714 356	-	-	-	714 356
Group B	9 220 715	1 982 614	568 163	13	11 771 505
Group C	291 539	-	-	43 579	335 118
Group D	245 144	-	-	1	245 145
Total debt trading securities	**10 471 754**	**1 982 614**	**568 163**	**43 593**	**13 066 124**

Analysis by credit quality of debt trading securities outstanding at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Corporate Eurobonds**	**Total**
Not overdue or impaired		
Group A	24 283	24 283
Group B	172 449	172 449
Total debt trading securities	**196 732**	**196 732**

The Bank is licensed by the Federal Agency of the Russian Federation for Financial Markets for trading in securities.

Currency and maturity analyses of trading securities are disclosed in note 32.

In December 2014 the Group reclassified certain financial assets for which there was no active market from trading securities to due from banks, loans and advances to customers, and financial assets for which there was an active market from trading securities to investment securities available-for-sale. See notes 10, 11, 12.

Management believes that significant deterioration of the situation in the domestic currency market in the fourth quarter of 2014, which led to a sharp increase of the policy rate of the CBRF, is a rare, unpredictable and extraordinary event, since it does not correspond to the general trend and volatility observed in the financial markets during previous periods.

The Group determined that this anti-crisis change of the policy rate of the CBRF, which occurred on 15 December 2014, is an example of a “rare event”, which provides the basis for reclassification from the category of trading securities.

7 Trading Securities (continued)

The carrying and fair values of all financial assets reclassified from trading securities are as follows:

	31 December 2015		31 December 2014	
In thousands of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Loans and advances to customers	14 065 674	14 178 914	13 672 128	13 795 143
Due from banks	7 171 750	7 504 704	11 221 777	11 145 814
Investment securities available-for-sale	12 757 884	12 757 884	35 003 102	35 003 102
Total secruties reclassified	**33 995 308**	**34 441 502**	**59 897 007**	**59 944 059**

The amounts of income and expenses from financial assets, reclassified to due from banks and loans and advances to customers, recognised in profit or loss before reclassification date, after reclassification date, and income and expenses (after reclassification date), which would be recognised in profit or loss if these financial assets were not reclassified are as follows:

	Income (expenses) recognised in 2014 before reclassification date	**Income (expenses) recognised after reclassification date**		**Income (expenses) which would be recognised after reclassification date if the assets were not reclassified**	
In thousands of Russian Roubles		**2014**	**2015**	**2014**	**2015**
Interest income	1 060 173	136 325	2 498 816	Not applicable	Not applicable
Gains less losses from securities	(805 248)	-	6 073	106 836	3 924 156
Provision for loan impairment	-	(17 432)	(47 141)	-	-
Total effect on profit	**254 925**	**118 893**	**2 457 748**	**106 836**	**3 924 156**

The amount of revaluation gain from financial assets, reclassified to investment securities available-for-sale, recognised in other comprehensive income after the date of reclassification amounts to RR 48 012 thousand before deduction of deferred income tax.

8 Securities Pledged Under Sale and Repurchase Agreements and Loaned

In thousands of Russian Roubles	2015	2014
Trading securities pledged under sale and repurchase agreements and loaned		
Corporate Eurobonds	4 040 590	2 511 983
Corporate bonds	3 397 134	-
Federal loan bonds	43 931	-
Total debt trading securities pledged under sale and repurchase agreements and loaned	**7 481 655**	**2 511 983**
Corporate shares	15 020	501 431
Total trading securities pledged under sale and repurchase agreements and loaned	**7 496 675**	**3 013 414**
Investment securities available-for-sale pledged under sale and repurchase agreements and loaned		
Corporate Eurobonds	46 693 615	4 932 325
Corporate bonds	13 305 674	28 300 708
Federal loan bonds	2 679 844	1 334 216
Municipal bonds	99 089	1 558 046
Eurobonds of the Russian Federation	39 154	-
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	**62 817 376**	**36 125 295**
Total securities pledged under sale and repurchase agreements and loaned	**70 314 051**	**39 138 709**

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency issued by non-resident companies for the benefit of credit organisations resident in the Russian Federation traded in the international and Russian over-the-counter markets. Corporate Eurobonds have maturity dates from 31 January 2016 to 22 June 2020 (2014: from 4 March 2015 to 30 June 2035); coupon rates from 3.1% to 9.3% p.a. (2014: from 5.0% to 8.0% p.a.); and yields to maturity from 1.5% до 13.1% p.a. as at 31 December 2015 depending on the type of bond issue (2014 : from 5.3% to 20.6% p.a.). The term of the corresponding repurchase agreements was from 12 to 364 calendar days (2014: 15 calendar days), with effective rates from 1.3% to 11.8% p.a. (2014: 17.3% p.a.).

Corporate bonds are interest bearing securities denominated in Russian Rouble issued by Russian companies and traded in the Russian market. Corporate bonds have maturity dates from 19 January 2016 to 23 September 2032 (2014: from 23 January 2015 to 23 September 2032); coupon rates from 7.9% to 18.5% p.a. (2014: from 7.6% to 12.9% p.a.); and yields to maturity from 8.3% to 13.9% p.a. as at 31 December 2015 depending on the type of bond issue (2014: from -7.0% to 36.5% p.a). The term of the corresponding repurchase agreements was 14 calendar days (2014: 15 calendar days), with effective rates from 11.3% to 11.8% p.a. (2014: from 17.2% to 17.3% p.a).

8 Securities Pledged Under Sale and Repurchase Agreements and Loaned (continued)

Federal loan bonds are government securities denominated in Russian Ruble issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 20 January 2016 to 20 July 2022 (2014: from 19 April 2017 to 14 April 2021); coupon rates from 6.0% до 7.6% p.a. (2014: from 6.2% to 7.6% p.a.); and yields to maturity from 8.8% до 10.2% p.a. as at 31 December 2015 (2014 : from 14.8% to 15.4% p.a), depending on the type of bonds issue. The term of the corresponding repurchase agreements was from 12 to 14 calendar days (2014: 15 calendar days), with effective rates from 10,5% to 11,8% p.a. (2014: from 17.2% to 17.3% p.a).

Municipal bonds are securities denominated in Russian Ruble issued by the municipal administrations of Saint-Petersburg (2014: Saint-Petersburg, Belgorod Region, Tula Region, Voronezh Region, Volgograd Region, Smolensk Region and Stavropol Territory). These bonds have maturity date on 1 June 2017 (2014: from 25 September 2015 to 4 November 2020); coupon rate of 7.9% p.a. (2014: from 7.8% to 8.9% p.a.); and yields to maturity 10,1% p.a. as at 31 December 2015 (2014: from 2.1% to 22.5% p.a). The term of the corresponding repurchase agreements was 14 calendar days (2014: 15 calendar days), with effective rate of 11.3% p.a. (2014: from 17.2% to 17.3% p.a).

Eurobonds of the Russian Federation are interest bearing securities denominated in Russian Rouble and foreign currency issued by the Ministry of Finance of the Russian Federation traded in the international market. These Eurobonds have maturity dates on 10 March 2018; coupon rate of 7.9% p.a.; and yield to maturity of 10.7% p.a. The term of the corresponding repurchase agreements was 14 calendar days, with an effective rate of 11.8% p.a. (2014: no such bonds).

Corporate shares are shares of Russian companies. The term of the corresponding repurchase agreements was 13 calendar days (2014: from 13 to 15 calendar days), with effective rates from 11.3% to 12.0% p.a. (2014: from 16.8% to 17.3% p.a).

As at 31 December 2015, there were no securities lending transactions (2014: the term of securities lending transactions was 6 calendar days with effective rates from 10.0% to 45.2% p.a).

8 Securities Pledged Under Sale and Repurchase Agreements and Loaned (continued)

Analysis of debt securities pledged under sale and repurchase agreements and loaned outstanding at 31 December 2015 by their credit quality is as follows:

In thousands of Russian Roubles	Corporate Eurobonds	Corporate bonds	Federal loan bonds	Municipal bonds	Eurobonds of the Russian Federation	Total
Trading securities pledged under sale and repurchase agreements and loaned						
Not overdue or impaired						
Group A	318 069	-	-	-	-	318 069
Group B	3 722 521	3 397 132	43 931	-	-	7 163 584
Group C	-	2	-	-	-	2
Total debt trading securities pledged under sale and repurchase agreements and loaned	**4 040 590**	**3 397 134**	**43 931**	**-**	**-**	**7 481 655**
Investment securities available-for-sale pledged under sale and repurchase agreements and loaned						
Not overdue or impaired						
Group A	302 012	1 402 923	-	-	-	1 704 935
Group B	46 391 603	10 224 908	2 679 844	99 089	39 154	59 434 598
Group C	-	854 759	-	-	-	854 759
Group D	-	823 084	-	-	-	823 084
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	**46 693 615**	**13 305 674**	**2 679 844**	**99 089**	**39 154**	**62 817 376**
Total debt securities pledged under sale and repurchase agreements and loaned	**50 734 205**	**16 702 808**	**2 723 775**	**99 089**	**39 154**	**70 299 031**

8 Securities pledged under sale and repurchase agreements and loaned (continued)

Analysis of debt securities pledged under sale and repurchase agreements and loaned outstanding at 31 December 2014 by their credit quality is as follows:

In thousands of Russian Roubles	Corporate bonds	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Total
Trading securities pledged under sale and repurchase agreements and loaned					
Not overdue or impaired					
Group A	-	768 481	-	-	768 481
Group B	-	1 743 502	-	-	1 743 502
Total debt trading securities pledged under sale and repurchase agreements and loaned	**-**	**2 511 983**	**-**	**-**	**2 511 983**
Investment securities available-for-sale pledged under sale and repurchase agreements and loaned					
Not overdue or impaired					
Group A	11 578 394	1 666 071	952 980	1 334 216	15 531 661
Group B	13 747 426	3 266 254	504 619	-	17 518 299
Group C	1 810 759	-	100 447	-	1 911 206
Group D	1 164 129	-	-	-	1 164 129
Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned	**28 300 708**	**4 932 325**	**1 558 046**	**1 334 216**	**36 125 295**
Total debt securities pledged under sale and repurchase agreements and loaned	**28 300 708**	**7 444 308**	**1 558 046**	**1 334 216**	**38 637 278**

8 Securities pledged under sale and repurchase agreements and loaned (continued)

For definition of groups refer to note 7.

The Group transfers or sells securities under agreements to repurchase to a third party as collateral for borrowed funds. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received in due to banks and customer accounts as appropriate (note 17 and 18).

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

Currency and maturity analyses of securities pledged under sale and repurchase agreements and loaned are disclosed in note 32.

9 Amounts Receivable Under Reverse Repurchase Agreements

In thousands of Russian Roubles	**2015**	**2014**
Amounts receivable under reverse repurchase agreements with customers	12 740 989	10 876 330
Amounts receivable under reverse repurchase agreements with banks	2 479 601	18 634 779
Total amounts receivable under reverse repurchase agreements	**15 220 590**	**29 511 109**

As at 31 December 2015, amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by federal loan bonds, Eurobonds of the Russian Federation, municipal bonds, corporate Eurobonds, corporate bonds and corporate shares (2014: federal loan bonds, Eurobonds of the Russian Federation, municipal bonds, corporate Eurobonds, corporate bonds and corporate shares).

As at 31 December 2015, the fair value of securities that serve as collateral under reverse repurchase agreements is RR 17 717 070 thousand (2014: RR 35 014 745 thousand), out of which corporate shares with a fair value of RR 1 473 935 thousand, Eurobonds of the Russian Federation with a fair value of RR 1 218 074 thousand, corporate bonds with a fair value of RR 1 543 806 thousand, corporate Eurobonds with a fair value of RR 758 048 thousand, federal loan bonds with a fair value of RR 100 687 thousand, are pledged under sale and repurchase agreements, corporate Eurobonds with a fair value of RR 422 066 thousand and Eurobonds of the Russian Federation with a fair value of RR 448 196 thousand are sold by the Group (2014: corporate shares with a fair value of RR 6 387 452 thousand, corporate bonds with a fair value of RR 4 442 424 thousand, corporate Eurobonds with a fair value of RR 1 232 954 thousand, federal loan bonds with a fair value of RR 920 932 thousand, municipal bonds with a fair value of RR 266 405 thousand are pledged under sale and repurchase agreements, corporate Eurobonds with a fair value of RR 2 464 262 thousand and corporate shares with a fair value of RR 179 896 thousand are sold by the Group). Refer to notes 17 and 18. In all cases, collateral securing individual reverse repurchase agreements equals or exceeds the amount of the accounts receivable.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements are disclosed in note 32.

10 Due from Banks

In thousands of Russian Roubles	2015	2014
Term placements with banks	35 168 443	29 274 644
Allowance for impairment	(45 859)	(10 174)
Total due from banks	**35 122 584**	**29 264 470**

Movements in the allowance for impairment of due from banks are as follows:

In thousands of Russian Roubles	2015	2014
Allowance for impairment as at 1 January	**10 174**	**31 524**
Provision for (recovery of) impairment during the year	35 685	(21 350)
Allowance for impairment as at 31 December	**45 859**	**10 174**

As at 31 December 2015, the carrying value of securities reclassified in 2014 from trading securities to due from banks amounts to RR 7 171 750 thousand before the allowance for impairment (2014: RR 11 221 777 thousand).

Reclassified securities with a carrying value of RR 6 227 386 thousand are securities pledged under sale and repurchase agreements in due to banks (2014: RR 10 837 388 thousand). As at 31 December 2015, the fair value of these securities amounts to RR 6 555 357 thousand (2014: RR 10 761 370 thousand). Refer to note 17.

The Bank uses a system of limits for granting loans to banks, as shown in note 32. The current interbank loan portfolio is used for short-term placement of temporarily available cash.

Term placements with banks are divided by credit quality depending on the credit rating of the credit organisation defined by rating agencies Moody’s, S&P and Fitch into the following groups:

Group A – credit organisations with credit rating at least BBB-, according to S&P rating agency or equivalent rating of other agencies,

Group B – credit organisations with credit rating between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

Group C – credit organisations with credit rating between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D – credit organisations with credit rating below B-, according to S&P rating agency or equivalent rating of other agencies, or without credit rating.

Analysis by credit quality of term placements with banks as at 31 December 2015 is as follows:

In thousands of Russian Roubles	Interbank loans and deposits	Securities reclassified to due from banks	Total
Group A	23 322	-	23 322
Group B	27 973 371	7 171 750	35 145 121
Total term placements with banks	**27 996 693**	**7 171 750**	**35 168 443**

10 Due from banks (continued)

Analysis by credit quality of term placements with banks as at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Interbank loans and deposits**	**Securities reclassified in due from banks**	**Total**
Group A	18 052 867	9 187 022	27 239 889
Group B	-	2 034 755	2 034 755
Total term placements with banks	**18 052 867**	**11 221 777**	**29 274 644**

Loans to banks are not secured. No placements with banks are impaired or past due.

Currency and maturity analyses of due from banks are disclosed in note 32. Interest rate analysis of due from banks is disclosed in note 32.

11 Loans and Advances to Customers

In thousands of Russian Roubles	**2015**	**2014**
Loans to legal entities		
- loans to finance working capital	210 408 652	192 004 978
- investment loans	90 573 576	82 454 015
- loans to entities financed by the government	15 782 648	17 506 709
Loans to individuals		
- mortgage loans	35 379 300	29 387 894
- car loans	2 633 847	3 867 790
- consumer loans to VIP clients	4 761 647	7 505 307
- other loans to individuals	10 727 029	11 017 420
Allowance for impairment	(34 964 599)	(28 405 118)
Total loans and advances to customers	**335 302 100**	**315 338 995**

As at 31 December 2015, the carrying value of securities reclassified from trading securities to loans and advances to customers in 2014 amounts to RR 14 065 674 thousand before impairment (2014: RR 13 672 128 thousand). Reclassified securities with a carrying value of RR 10 547 908 thousand are securities pledged under sale and repurchase agreements in due to banks. As at 31 December 2015, the fair value of these securities amounts to RR 10 602 720 thousand (2014: reclassified securities with a carrying value of RR 12 127 220 thousand are securities pledged under repurchase agreements in due to banks, the fair value of these securities amounted to RR 12 266 517 thousand). Refer to note 17.

11 Loans and advances to customers (continued)

Movements in the allowance for loan impairment during 2015 are as follows:

In thousands of Russian Roubles	Loans to legal entities: Loans to finance working capital	Investment loans	Loans to entities financed by the government	Loans to individuals: Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total
Allowance for impairment at 1 January	**21 000 863**	**6 089 421**	**129 787**	**175 562**	**57 782**	**569 715**	**381 988**	**28 405 118**
Provision for (recovery of) impairment during the year	6 712 997	4 613 362	69 242	439 124	25 008	(24 853)	422 578	**12 257 458**
Loans sold during the year	(68 540)	-	-	(632)	-	-	-	**(69 172)**
Amounts written off as non-recoverable during the year	(5 336 575)	(2 634)	-	(14 003)	(32 355)	(200 586)	(42 652)	**(5 628 805)**
Allowance for impairment at 31 December	**22 308 745**	**10 700 149**	**199 029**	**600 051**	**50 435**	**344 276**	**761 914**	**34 964 599**

Movements in the allowance for loan impairment during 2014 are as follows. Allowance for impairment of acquired subsidiary is provided separately for representative purposes only.

In thousands of Russian Roubles	Loans to legal entities: Loans to finance working capital	Investment loans	Loans to entities financed by the government	Loans to individuals: Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total
Allowance for impairment at 1 January	**20 794 059**	**4 154 595**	**157 509**	**268 773**	**44 178**	**347 294**	**181 880**	**25 948 288**
Allowance for impairment of acquired subsidiary	746 225	61 450	-	2 744	1 127	-	82 294	**893 840**
Provision for (recovery of) impairment during the year	4 586 516	2 461 357	(27 722)	(90 623)	12 763	222 421	142 547	**7 307 259**
Loans sold during the year	(2 473 231)	-	-	-	-	-	-	**(2 473 231)**
Amounts written off as non-recoverable during the year	(2 652 706)	(587 981)	-	(5 332)	(286)	-	(24 733)	**(3 271 038)**
Allowance for impairment as at 31 December	**21 000 863**	**6 089 421**	**129 787**	**175 562**	**57 782**	**569 715**	**381 988**	**28 405 118**

11 Loans and advances to customers (continued)

Economic sector risk concentrations within the customer loan portfolio as at 31 December are as follows:

	2015		2014	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	53 501 823	14.4	51 778 411	15.1
Construction	49 429 706	13.3	48 003 731	14.0
Production and food industry	39 865 293	10.8	36 492 435	10.6
Trade	39 805 362	10.8	45 976 427	13.4
Leasing and financial services	38 407 258	10.4	37 078 581	10.8
Real estate	32 814 512	8.9	26 607 574	7.7
Heavy machinery and ship building	27 680 381	7.5	22 681 580	6.6
Oil and gas extraction and transportation	26 547 246	7.2	14 434 517	4.2
Entities financed by the government	15 782 648	4.3	17 506 709	5.1
Transport	15 594 885	4.2	12 356 940	3.6
Sports and health and entertainment organisations	7 620 521	2.1	9 123 993	2.7
Telecommunications	4 618 923	1.2	3 950 457	1.1
Chemical industry	3 932 379	1.1	1 209 854	0.4
Energy	1 014 213	0.3	5 993 292	1.7
Other	13 651 549	3.5	10 549 612	3.0
Total loans and advances to customers (before allowance for impairment)	**370 266 699**	**100.0**	**343 744 113**	**100.0**

As at 31 December 2015, the 20 largest groups of borrowers have aggregate loan amounts of RR 99 484 092 thousand (2014: RR 89 962 589 thousand), or 26.9% (2014: 26.2%) of the loan portfolio before impairment.

11 Loans and advances to customers (continued)

Loans and advances to customers and the related allowance for impairment and an analysis of their credit quality as at 31 December 2015 are as follows:

In thousands of Russian Roubles	Gross loans and advances to customers	Allowance for impairment	Net loans and advances to customers	Allowance for impairment to loans and advances to customers, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, not individually impaired				
Standard loans not past due	256 813 923	(7 718 377)	249 095 546	3.01
Watch list loans not past due	16 699 447	(1 901 169)	14 798 278	11.38
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	24 391 046	(11 916 102)	12 474 944	48.85
Overdue:				
- less than 5 calendar days	362 423	(19 941)	342 482	5.50
- 6 to 30 calendar days	2 120 205	(804 052)	1 316 153	37.92
- 31 to 60 calendar days	1 528 192	(774 302)	753 890	50.67
- 61 to 90 calendar days	941 783	(197 513)	744 270	20.97
- 91 to 180 calendar days	1 294 393	(642 411)	651 982	49.63
- 181 to 365 calendar days	5 310 856	(3 987 372)	1 323 484	75.08
- more than 365 calendar days	7 302 608	(5 246 684)	2 055 924	71.85
Total loans and advances to legal entities	**316 764 876**	**(33 207 923)**	**283 556 953**	**10.48**
Loans and advances to individuals:				
- mortgage loans	35 379 300	(600 051)	34 779 249	1.70
- car loans	2 633 847	(50 435)	2 583 412	1.91
- consumer loans to VIP clients	4 761 647	(344 276)	4 417 371	7.23
- other consumer loans	10 727 029	(761 914)	9 965 115	7.10
Total loans and advances to individuals	**53 501 823**	**(1 756 676)**	**51 745 147**	**3.28**
Total loans and advances to customers	**370 266 699**	**(34 964 599)**	**335 302 100**	**9.44**

11 Loans and advances to customers (continued)

In thousands of Russian Roubles	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans and advances to individuals:					
Standard loans not past due	34 157 245	2 481 977	4 237 230	9 801 400	50 677 852
Overdue:					
- less than 5 calendar days	49 664	6 788	-	12 899	69 351
- 6 to 30 calendar days	120 520	6 605	-	54 991	182 116
- 31 to 60 calendar days	80 764	11 348	-	55 762	147 874
- 61 to 90 calendar days	47 743	6 398	200 467	42 561	297 169
- 91 to 180 calendar days	193 419	14 117	-	188 137	395 673
- 181 to 365 calendar days	280 303	35 158	-	230 398	545 859
- more than 365 calendar days	449 642	71 456	323 950	340 881	1 185 929
Total loans and advances to individuals (before allowance for impairment)	**35 379 300**	**2 633 847**	**4 761 647**	**10 727 029**	**53 501 823**
Allowance for impairment	**(600 051)**	**(50 435)**	**(344 276)**	**(761 914)**	**(1 756 676)**
Total loans and advances to individuals (after allowance for impairment)	**34 779 249**	**2 583 412**	**4 417 371**	**9 965 115**	**51 745 147**

11 Loans and advances to customers (continued)

Loans and advances to customers and the related allowance for impairment and an analysis of their credit quality as at 31 December 2014 are as follows:

In thousands of Russian Roubles	Gross loans and advances to customers	Allowance for impairment	Net loans and advances to customers	Allowance for impairment to loans and advances to customers, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, not individually impaired				
Standard loans not past due	242 081 537	(6 214 221)	235 867 316	2.57
Watch list loans not past due	17 643 664	(1 606 474)	16 037 190	9.11
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	18 586 681	(8 697 725)	9 888 956	46.80
Overdue:				
- less than 5 calendar days	273 917	(231 266)	42 651	84.43
- 6 to 30 calendar days	130 971	(59 584)	71 387	45.49
- 31 to 60 calendar days	310 223	(17 707)	292 516	5.71
- 61 to 90 calendar days	68 953	(5 435)	63 518	7.88
- 91 to 180 calendar days	523 605	(137 658)	385 947	26.29
- 181 to 365 calendar days	1 615 976	(1 220 852)	395 124	75.55
- more than 365 calendar days	10 730 175	(9 029 149)	1 701 026	84.15
Total loans and advances to legal entities	**291 965 702**	**(27 220 071)**	**264 745 631**	**9.32**
Loans and advances to individuals:				
- mortgage loans	29 387 894	(175 562)	29 212 332	0.60
- car loans	3 867 790	(57 782)	3 810 008	1.49
- consumer loans to VIP clients	7 505 307	(569 715)	6 935 592	7.59
- other consumer loans	11 017 420	(381 988)	10 635 432	3.47
Total loans and advances to individuals	**51 778 411**	**(1 185 047)**	**50 593 364**	**2.29**
Total loans and advances to customers	**343 744 113**	**(28 405 118)**	**315 338 995**	**8.26**

11 Loans and advances to customers (continued)

In thousands of Russian Roubles	Mortgage loans	Car loans	Consumer loans to VIP clients	Other consumer loans	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	28 650 414	3 719 649	6 907 876	10 512 616	49 790 555
Overdue:					
- less than 5 calendar days	26 925	7 127	-	26 701	60 753
- 6 to 30 calendar days	100 205	10 453	-	41 186	151 844
- 31 to 60 calendar days	63 049	7 567	-	37 037	107 653
- 61 to 90 calendar days	59 932	6 866	-	35 149	101 947
- 91 to 180 calendar days	171 175	23 224	-	86 746	281 145
- 181 to 365 calendar days	114 689	30 470	63 951	116 711	325 821
- more than 365 calendar days	201 505	62 434	533 480	161 274	958 693
Total loans and advances to individuals (before allowance for impairment)	**29 387 894**	**3 867 790**	**7 505 307**	**11 017 420**	**51 778 411**
Allowance for impairment	**(175 562)**	**(57 782)**	**(569 715)**	**(381 988)**	**(1 185 047)**
Total loans and advances to individuals (after allowance for impairment)	**29 212 332**	**3 810 008**	**6 935 592**	**10 635 432**	**50 593 364**

The Group estimates loan impairment for individually assessed corporate loans, for which specific indications of impairment have been identified, based on an analysis of the expected future cash flows based primarily on collateral. The principal collateral taken into account in the estimation of future cash flows comprises real estate. Valuations for real estate are discounted by 30-50 percent to reflect current market conditions.

For portfolios of standard not past due loans in determining the impairment allowance, the Group adjusts historic loss rates to factor in the deterioration/improvement of the loan portfolio, as evidenced by the rate of increase/decrease in the level of impaired and overdue loans arising from current market conditions. The impairment allowance reflects management’s estimate of the losses in the portfolio as at 31 December 2015 and 31 December 2014.

The Group estimates the impairment allowance of loans to individuals based on an analysis of future cash flows for impaired loans and based on its past historical loss experience for loans for which no indications of impairment have been identified. In determining the impairment allowance for loans for which no indications of impairment have been identified, management adjusts historic loss rates to factor in the current changes of the loan portfolio. The principal collateral taken into account in the estimation of future cash flows comprises mainly real estate and cars. Valuations for real estate and cars are discounted by 10-20 percent to reflect current market conditions.

Loans and advances to customers are classified as “Standard loans not past due” when they do not have any overdue payments as at the reporting date and management does not have any information indicating that the borrower is not able to repay the loan in full and in time.

Loans and advances to customers are classified as “Watch list loans not past due” when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including the external environment, indicates the stable position of the borrower, however there are some negative factors that may have an impact on the ability of the borrower to repay its loan in the future on a timely basis.

11 Loans and Advances to Customers (continued)

The primary factors that the Group considers when deciding whether a loan is individually impaired are its overdue/restructured status and/or occurrence of any factors that may make it doubtful whether the borrowers are able to repay the full amounts owed to the Group on a timely basis.

The following table provides information on collateral securing corporate loans, net of impairment, by types of collateral presented on the basis of excluding overcollateralisation at 31 December 2015 and 31 December 2014:

In thousands of Russian Roubles	**2015**	**2014**
Cash	982 253	2 224 899
Real estate	144 984 681	114 780 139
Motor vehicles	542 734	711 635
PPE	19 249 664	17 909 077
Guarantees and sureties	56 572 990	69 802 839
Other collateral	13 590 673	16 505 691
No collateral	47 633 958	42 811 351
Total	**283 556 953**	**264 745 631**

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

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

The Group has standard loans not past due, for which fair value of collateral was assessed at the loan inception date and not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date.

There are highly reliable borrowers included in loans to finance working capital, for which the Group considers it appropriate to issue loans without collateral.

Mortgage loans are secured by the underlying real estate. Mortgage loans amount does not exceed 85% of real estate cost. Car loans are secured by the underlying cars.

Management estimates that the impairment allowance on loans to legal entities would have been RUB 22 895 735 thousand higher without taking into consideration collateral value (2014: RR 14 662 293 thousand).

Interest income received on overdue and impaired loans during 2015 amounts to RR 829 859 thousand (2014: RR 329 405 thousand).

Currency and maturity analyses of loans and advances to customers are disclosed in note 32. Interest rate analysis of loans and advances to customers is disclosed in note 32. Fair value analysis of loans and advances to customers is disclosed in note 35. Information on related party transactions is disclosed in note 36.

12 Investment Securities Available-For-Sale

In thousands of Russian Roubles	2015	2014
Corporate bonds	14 276 236	4 344 405
Federal loan bonds	6 415 985	1 407 515
Corporate Eurobonds	4 087 054	575 474
Municipal bonds	610 811	502 104
Eurobonds of the Russian Federation	107 673	-
Total debt securities	**25 497 759**	**6 829 498**
Equity securities	2 351 433	2 429 895
Total investment securities available-for-sale	**27 849 192**	**9 259 393**

As at 31 December 2015, fair value of securities reclassified in 2014 from trading securities to investment securities available-for-sale equals to RR 12 757 884 thousand (2014: RR 35 003 102 thousand). Reclassified securities with a fair value of RR 7 350 363 thousand are securities pledged under sale and repurchase agreements (2014: RR 29 669 415 thousand).

Corporate bonds are interest bearing securities denominated in Russian Rouble issued by Russian companies traded in the Russian market. Corporate bonds have maturity dates from 30 January 2016 to 17 September 2032 (2014: from 23 January 2015 to 20 September 2044); coupon rates from 7.5% to 18.5% (2014: from 7.0% to 13.3% p.a.); and yields to maturity from 7.2% to 15.6% p.a. as at 31 December 2015 (2014 : from -7.0% to 36.5% p.a), depending on the type of bond issue.

Federal loan bonds are government securities denominated in Russian Ruble issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 20 January 2016 to 19 January 2028 (2014: from 3 August 2016 to 14 April 2021); coupon rates from 6.2% to 11.9% p.a. (2014: from 6.0% to 7.6% p.a.); and yields to maturity from 8.8% to 10.9% p.a. as at 31 December 2015 (2014 : from 13.5% to 16.0% p.a), depending on the type of bonds issue.

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency issued by non-resident companies for the benefit of credit organisations resident in the Russian Federation traded in the international and Russian over-the-counter markets. Corporate Eurobonds have maturity dates from 3 February 2016 to 3 November 2020 (2014: from 4 March 2015 to 10 June 2017); coupon rates from 4.9% to 9.2% p.a. (2014: from 4.3% to 7.9% p.a.); and yields to maturity from 1.5% to 6.7% p.a. as at 31 December 2015 (2014: from 6.4% to 20.6% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Saint-Petersburg, Moscow, Smolensk Region, Tula Region, Voronezh Region, Belgorod Region, Tomsk Region, Volgograd Region, Stavropol and Krasnoyarsk Territories, Sakha Republic (2014: Moscow, Saint-Petersburg, Belgorod Region, Tula Region, Voronezh Region, Volgograd Region, Smolensk Region, Tomsk Region, Krasnoyarsk and Stavropol Territories, Sakha Republic). These bonds have maturity dates from 1 June 2016 to 4 November 2020 (2014: from 24 June 2015 to 4 November 2020); coupon rates from 6.9% to 8.9% p.a. (2014: from 7.0% to 8.9% p.a.); and yields to maturity from 8.8% to 13.5% p.a. as at 31 December 2015 (2014: from 2.1% to 22.5% p.a), depending on the type of bonds issue.

12 Investment Securities Available-For-Sale (continued)

Corporate shares are shares of Russian companies and shares of a close-ended real estate mutual investment fund.

Debt investment securities available-for-sale are carried at fair value, which also reflects the credit risk of these securities.

Debt investment securities available-for-sale of the Group are divided by the credit rating of the issuer assigned by rating agencies Moody's, S&P and Fitch:

For definition of groups refer to note 7.

Analysis by credit quality of debt investment securities available-for-sale as at 31 December 2015 is as follows:

In thousands of Russian Roubles	Corporate bonds	Federal loan bonds	Corporate Eurobonds	Municipal bonds	Eurobonds of the Russian Federation	Total
Not overdue or impaired						
Group A	1 271 356	-	17 336	-	-	1 288 692
Group B	12 187 901	6 415 985	4 069 718	353 745	107 673	23 135 022
Group C	708 400	-	-	222 571	-	930 971
Group D	108 579	-	-	34 495	-	143 074
Total debt investment securities available-for-sale	**14 276 236**	**6 415 985**	**4 087 054**	**610 811**	**107 673**	**25 497 759**

The analysis of debt investment securities available-for-sale at 31 December 2014 by their credit quality is as follows:

In thousands of Russian Roubles	Corporate bonds	Federal loan bonds	Corporate Eurobonds	Municipal bonds	Total
Not overdue or impaired					
Group A	2 772 919	1 407 515	245 893	312 582	4 738 909
Group B	882 327	-	329 581	187 974	1 399 882
Group C	306 575	-	-	1 548	308 123
Group D	382 584	-	-	-	382 584
Total debt investment securities available-for-sale	**4 344 405**	**1 407 515**	**575 474**	**502 104**	**6 829 498**

Currency and maturity analyses of investment securities available-for-sale are disclosed in note 32.

13 Investment Property

In thousands of Russian Roubles	2015	2014
Land	3 014 188	1 438 133
Premises	220 464	220 463
Impairment of investment property	(53 442)	(53 442)
Accumulated depreciation	(18 678)	(13 721)
Total investment property	**3 162 532**	**1 591 433**

Investment property represents land plots and buildings.

Changes in investment property are as follows:

In thousands of Russian Roubles	2015	2014
Book value as at 1 January	**1 605 154**	**1 662 080**
Transfers and disposals	1 576 056	(3 484)
Impairment of investment property	-	(53 442)
Book value as at 31 December	**3 181 210**	**1 605 154**

The fair value of investment property as at 31 December 2015 and 31 December 2014 does not differ significantly from its book value.

The estimates of fair values of investment property of the Group are obtained from an independent appraiser, who holds a recognised and relevant professional qualification and who has experience in valuation of investment property of similar location and category. The fair value is assessed using the sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale. The fair value estimate of investment property is classified to level 3 of hierarchy.

14 Premises, Equipment and Intangible assets

In thousands of Russian Roubles	Note	Premises	Office and computer equipment	Construction in progress	Intangible assets	Total
Cost as at 1 January 2014		12 783 088	2 632 768	328 971	17 953	15 762 780
Accumulated depreciation and impairment loss		(282 671)	(1 664 115)	-	(9 666)	(1 956 452)
Net book value as at 1 January 2014		**12 500 417**	**968 653**	**328 971**	**8 287**	**13 806 328**
Acquisition of subsidiary		4 777	69 604	9	1 010	75 400
Additions		107 668	283 239	248 844	4 836	644 587
Transfers between categories		-	174 376	(174 376)	-	-
Disposals		(43 987)	(15 705)	-	(986)	(60 678)
Depreciation and amortisation charge	27	(287 926)	(398 287)	-	(2 223)	(688 436)
Revaluation		757 799	-	-	-	757 799
Recovery of impairment of premises		188	-	-	-	188
Net book value as at 31 December 2014		**13 038 936**	**1 081 880**	**403 448**	**10 924**	**14 535 188**
Cost as at 31 December 2014		13 038 936	3 039 648	403 448	22 813	16 504 845
Accumulated depreciation		-	(1 957 768)	-	(11 889)	(1 969 657)
Net book value as at 31 December 2014		**13 038 936**	**1 081 880**	**403 448**	**10 924**	**14 535 188**
Additions		146 828	591 421	40 771	16 952	795 972
Transfers between categories		-	53 311	(53 311)	-	-
Disposals		(107 126)	(8 460)	-	(18)	(115 604)
Depreciation and amortisation charge	27	(299 676)	(434 834)	-	(4 100)	(738 610)
Net book value as at 31 December 2015		**12 778 962**	**1 283 318**	**390 908**	**23 758**	**14 476 946**
Cost as at 31 December 2015		13 077 275	3 580 806	390 908	39 741	17 088 730
Accumulated depreciation		(298 313)	(2 297 488)	-	(15 983)	(2 611 784)
Net book value as at 31 December 2015		**12 778 962**	**1 283 318**	**390 908**	**23 758**	**14 476 946**

Construction in progress in 2015 mainly consists of refurbishment of branch and outlet premises.

Premises were valued as at 31 December 2014 by an independent appraiser. The valuation was based on market comparisons. As at 31 December 2015, the Group did not revalue premises due to non-significant changes in their fair values.

As at 31 December 2015, the carrying value includes revaluation of premises in the total amount of RR 4 775 620 thousand (2014: RR 4 876 942 thousand). The Group has recorded a deferred tax liability of RR 955 124 thousand (2014: RR 975 387 thousand). The fair value estimate of premises is classified to level 3 of hierarchy.

If premises were recorded at cost less accumulated depreciation, their carrying value as at 31 December 2015 would amount to RR 8 831 905 thousand (2014: RR 8 913 970 thousand).

15 Other Assets

In thousands of Russian Roubles	2015	2014
Fair value of derivative financial instruments	4 974 795	16 643 896
Plastic cards receivables	471 255	1 612 301
Settlements on operations with securities	322	252 535
Fees from the Bank's customers	-	663
Total financial assets	**5 446 372**	**18 509 395**
Deferred expenses	936 020	994 716
Receivables and advances	551 266	300 518
Prepaid taxes	302 637	102 253
Rent receivables	26 039	15 977
Other	277 453	155 436
Total non-financial assets	**2 093 415**	**1 568 900**
Total other assets	**7 539 787**	**20 078 295**

Other financial assets of the Group do not include individually impaired and overdue assets. No provision was created for other financial assets in 2015 and 2014.

Receivables and advances relate to the purchase of new computer software and equipment, as well as prepayments for repair works on existing premises and equipment.

Currency and maturity analyses of other assets are disclosed in note 32

16 Long-Term Assets Held-for-sale

In thousands of Russian Roubles	2015	2014
Land	714 463	1 082 513
Property	278 396	244 515
Total long-term assets held-for-sale	**992 859**	**1 327 028**

Long-term assets held-for-sale are represented by assets obtained by the Bank by taking control of collateral for loans and advances to customers. The Group's policy is to sell these assets as soon as it is practicable.

Currency analyses of long-term assets held-for-sale are disclosed in note 32.

17 Due to Banks

In thousands of Russian Roubles	2015	2014
Amounts payable under sale and repurchase agreements	96 668 698	70 314 113
Term placements of banks	38 974 735	31 571 539
Correspondent accounts of banks	189 647	711 038
Total due to banks	**135 833 080**	**102 596 690**

As at 31 December 2015, included in due to banks are sale and repurchase agreements and agreements on cash collateral received under securities lending transactions with credit institutions in the amount of RR 96 176 414 thousand (2014: RR 67 669 955 thousand) and securities sold short in the amount of RR 492 284 thousand, which serve as collateral under reverse repurchase agreements (2014: RR 2 644 158 thousand).

Securities pledged under these sale and repurchase agreements and loaned are securities:

from own portfolio, including corporate Eurobonds with a fair value of RR 50 734 205 thousand, corporate bonds with a fair value of RR 16 702 808 thousand, federal loan bonds with a fair value of RR 2 723 775 thousand, municipal bonds with a fair value of RR 99 089 thousand, Eurobonds of the Russian Federation with a fair value of RR 39 154 thousand and corporate shares with a fair value of RR 15 020 thousand (2014: corporate bonds with a fair value of RR 28 300 708 thousand, corporate Eurobonds with a fair value of RR 7 444 308 thousand, municipal bonds with a fair value of RR 1 558 046 thousand, federal loan bonds with a fair value of RR 1 334 216 thousand, corporate shares with a fair value of RR 364 611 thousand and corporate shares loaned with a fair value of RR 136 820 thousand);

reclassified from trading securities to loans to customers, which are corporate Eurobonds with a carrying value of RR 6 236 297 thousand, corporate bonds with a carrying value of RR 2 625 905 thousand, municipal bonds with a carrying value of RR 1 455 508 thousand and federal loan bonds with a carrying fair value of RR 230 198 thousand (2014: corporate Eurobonds with a carrying value of RR 6 843 980 thousand, corporate bonds with a carrying value of RR 3 420 483 thousand, municipal bonds with a carrying value of RR 1 367 690 thousand and federal loan bonds with a carrying fair value of RR 495 067 thousand);

reclassified from trading securities to due from banks, which are corporate Eurobonds with a carrying value of RR 3 545 957 thousand and corporate bonds with a carrying value of RR 2 681 429 thousand (2014: corporate bonds with a carrying value of RR 7 925 496 thousand and corporate Eurobonds with a carrying value of RR 2 911 892 thousand);

transferred to the Group under reverse repurchase agreements (without initial recognition), which are corporate bonds with a fair value of RR 1 543 806 thousand, corporate shares with a fair value of RR 1 473 935 thousand, Eurobonds of the Russian Federation with a fair value of RR 1 218 074 thousand, corporate Eurobonds with a fair value of RR 758 048 thousand, federal loan bonds with a fair value of RR 100 687 thousand (2014: corporate shares with a fair value of RR 6 387 452 thousand, corporate bonds with a fair value of RR 4 442 424 thousand, corporate Eurobonds with a fair value of RR 1 232 954 thousand, federal loan bonds with a fair value of RR 920 932 thousand, municipal bonds with a fair value of RR 266 405 thousand).

The Group attracted a subordinated loan from State Corporation "Deposit Insurance Agency" in the form of federal loan bonds with a fair value of RR 15 446 877 thousand, out of which the securities with a fair value of RR 12 381 011 thousand are pledged under sale and repurchase agreements.

Currency, maturity and interest rate analyses of due to banks are disclosed in note 32. Interest rate analysis of due to banks is disclosed in note 32

18 Customer Accounts

In thousands of Russian Roubles	2015	2014
State and public organisations		
- Current/settlement accounts	119 064	635 967
- Term deposits	-	200 110
Other legal entities		
- Current/settlement accounts	57 858 301	69 137 524
- Term deposits	79 487 386	82 499 772
- Amounts payable under sale and repurchase agreements	429 769	-
Individuals		
- Current accounts/demand deposits	41 787 505	39 946 167
- Term deposits	146 279 903	116 062 191
Total customer accounts	**325 961 928**	**308 481 731**

State and public organisations exclude government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

	2015		2014	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals	188 067 408	57.7	156 008 358	50.6
Construction	33 351 086	10.2	41 197 684	13.4
Trade	24 330 354	7.5	24 526 548	8.0
Manufacturing	17 406 994	5.3	19 957 688	6.5
Financial services	15 203 433	4.7	18 082 935	5.9
Art, science and education	14 658 073	4.5	12 181 243	3.9
Real estate	10 138 196	3.1	11 328 594	3.7
Transport	7 382 190	2.3	6 900 311	2.2
Public utilities	4 396 606	1.3	1 766 419	0.6
Communications	911 422	0.3	982 717	0.3
Cities and municipalities	664 043	0.2	4 112 957	1.3
Energy	551 885	0.2	718 038	0.2
Medical institutions	497 408	0.2	468 075	0.2
Other	8 402 830	2.5	10 250 164	3.2
Total customer accounts	**325 961 928**	**100.0**	**308 481 731**	**100.0**

As at 31 December 2015, customer accounts include securities sold short, which serve as collateral under reverse repurchase agreements, in the amount of RR 377 978 thousand, and a security deposit in the amount of RR 51 791 thousand placed by the counterparty under reverse repurchase agreements (2014: no securities sold short which serve as collateral under reverse repurchase agreements).

As at 31 December 2015, customer accounts include deposits amounting to RR 4 594 968 thousand representing security for loans and advances to customers, irrevocable liabilities on letters of credit and guarantees (2014: RR 8 475 789 thousand).

Currency, maturity and interest rate analyses of customer accounts are disclosed in note 32. Interest rate analysis of customer accounts is disclosed in note 32. Fair value analysis of customer accounts is disclosed in note 35. Information on related party transactions is disclosed in note 36.

19 Bonds Issued

In thousands of Russian Roubles	2015	2014
Subordinated Eurobonds	19 200 016	17 225 687
Bonds	-	6 638 420
Total bonds issued	**19 200 016**	**23 864 107**

In July 2007 the Group placed 1 000 interest bearing USD denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. In December 2015 the Group repaid USD 25 028 thousand. As at 31 December 2015, the carrying value of these bonds is USD 75 816 thousand, the equivalent of RR 5 525 679 thousand (2014: USD 102 531 thousand, the equivalent of RR 5 768 252 thousand). These subordinated Eurobonds will mature on 25 July 2017, have a nominal coupon rate of 7.63% p.a. and effective interest rate of 8.40% p.a.

In October 2012 the Group placed 505 interest bearing USD denominated subordinated Eurobonds (one bond – USD 200 000). The issue was arranged by BNP Paribas and UBS. The issue was registered on the Irish Stock Exchange. In December 2015 the Group repaid USD 15 737 thousand. As at 31 December 2015, the carrying value of these bonds is USD 86 233 thousand, the equivalent of RR 6 284 937 thousand (2014: USD 102 349 thousand, the equivalent of RR 5 757 986 thousand). These subordinated Eurobonds will mature on 24 October 2018, have a nominal coupon rate of 11.00% p.a. and effective interest rate of 11.63% p.a.

In October 2013 the Group placed 500 interest bearing USD denominated subordinated Eurobonds (one bond – USD 200 000). The issue was arranged by J.P. Morgan and VTB Capital. The issue was registered on the Irish Stock Exchange. As at 31 December 2015, the carrying value of these bonds is USD 101 388 thousand, the equivalent of RR 7 389 400 thousand (2014: USD 101 308 thousand, the equivalent of RR 5 699 449 thousand). These subordinated bonds will mature on 22 April 2019, have a nominal coupon rate of 10.75% p.a. and effective interest rate of 11.28% p.a.

In September 2015 the Group repaid Russian Rouble denominated bonds issued in September 2013 (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 5 000 000 items. As at 31 December 2014, the carrying value of these bonds was RR 1 541 375 thousand, coupon rate for the third coupon period was 10.9% p.a.

In October 2015 the Group repaid Russian Rouble denominated bonds issued in October 2012 (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 5 000 000 items. As at 31 December 2014, the carrying value of these bonds was RR 5 097 045 thousand, coupon rate for the third to sixth coupon periods was 8.65% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated Eurobonds are subordinated to the claims of other creditors and depositors.

Currency, maturity and interest rate analyses of bonds issued are disclosed in note 32. IInterest rate analysis of bonds issued is disclosed in note 32

20 Other Debt Securities Issued

In thousands of Russian Roubles	2015	2014
Promissory notes	17 441 144	16 405 963
Deposit certificates	2	1
Total other debt securities issued	**17 441 146**	**16 405 964**

Currency and maturity analyses of other debt securities issued are disclosed in note 32. An interest rate analyses of other debt securities issued are disclosed in note 32.

21 Other Borrowed Funds

In thousands of Russian Roubles	2015	2014
Subordinated loans	1 565 459	1 565 474
AKA AFK	1 076 840	763 374
VTB Bank	-	2 259 076
Eurasian Development Bank	-	996 925
EBRD	-	86 330
Total other borrowed funds	**2 642 299**	**5 671 179**

In August 2009 the Group attracted a subordinated loan from Vnesheconombank (VEB) in the amount of RR 1 466 000 thousand maturing in 2014. In December 2014 the loan was prolonged till 27 December 2019. As at 31 December 2015, the carrying value of this loan is RR 1 465 459 thousand (2014: RR 1 465 474 thousand). The subordinated loan had an initial interest rate of 8.00% p.a. In August 2010 the interest rate was decreased to 6.50% p.a.

In February 2014 in course of a subsidiary acquisition the Group acquired a subordinated loan in the amount of RR 100 000 thousand maturing in February 2018. As at 31 December 2015, the carrying value of this subordinated loan is RR 100 000 thousand (2014: RR 100 000 thousand). This subordinated loan bears fixed interest rate of 10.00% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated loans are subordinated to the claims of all other creditors and depositors of the Bank.

In June 2015 there were changes made to the terms of the credit facility granted by AKA Ausfuhrkredit-Gesellschaft m.b.H. Following changes in the customer’s trade contract, the total maximum amount of the credit facility was reduced to EUR 29 751 thousand. In August 2015 as part of this credit facility the fourth and fifth tranches were attracted in the total amount of EUR 5 023 thousand. Under the new terms, the Group started scheduled repayment of funds received on 30 September 2015, and the loan maturity is on 30 March 2018. As at 31 December 2015, the carrying value of five tranches of this loan is EUR 13 512 thousand, the equivalent of RR 1 076 840 thousand (2014: EUR 11 170 thousand, the equivalent of RR 763 374 thousand). The interest rate on this loan is EURIBOR + 1.75% p.a., which as at 31 December 2015 is 1.78% p.a.

In February 2015 the Group performed scheduled repayment of the loan from VTB Bank (Deutschland) in the amount of USD 20 000 thousand. The loan was attracted by the Group in August 2013 to finance trade contracts of clients. As at 31 December 2014, the carrying value of the loan was USD 20 089 thousand, the equivalent of RR 1 130 168 thousand. The interest rate on this loan was LIBOR + 3.25% which as at 31 December 2014 was 3.48% p.a.

In February 2015 the Group performed scheduled repayment of the loan received from VTB Bank (Deutschland) in the amount of USD 20 000 thousand. The loan was attracted by the Group in September 2013 to finance trade contracts of clients. As at 31 December 2014, the carrying amount of the loan was USD 20 066 thousand, the equivalent of RR 1 128 908 thousand. The interest rate was 3.48% p.a. The interest rate on this loan was LIBOR + 3.25%.

In May 2015 the Group performed scheduled repayment of the loan under a revolving loan agreement with EBRD in the amount of USD 1 528 thousand. The loan was attracted by the Group in May 2012 to finance trade contracts of clients. As at 31 December 2014, the carrying amount of the loan was USD 1 535 thousand, the equivalent of RR 86 330 thousand. The interest rate was 4.33% p.a. The interest rate on this loan was LIBOR + 4.00%.

In September 2015 the Group performed scheduled repayment of a loan from Eurasian Development Bank in the amount of RR 968 108 thousand. The loan was attracted by the Group in September 2014 to finance trade contracts of clients. As at 31 December 2014, the carrying value of the loan was RR 996 925 thousand, the fixed interest rate was 11.85% p.a.

The Group is required to meet certain covenants attached to subordinated loans and funds from AKA Ausfuhrkredit-Gesellschaft m.b.H. Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings and declaration of default (except for subordinated loans). As at 31 December 2015 and 31 December 2014, the Group fully meets all covenants of the loan agreements.

Currency and maturity analyses of other borrowed funds are disclosed in note 32. Information on related party transactions is disclosed in note 36.

22 Other Liabilities

In thousands of Russian Roubles	Note	2015	2014
Fair value of derivative financial instruments		498 661	9 582 063
Plastic card payables		142 443	1 014 872
Fair value of guarantees and import letters of credit		64 117	21 834
Dividends payable	30	5 785	4 146
Accounts payable		1 170	795
Payable for acquisition of subsidiary		-	124 312
Other		1 060	269 364
Total financial liabilities		**713 236**	**11 017 386**
Commitments to employees		445 685	352 859
Accrued expenses		376 674	362 689
Allowance for credit related commitments	34	134 901	169 012
Taxes payable		133 534	-
Other		59 520	91 123
Total non-financial liabilities		**1 150 314**	**975 683**
Total other liabilities		**1 863 550**	**11 993 069**

Analysis of movements in the allowance for credit related commitments during 2015 and 2014 is as follows:

In thousands of Russian Roubles	2015	2014
Allowance at 1 January	**-**	**8 850**
Provision for (recovery of) impairment for credit related commitments during the year	134 901	(8 850)
Allowance at 31 December	**134 901**	**-**

Currency and maturity analyses of other liabilities are disclosed in note 32.

23 Share Capital

In thousands of Russian Roubles	Number of outstanding ordinary shares (thousand)	Number of outstanding preference shares (thousand)	Ordinary shares	Preference shares	Share premium	Total
As at 1 January 2014	**439 554**	**20 100**	**3 544 283**	**177 451**	**21 393 878**	**25 115 612**
Purchase of treasury shares	(24 549)	(511)	(24 549)	(511)	-	**(25 060)**
As at 31 December 2014	**415 005**	**19 589**	**3 519 734**	**176 940**	**21 393 878**	**25 090 552**
Sale of treasury shares	24 549	511	24 549	511	-	**25 060**
As at 31 December 2015	**439 554**	**20 100**	**3 544 283**	**177 451**	**21 393 878**	**25 115 612**

As at 31 December 2015, the nominal registered amount of issued share capital of the Group prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 459 654 thousand (2014: RR 459 654 thousand). As at 31 December 2015, all of the outstanding shares of the Group are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 (one) per share (2014: RR 1 per share). Each share carries one vote.

As at 31 December 2015, the Group has one type of preference shares with a nominal value of RR 1 (one) in the amount of 20 100 000 shares.

Preference shares carry no voting rights and are non-redeemable.

If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares are not cumulative.

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

In course of reorganisation in the form of merge into the Bank of CJSC ICB “Evropeisky” in December 2014 the Bank bought back 33 340 117 ordinary registered shares for the total amount of RR 1 118 561 thousand and 510 550 preference shares for the total amount of RR 613 thousand. All treasury shares were sold by the Group during 2014 and 2015.

24 Other Comprehensive Income (Loss) Recognised in Equity

The analysis of other comprehensive income (loss) by each component of equity is as follows:

In thousands of Russian Roubles	Note	Revaluation reserve for premises	Revaluation reserve for investment securities available-for-sale	Total comprehensive loss
Year ended 31 December 2014				
Items that are or will be reclassified subsequently to profit or loss:				
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal		-	(372 323)	**(372 323)**
Loss from revaluation of investment securities available-for-sale		-	(669 638)	**(669 638)**
Deferred income tax recognised in equity related to components of other comprehensive income	28	-	208 393	**208 393**
Items that will not be reclassified to profit or loss:				
Revaluation of premises and equipment		757 799	-	**757 799**
Deferred income tax recognised in equity related to components of other comprehensive income	28	(151 560)	-	**(151 560)**
Total other comprehensive loss		**606 239**	**(833 568)**	**(227 329)**
Year ended 31 December 2015				
Items that are or will be reclassified subsequently to profit or loss:				
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal		-	(727 652)	**(727 652)**
Gain from revaluation of investment securities available-for-sale		-	3 265 377	**3 265 377**
Deferred income tax recognised in equity related to other comprehensive income	28	-	(507 545)	**(507 545)**
Total other comprehensive income		**-**	**2 030 180**	**2 030 180**

25 Interest Income and Expense

In thousands of Russian Roubles	2015	2014
Interest income		
Loans and advances to customers	38 952 184	30 443 538
Investment securities available-for-sale	5 960 165	635 421
Due from banks	2 535 493	1 336 756
Amounts receivable under reverse repurchase agreements	2 205 236	1 855 193
Trading securities	1 131 420	4 472 048
Correspondent accounts with banks	8 977	17 344
Total interest income	**50 793 475**	**38 760 300**
Interest expense		
Due to banks	11 209 660	6 256 078
Term deposits of individuals	10 182 789	5 926 888
Term deposits of legal entities	8 636 327	4 899 677
Bonds issued	2 191 649	2 033 173
Other debt securities issued	625 141	447 379
Current/settlement accounts	248 339	220 935
Other borrowed funds	222 088	465 274
Total interest expense	**33 315 993**	**20 249 404**
Net interest income	**17 477 482**	**18 510 896**

26 Fee and Commission Income and Expense

In thousands of Russian Roubles	2015	2014
Fee and commission income		
Settlement transactions	2 043 339	1 640 938
Plastic cards and cheque settlements	1 320 886	1 182 887
Guarantees and letters of credit issued	863 815	912 174
Cash transactions	243 013	302 765
Cash collections	167 792	160 176
Foreign exchange transactions	36 946	121 159
Custody operations	33 405	27 098
Other	63 142	73 390
Total fee and commission income	**4 772 338**	**4 420 587**
Fee and commission expense		
Plastic cards and cheque settlements	449 247	403 070
Settlement transactions	136 470	112 293
Securities	54 097	44 771
Guarantees and letters of credit	37 018	56 803
Foreign exchange transactions	24 230	16 421
Banknote transactions	8 304	36 165
Other	20 662	30 422
Total fee and commission expense	**730 028**	**699 945**
Net fee and commission income	**4 042 310**	**3 720 642**

Information on related party transactions is disclosed in note 36.

27 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2015	2014
Staff costs		4 473 777	4 477 139
Information and consulting services		938 277	536 934
Taxes other than on income		743 419	611 640
Depreciation and amortisation of premises, equipment and intangible assets	14	738 610	688 436
Contributions to deposits insurance system		607 733	511 196
Other costs related to premises and equipment		589 890	558 885
Rent expenses		433 451	333 658
Security expenses		266 517	224 314
Transportation costs		237 176	218 166
Postal, cable and telecommunication expenses		203 036	161 593
Advertising and marketing services		144 775	121 517
Professional services		122 290	128 374
Charity expenses		40 042	21 820
Other administrative expenses		1 302 476	1 065 442
Total administrative and other operating expenses		**10 841 469**	**9 659 114**

28 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2015	2014
Current tax	120 499	857 222
Deferred tax	1 008 010	395 730
Income tax expense for the year	**1 128 509**	**1 252 952**

The income tax rate applicable to the majority of the Group’s income is 20% (2014: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2015	2014
Profit before tax	**4 747 024**	**6 048 626**
Tax charge at statutory rate	949 405	1 209 725
- Non-deductible expenses	219 524	77 015
- Income on government securities taxed at different rates	(40 420)	(33 788)
Income tax expense for the year	**1 128 509**	**1 252 952**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for IFRS financial reporting purposes and their income tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2014: 20%), except for income on state securities which is taxed at 15% (2014: 15%).

In thousands of Russian Roubles	31 December 2014	Charged to profit or loss	Charged directly to equity	31 December 2015
Tax effect of deductible temporary differences				
Provision for loan impairment	698 062	(1 704 431)	-	(1 006 369)
Accrued income/expense	10 711	1 912 038	-	1 922 749
Valuation of bonds issued at amortised cost	(27 357)	(17 288)	-	(44 645)
Valuation of other borrowed funds at amortised cost	8 117	11 411	-	19 528
Valuation of due from banks at amortised cost	(2 915)	2 915	-	-
Valuation of trading and other securities at fair value	(682 106)	(1 515 881)	(507 545)	(2 705 532)
Premises and equipment	(1 155 422)	(57 459)	-	(1 212 881)
Other	(142 159)	(42 745)	-	(184 904)
Tax loss carry-forward	-	403 430	-	403 430
Recognised deferred tax liability	**(1 293 069)**	**(1 008 010)**	**(507 545)**	**(2 808 624)**

In thousands of Russian Roubles	**31 December 2013**	**Charged to profit or loss**	**Charged directly to equity**	**31 December 2014**
Tax effect of deductible temporary differences				
Provision for loan impairment	91 157	606 905	-	698 062
Accrued income/expense	297 737	(287 026)	-	10 711
Valuation of bonds issued at amortised cost	73 460	(100 817)	-	(27 357)
Valuation of other borrowed funds at amortised cost	29 716	(21 599)	-	8 117
Valuation of due from banks at amortised cost	(686)	(2 229)	-	(2 915)
Valuation of trading and other securities at fair value	(271 753)	(618 746)	208 393	(682 106)
Property and equipment	(1 107 642)	103 780	(151 560)	(1 155 422)
Other	(66 161)	(75 998)	-	(142 159)
Recognised deferred tax liability	**(954 172)**	**(395 730)**	**56 833**	**(1 293 069)**

29 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares in issue during the year less treasury stock.

As at 31 December 2015, the Group has no potentially dilutive preference shares. Thus, diluted earnings per share equal to basic earnings per share.

Basic earnings per share are calculated as follows:

In thousands of Russian Roubles	**2015**	**2014**
Profit attributable to the Group’s shareholders	3 618 515	4 795 674
Less dividends on preference shares	(2 211)	(2 211)
Profit attributable to ordinary shareholders of the Bank	**3 616 304**	**4 793 463**
Weighted average number of ordinary shares in issue (thousands)	434 241	438 478
Basic earnings per share (expressed in RR per share)	**8.33**	**10.93**

30 Dividends

	2015		2014	
In thousands of Russian Roubles	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable as at 1 January	**4 146**	**-**	**3 743**	**-**
Dividends declared during the year	887 842	2 211	48 351	2 211
Dividends paid during the year	(886 203)	(2 211)	(47 948)	(2 211)
Dividends payable as at 31 December	**5 785**	**-**	**4 146**	**-**
Dividends per share declared during the year (RR per share)	**2.02**	**0.11**	**0.11**	**0.11**

All dividends were declared and paid in Russian Roubles.

31 Segment Analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The Management Board of the Bank performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, credit lines, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, providing commission and other services to credit institutions, dealing in foreign exchange and derivative financial instruments.

- Retail banking – retail and private banking services, customer current accounts, deposits, retail investment products, custody services, credit and debit cards, consumer loans, mortgages and other loans to individuals and VIP clients.

Transactions between the business segments are performed on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense for the segment. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

Factors used by management to define reporting segments

The Group's segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss and assets of operating segments

The Management Board of the Bank analyses the financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances

(ii) differences in the classification of securities to portfolios

(iii) income tax is not distributed to segments

(iv) provision for loan impairment is recognised based on Russian legislation, and not on the basis of the model of "incurred losses" specified in IAS 39

(v) fee and commission income on lending operations is recognised immediately and not in the future periods using the effective interest rate method

(vi) liabilities for unused vacations are not taken into account.

The Management Board of the Bank evaluates the business segment results based on the amount of profit before income tax.

31 Segment Analysis (continued)

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the Group's main reporting business segments for the years ended 31 December 2015 and 31 December 2014 is set out below (in accordance with the management information).

In thousands of Russian Roubles	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Unallocated**	**Eliminations**	**Total**
2015						
External revenues	33 466 480	12 950 719	7 585 620	708 912	-	**54 711 731**
Revenues from other segments	22 575 353	54 561 206	16 679 215	-	(93 815 774)	**-**
Total revenues	**56 041 833**	**67 511 925**	**24 264 835**	**708 912**	**(93 815 774)**	**54 711 731**
Total revenues comprise:						
- Interest income	52 786 470	67 505 368	22 944 088	-	(93 815 774)	49 420 152
- Fee and commission income	3 233 719	6 557	1 292 573	-	-	4 532 849
- Other operating income	21 644	-	28 174	708 912	-	758 730
Segment results	**1 186 430**	**1 404 413**	**5 375 406**	**-**	**-**	**7 966 249**
Unallocated costs	-	-	-	(4 741 759)	-	(4 741 759)
Profit before tax						**3 224 490**
Income tax expense	-	-	-	(942 552)	-	(942 552)
Profit (loss)	**1 186 430**	**1 404 413**	**5 375 406**	**(5 684 311)**	**-**	**2 281 938**
Segment assets	**308 087 875**	**207 217 480**	**49 933 610**	**29 203 804**	**-**	**594 442 769**
Other segment items						
Depreciation and amortisation charge	(179 462)	(26 973)	(122 151)	(205 846)	-	(534 432)
(Provision for) recovery of loan impairment	(12 303 223)	10 657	(1 108 855)	-	-	(13 401 421)

31 Segment Analysis (continued)

In thousands of Russian Roubles	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
2014						
External revenues	26 290 164	9 163 136	6 441 048	210 986	-	**42 105 334**
Revenues from other segments	12 243 911	37 391 689	10 139 603	-	(59 775 203)	**-**
Total revenues	**38 534 075**	**46 554 825**	**16 580 651**	**210 986**	**(59 775 203)**	**42 105 334**
Total revenues comprise:						
- Interest income	35 719 502	46 433 871	15 378 092	-	(59 775 203)	37 756 262
- Fee and commission income	2 734 832	102 400	1 182 527	-	-	4 019 759
- Other operating income	79 741	18 554	20 032	210 986	-	329 313
Segment results	**1 611 640**	**4 676 977**	**4 039 011**	**-**	**-**	**10 327 628**
Unallocated costs	-	-	-	(5 580 787)	-	(5 580 787)
Profit before tax						**4 746 841**
Income tax expense	-	-	-	(292 973)	-	(292 973)
Profit (loss)	**1 611 640**	**4 676 977**	**4 039 011**	**(5 873 760)**	**-**	**4 453 868**
Segment assets	**283 981 121**	**184 234 114**	**45 851 860**	**52 726 725**	**-**	**566 793 820**
Other segment items						
Depreciation and amortisation charge	(171 040)	(25 440)	(108 173)	(186 889)	-	(491 542)
Provision for loan impairment	(7 308 104)	(4 234)	(333 731)	-	-	(7 646 069)

A reconciliation of segment information under management accounting with IFRS assets as at 31 December 2015 and 31 December 2014 is set out below:

In thousands of Russian Roubles	2015	2014
Total segment assets	**594 442 769**	**566 793 820**
Adjustment of allowance for impairment	(35 010 457)	(28 410 210)
Adjustments of income/expense accruals	186 778	1 043 335
Premises, equipment and intangible assets depreciation and fair value adjustment	1 488 173	1 892 008
Fair value and amortised cost adjustments	903 329	(2 828 859)
Income tax adjustments	309 091	(450 165)
Elimination of assets additionally recognised in management accounting	25 717	(13 566 702)
Other adjustments	209 176	(2 812 799)
Consolidation	(20 000)	(60 278)
Total assets under IFRS	**562 534 576**	**521 600 150**

31 Segment Analysis (continued)

A reconciliation of segment information under management accounting with IFRS profit before tax for the years ended 31 December 2015 and 31 December 2014 is set out below:

In thousands of Russian Roubles	2015	2014
Total segment profit before tax	**3 224 490**	**4 746 841**
Adjustment of provision for loan impairment	2 175 037	792 482
Adjustments of income/expense accruals	(881 050)	(292 958)
Premises, equipment and intangible assets depreciation, amortisation and fair value adjustments	(24 620)	(35 081)
Fair value and amortised cost adjustments	1 083 047	(1 706 701)
Other adjustments	(836 240)	1 174 937
Consolidation	6 360	1 369 106
Total profit before tax under IFRS	**4 747 024**	**6 048 626**

Geographical information. The major part of the Group's activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow.

There are no external customers (groups of related customers) with individual income from operations which exceed 10% of total income from operations.

32 Risk Management, Corporate Governance and Internal Control

Corporate governance

Corporate governance system of the Group is based on full compliance with requirements of statutory legislation and the CBRF and considers world best practices to the largest possible extent. The Group fully complies with the legislation requirements concerning shareholders' rights observance.

The supreme governing body of the Bank is the General Shareholders' Meeting that makes strategic decisions on the Bank's operations in accordance with Federal Law No. 208-FZ dated 26 December 1995 *On Joint-Stock Companies* and the Charter.

The function of counting commission of the general shareholders' meeting is performed by an independent Registrar.

General activities of the Bank are managed by the Supervisory Board, except for areas in competence of the General Shareholders' Meeting. Candidates to the Supervisory Board is elected and approved by the General Shareholders' Meeting. The Supervisory Board sets the key strategic directions of the Group's activity and manages the work of executive bodies.

32 Risk Management, Corporate Governance and Internal Control (continued)

As at 31 December 2015, the composition of the Supervisory Board is as follows:

Alexander Vasilyevich Savelyev – Chairman of the Supervisory Board, elected to the Supervisory Board in 2001, Chairman of the Strategy Committee since June 2015; Elena Viktorovna Ivannikova – Deputy Chairperson of the Supervisory Board, member of the Supervisory Board since 2005, Chairperson of the Human Resources and Remuneration Committee since June 2014; Susan Gail Buyske – member of the Supervisory Board since April 2012, Chairperson of the Risk Management Committee since August 2012; Andrey Pavlovich Bychkov – member of the Supervisory Board since April 2010; Alexey Andreevich Germanovich – independent member of the Supervisory Board, member of the Supervisory Board of the Bank since June 2014; Vladislav Stanislavovich Guz – Chairman of the Management Board, member of the Supervisory Board since June 2014; Andrey Taledovich Ibragimov – independent member of the Supervisory Board, member of the Supervisory Board since December 2005, Alexander Ivanovich Polukeev – independent member of the Supervisory Board, member of the Supervisory Board since June 2014; Alexander Vadimovich Pustovalov – independent member of the Supervisory Board, member of the Supervisory Board since April 2012, Chairman of the Audit Committee since April 2013.

The Supervisory Board includes Committees, established for the purpose of review and analysis of matters in competence of the Supervisory Board, preparation of recommendations on these matters for the Supervisory Board and execution of other functions, vested to these committees.

The Human Resources and Remuneration Committee was established in 2014. The primary objectives of the Committee are preparation of recommendations for the Supervisory Board on applicants for the key management positions and development of principles and criteria for remuneration rates for the key management personnel of the Bank.

The primary objective of the Audit Committee is to assist the Supervisory Board in control over business activities of the Bank and to control the completeness and fairness of the Bank's financial statements and the process of their preparation and disclosure, and the performance of internal control and internal audit functions.

The primary objective of the Risk Management Committee is to assist the Supervisory Board of the Bank in determining priority areas for the Bank's banking risk management efforts and to support appropriate risk management function within the Group.

The Corporate Secretary's Office was established in the Bank in 2014. Mr. A.V. Romashov was elected for the position of Corporate Secretary. Corporate Secretary is responsible for compliance with the requirements of current legislation, the Charter and other internal policies of the Bank, concerning shareholders' rights and protection of their interests during preparation and implementation of corporate procedures by the Bank. Corporate Secretary also supports cooperation of the Bank with its shareholders, holding of General Shareholders' Meeting and performance of the Supervisory Board and its Committees.

Operating activities of the Bank are managed by the sole executive body – the Chairman of the Management Board and collective executive body – the Management Board of the Bank.

32 Risk Management, Corporate Governance and Internal Control (continued)

As at 31 December 2015, the composition of the Management Board is as follows:

Vladislav Stanislavovich Guz – Chairman of the Management Board, member of the Supervisory Board since June 2014; Alexander Sergeevich Konyshkov – First Deputy Chairman of the Management Board since July 2014; Vladimir Pavlovich Skatin – Deputy Chairman of the Management Board since 2008, First Deputy Chairman of the Management Board since 2009, Konstantin Yuryevich Balandin – Deputy Chairman of the Management Board since January 2008; Vladimir Konstantinovich Likhodievsky – Deputy Chairman of the Management Board since April 2015; Kristina Borisovna Mironova – Deputy Chairperson of the Management Board since September 2013; Vladimir Grigoryevich Reutov – Deputy Chairman of the Management Board since 2006; Oksana Sivokobilska – Deputy Chairperson of the Management Board since November 2011; Pavel Vladimirovich Filimonenok – Deputy Chairman of the Management Board since 2003.

Internal control

The Internal Audit Function is a unit of the Bank and an internal control body of the Bank. The Function operates under direct supervision of the Supervisory Board. The Function reports directly to the Supervisory Board. Remuneration and labour discipline matters of the Internal Audit Function employees are under responsibility of the Chairman of the Bank's Management Board.

The Function prepares quarterly reports on performance and monitoring of the internal control system of the Bank to the Supervisory Board and the Management Board of the Bank, and monthly reports to the Audit Committee of the Supervisory Board of the Bank. The Function operates on an ongoing basis independently and without any bias, while performing monitoring of the internal control system of the Bank. The Function performs reviews of all business areas of the Bank. Any department or employee of the Bank may be a subject of the Internal Audit Function review.

The Internal Control Department of the professional participant of the securities market is a unit of the Bank and operates under direct supervision of the Supervisory Board of the Bank. The Department controls:

- compliance of the Bank's activity with the statutory legislation requirements for operations on securities market, enforcement of investors' rights and legally protected interests on the securities market;
- compliance of the Bank's activity with the statutory legislation requirements for countermeasures against unlawful insider information use and market manipulation.

Risk management

The Group's risk management function is carried out in respect of financial risks (credit, market and liquidity risks), operational, geographical and legal risks. Market risk includes currency, equity and interest rate risks.

The primary objectives of the financial risk management function are to establish and ensure compliance with risk limits and other risk restrictions. Geographical risk management includes making decisions and setting limits for transactions with counterparties – residents of countries with different levels of economic development with due consideration of geographical risk factors. The operational, legal and reputation risk management functions are intended to ensure proper functioning of internal policies and procedures, development and implementation of measures to minimise these risks.

Group's financial risk management system includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, economic performance of clients (principally – depositors and borrowers) and regulatory changes.

32 Risk Management, Corporate Governance and Internal Control (continued)

The main bodies performing the Group’s financial risk management functions are the Supervisory Board, the Bank’s Management Board, the Bank’s Asset and Liability Management Committee, the Large Credit Committee, the Corporate Credit Committee and the Technical Policy Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. The Supervisory Board approves the Risk Management Policy, the compliance with which is supervised by reviews and approvals of the Group’s quarterly risk management reports, both consolidated and by types of risk. The Supervisory Board makes decisions on significant transactions, on transactions in respect of which there is an interest, on transactions with related parties exceeding limits established under the Credit Policy and on transactions, the amount of which equals to or exceeds 10% of the Bank’s equity.

The Management Board of the Bank is responsible for overall organisation of the Bank’s financial risk management system. The Management Board of the Bank is responsible for the control over timely and adequate identification of risks and their exposure, for development of policies and procedures necessary to limit risk exposures. The Management Board coordinates different department actions in case of threat or actual liquidity crisis, approves internal documents of the Bank in respect of risk management, approves risk management reports.

The Banking Risks Department is responsible for the establishment of the effective risk management system, and compliance with the acceptable level of total, market, operational, legal and reputation risk exposure, as well as credit risk in respect of financial markets transactions. The Banking Risks Department monitors the risk management system related to market, credit (in respect of financial institutions and securities issuers), operational, legal and reputation risks, initiates the development of methods of assessment of current risk levels, management procedures for these risks, compliance by divisions with existing procedures and limits restricting the level of these risks. The Banking Risks Department coordinates the management of operational, legal and reputation risks.

The Banking Risks Department performs stress-tests based on scenario analysis and sensitivity analysis for the purpose of timely identification of significant risks applicable for the Group, that may significantly affect the financial soundness of the Group. Steps to ensure financial stability of the Group are taken based on the results of the stress-tests.

The Compliance Function of the Banking Risks Department assists the Bank's management in developing a compliance control system and effective management of compliance risk the Group faces in the course of its business activity by creating mechanisms for detecting, identifying, analysing, assessing, minimising, monitoring and controlling compliance risk.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk).

The Asset and Liability Management Committee makes decisions on structural management of the consolidated statement of financial position of the Group and the related liquidity risks, and on determining and changing market risk limits including interest rate risk. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The Technical Policy Committee of the Bank reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

32 Risk Management, Corporate Governance and Internal Control (continued)

The Management Board, the Large Credit Committee, the Corporate Credit Committee, and the Small Credit Committees of the branch subdivisions are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy and makes decisions on credit risk-related transactions exceeding the limits stipulated in the Credit Policy for the Large Credit Committee. The Large Credit Committee makes decisions on credit risk-related transactions with the largest corporate customers in excess of the limits for the Corporate Credit Committee. The Corporate Credit Committee makes decisions on credit risk-related transactions with the clients not belonging the largest corporate clients category in excess of the limits for Small Credit Committees. The limits for Small Credit Committees are defined based on their performance results in terms of the risk level of decisions made and are revised at least once a year.

Decision making on loans to individuals and legal entities, granted on standard terms, is in competence of responsible employees. The level of competence is defined based on deviations from the standard terms and the risk of these deviations.

Current management of credit risk of the Group is mostly performed by its specialised subdivision, the Credit Risk Division, exercising operational control over credit risk levels. Distressed assets management is carried out by a separate business subdivision – the Department of Client Monitoring.

Management is responsible for identifying and assessing risks, designing measures for prevention of risks and monitoring their effectiveness. Management constantly monitors the effectiveness of internal controls over risk management and introduces changes to existing controls if necessary.

Management believes that risk management system complies with the CBRF requirements and is appropriate for the scale, nature and complexity of operations.

Credit risk. The Group is exposed to credit risk which is the risk of financial loss if a borrower or counterparty fails to meet its contractual obligations.

The Group considers credit risk to include all financial assets recognised in the consolidated statement of financial position except for assets deposited in the CBRF.

The approach of the Group to credit risk management is defined in the Credit Policy. The Credit Policy is aimed at formulation of the main principles of credit transactions of the Group and credit risk, providing for implementation of the aims and goals of the Group strategy concerning the structure, volume and quality of loan portfolio.

Risk management tools

To maintain credit risks at an appropriate level the Group uses the following *risk management tools.*

For separate borrowers:

- assessment of the borrowers' financial positions upon loan application and during ongoing loan monitoring
- assessment of credit risk and formation of loan impairment allowance in the amount of possible losses from the transaction
- structuring of credit transactions in compliance with the requirements of the Group
- evaluation of the market value of collateral for a loan, control over availability and integrity of collateral, and evaluation of financial position and creditworthiness of guarantors
- inquiry for credit reports from credit history bureau ("CHB") and taking the information from CHB into consideration during the analysis of the loan application

32 Risk Management, Corporate Governance and Internal Control (continued)

- for credit transactions with individuals, requiring scoring evaluation of creditworthiness of the borrower – consideration of scoring grade during the analysis of the loan application
- for credit transactions with legal entities – consideration of the internal credit rating of the borrower during the analysis of the loan application
- for credit transactions with financial institutions – assessment of financial position and credit risk of the counterparty during establishment of limits for the counterparty
- when setting limits on transactions with securities which bear credit risk – assessment of financial position and credit risk of the issuer
- control over meeting the requirements of the Credit Policy for setting the authorities on decision making in respect of credit operations, and control over the reflection of terms of credit transactions in the loan agreements or other agreements, as approved by the relevant authorities or officials
- control over timely performance of the borrowers' obligations to the Group stipulated by the credit agreements
- insurance of collateral.

For the loan portfolio in general:

- establishment of authorities for bodies and officials
- establishment and control over the limits of credit risk
- control over covenants established by certain agreements with the lenders.

Reporting forms

Group's management controls credit risks and the loan portfolio quality based on regular (daily, weekly and monthly) reports.

Limits for credit risk management purposes

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of the Credit Policy.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit the Group takes into account all information available. When establishing an individual limit, the Group performs comprehensive analysis of the financial statements, cash flows, available credit history of each borrower or a group of related borrowers, the needs of each borrower or the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan.

The Bank's Credit Policy is consistent for unrecognised financial instruments and recognised financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products offered by the Bank supporting the use of unrecognised Bank's commitments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

The Bank uses the system of limits restricting the maximum debt of counterparty banks and financial companies, corporate counterparties when conducting transactions in the financial lending market and performing purchase and sale of financial assets, including foreign exchange transactions, associated with counterparty credit risk. The respective limits are established for each counterpaty of the Bank on the basis of a creditworthiness analysis. The limits established for resident banks are subject to review at least each quarter. The limits established for non-resident banks are subject to review at least semi-annually.

32 Risk Management, Corporate Governance and Internal Control (continued)

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

The maximum exposure to credit risk from financial assets is as follows:

In thousands of Russian Roubles	2015	2014
ASSETS		
Cash and cash equivalents	15 130 330	27 183 949
Trading securities	13 066 124	196 732
Securities pledged under sale and repurchase agreements and loaned	70 299 031	38 637 278
Amounts receivable under reverse repurchase agreements	15 220 590	29 511 109
Due from banks	35 122 584	29 264 470
Loans and advances to customers	335 302 100	315 338 995
Investment securities available-for-sale	25 497 759	6 829 498
Other financial assets	5 446 372	18 509 395
Total maximum exposure	**515 084 890**	**465 471 426**

For the analysis of collateral held against loans and advances to customers and concentration of credit risk refer to note 11.

The maximum exposure to credit risk from contractual credit related commitments at the reporting date is presented in note 34.

Geographical risk. Geographical risk of the Group is almost fully determined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities of the Group are concentrated in the Russian Federation.

Saint Petersburg is the largest center of the North-Western part of the Russian Federation with a diversified economy. This is why the Bank’s historic business concentration of providing services to individuals and legal entities in Saint Petersburg is an advantage for the Group.

Market risks. The Group is exposed to the market risks arising from open positions in interest rate, currency and equity instruments that are exposed to general and specific market movements. These are defined as follows:

- currency risk - risk of losses due to exchange rate fluctuations
- interest rate risk - risk of losses due to fluctuations of market interest rates
- other price (equity) risk - risk of losses due to movements in quotations of the equity instrument.

The Banking Risks Department is responsible for developing methods of appraisal of the current level of market risks (with the exception of interest rate risk), management procedures for these risks, and for identification and analysis of the current risk level.

The Treasury Department is responsible for development of methods for evaluation and procedures of operational management of interest rate risk.

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of position limits on financial instruments and sensitivity limits, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed) and VaR limits (limits on maximum VaR).

32 Risk Management, Corporate Governance and Internal Control (continued)

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates, prices and interest rates over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and assets.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid assets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate.
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day.
- the VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other limits mentioned above (position limits and stop-loss limits).

A summary of the VaR estimates of losses as at 31 December 2015 and 31 December 2014 is as follows:

In millions of Russian Roubles

Financial instruments	2015	2014
Shares	17	5
Bonds	318	114
Eurobonds	33	18
Foreign currency and interest rate derivatives	251	73
Aggregated VaR	410	123

The VaR estimates stated above are calculated for the trading portfolio and portfolio of investment securities available-for-sale, for the open currency position of the Bank and for the portfolio of derivative financial instruments.

The Banking Risks Department prepares proposals to establish market risk limits applied by the Bank (hereinafter including VaR limits). Limits are established by the Management Board of the Bank, the Large Credit Committee and the Asset and Liability Management Committee in accordance with their authorities. Compliance with market risk limits is daily controlled by the Operations Department (back office).

32 Risk Management, Corporate Governance and Internal Control (continued)

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group’s financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee.

For currency risk management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions in a foreign currency (up to 10% of the capital calculated in accordance with the CBRF regulations) and the limit on the total open position in all foreign currencies (up to 20% of the capital calculated in accordance with the CBRF regulations).

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and Euros).

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

32 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 31 December 2015. The Group does not use this currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	19 172 226	7 432 085	9 487 036	467 570	36 558 917
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 388 138	-	-	-	2 388 138
Trading securities	11 220 786	496 748	-	1 475 938	13 193 472
Securities pledged under sale and repurchase agreements and loaned	25 797 397	41 842 311	2 674 343	-	70 314 051
Amounts receivable under reverse repurchase agreements	7 987 650	7 059 936	173 004	-	15 220 590
Due from banks	31 571 034	3 551 550	-	-	35 122 584
Loans and advances to customers	236 701 475	73 347 130	25 253 495	-	335 302 100
Investment securities available-for-sale	23 415 034	4 434 158	-	-	27 849 192
Prepaid income tax	412 959	-	-	-	412 959
Deferred tax assets	449	-	-	-	449
Investment property	3 162 532	-	-	-	3 162 532
Premises, equipment and intangible assets	14 476 946	-	-	-	14 476 946
Other assets	7 234 010	193 097	52 771	59 909	7 539 787
Long-term assets held-for-sale	992 859	-	-	-	992 859
Total assets	**384 533 495**	**138 357 015**	**37 640 649**	**2 003 417**	**562 534 576**
Liabilities					
Due to banks	108 394 859	25 586 994	1 851 227	-	135 833 080
Customer accounts	223 644 953	69 579 112	32 432 702	305 161	325 961 928
Bonds issued	-	19 200 016	-	-	19 200 016
Other debt securities issued	4 366 431	11 053 545	2 021 170	-	17 441 146
Other borrowed funds	1 565 459	-	1 076 840	-	2 642 299
Deferred tax liabilities	2 809 073	-	-	-	2 809 073
Other liabilities	1 812 612	21 471	29 467	-	1 863 550
Total liabilities	**342 593 387**	**125 441 138**	**37 411 406**	**305 161**	**505 751 092**
Less fair value of currency derivatives	(4 476 134)	-	-	-	(4 476 134)
Net recognised position, excluding currency derivative financial instruments	**37 463 974**	**12 915 877**	**229 243**	**1 698 256**	**52 307 350**
Currency derivatives	**16 925 447**	**(13 753 551)**	**2 818 209**	**(1 513 971)**	**4 476 134**
Net recognised position, including currency derivative financial instruments	**54 389 421**	**(837 674)**	**3 047 452**	**184 285**	**56 783 484**

32 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2014. The Group does not use this currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	27 403 675	15 387 795	13 961 613	487 539	57 240 622
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 290 084	-	-	-	3 290 084
Trading securities	8 693	196 732	-	-	205 425
Securities pledged under sale and repurchase agreements and loaned	31 714 034	7 424 675	-	-	39 138 709
Amounts receivable under reverse repurchase agreements	25 248 753	4 262 356	-	-	29 511 109
Due from banks	21 588 463	7 676 007	-	-	29 264 470
Loans and advances to customers	229 548 549	65 613 359	20 177 087	-	315 338 995
Investment securities available-for-sale	8 526 627	669 961	62 805	-	9 259 393
Prepaid income tax	819 399	-	-	-	819 399
Investment property	1 591 433	-	-	-	1 591 433
Premises, equipment and intangible assets	14 535 188	-	-	-	14 535 188
Other assets	19 607 144	429 099	36 293	5 759	20 078 295
Long-term assets held-for-sale	1 327 028	-	-	-	1 327 028
Total assets	**385 209 070**	**101 659 984**	**34 237 798**	**493 298**	**521 600 150**
Liabilities					
Due to banks	97 539 369	4 925 042	132 279	-	102 596 690
Customer accounts	217 624 826	58 964 996	30 896 924	994 985	308 481 731
Bonds issued	6 638 420	17 225 687	-	-	23 864 107
Other debt securities issued	6 728 732	8 088 906	1 588 326	-	16 405 964
Other borrowed funds	2 562 399	2 345 406	763 374	-	5 671 179
Deferred tax liabilities	1 293 069	-	-	-	1 293 069
Other liabilities	11 693 133	291 143	8 792	1	11 993 069
Total liabilities	**344 079 948**	**91 841 180**	**33 389 695**	**994 986**	**470 305 809**
Less fair value of currency derivatives	(7 061 833)	-	-	-	(7 061 833)
Net recognised position, excluding currency derivative financial instruments	**34 067 289**	**9 818 804**	**848 103**	**(501 688)**	**44 232 508**
Currency derivatives	**15 603 585**	**(11 423 624)**	**2 430 574**	**451 298**	**7 061 833**
Net recognised position, including currency derivative financial instruments	**49 670 874**	**(1 604 820)**	**3 278 677**	**(50 390)**	**51 294 341**

32 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the foreign currency exchange rate risk for monetary financial instruments of the Group as at 31 December 2015:

In thousands of Russian Roubles	Monetary financial assets	Monetary financial liabilities	Derivative financial instruments	Net currency position
Russian Roubles	356 107 043	337 971 702	16 925 447	35 060 788
US Dollars	137 816 814	125 419 667	(13 753 551)	(1 356 404)
Euro	37 587 878	37 381 939	2 818 209	3 024 148
Other	1 943 508	305 161	(1 513 971)	124 376
Total	**533 455 243**	**501 078 469**	**4 476 134**	**36 852 908**

The table below summarises the foreign currency exchange rate risk for monetary financial instruments as at 31 December 2014:

In thousands of Russian Roubles	Monetary financial assets	Monetary financial liabilities	Derivative financial instruments	Net currency position
Russian Roubles	344 615 330	331 093 746	15 603 585	29 125 169
US Dollars	101 004 414	91 550 037	(11 423 624)	(1 969 247)
Euro	34 201 505	33 380 903	2 430 574	3 251 176
Other	487 539	994 985	451 298	(56 148)
Total	**480 308 788**	**457 019 671**	**7 061 833**	**30 350 950**

The Group's currency derivatives position in each column represents the fair value at the reporting date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount). The net total represents the fair value of the currency derivative financial instruments.

An analysis of sensitivity of profit after tax and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 10% change in USD and Euro to Russian Rouble exchange rates, assuming that all other variables remain unchanged is as follows:

In thousands of Russian Roubles	As at 31 December 2015	As at 31 December 2014
10% appreciation of USD against RR	(108 512)	(157 540)
10% depreciation of USD against RR	108 512	157 540
10% appreciation of Euro against RR	241 932	260 094
10% depreciation of Euro against RR	(241 932)	(260 094)

Movements in other currency exchange rates will have no material effect on the profit or loss of the Group. In the circumstances of increased volatility in the end of 2014 and the current situation in 2015 observed movements of currency exchange rates by 10% are for indicative purposes only, the real movements of other currency exchange rates may differ.

32 Risk Management, Corporate Governance and Internal Control (continued)

Interest rate risk. The Group is exposed to fluctuations in market interest rates which can affect its financial position and cash flows. As a result of such changes interest margins and accordingly profit of the Group may decrease.

The table below summarises the effective interest rates by currency for major financial instruments. The analysis is prepared based on effective rates as at 31 December 2015 and 31 December 2014 used for amortisation of the respective assets/liabilities.

	2015				2014			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Cash and cash equivalents	0.34	0.00	0.00	0.00	7.97	0.00	0.00	0.00
Debt trading securities	11.15	4.57	-	2.54	-	7.88	-	-
Debt securities pledged under sale and repurchase agreements and loaned	11.56	4.44	4.98	-	13.97	8.74	-	-
Amounts receivable under reverse repurchase agreements	11.59	1.92	1.95	-	19.21	5.92	-	-
Due from banks	11.45	10.56	-	-	19.92	6.70		-
Loans and advances to customers	13.42	8.08	6.33	-	12.21	8.15	6.42	-
Debt investment securities available-for-sale	11.21	4.47	-	-	14.47	7.41	8.72	-
Liabilities								
Due to banks	10.79	1.74	0.00	-	14.86	1.06	0.00	-
Customer accounts								
- current and settlement accounts	0.51	0.02	0.01	0.00	0.97	0.03	0.01	0.00
- term deposits								
- individuals	10.78	4.38	3.47	1.30	10.49	4.04	3.28	2.28
- legal entities	10.60	2.85	1.61	-	13.07	3.02	1.35	1.00
Bonds issued	-	10.56	-	-	9.55	10.34	-	-
Other debt securities issued	8.30	3.42	3.79	-	9.05	0.84	3.30	-
Other borrowed funds	6.90	-	1.88	-	8.97	3.52	2.02	-

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

Interest rate risk management represents management of assets and liabilities of the Group to maximise profit and reduce losses from possible fluctuations in interest rates and the structure of assets and liabilities.

32 Risk Management, Corporate Governance and Internal Control (continued)

An analysis of sensitivity of profit after tax and equity to changes in the interest rates (repricing risk), based on a simplified scenario of a 1% symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 2014, is as follows.

In thousands of Russian Roubles	2015	2014
Russian Rouble		
1% parallel fall	800 825	373 554
1% parallel rise	(808 377)	(373 554)
USD		
1% parallel fall	20 733	14 685
1% parallel rise	(21 681)	(14 685)
Euro		
1% parallel fall	(26 257)	(10 547)
1% parallel rise	26 257	10 547
Aggregated		
1% parallel fall	795 301	377 692
1% parallel rise	(803 801)	(377 692)

Group's interest rate risk management is performed centrally on continuing basis by the Management Board of the Bank, the Asset and Liability Management Committee and the Treasury Department.

The Group uses the following interest rate risk management tools:

- approval of structure of limits and restrictions for interest rate risk
- approval of the asset and liability structure
- management of interest rates and their limits for different financial instruments
- implementation and facilitation of new banking products
- approval of methods (procedures) for interest rate risk evaluation
- financial instrument transactions
- constant interest rate risk monitoring.

Management of the Group uses a GAP report as the major analytical form for interest rate risk. The analysis is carried out by major currencies distributed according to the revaluation intervals.

For the purposes of interest rate risk evaluation the Group utilises Interest Rate Risk Management Report that additionally takes into account items of working capital and statistically stable liabilities that are resistant to interest rate risk with the average interest rate revaluation interval of four years.

The Group maintains the ratio of total capital used to cover the interest rate risk to the Bank's capital at a level not more than 30%.

It also measures the sensitivity of annual net interest income to changes in the general level of interest rates as an additional method for interest rate risk evaluation.

Apart from the indices mentioned above the Group calculates the potential effect of interest rate GAPs that is a change in the present value of assets and liabilities of the Bank in case of change in the interest rates in accordance with expectations (the forecasted yield curve).

32 Risk Management, Corporate Governance and Internal Control (continued)

Other price (equity) risk. The Group is exposed to open position risk with regard to equity instruments due to movements in their quotations на фондовом рынке.

The limits for particular issuers are set based on analysis of the credit quality of the security issuer and evaluation of liquidity and volatility of financial instruments. In addition to particular limits there is a cumulative limit for the amount of open equity positions.

If the risk becomes material the mitigation arrangements are determined by the Management Board of the Bank.

Liquidity risk. Liquidity risk arises when the maturities of assets and liabilities do not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, term deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group's customers. Liquidity management requires maintaining sufficient amount of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group's activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. The Group invests the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding.

The basis for managing short-term liquidity (less than 3 months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank.

Liquidity management is regulated by an internal regulation for the Bank approved by the Supervisory Board. Group's management applies the following main instruments for liquidity management:

- Managing the volume and structure of the liquid assets portfolio. Management maintains a portfolio of liquid assets (including trading securities) that can be used for prompt and loss-free funding;

- In certain cases management may impose restrictions on some transactions to regulate the structure of assets and liabilities of the Group. The limits are set when other instruments of liquidity management are insufficient in terms of extent and length of impact.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis. It is implemented based on statistical and chronological analysis of the balances of customer current accounts, forecasted customer deposits, movement of funds on accounts and analysis of the information on obligations and requirements of the Bank under term contracts in short-term periods. This analytical data serves as a basis for management of the Bank's liquidity position.

Short-term (for the period of up to 3 months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible client funds withdrawal. The parameters of possible funds withdrawal are set and reviewed periodically by the Asset and Liability Management Committee and the Management Board.

32 Risk Management, Corporate Governance and Internal Control (continued)

Long-term (over 3 months) liquidity monitoring is based on analysis of the Group’s liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period without incurring losses. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Management analyses the liquidity gaps for assets and liabilities broken down by various terms on an accrual basis.

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios (instant liquidity ratio - N2, current liquidity ratio - N3, long-term liquidity ratio - N4).

According to the daily calculations, as at 31 December 2015 and 2014 the Bank complied with the liquidity ratios established by the CBRF.

32 Risk Management, Corporate Governance and Internal Control (continued)

Below is the IFRS liquidity position of the Group at 31 December 2015. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of trading securities and investment securities available-for-sale, which are shown in the category “Demand and less than 1 month”.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years or no maturity**	**Total**
Assets						
Cash and cash equivalents	36 558 917	-	-	-	-	36 558 917
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 133 776	740 262	355 714	158 338	48	2 388 138
Trading securities	13 193 472	-	-	-	-	13 193 472
Securities pledged under sale and repurchase agreements and loaned	70 314 051	-	-	-	-	70 314 051
Amounts receivable under reverse repurchase agreements	15 220 590	-	-	-	-	15 220 590
Due from banks	27 004 752	3 756 010	833 595	3 528 227	-	35 122 584
Loans and advances to customers	6 288 685	66 750 197	59 341 279	152 530 339	50 391 600	335 302 100
Investment securities available-for-sale	27 849 192	-	-	-	-	27 849 192
Prepaid income tax	-	412 959	-	-	-	412 959
Deferred tax assets	-	-	-	-	449	449
Investment property	-	-	-	-	3 162 532	3 162 532
Premises, equipment and intangible assets	-	-	-	-	14 476 946	14 476 946
Other assets	707 213	1 182 689	96 718	5 529 301	23 866	7 539 787
Long-term assets held-for-sale	-	-	992 859	-	-	992 859
Total assets	**198 270 648**	**72 842 117**	**61 620 165**	**161 746 205**	**68 055 441**	**562 534 576**
Liabilities						
Due to banks	112 305 353	15 824 733	42 963	6 383 657	1 276 374	135 833 080
Customer accounts	154 738 253	101 047 739	48 555 901	21 613 514	6 521	325 961 928
Bonds issued	-	-	-	19 200 016	-	19 200 016
Other debt securities issued	3 096 733	4 512 401	7 410 385	2 420 253	1 374	17 441 146
Other borrowed funds	-	214 473	215 626	2 212 200	-	2 642 299
Deferred tax liabilities	-	-	-	-	2 809 073	2 809 073
Other liabilities	733 800	994 485	13 465	118 905	2 895	1 863 550
Total liabilities	**270 874 139**	**122 593 831**	**56 238 340**	**51 948 545**	**4 096 237**	**505 751 092**
Net liquidity gap	**(72 603 491)**	**(49 751 714)**	**5 381 825**	**109 797 660**	**63 959 204**	**56 783 484**
Cumulative liquidity gap as at 31 December 2015	**(72 603 491)**	**(122 355 205)**	**(116 973 380)**	**(7 175 720)**	**56 783 484**	

32 Risk management, corporate governance and internal control (continued)

Below is the IFRS liquidity position of the Group at 31 December 2014.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
Assets						
Cash and cash equivalents	57 240 622	-	-	-	-	57 240 622
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 596 387	840 934	533 867	302 431	16 465	3 290 084
Trading securities	205 425	-	-	-	-	205 425
Securities pledged under sale and repurchase agreements and loaned	39 138 709	-	-	-	-	39 138 709
Amounts receivable under reverse repurchase agreements	23 241 763	3 152 381	-	-	3 116 965	29 511 109
Due from banks	18 052 867	3 996 257	1 075 715	6 139 631	-	29 264 470
Loans and advances to customers	8 865 208	64 206 082	69 023 952	126 975 772	46 267 981	315 338 995
Investment securities available-for-sale	9 259 393	-	-	-	-	9 259 393
Prepaid income tax	-	819 399	-	-	-	819 399
Investment property	-	-	-	-	1 591 433	1 591 433
Premises, equipment and intangible assets	-	-	-	-	14 535 188	14 535 188
Other assets	2 896 380	9 367 693	3 829 848	3 947 533	36 841	20 078 295
Long-term assets held-for-sale	-	-	1 327 028	-	-	1 327 028
Total assets	**160 496 754**	**82 382 746**	**75 790 410**	**137 365 367**	**65 564 873**	**521 600 150**
Liabilities						
Due to banks	85 984 395	5 820 638	8 616 536	2 175 121	-	102 596 690
Customer accounts	150 759 969	77 975 533	49 383 919	28 856 468	1 505 842	308 481 731
Bonds issued	-	-	5 097 045	18 767 062	-	23 864 107
Other debt securities issued	5 723 162	5 286 918	2 252 511	3 142 272	1 101	16 405 964
Other borrowed funds	-	2 472 107	1 123 628	2 075 444	-	5 671 179
Deferred tax liabilities	-	-	-	-	1 293 069	1 293 069
Other liabilities	4 859 316	5 411 826	1 704 483	14 827	2 617	11 993 069
Total liabilities	**247 326 842**	**96 967 022**	**68 178 122**	**55 031 194**	**2 802 629**	**470 305 809**
Net liquidity gap	**(86 830 088)**	**(14 584 276)**	**7 612 288**	**82 334 173**	**62 762 244**	**51 294 341**
Cumulative gap as at 31 December 2014	**(86 830 088)**	**(101 414 364)**	**(93 802 076)**	**(11 467 903)**	**51 294 341**	

32 Risk Management, Corporate Governance and Internal Control (continued)

Group's management believes that available undrawn credit lines with other banks and financial institutions of RR 133 549 000 thousand in total and assessment of stability of customer accounts in unstable environment will fully cover the Group's liquidity gap in the tables above.

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contract maturity dates. The amounts of such deposits by contractual maturity as at 31 December 2015 and 31 December 2014 is as follows:

In thousands of Russian Roubles	**2015**	**2014**
Demand and less than 1 month	21 999 108	11 049 661
From 1 to 6 months	68 203 808	43 512 253
From 6 to 12 months	36 440 955	34 261 077
From 1 to 5 years	19 635 037	27 238 271
More than 5 years	995	929
Total term deposits of individuals	**146 279 903**	**116 062 191**

The main differences between liquidity tables prepared under IFRS by contractual maturity and presented above and the tables prepared by the Group for management purposes are as follows:

1. The total assets differ because the impairment allowance on loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for IFRS purposes loans and advances to customers are reduced by the allowance;
2. The Bank applies internal methods to determine the maturity of deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for management purposes;
3. The Bank also applies internal methods to account for the trading securities portfolio that take into account market conditions and actual opportunities to sell and use assets as collateral.

The tables below show distribution of financial liabilities as at 31 December 2015 and 31 December 2014 by remaining contractual maturity. The amounts in the tables reflect contractual undiscounted cash flows and differ from the amounts in the consolidated statement of financial position which are based on discounted cash flows. The Bank does not use the presented analysis of undiscounted cash flows in its liquidity management.

32 Risk Management, Corporate Governance and Internal Control (continued)

At 31 December 2015:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Liabilities						
Non-derivative financial liabilities						
Due to banks	112 705 532	15 937 433	152 942	7 028 252	1 276 374	137 100 533
Customer accounts	154 924 983	103 501 447	50 639 212	23 527 694	9 279	332 602 615
Bonds issued	208 458	733 525	941 985	22 272 863	-	24 156 831
Other debt securities issued	3 279 689	4 573 626	7 578 265	2 651 479	2 152	18 085 211
Other borrowed funds	833	248 409	294 949	2 508 020	-	3 052 211
Other financial liabilities	214 575	-	-	-	-	214 575
Derivative financial instruments						
- inflow	(92 211 851)	-	-	-	-	(92 211 851)
- outflow	80 413 596	-	-	-	-	80 413 596
Total future undiscounted cash flows	**259 535 815**	**124 994 440**	**59 607 353**	**57 988 308**	**1 287 805**	**503 413 721**

At 31 December 2014:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Liabilities						
Non-derivative financial liabilities						
Due to banks	86 671 148	6 375 137	8 794 360	2 736 970	-	104 577 615
Customer accounts	150 842 905	79 403 761	51 915 069	31 921 442	1 674 269	315 757 446
Bonds issued	214 626	912 247	6 126 873	23 133 922	-	30 387 668
Other debt securities issued	5 813 593	5 336 518	2 327 731	3 719 013	1 913	17 198 768
Other borrowed funds	-	2 572 041	1 230 346	2 465 358	-	6 267 745
Other financial liabilities	1 435 324	-	-	-	-	1 435 324
Derivative financial instruments.						
- inflow	(181 507 701)	-	-	-	-	(181 507 701)
- outflow	176 216 830	-	-	-	-	176 216 830
Total future undiscounted cash flows	**239 686 725**	**94 599 704**	**70 394 379**	**63 976 705**	**1 676 182**	**470 333 695**

Credit related commitments are disclosed in note 34.

32 Risk Management, Corporate Governance and Internal Control (continued)

Operational risk. The Group manages operational risk by mitigating it to the acceptable level through undertaking certain measures and actions to prevent events and conditions which may originate the risk, and by insuring those types of operational risks which cannot be managed.

To prevent or liquidate in a timely manner the consequences of a potential interruption of the daily activity of the Group or its divisions in case of non-standard and emergency situations, internal documents have been developed that define a system of actions aimed to ensure the Group's business continuity and/or recovery in the event of such non-standard and emergency situations. To implement these actions, Bank’s reserve platforms with emergency workstations for critical business processes have been orginised. Additionally, instructions have been developed for employees of the Group which define actions to be taken in different emergency situations.

Legal risk. The Group manages legal risk using developed steps aimed at identifying, resolving and preventing risk and therefore negative economic consequences for the Group. The Group uses standard legal documents for the majority of its transactions. In all other cases all non-standard documents have to be agreed before being used as part of relevant transactions. The Group also takes steps aimed at reducing this risk to an acceptable level.

33 Management of Capital

The objectives when managing Group’s capital are (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), in accordance with financial covenants set in borrowing agreements signed by the Group.

(i) Under the current capital requirements set by the CBRF banks have to maintain a ratio of own funds (capital) to risk weighted assets (N.1.0) of at least 10.0%, base capital adequacy ratio (N.1.1) of at least 5.0%, core capital adequacy ratio (N.1.2) of at least 6.0%. Base capital, core capital and own funds and capital adequacy ratios based on reports prepared by the Bank under Russian statutory accounting standards are as follows:

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Own funds	72 009 053	58 377 878
Base capital	40 665 043	36 447 440
Core capital	40 665 043	36 447 440
Ratio of own funds to risk weighted assets (N.1.0)	15.48%	13.29%
Base capital adequacy (N.1.1)	8.82%	8.38%
Core capital adequacy (N.1.2)	8.82%	8.38%

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.

Based on the calculations performed on a daily basis by the Accounting Department, management believes that as at 31 December 2015 and 31 December 2014 the capital adequacy ratio was not below the minimum requirement.

In September 2015 the Group attracted a subordinated loan from State Corporation “Deposit Insurance Agency” in the form of federal loan bonds in the nominal amount of RR 14 594 500 thousand. As at 31 December 2015, the fair value of these bonds is RR 15 446 877 thousand. The interest rate is the coupon rate on federal loan bonds plus 1% p.a. The loan maturity is from 2025 to 2034, depending on the type of bond issue.

The Group is required to meet certain covenants attached to the subordinated loan from State Corporation “Deposit Insurance Agency”. As at 31 December 2015, the Group fully meets these covenants.

(ii) Arrangements to safeguard the Group's ability to continue as a going concern are performed under the Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank plans its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved collegially by the following management bodies in order of the established priority: the Asset and Liability Management Committee, the Management Board of the Bank, the Supervisory Board of the Bank.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan to increase assets. In some cases management uses administrative measures to influence the structure of assets and liabilities through interest rate policy, and in exceptional cases, through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

Below is the capital and capital adequacy ratio of the Bank calculated in accordance with Basel I:

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Capital	**81 079 570**	**62 687 408**
Tier 1	**51 366 702**	**47 826 680**
Paid-in share capital	3 721 734	3 696 674
Reserves and profit	47 644 968	44 130 006
Including:		
- Share premium	21 393 878	21 393 878
- Retained earnings	26 251 090	22 736 128
Tier 2	**29 712 868**	**14 860 728**
Revaluation reserve for premises	3 820 496	3 901 555
Revaluation reserve for investment securities available-for-sale	1 596 286	(433 894)
Subordinated loans	24 296 086	11 393 067
Risk weighted assets	**520 097 799**	**470 721 443**
Risk weighted banking assets	456 087 531	418 110 341
Risk weighted trading assets	29 547 013	7 324 277
Risk weighted unrecognised exposures	34 463 255	45 286 825
Total capital adequacy ratio	**15.59%**	**13.32%**
Tier 1 capital adequacy ratio	**9.88%**	**10.16%**

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 31 December 2015 and 2014.

34 Contingencies, Commitments and Derivative Financial Instruments

Litigation. From time to time and in the normal course of business, third parties' claims against the Group are received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of known claims and accordingly no loss provision has been made in these consolidated financial statements.

Tax legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2010, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of scrutiny by tax authorities.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover a longer period.

Management believes that its interpretation of the relevant legislation is appropriate and the tax, currency legislation and customs positions of the Group will be sustained. Accordingly, at 31 December 2015 and 31 December 2014 no provision for potential tax liabilities was recorded.

Capital expenditure commitments. At 31 December 2015, the Group had no contractual capital expenditure commitments in respect of reconstruction and purchase of premises (2014: none).

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

In thousands of Russian Roubles	**2015**	**2014**
Less than 1 year	126 222	71 930
1 to 5 years	330 915	60 685
Total operating lease commitments	**457 137**	**132 615**

Compliance with covenants. The Group should observe certain covenants, primarily, relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to activity, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the Group is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender’s consent) in respect of dividend payments and other distributions, changes in the shareholder structure, limits on use of assets and some agreements;

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with related and unrelated parties, the share of overdue balances in the credit portfolio, meeting certain requirements to the level of risk provisions, monitoring the expenditure patterns;

Reporting requirements, obliging the Group to provide its audited financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

As at 31 December 2015 and 2014, management believes that the Group was in compliance with all covenants.

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

Commitments to extend credits represent unused portions of authorisations to extend credits in the form of loans. With respect to credit risk on commitments to extend credits, the Group is potentially exposed to credit risk as at the year end in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credits are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**Note**	**2015**	**2014**
Guarantees issued		34 536 148	41 914 901
Revocable undrawn credit lines		22 066 781	18 266 608
Import letters of credit		68 573	7 019 120
Allowance for impairment	22	(134 901)	-
Total credit related commitments		**56 536 601**	**67 200 629**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being disbursed. The maturity of credit related commitments depend on types of guarantees and undrawn credit lines and are mainly classified into category of "On demand and less than 1 month".

The following table provides information on collateral securing guarantees issued, net of allowance for credit losses, by types of collateral presented on the basis of excluding overcollateralisation at 31 December 2015 and 2014:

In thousands of Russian Roubles	**2015**	**2014**
Promissory notes	1 976 200	4 485 816
Real estate	4 865 735	1 904 135
Deposits	2 414 553	1 282 719
Movable property	865 502	645 337
Surety	6 981 382	7 512 436
Other collateral	1 783 050	2 133 748
No collateral	15 537 327	23 950 710
Total	**34 413 749**	**41 914 901**

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

As at 31 December 2015, customer accounts include deposits amounting to RR 2 180 415 thousand representing security for irrevocable liabilities on import letters of credit (2014: RR 7 193 070 thousand). Refer to note 18.

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not the Group’s assets. Nominal values disclosed below are normally different from the fair values of the respective securities. In accordance with the common business practices no insurance cover is provided for these fiduciary assets. The fiduciary assets fall into the following categories:

In thousands of Russian Roubles	**2015 Nominal value**	**2014 Nominal value**
Corporate shares held in custody of:		
- National Depository Centre	356 042	345 017
- other registrars and depositories	550 708	337 010
- registers of share issuers	87 395	87 395
Municipal bonds held in custody of:		
- St. Petersburg Settlement and Depository Centre	58	58
- National Depository Centre	1 293	1 293
Corporate bonds held in custody of:		
- National Depository Centre	637 419	909 153
- Other registrars and depositories	139	139

Derivative financial instruments. Currency derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in foreign exchange rates. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

The table below shows fair values, at the reporting date, of currencies receivable or payable under foreign exchange forwards and futures contracts, interest rate forward contracts, and unlisted options. The table reflects contracts with settlement dates after the relevant reporting period. The amounts under these contracts are shown before the netting of any counterparty positions (and payments). The contracts on foreign exchange derivatives are short term in nature. The contracts on interest rate derivatives are long term in nature.

Currency and other derivative financial instruments are usually subject to trade on over-the-counter markets with professional participants based on standardised contracts.

	2015		**2014**	
In thousands of Russian Roubles	**Asset forwards**	**Liability forwards**	**Asset forwards**	**Liability forwards**
Foreign exchange forwards: fair values, at the reporting date, of				
- USD receivable on settlement (+)	3 924 300	2 879 973	69 098 245	16 308 727
- USD payable on settlement (-)	(4 437 728)	(30 954 527)	(18 362 462)	(73 879 737)
- Euros receivable on settlement (+)	2 848 229	5 822 996	57 955	5 474 970
- Euros payable on settlement (-)	(244 014)	(234 826)	(2 184 372)	(342)
- RR receivable on settlement (+)	2 081 707	30 527 256	19 718 775	59 506 279
- RR payable on settlement (-)	(3 824 103)	(7 002 847)	(55 647 484)	(17 234 877)
- Other currency receivable on settlement (+)	6 289	1 166	-	451 298
- Other currency payable on settlement (-)	-	(1 525 917)	-	-
Total on foreign exchange forwards	**354 680**	**(486 726)**	**12 680 657**	**(9 373 682)**

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

	2015		2014	
In thousands of Russian Roubles	**Asset futures**	**Liability futures**	**Asset futures**	**Liability futures**
Foreign exchange futures: fair values, at the reporting date, of				
- USD receivable on settlement (+)	21 510 368	1 193 096	-	42 985 296
- USD payable on settlement (-)	(13 900 853)	(3 078 863)	(56 296 705)	-
- Euros payable on settlement (-)	(5 210 284)	(163 857)	(917 637)	-
- RR receivable on settlement (+)	19 111 137	3 242 720	57 214 342	-
- RR payable on settlement (-)	(21 514 860)	(1 193 096)	-	(42 985 296)
- Other currency receivable on settlement (+)	4 492	-		
Total on foreign exchange futures	**-**	**-**	**-**	**-**

	2015		2014	
In thousands of Russian Roubles	**Asset forwards**	**Liability forwards**	**Asset forwards**	**Liability forwards**
Interest rate forwards: fair values, at the reporting date, of				
- USD receivable on settlement (+)	9 113 822	-	8 723 012	-
- RR receivable on settlement (+)	120 924	375 071	-	-
- RR payable on settlement (-)	(4 617 539)	(383 689)	(4 968 007)	-
Total on interest rate forwards	**4 617 207**	**(8 618)**	**3 755 005**	**-**

	2015		2014	
In thousands of Russian Roubles	**Asset options**	**Liability options**	**Asset options**	**Liability options**
Unlisted options: fair values, at the reporting date, of				
- RR transactions	2 908	(142)	208 234	(208 381)
- USD transactions	-	(3 140)		
- Euros transactions	-	(35)		-
Total on unlisted options	**2 908**	**(3 317)**	**208 234**	**(208 381)**
Net fair value of derivative financial instruments	**4 974 795**	**(498 661)**	**16 643 896**	**(9 582 063)**

35 Fair Value of Financial Instruments

Methods and assumptions used in calculation of the fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. The best evidence of fair value is price quotations in an active market.

The estimated fair values of financial instruments are determined using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

The fair value of instruments with floating interest rates usually equals to their carrying value. The fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for instruments with similar credit risk and maturity date. For effective interest rates by currency for major debt financial instruments refer to section “Interest rate risk” in note 32.

Trading securities, securities pledged under sale and repurchase agreements and loaned, investment securities available-for-sale, derivative financial instruments are carried at fair value in consolidated statement of financial position.

The Group’s accounting policy on recognition of financial instruments carried at fair value is disclosed in note 3.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

- Level 2: Valuation techniques based on observable market inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable market inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

35 Fair Value of Financial Instruments (continued)

Management uses professional judgment for allocation of financial instruments between categories of the fair value evaluation hierarchy. If the observable data used for fair value evaluation require significant adjustments they are categorised as Level 3.

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2015:

In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	10 368 129	103 625	-
- Corporate Eurobonds	1 982 614	-	-
- Federal loan bonds	568 163	-	-
- Corporate shares	127 348	-	-
- Municipal bonds	43 593	-	-
Securities pledged under sale and repurchase agreements and loaned			
- Corporate Eurobonds	50 734 205	-	-
- Corporate bonds	16 702 808	-	-
- Federal loan bonds	2 723 775	-	-
- Municipal bonds	99 089	-	-
- Eurobonds of the Russian Federation	39 154	-	-
- Corporate shares	15 020	-	-
Investment securities available-for-sale			
- Corporate bonds	14 117 755	158 481	-
- Federal loan bonds	6 415 985	-	-
- Corporate Eurobonds	4 087 054	-	-
- Municipal bonds	610 811	-	-
- Corporate shares	347 104	-	-
- Eurobonds of the Russian Federation	107 673	-	-
Other financial assets			
- Net fair value of derivative financial instruments	-	4 476 134	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**109 690 280**	**4 738 240**	**-**

35 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2014:

In thousands of Russian Roubles	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate Eurobonds	196 732	-	-
- Corporate shares	8 693	-	-
Securities pledged under sale and repurchase agreements and loaned			
- Corporate bonds	26 892 693	1 408 015	-
- Corporate Eurobonds	7 444 308	-	-
- Federal loan bonds	1 334 216	-	-
- Municipal bonds	697 652	860 394	-
- Corporate shares	501 431	-	-
Investment securities available-for-sale			
- Corporate bonds	4 243 838	100 567	-
- Federal loan bonds	1 407 515		-
- Corporate Eurobonds	575 474	-	-
- Corporate shares	429 887	-	-
- Municipal bonds	252 248	249 856	-
Other financial assets			
- Net fair value of derivative financial instruments	-	7 061 833	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**43 984 687**	**9 680 666**	**-**

35 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial assets carried at amortised cost as at 31 December 2015 and 31 December 2014:

	2015		2014	
In thousands of Russian Roubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Loans and advances to customers				
Loans to legal entities				
- loans to finance working capital	188 099 907	189 374 014	171 004 115	163 230 047
- investment loans	79 873 427	80 040 279	76 364 594	70 029 941
- loans to entities financed by government	15 583 619	15 805 852	17 376 922	16 003 473
Loans to individuals				
- mortgage loans	34 779 249	31 501 971	29 212 332	24 981 624
- car loans	2 583 412	2 339 693	3 810 008	3 912 006
- consumer loans to VIP clients	4 417 371	4 864 158	6 935 592	6 947 187
- other consumer loans	9 965 115	11 234 580	10 635 432	11 386 750
TOTAL	**335 302 100**	**335 160 547**	**315 338 995**	**296 491 028**

The following table provides fair values of financial liabilities carried at amortised cost as at 31 December 2015 and 31 December 2014:

	2015		2014	
In thousands of Russian Roubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Customer accounts				
State and public organisations				
- Current/settlement accounts	119 064	119 064	635 967	635 967
- Term deposits	-	-	200 110	200 433
Other legal entities				
- Current/settlement accounts	57 858 301	57 858 301	69 137 524	69 147 526
- Term deposits	79 487 386	78 534 191	82 499 772	82 012 107
- Amounts payable under sale and repurchase agreements	429 769	429 769	-	-
Individuals				
- Current accounts/demand deposits	41 787 505	41 787 505	39 946 167	39 946 167
- Term deposits	146 279 903	143 269 046	116 062 191	103 669 459
Bonds issued				
- Subordinated Eurobonds	19 200 016	19 097 407	17 225 687	12 098 278
- Bonds	-	-	6 638 420	6 438 998
Other debt securities issued				
- Promissory notes	17 441 144	17 491 388	16 405 963	16 520 760
- Deposit certificates	2	2	1	2
Other borrowed funds				
- Subordinated loans	1 565 459	1 476 318	1 565 474	1 562 639
- AKA AFK	1 076 840	1 027 424	763 374	721 718
- VTB Bank	-	-	2 259 076	2 244 854
- Eurasian Development Bank	-	-	996 925	963 764
- EBRD	-	-	86 330	85 306
TOTAL	**365 245 389**	**361 090 415**	**354 422 981**	**336 247 978**

According to the Group estimates, fair values of financial assets and liabilities, except for those disclosed in the tables above, do not differ significantly from their carrying values.

35 Fair Value of Financial Instruments (continued)

Loans and receivables carried at amortised cost. The fair value of instruments with floating interest rates usually equals to their carrying value. If market situation significantly changes the interest rates on loans and advances to customers and loans to banks with fixed interest rate may be revised. Interest rates on loans and advances to customers issued just before the reporting date do not significantly differ from current interest rates on new instruments with similar credit risk and maturity date. If interest rates on earlier issued loans, according to the Group estimates, significantly differ from current interest rates for similar instruments as at the reporting date, the Group determines estimated fair value for these loans. The estimate is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and counterparty.

The following table provides analysis of interest rates on loans and advances to customers as at 31 December 2014 and 31 December 2015:

	2015	2014
Loans and advances to customers:		
Loans to legal entities	3.74% - 27.53% p.a.	1.32% - 25.44% p.a.
Loans to individuals	4.47% - 24.90% p.a.	1.49% - 25.66% p.a.

Financial liabilities carried at amortised cost. The estimated fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting interest rates depend on currency, maturity date and as at 31 December 2015 ranged from 0.08% p.a. to 12.00% p.a. (2014: from 0.47% to 19.95%).

Loans and advances to customers and customer accounts are classified in Level 3 of hierarchy.

36 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form. Mr. A.V. Savelyev as a Chairman of the Supervisory Board and through his direct ownership of the Bank's shares and option on purchase of interest in companies, which are currently under control of other members of Bank's management (see note 1) has de facto control of the Bank in accordance with the accounting definition contained in IFRS 10.

Transactions are entered into in the normal course of business with shareholders, Group's management and other related parties, mainly companies controlled by the Group's shareholders and management.

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

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Loans and advances to customers (contractual interest rates: 4.75% – 27.0% p.a.)	245	56 213	146 432
Impairment allowance for loans and advances to customers	(1)	(105)	(24 619)
Customer accounts (contractual interest rates: 0.01% - 18.80% p.a.)	2 410 255	1 791 455	40 804
Other debt securities issued (contractual interest rate: 5.25% p.a.)	-	-	167 395

The income and expense items with related parties, other than compensation to the members of the Supervisory Board and the Management Board of the Bank, for the year 2015 are as follows:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Interest income	11	3 770	24 456
Interest expense	(108 984)	(86 227)	(61 251)
Recovery of provision for loan impairment	38	2 404	1 873
Fee and commission income	252	1 010	19 803

36 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during 2015 are:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Amounts lent to related parties during the year	4 485	115 095	9 917
Amounts repaid by related parties during the year	5 290	128 102	74 353

As at 31 December 2014, the outstanding balances with related parties are as follows:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Loans and advances to customers (contractual interest rates: 4.75%-27.0% p.a)	1 050	69 220	210 868
Impairment allowance for loans and advances to customers	(39)	(2 509)	(26 492)
Customer accounts (contractual interest rates: 0.70%-19.25% p.a.)	1 276 210	1 270 965	2 443 556
Other borrowed funds (contractual interest rates: 4.33% p.a.)	86 330	-	-

Other borrowed funds are represented by the credit facility. Refer to note 21.

The income and expense items with related parties, other than compensation to the members of the Supervisory Board and the Management Board of the Bank, for the year 2014 are as follows:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Interest income	3 968	11 008	34 104
Interest expense	(69 366)	(59 326)	(52 188)
Recovery of provision for loan impairment	752	(1 275)	2 287
Fee and commission income	165	1 493	39 238

36 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during 2014 are:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Amounts lent to related parties during the year	7 964	93 793	13 892
Amounts repaid by related parties during the year	56 916	103 168	93 919

In 2015, total remuneration of members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 525 238 thousand (2014: RR 595 906 thousand).

37 Consolidation of Companies

The Group's consolidated financial statement includes:

		Ownership %		
Name	**Country of incorporation**	**31 December 2015**	**31 December 2014**	**Principal activities**
BSPB-Trading Systems	Russian Federation	100%	100%	Operations on financial market

The Bank uses structured entity BSPB Finance PLC for issue of bonds on the international capital market (refer to note 19).

BSPB Finance PLC is the issuer of a structured debt – loan participation notes issued solely to finance loans to the Bank. Loan participation notes represent secured debt, where the issuer pledges all amounts received and/or receivable under loan agreements with the Bank. The Bank compensates the issuer all one-off and current expenses related to issuance and servicing of the loans.

V.S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant