PJSCB “Primorye”

Financial Statements
for the Year Ended 31 December 2015
and Independent Auditor’s Report

Contents

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Independent Auditor's Report

To the Shareholders of Public joint-stock commercial bank "Primorye"

We have audited the accompanying financial statements of Public joint-stock commercial bank "Primorye", which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Public joint-stock commercial bank "Primorye" as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

D.A. Taradov
Partner

АКЦИОНЕРНОЕ ОБЩЕСТВО * ОГРН 1037739271701 * МОСКВА *
«БДО Юникон»

22 April 2016

BDO Unicon AO

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2015

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the Independent Auditor's Report is made with a view to distinguishing the respective responsibilities of management of PJSCB "Primorye" (the Bank) and those of the independent auditor in relation to the Bank's financial statements.

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2015, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Bank's management the financial statements for the year ended 31 December 2015 were authorised for issue 22 April 2016 by:

A.V. Bagaev

Chief Executive Officer

A.A. Kovtaniuk

Chief Accountant

PUBLIC JOINT - STOCK COMMERCIAL BANK "PRIMORYE" RUSSIA VLADIVOSTOK CITY PJSCB "PRIMORYE"

PJSCB "Primorye"

Vladivostok

22 April 2016

(in thousands of Russian Roubles)

	Notes	2015	2014
Assets			
Cash and cash equivalents	5	6 363 810	5 631 620
Mandatory cash balances with the Central Bank of the Russian Federation		169 037	215 984
Financial assets at fair value through profit or loss	6	20	23 104
Due from other banks	7	396 964	983 877
Loans to customers	8	9 834 019	14 420 720
Financial assets available for sale	9	9 034 060	-
Financial assets, available for sale, pledged under repo agreements	10	750 351	-
Investments held to maturity	11	-	2 302 451
Investments held to maturity, pledged under repo agreements	12	-	564 753
Investment property	13	-	131 191
Premises and equipment	14	1 276 285	1 055 482
Other assets	15	1 477 835	694 325
Current tax assets		977	56 134
Deferred tax assets		64 705	-
Total assets		**29 368 063**	**26 079 641**
Liabilities			
Due to other banks	16	712 266	509 827
Customer accounts	17	25 924 872	22 328 426
Debt securities issued	18	34 522	-
Financial liabilities at fair value through profit or loss	6	68 068	2 972
Other liabilities	19	143 245	180 686
Deferred tax liabilities	25	-	70 590
Total liabilities		**26 882 973**	**23 092 501**
Equity			
Share capital	20	381 027	381 027
Share premium	20	352 357	352 357
Fair value reserve for financial assets available for sale		(60 899)	(57 551)
Revaluation reserve for premises and equipment		408 295	411 927
Retained earnings		1 404 310	1 899 380
Total equity		**2 485 090**	**2 987 140**
Total liabilities and equity		**29 368 063**	**26 079 641**

PUBLIC JOINT - STOCK COMMERCIAL BANK "PRIMORYE" * VLADIVOSTOK CITY * RUSSIA * PJSCB "PRIMORYE"

A.V. Bagaev

Chief Executive Officer

22 April 2016

A.A. Kovtaniuk

Chief Accountant

(in thousands of Russian Roubles)

	Notes	2015	2014
Interest income	22	2 277 983	2 516 794
Interest expense	22	(1 931 831)	(1 136 649)
Net interest income		**346 152**	**1 380 145**
Provision for impairment of due from other banks and loans to customers	7,8	(1 451 090)	(541 207)
Net interest income after provision for impairment of due from other banks and loans to customers		**(1 104 938)**	**838 938**
Gains less losses arising from financial assets available for sale and financial assets, available for sale, pledged under repo agreements and investments held to maturity		(55 476)	27 404
Gains less losses from dealing in foreign currency		281 453	764 286
Foreign exchange translation gains less losses		768 387	(472 953)
Gains less losses on revaluation of investment property	13	-	31 626
Fee and commission income	23	942 421	1 034 312
Fee and commission expense	23	(136 965)	(127 973)
Deficit on revaluation of premises and equipment	14	-	(47 632)
Loss from sale of investment property	13	(27 497)	-
Impairment of financial assets available for sale	9	(111 403)	-
Provision for impairment of investments held to maturity	11,12	65 537	(65 537)
Provision for impairment of other assets, credit and non-credit related commitments	9,15,19, 31	15 167	(14 883)
Other operating income		68 308	28 672
Operating income		**704 994**	**1 996 260**
Operating expenses	24	(1 334 747)	(1 376 217)
(Loss)/ profit before taxation		**(629 753)**	**620 043**
Income tax recovery/(expense)	25	130 651	(125 017)
Net (loss)/profit		**(499 102)**	**495 026**
Basic and diluted (loss)/earnings per share (RUB per share)	**26**	**(1 996.4)**	**1 980.1**
Other comprehensive income			
Items not reclassifiable to profit or loss			
Revaluation of premises and equipment	14	-	141 118
Income tax relating to items not reclassifiable to profit or loss	25	-	(28 224)
Items reclassifiable to profit or loss			
Revaluation of financial assets available for sale		(4 185)	78 088
Income tax relating to items reclassifiable to profit or loss	25	837	(15 618)
Other comprehensive (loss)/ income after taxation		**(3 348)**	**175 364**
Total comprehensive (loss)/ income for the period		**(502 450)**	**670 390**

A.V. Bagaev

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22 April 2016

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PJSCB "PRIMORYE"

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(in thousands of Russian Roubles)

	Share capital	Share premium	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Retained earnings	Total equity
Balance as at 1 January 2014	**381 027**	**352 357**	**(120 021)**	**299 033**	**1 444 114**	**2 356 510**
Dividends declared for 2013 (Note 27)	-	-	-	-	(39 760)	(39 760)
Comprehensive income for 2014	-	-	62 470	112 894	495 026	670 390
Balance as at 31 December 2014	**381 027**	**352 357**	**(57 551)**	**411 927**	**1 899 380**	**2 987 140**
Unclaimed dividends by Shareholders (Note 27)	-	-	-	-	400	400
Written off revaluation of premises and equipment disposed of	-	-	-	(3 632)	3 632	-
Comprehensive expense for 2015	-	-	(3 348)	-	(499 102)	(502 450)
Balance as at 31 December 2015	**381 027**	**352 357**	**(60 899)**	**408 295**	**1 404 310**	**2 485 090**

A.V. Bagaev

Chief Executive Officer

22 April 2016

PUBLIC JOINT - STOCK COMMERCIAL BANK "PRIMORYE" RUSSIA VLADIVOSTOK CITY PJSCB "PRIMORYE"

A.A. Kovtaniuk

Chief Accountant

(in thousands of Russian Roubles)

	2015	2014
Cash flows from operating activities		
Interest received	2 214 198	2 436 272
Interest paid	(1 929 776)	(1 133 400)
Gains less losses arising from financial assets at fair value through profit or loss	(1 597 398)	-
Gains less losses arising from financial assets available for sale	-	28 048
Gains less losses from dealing in foreign currency	281 453	764 286
Fees and commissions received	957 005	1 064 312
Fees and commissions paid	(136 965)	(127 973)
Other operating income	57 959	27 446
Operating expenses	(1 194 224)	(1 255 514)
Income tax recovery/(paid)	51 350	(131 622)
Cash flows from operating activities before changes in operating assets and liabilities	**(1 296 398)**	**1 671 855**
Net (increase)/decrease in operating assets		
Mandatory cash balances with the Central Bank of the Russian Federation	46 947	(13 646)
Financial assets at fair value through profit or loss	-	(6 411)
Due from other banks	878 089	701 767
Loans to customers	3 500 542	(1 995 285)
Other assets	(820 232)	(91 244)
Net increase/(decrease) in operating liabilities		
Due to other banks	178 017	(1 336 182)
Customer accounts	2 555 799	466 082
Debt securities issued	33 377	(2 479)
Other liabilities	(45 630)	(51 798)
Net cash flows from operating activities	**5 030 511**	**(657 341)**
Cash flows from investing activities		
Purchase of investments held to maturity	(6 842 096)	-
Proceeds from repayment /sale of investments held to maturity	2 079 313	295 853
Purchase of financial assets available for sale	(584 428)	(10 167 302)
Proceeds from sale/repayment of financial assets available for sale	218 465	13 018 916
Purchase of premises and equipment (Note 14)	(33 883)	(132 048)
Proceeds from sale of premises and equipment	29 015	631
Proceeds from sale of investment property	103 694	-
Net cash flows from investing activities	**(5 029 920)**	**3 016 050**
Cash flows from financing activities		
Dividends paid (Note 27)	-	(40 797)
Net cash flows from financing activities	**-**	**(40 797)**
Effect of exchange rate changes on cash and cash equivalents	731 599	624 013
Net change in cash and cash equivalents	**732 190**	**2 941 925**
Cash and cash equivalents at the beginning of the year (Note 5)	5 631 620	2 689 695
Cash and cash equivalents at the end of the year	**6 363 810**	**5 631 620**

A.V. Bagaev

Chief Executive Officer

22 April 2016

PUBLIC JOINT - STOCK COMMERCIAL BANK "PRIMORYE" * RUSSIA * VLADIVOSTOK CITY * PJSCB "PRIMORYE"

A.A. Kovtaniuk

Chief Accountant

(in thousands of Russian Roubles)

1. Principal Activities of the Bank

Public joint-stock commercial bank "Primorye" (the Bank) is a credit institution set up on 27 July 1994 as a closed joint stock company in accordance with the Russian legislation. In 2015 the Bank was re-registered with the Central Bank of the Russian Federation (CBR) as public joint-stock. Since 11 December 2015 the Bank has been operating subject to the general banking license issued by the Central Bank of the Russian Federation. The Bank also holds licenses of the professional securities market participant issued by the Federal Commission for the Securities Market (FCSM) in 2003.

The Bank is a member of the Association of Russian Banks, SWIFT system, Moscow International Currency Exchange, National Securities Market Association, Saint-Petersburg Currency Exchange, International Payment System VISA (associate member), MasterCard Worldwide (affiliate member), the international funds transfer systems Western Union, Migom and Golden Crown – Money Transfers. The priority lines of the Bank's business are: commercial and retail banking services on the territory of the Russian Federation.

As at the reporting date the Bank has 18 business units (BU) (2014: 18 business units), including 18 operational offices (2014: 18 operational offices).

The Bank's head office is located in Vladivostok.

The Bank's legal and actual address is at: 47 Svetlanskaya str., Vladivostok, 690990, Primorsky Territory, Russian Federation.

Since 4 November 2004 the Bank has been a member of the obligatory deposit insurance system managed by the state corporation Deposit Insurance Agency.

The average number of the Bank's employees in 2015 was 1 046 (2014: 1 110).

Below is the information about the Bank's main shareholders:

Name	2015 Ownership (%)	2014 Ownership (%)
Larisa D. Belobrova	54.17	54.17
ANCHOR WORLDWIDE LIMITED	11.46	11.46
KDV CZ S.R.O	6.27	6.27
Elena O. Peredriy	6.21	6.21
Olga N. Linetskaya	6.17	6.17
Anastasia S. Buhbinder	4.50	4.50
Ruslan A. Stognei	3.63	3.63
Yuriy M. Pavlov	3.48	3.48
Alexander V. Pochepnya	3.48	3.48
Other	0.63	0.63
Total	**100.0**	**100.0**

As at 31 December 2015 and 31 December 2014, the Bank is actually controlled by Ms. L.D. Belobrova.

2. Operating Environment of the Bank

General

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

Starting from March 2014 the US and EU and other countries imposed a set of sanctions against some Russian officials, businessmen and companies. The EU extended economic sanctions against Russia until 31 July 2016. These sanctions can lead to restricted access of Russian companies to the international capital markets and exports. Russian currency markets demonstrated increased volatility, and the Russian Rouble depreciated significantly against major world currencies. The official US Dollar exchange rate set by the Central Bank of the Russian Federation increased from RUB 56.2584 to

(in thousands of Russian Roubles)

RUB 72.8827. Oil prices continue to decrease which negatively affects the Russian economy. The uncertainty of further deterioration of the operating environment still remains and this affects the Bank's future financial position and operations. Management of the Bank believes it is taking all the necessary measures to support the sustainability and further development of business operations of the Bank in these circumstances.

In January 2015 the international rating agency Standard & Poor's downgraded Russia's long-term foreign currency sovereign credit rating from BBB – to BB+, negative outlook. In October 2015 Standard & Poor's reaffirmed its BB+ rating, negative outlook.

In January 2015 Fitch downgraded Russia's long-term foreign currency sovereign credit rating from BBB to BBB-, negative outlook. In October 2015 Fitch reaffirmed Russia's rating at BBB-, negative outlook.

In January 2015 Moody's downgraded Russia's long-term credit rating to Baa3, in February 2015 – to Ba1, which is below the investment grade for the first time in a decade. In December 2015 Moody's reaffirmed the rating at Ba1.

During 2015 the Central Bank's key refinancing rate decreased from 17% to 11%.

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

Inflation

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

Year ended	Inflation for the period
31 December 2015	12.9%
31 December 2014	11.4%
31 December 2013	6.5%
31 December 2012	6.6%
31 December 2011	6.1%

Currency transactions

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

Date	USD	EUR
31 December 2015	72.8827	79.6972
31 December 2014	56.2584	68.3427
31 December 2013	32.7292	44.9699
31 December 2012	30.3727	40.2286
31 December 2011	32.1961	41.6714

3. Basis of Presentation

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

Functional and presentation currency

These financial statements are presented in Russian Roubles being the Bank's functional and presentation currency.

Estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements preparation, and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that, according to the Bank's management, are reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Issues that require best estimate and are most significant for the financial statements are disclosed in Notes 4, 6, 7, 8, 9, 13, 14, 29 and 30.

Going concern

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

These financial statements were prepared on a going concern assumption.

For prompt management of liquidity risk the Bank regularly monitors external factors, which could influence the Bank's liquidity level, and forecasts cash flows. For the medium- and long-term liquidity risk management the Bank analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Bank sets liquidity gap limits. Additional sources of liquidity represent an opportunity to raise additional funds on the interbank loan market and from CBR using the liquidity cushion in the form of securities included in the Lombard list.

In order to continue as a going concern in case of stress situations the following internal documents were developed by the Bank in accordance with the CBR regulations: the Bank's Financial Stability Recovery Plan and Going Concern and/or Business Recovery Plan in case of contingencies.

Changes in Accounting Policies

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

- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions *(*effective for annual periods beginning on or after 1 July 2014). IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual improvements IFRS 2010-2012 Cycle. These improvements include:

- Amendment to IFRS 2 - Share-based Payment *(*effective for annual periods beginning on or after 1 July 2014, applied prospectively). It clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - a performance condition must contain a service condition;
  - a performance target must be met while the counterparty is rendering service;
  - a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - a performance condition may be a market or non-market condition;
  - if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- Amendment to IFRS 3 - Business Combinations *(*effective for annual periods beginning on or after 1 July 2014, applied prospectively). The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).
- Amendments to IFRS 8 - Operating Segments *(*effective for annual periods beginning on or after 1 July 2014, applied retrospectively). The amendments clarify that:
  - an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are economically 'similar';
  - the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- Amendments to IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 July 2014) clarifies that exemption of certain paragraphs from IAS 39 "Financial Instruments: Recognition and Measurement" did not exclude the possibility to measure short-term accounts payable and receivable without discounting if discounting is immaterial.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets *(*effective for annual periods beginning on or after 1 July 2014, applied retrospectively). The amendments clarify in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. Besides, it is explained that the accumulated depreciation is the difference between the gross carrying value and net book value of an asset.
- Amendments to IAS 24 - Related Party Disclosures *(*effective for annual periods beginning on or after 1 July 2014, applied retrospectively). The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements IFRS 2011-2013 Cycle. They include:

- Amendments to IFRS 1 - First Time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2014). The Basis for Conclusions is amended to clarify that an entity has an option to use either the IFRSs that are mandatory at the reporting date, or an IFRS that is not yet mandatory, if it permits early application, provided the same standard is applied in all periods presented in the first IFRS financial statements.
- Amendment to IFRS 3 - Business Combinations. The amendment clarifies:
  - the standard does not apply to accounting for joint arrangements in accordance with IFRS 11 Joint Arrangements;
  - this scope exception applies only to the accounting in the financial statements of the joint.
- Amendment to IFRS 13 - Fair Value Measurement *(*effective for annual periods beginning on or after 1 July 2014, applied prospectively) clarifies that the portfolio exception in IFRS 13, which allows an entity to assess the fair value of a group of financial assets and liabilities on a net basis, can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).
- Amendment to IAS 40 - Investment Property *(*effective for annual periods beginning on or after 1 July 2014, applied prospectively). The amendment clarifies that IFRS 3, and not IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property (e.g. properties, plants and equipment).

The above changes did not have a material effect on the Bank's financial statements.

IFRSs and IFRIC interpretations not yet effective

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

- IFRS 9 - Financial Instruments (effective for annual periods beginning on or after 1 January 2018, with early application permitted; retrospective application is allowed, but comparative information is not compulsory). It was issued in July 2014 and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 - Financial Instruments reflects all phases of the financial instruments project. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before 1 February 2015.
- Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests *(*prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.
- IFRS 14 - Regulatory Deferral Accounts *(*effective for annual periods beginning on or after 1 January 2016). IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted). The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
- IFRS 15 – "Revenue from Contracts with Customers" (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
- Amendments to IAS 27 - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS.
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of adoption of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Annual Improvements to IFRSs, 2014, effective for annual periods beginning on or after 1 January 2016. The amendments relate to the following standards:

- Amendment to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. The amendment to IFRS 5 clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal and should not be recorded as a change of this plan.
- Amendment to IFRS 7 - Financial Instruments — Disclosures. The amendment contains additional guidance helping management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement in accordance with IFRS 7.
- Amendment to IAS 19 - Employee Benefits. The amendment clarifies that with respect to post-employment benefit obligations decisions on the choice of the discount rate, existence of the deep market of high-quality corporate bonds or what government bonds should be used as a benchmark are based on the currency in which the liabilities are denominated and not in the currency in which these liabilities occur.
- Amendment to IAS 1 - Disclosure Initiative. The amendment clarifies the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

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

4. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents are assets which can be converted into cash within a short period of time and consist of cash on hand and correspondent and current account balances of the Bank. All short-term interbank placements are included in due from other banks. Amounts, which relate to funds that are of restricted nature, are excluded from cash and cash equivalents.

Cash and cash equivalents exclude mandatory cash balances held with the Central Bank of the Russian Federation.

Mandatory cash balances with the Central Bank of the Russian Federation

Mandatory cash balances with the Central Bank of the Russian Federation represent mandatory reserve deposits with the CBR, which are not available to finance the Bank's day-to-day operations. The mandatory reserve balance with the CBR is excluded from cash and cash equivalents for the purposes of the statement of cash flows.

Financial assets

The Bank classifies its financial assets in the following categories:

– financial assets at fair value through profit or loss;
– loans and receivables (this category includes due from other banks and loans to customers);
– investments held to maturity;
– financial assets available for sale.

The Bank determines the classification of its financial assets at initial recognition. Classification of financial assets at initial recognition depends on the purpose for which they were acquired and their characteristics.

Initial recognition of financial instruments

The Bank recognises financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual obligation of the financial instrument. Regular way purchases and sales of the financial assets and liabilities are recognised using settlement date accounting.

All financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset.

Fair value measurement

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

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

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

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

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

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

- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The fair value of the Bank's investment property is its market value confirmed by a qualified valuer.

At each reporting date the Bank analyses movements in the values of financial assets and liabilities which are required to be re-measured or re-assessed in accordance with the Bank's accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (Note 32).

The fair value of financial instruments traded on the active market as at the reporting date is determined based on the market or dealers' quotations including transaction costs.

If a quoted market price is not available, the fair value of financial assets and financial liabilities recorded in the statement of financial position is estimated on the basis of market prices for similar financial instruments or using various valuation techniques, including mathematical models. Inputs for such models are based on observable market data or judgement.

Judgement is based on the time value of money, credit risk level, volatility of the instrument, market risk level and other applicable factors, if such information is available.

Amortised cost of financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Bank shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; and
- the Bank either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

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

Reclassification of financial assets

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

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

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

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

If financial assets are reclassified into loans and receivables or investments held to maturity, the fair value on the date of reclassification will become the new cost of these financial assets. Subsequently these assets are measured at amortised cost using the effective interest rate method. Cumulative revaluation of financial assets is amortised during the period to redemption through profit or loss.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as financial assets available for sale and remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recorded in the statement of profit or loss and other comprehensive income as other comprehensive income.

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivative financial instruments.

Derivative financial instruments including foreign exchange contracts are initially recorded in the statement of financial position at cost (including the transaction costs) and subsequently remeasured at their fair value. Fair values are obtained from exchange rates effective at year end.

Changes in the fair value of derivative financial instruments are recognised as gains less losses from dealing in foreign currency.

Due from other banks

In the normal course of business, the Bank places funds for various periods of time with other banks. Amounts due from other banks with a fixed maturity term are not intended for immediate or short-term trading and are measured at amortised cost using the effective interest method. Guarantee funds with payment systems are recorded within due from other banks. Amounts due from other banks are carried net of any allowance for impairment losses.

Loans to customers

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans to customers are initially recorded at cost, which is the fair value of the consideration given. Subsequently, they are carried at amortised cost using the effective interest rate method less provision for loan impairment.

Loans to customers are recorded when cash is advanced to borrowers.

Loans to customers originated at interest rates different from market rates are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the statement of profit or loss and other comprehensive income as gains/(losses) on origination of loans to customers at rates above/below market. Subsequently, the carrying amount of such loans is adjusted for amortisation of gains/losses on origination and the related income/expenses are recorded within the statement of profit or loss and other comprehensive income using the effective interest rate method.

The Bank does not acquire Loans from third parties.

Investments held to maturity

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

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

Initially, investments held to maturity are recorded at fair value (including the transaction costs incurred) and are subsequently carried at amortised cost. Gains and losses on investments held to maturity are recognised in the statement of profit or loss and other comprehensive income when such assets are impaired, as well as through the amortisation process.

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

Interest earned on investments held to maturity is recognised in the statement of profit or loss and other comprehensive income.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets not included into any of the above three categories.

Financial assets available for sale are initially recognised at fair value. Financial assets available for sale are subsequently remeasured to fair value based on quoted bid prices. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank’s management on the basis of results of recent sales of similar financial assets to unrelated third parties or determined on the basis of indicative quotations for purchase/sale of each type of securities published by information agencies or provided by professional securities market participants. If there is no active market and it is impossible to determine the fair value of equity securities using reliable methods, investments are allowed to be recognised at acquisition cost.

Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recognised in the statement of profit or loss and other comprehensive income as other comprehensive income. When financial assets available for sale are disposed of, the related accumulated unrealised gains and losses previously recognised in other comprehensive income are recycled to profit or loss as gains less losses arising from financial assets available for sale. Disposals of financial assets available for sale are recorded on a FIFO basis.

Interest earned on debt securities available for sale is determined using the effective interest rate method and reflected in the statement of profit or loss and other comprehensive income as interest income. Dividends received on equity investments available for sale are recorded in the statement of profit or loss and other comprehensive income when the Bank’s right to receive dividends is established and dividends are likely to be received.

Promissory notes purchased

Promissory notes purchased are included in financial assets at fair value through profit or loss, financial assets available for sale, due from other banks or loans to customers, depending on their economic substance and are subsequently accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets

The Bank assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income as they are incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

(1) Impairment of due from other banks and loans to customers

For amounts due from other banks and loans to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

Objective evidence that due from other banks and loans to customers are impaired includes observable data about the following events in respect of individually significant financial assets:

- default in any payments due;
- significant financial difficulty of the borrower supported by financial information at the Bank’s disposal;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- worsening national or local economic environment affecting the borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;

- the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider.

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such as asset type, industry, collateral type, payment status and other relevant factors. The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The main criterion used for determining objective evidence of loss from impairment of due from other banks and loans to customers representing collectively measured financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices with respect to mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as a difference between the asset’s carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of the provision for impairment and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present 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.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group or on the basis of historical information on collections of past due debts. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, prices for property and exchange-traded commodities, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the statement of profit or loss and other comprehensive income.

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset in full or in part have been completed and the final amount of the loss has been determined. The carrying value of impaired financial assets is not reduced directly.

In accordance with the Russian legislation, in case of a write-off of the uncollectible loan and relating interest, the Bank shall take necessary and adequate steps, envisaged by law, standard business practice or agreement, to collect this outstanding loan.

(2) Impairment of investments held to maturity

The Bank assesses whether objective evidence of impairment exists individually for investments held to maturity. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. If, in the next year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is recognised as income in the statement of profit or loss and other comprehensive income.

(3) Impairment of financial assets available for sale

The Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments available for sale is impaired.

In case of equity investments classified as available for sale, objective evidence of impairment would include significant financial difficulty of the issuer supported by financial information at the Bank's disposal. To assess whether there is any indication of impairment the Bank shall analyse the issuer's activities taking into account the influence of economic factors, including consequences of changes in the technical, market, economic or legal environment in which the issuer operates. The Bank also assesses other factors such as volatility of price per share. Cumulative impairment loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised through the profit and loss accounts, is transferred from other Impairment losses on equity instruments are not reversed through the profit and loss account: increases in the fair value after impairment are recognised directly in other comprehensive income.

In case of unquoted debt instruments not at fair value through profit or loss classified as available for sale, impairment is assessed based on the same criteria as those for financial assets carried at amortised cost. Interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

If in the subsequent year the fair value of a debt instrument increases, and such increase can be objectively related to the event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the accounts of the statement of profit or loss and other comprehensive income.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or financial liabilities carried at amortised cost.

Initially, a financial liability shall be measured by the Bank at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial instruments.

Derivative financial instruments include currency exchange contracts, are initially recognised in the statement of financial position at cost (including transaction costs) and subsequently measured at fair value. The fair values are estimated at the year-end exchange rates.

Changes in the fair value of derivative financial instruments are included in gains less losses from dealing in foreign currency.

Financial liabilities measured at amortised cost

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

Due to other banks. Due to other banks are recorded when money is advanced to the Bank by counterparty banks.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers in respect of settlement accounts and deposits.

Debt securities issued. Debt securities issued include promissory notes issued by the Bank. If the Bank purchases its own debt securities issued, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income as gain from retirement of debt.

Offsetting

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

Sale and repurchase agreements

Sale and repurchase agreements ("repo" agreements) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The corresponding liability is presented within due to other banks in the statement of financial position.

Securities purchased under agreements to resell ("reverse repo" agreements) are recorded as cash and cash equivalents, due from other banks or loans to customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest rate method.

Premises and equipment

Premises and equipment are stated at cost or at revalued amount, as described below, less accumulated depreciation and impairment provision. Premises and equipment acquired prior to 1 January 2003 are restated to the equivalent purchasing power of the Russian Rouble as at that date.

At each reporting date the Bank assesses whether there is any indication of impairment of premises and equipment. If such indication exists, the Bank estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of premises and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as impairment loss to the statement of profit or loss and other comprehensive income.

The Bank's premises and land are revalued on a regular basis. The frequency of revaluations depends on changes in the fair value of the assets subjected to revaluation. After initial recognition at cost, land and premises are carried at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed regularly to avoid significant differences between the fair value of the revalued asset and its carrying amount.

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

Any revaluation surplus is recorded in the statement of profit or loss and other comprehensive income within other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised through profit or loss. A decrease arising as a result of a revaluation should be recognised in the statement of profit or loss and other comprehensive income through profit or loss, except that revaluation deficit is directly offset against the previous surplus from revaluation of the same asset recorded directly within other comprehensive income as effect of revaluation of premises and equipment.

The revaluation reserve for premises and equipment is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and recorded as operating income/ expenses in the statement of profit or loss and other comprehensive income.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income when the expense is incurred.

Construction in progress is carried at cost less impairment provision. As soon as construction is completed, assets are reclassified as premises and equipment at their value at the date of reclassification. Construction in progress is not depreciated until the asset is available for use.

Inseparable leasehold improvements are recognised in the financial statements as premises and equipment. Depreciation on these assets is charged over the lease term.

Depreciation

Depreciation of premises and equipment commences from the date the assets are ready for use. Depreciation is charged on a straight line basis over the estimated useful lives of the assets:

- Premises – 50 years;
- Furniture – 7 years;
- Computers and office equipment – 4-6 years;
- Motor vehicles – 4 years;
- Leasehold improvements - over the lease term.

Land has an indefinite useful life and is not depreciated.

At the end of the useful life, the residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

Investment property

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

Investment property is initially recognised at cost and subsequently remeasured at fair value based on its market value. The market value of the Bank's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have professional experience in valuation of property of similar location and category. Changes in the fair value of investment property are recorded in profit or loss in the statement of profit or loss and other comprehensive income and presented separately. In addition, rental income is recognised in the statement of profit or loss and other comprehensive income as other income. Direct operating expenses arising from investment property that generates rental income and other direct operating expenses arising from investment property that does not generate rental income are recorded as operating expenses.

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

Property under construction and renovation intended for subsequent use as investment property is recorded as investment property.

***Impairment of* non-financial assets**

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

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

Operating lease - the Bank as lessee

Leases of property under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included into operating expenses in the statement of profit or loss and other comprehensive income.

Operating lease – the Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term as other operating income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Share capital

Ordinary shares are classified as share capital. The share capital contributed before 1 January 2003 was restated for the effects of inflation. The share capital contributed after the above date is stated at original cost.

Share premium

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

Dividends

Dividends are recognised as a liability and deducted from shareholders' equity at the end of the reporting period only if they are declared before or on the reporting date. Information on dividends declared after the reporting date is disclosed in the subsequent events note. Net profit of the reporting year reflected in the statutory financial statements is the basis for payment of dividends and other appropriations.

After approval of dividends by the General Shareholders' Meeting they are recognised in the financial statements as distributed profits.

Contingent assets and liabilities

Contingent assets are not recognised in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position but disclosed in the financial statements unless the possibility of any outflow in settlement is remote.

Credit related commitments

The Bank enters into credit related commitments, including guarantees, letters of credit and commitments to extend credits. Guarantees represent irrevocable assurances of the Bank to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Bank to pay on behalf of the client the agreed 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 credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Credit related commitments are initially recognised at their fair value. Subsequently, they are analysed at the end of each reporting period and adjusted to reflect the current best estimate. The best estimate of the expenditure required to settle the present obligation is the amount that the Bank would rationally pay to settle the obligation at the end of each reporting period or transfer it to a third party at that time.

Provisions

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

Taxation

The income tax charge comprises current tax and deferred tax and is recorded in the statement of profit or loss and other comprehensive income. Income tax expense is recorded in the financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted during the reporting period.

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 or prior periods. Tax amounts are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for all tax loss carryforwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets for deductible temporary differences and tax loss carryforwards are recorded to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Judgement is required to determine the amount of deferred tax assets that may be recognised in financial statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

Russia also has various other taxes, which are assessed on the Bank’s activities. These taxes are recorded within operating expenses in the statement of profit or loss and other comprehensive income.

Income and expense recognition

Interest income and expense are recorded in the statement of profit or loss and other comprehensive income for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions and fees paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income includes coupons earned on fixed-income financial assets and accrued discount and premium on promissory notes and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are recorded on an accrual basis after the service is provided.

Employee benefits and social insurance contributions

The Bank pays social contributions in the territory of the Russian Federation. The contributions comprise contributions to the Russian Federation state pension, social insurance, and obligatory medical insurance funds in respect of the Bank’s employees. These contributions are recorded on an accrual basis and are included in staff costs within the Bank’s operational expenses. The Bank does not have pension arrangements separate from the state pension system of the Russian Federation. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leaves and paid sick leaves, bonuses and non-monetary benefits are accrued as the Bank’s employees render the related service.

Foreign currency

Foreign currency transactions are translated into the functional currency at the CBR exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the CBR exchange rate ruling at the end of the reporting period. Foreign exchange gains and losses resulting from revaluation of transactions in foreign currency are recorded in the statement of profit or loss and other comprehensive income within foreign exchange translation gains less losses. Non-monetary items denominated in foreign currency and carried at cost are restated at the CBR exchange rate in effect at the transaction date. Non-monetary items denominated in foreign currency and carried at fair value are restated at the exchange rate in effect at the date the fair value is determined.

Gains and losses on purchase and sale of foreign currency are determined as the difference between the selling price and the carrying amount at the date of the transaction.

Fiduciary activities

Assets held by the Bank in its own name, but for the account of third parties under depository, agency, trust management and other similar agreements are not reported in the Bank’s statement of financial position. Commissions received from such operations are shown within fee and commission income in the statement of profit or loss and other comprehensive income.

Segment reporting

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

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

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

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

As information is provided from management accounting data, and the received data may differ from the data in the financial statements prepared under IFRS, reconciliations of the followings items are made with disclosure of the underlying reasons for differences:

- the total of the reportable segments’ revenues to the Bank’s revenue;

(in thousands of Russian Roubles)

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

All material reconciling items shall be separately identified and described. For example, the amount of each material adjustment needed to reconcile reportable segment profit or loss to the Bank's profit or loss arising from different accounting policies shall be separately identified and described.

5. *Cash and cash equivalents*

	2015	2014
Cash on hand	4 597 197	3 533 825
Balances with the CBR (other than mandatory reserve deposits)	614 730	245 974
Correspondent accounts with other banks of:		
- the Russian Federation	474 718	66 409
- other countries	677 165	1 785 412
Total cash and cash equivalents	**6 363 810**	**5 631 620**

The credit quality analysis of correspondent accounts with other banks as at 31 December 2015 and 31 December 2014 has shown that correspondent accounts with other banks in the total amount of RUB 1 151 883 thousand (2014: RUB 1 851 821 thousand), are current and unimpaired, therefore, the Bank did not create provisions for correspondent accounts with other banks.

As at 31 December 2015 and 31 December 2014, the Bank did not have correspondent accounts with other banks above 10% of the Bank's capital.

6. *Financial Assets and Liabilities at Fair Value through Profit or Loss*

Financial assets and liabilities at fair value through profit or loss reflected in the statement of financial position as at 31 December 2015 and 31 December 2014 include short-term derivative financial instruments.

Derivative financial instruments are normally traded on the OTC market by professional market participants on standard contractual terms and conditions.

The table below contains information on outstanding transactions involving derivative financial instruments. The amounts for these transactions are shown on a gross basis before offsetting the position by each counterparty.

	31 December 2015			31 December 2014		
	Notional principal amount	Fair value Asset	Fair value Liability	Notional principal amount	Fair value Asset	Fair value Liability
Foreign currency dealings						
- sale of USD	10 131 741	-	(68 064)	112 407	-	(2 972)
- sale of EUR	23 909	-	(4)	-	-	-
- purchase of USD	241 757	20	-	270 882	23 104	-
Total		**20**	**(68 068)**		**23 104**	**(2 972)**

(in thousands of Russian Roubles)

Contractual amounts of certain financial instruments provide a basis for comparison with instruments recognised in the statement of financial position, but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable and, therefore, their aggregate fair values can fluctuate significantly from time to time. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

7. Due from Other Banks

	2015	2014
Current accounts with banks	403 538	340 810
Loans and deposits with other banks	-	650 000
Less: provision for impairment of due from other banks	(6 574)	(6 933)
Total due from other banks	**396 964**	**983 877**

The credit quality analysis of due from other banks as at 31 December 2015 has shown that current accounts with banks in the total amount of RUB 403 538 thousand are current and impaired, the Bank has created provisions for current accounts with banks in the amount of RUR 6 574 thousand.

The credit quality analysis of due from other banks as at 31 December 2014 has shown that the above loans and deposits with other banks, in the total amount of RUB 650 000 thousand are current and unimpaired, therefore, the Bank did not create provisions for loans and deposits with other banks. The credit quality analysis of due from other banks as at 31 December 2014 has shown, that the above current accounts with banks, in the total amount of RUB 340 810 thousand, are current and impaired, therefore, the Bank has created provisions for current accounts with banks in the amount of RUR 6 933 thousand.

Due from other banks are not collateralised.

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

	2015	2014
Provision for impairment of due from other banks as at 1 January	**6 933**	**-**
(Recovery of provision)/provision for impairment of current accounts with banks during the year	(359)	6 933
Provision for impairment of due from other banks as at 31 December	**6 574**	**6 933**

As at 31 December 2015, the Bank did not have cash balances due from other banks above 10% of the Bank's capital.

As at 31 December 2014, the Bank had cash balances above 10% of the Bank's capital with one counterparty bank. The aggregate amount of these funds was RUB 650 000 thousand representing 66.1% of total due from other banks.

8. Loans to Customers

	2015	2014
Corporate loans	7 704 196	9 523 502
Loans to individual entrepreneurs, small and medium business	4 769 348	5 829 164
Consumer loans to individuals	712 290	979 846
Mortgage loans to individuals	41 427	66 003
Less: provision for impairment of loans to customers	(3 393 242)	(1 977 795)
Total loans to customers	**9 834 019**	**14 420 720**

As at 31 December 2015, accrued interest income on impaired loans to customers amounted to RUB 143 057 thousand (2014: RUB 12 952 thousand).

(in thousands of Russian Roubles)

Movements in the provision for impairment of loans to customers for 2015 and 2014 are as follows:

	Corporate loans	Loans to entrepreneurs, small and medium business	Consumer and mortgage loans to individuals	Total
Provision for impairment of loans to customers as at 1 January 2014	**1 232 964**	**228 051**	**42 435**	**1 503 450**
Provision for impairment during 2014	447 888	75 239	11 147	534 274
Loans written off as uncollectible during 2014	(59 929)	-	-	(59 929)
Provision for impairment of loans to customers as at 31 December 2014	**1 620 923**	**303 290**	**53 582**	**1 977 795**
Provision for impairment during 2015	1 101 607	327 746	22 096	1 451 449
Loans written off as uncollectible during 2015	-	(32 290)	(3 712)	(36 002)
Provision for impairment of loans to customers as at 31 December 2015	**2 722 530**	**598 746**	**71 966**	**3 393 242**

Economic sector concentrations within the Bank's loan portfolio are as follows:

	2015		2014	
	Amount	%	Amount	%
Trade	4 561 544	34.4	6 000 979	36.6
Agriculture	2 388 304	18.1	2 269 354	13.8
Construction	2 162 541	16.3	2 253 988	13.7
Industry	1 012 801	7.7	1 441 378	8.8
Financial services	938 485	7.1	1 084 690	6.6
Individuals	753 717	5.7	1 045 849	6.4
Electricity sector	649 490	4.9	805 043	4.9
Transport	301 475	2.3	611 798	3.7
Other	458 904	3.5	885 436	5.4
Total loans to customers (gross)	**13 227 261**	**100.0**	**16 398 515**	**100.0**

As at 31 December 2015, the Bank issued loans to 16 borrowers (2014: 18 borrowers) with the total amount exceeding 10% of the Bank's capital. The aggregate amount of these loans as at 31 December 2015 was RUB 7 879 446 thousand (2014: RUB 8 586 876 thousand), or 59.6% of the loan portfolio (2014: 52.4% of the loan portfolio).

(in thousands of Russian Roubles)

The credit quality analysis of loans to customers as at 31 December 2015 is as follows:

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans (%)
Corporate loans				
Individually assessed loans				
Current loans (not past due)	5 127 343	582 305	4 545 038	11.4
1 to 6 months overdue	655 822	655 822	-	100.0
6 to 12 months overdue	514 959	514 959	-	100.0
More than 1 year overdue	245 173	245 173	-	100.0
Collectively assessed loans				
Current loans (not past due)	439 969	20 782	419 187	4.7
1 to 6 months overdue	35 594	18 153	17 441	51.0
6 to 12 months overdue	539 423	539 423	-	100.0
More than 1 year overdue	145 913	145 913	-	100.0
Total corporate loans	**7 704 196**	**2 722 530**	**4 981 666**	**35.3**
Loans to individual entrepreneurs, small and medium business				
Unimpaired loans to customers				
Current loans (not past due)	150 538	-	150 538	-
Individually assessed loans				
Current loans (not past due)	3 201 062	350 374	2 850 688	10.9
Collectively assessed loans				
Current loans (not past due)	1 188 531	108 800	1 079 731	9.2
Less than 1 month overdue	80 015	19 755	60 260	24.7
1 to 6 months overdue	15 535	11 341	4 194	73.0
6 to 12 months overdue	118 776	95 764	23 012	80.6
More than 1 year overdue	14 891	12 712	2 179	85.4
Total loans to individual entrepreneurs, small and medium business	**4 769 348**	**598 746**	**4 170 602**	**12.6**
Consumer loans to individuals				
Collectively assessed loans				
Current loans (not past due)	645 460	23 984	621 476	3.7
Less than 1 month overdue	13 661	586	13 075	4.3
1 to 6 months overdue	7 715	3 962	3 753	51.4
6 to 12 months overdue	23 300	20 831	2 469	89.4
More than 1 year overdue	22 154	22 154	-	100.0
Total consumer loans to individuals	**712 290**	**71 517**	**640 773**	**10.0**
Mortgage loans to individuals				
Unimpaired loans to customers				
Current loans (not past due)	39 231	17	39 214	0.04
1 to 6 months overdue	2 196	432	1 764	19.7
Total mortgage loans to individuals	**41 427**	**449**	**40 978**	**1.1**
Total loans to customers	**13 227 261**	**3 393 242**	**9 834 019**	**25.7**

(in thousands of Russian Roubles)

The credit quality analysis of loans to customers as at 31 December 2014 is as follows:

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans (%)
Corporate loans				
Unimpaired loans to customers				
Current loans (not past due)	605 109	-	605 109	-
Individually assessed loans				
Current loans (not past due)	7 577 382	976 121	6 601 261	12.9
1 to 6 months overdue	473 515	241 493	232 022	51.0
More than 1 year overdue	245 173	245 173	-	100.0
Collectively assessed loans				
Current loans (not past due)	471 838	10 009	461 829	2.1
1 to 6 months overdue	4 572	2 214	2 358	48.4
More than 1 year overdue	145 913	145 913	-	100.0
Total corporate loans	**9 523 502**	**1 620 923**	**7 902 579**	**17.0**
Loans to individual entrepreneurs, small and medium business				
Unimpaired loans to customers				
Current loans (not past due)	1 020 598	-	1 020 598	-
Individually assessed loans				
Current loans (not past due)	2 326 119	116 981	2 209 138	5.0
Collectively assessed loans				
Current loans (not past due)	2 394 377	105 067	2 289 310	4.4
1 to 6 months overdue	14 528	7 700	6 828	53.0
More than 1 year overdue	73 542	73 542	-	100.0
Total loans to individual entrepreneurs, small and medium business	**5 829 164**	**303 290**	**5 525 874**	**5.2**
Consumer loans to individuals				
Collectively assessed loans				
Current loans (not past due)	940 224	30 267	909 957	3.2
Less than 1 month overdue	19 623	3 362	16 261	17.1
6 to 12 months overdue	5 397	5 351	46	99.1
More than 1 year overdue	14 602	14 602	-	100.0
Total consumer loans to individuals	**979 846**	**53 582**	**926 264**	**5.5**
Mortgage loans to individuals				
Unimpaired loans to customers				
Current loans (not past due)	66 003	-	66 003	-
Total mortgage loans to individuals	**66 003**	**-**	**66 003**	**-**
Total loans to customers	**16 398 515**	**1 977 795**	**14 420 720**	**12.1**

Individually assessed loans include loans which show certain signs of impairment, are material in value and individually assessed by the Bank for impairment.

Collectively assessed loans include loans grouped in homogeneous portfolios sharing common characteristics in respect of risk exposure and/or signs of impairment.

The credit quality of loans for which no signs of impairment were identified is not homogeneous due to diversity of industry risks and financial position characteristics of borrowers.

(in thousands of Russian Roubles)

As at 31 December 2015, current loans to customers (not past due) include balances in the amount of RUB 1 902 869 thousand (2014: RUB 827 021 thousand) that would otherwise be past due whose terms have been renegotiated.

Assets recognised as overdue represent the total amount of loan balance, including accrued interest as at the reporting date.

Below is the information on the collateral held as security as at 31 December 2015:

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Mortgage loans to individuals	Total
Guarantees	673 515	566 060	269 123	9 130	1 517 828
Real estate	540 687	304 768	43 959	12 244	901 658
Goods for sale	93 710	113 852	-	-	207 562
Transport	64 762	57 477	21 825	-	144 064
Equipment	52 628	28 319	-	-	80 947
Non-marketable securities	-	-	607	-	607
Unsecured	6 278 894	3 698 871	376 776	20 051	10 374 592
Total collateral	**7 704 196**	**4 769 347**	**712 290**	**41 425**	**13 227 258**

Below is the information on the collateral held as security as at 31 December 2014:

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Mortgage loans to individuals	Total
Real estate	2 510 431	1 965 663	281 008	30 679	4 787 781
Guarantees	1 594 694	1 363 903	296 261	13 566	3 268 424
Transport	684 376	212 712	34 789	525	932 402
Goods for sale	210 445	544 515	-	-	754 960
Equipment	128 771	108 196	-	-	236 967
Non-marketable securities	-	-	-	4 888	4 888
Interest in share capital	-	30 000	-	-	30 000
Unsecured loans	4 394 787	1 604 174	375 267	8 865	6 383 093
Total collateral	**9 523 504**	**5 829 163**	**987 325**	**58 523**	**16 398 515**

The collateral value of security may differ immaterially from its fair value.

(in thousands of Russian Roubles)

9. Financial Assets Available for Sale

	2015	2014
Government, municipal and sovereign debt securities		
- Russian Federation bonds (OFZ)	13 735	-
- Subfederal securities	151 236	-
- Bonds of the Government of the USA	8 017 242	-
Corporate debt securities		
- Corporate bonds	359 814	-
- Corporate Eurobonds	603 436	-
Less: impairment of financial assets available for sale	(111 403)	-
Corporate equity securities		
- Corporate shares	55	55
Less: loss on impairment of financial assets available for sale	(55)	(55)
Total financial assets available for sale	**9 034 060**	**-**

During 2015 the Bank began to sell Investments, held to maturity, and it was decided to reclassified debt securities in the financial assets available for sale.

Corporate debt securities of OJSC Transaero Airlines were fully impaired in 100% of the balance amount RUB 111 403 thousand.

			(Expense)/income from changes in the fair value of assets	
Name	**Balance amount as at the date of reclassification**	**Fair value as at 31 December 2015**	**Recognized as (loss)/income**	**Recognized as other comprehensive income**
Government, municipal and sovereign debt securities				
- Russian Federation bonds (OFZ)	13 705	13 735	-	30
- Subfederal bonds				
- Omsk region	151 711	151 236	-	(475)
- Sovereign bonds				
- Government of the USA	8 040 561	8 017 242	-	(23 319)
Corporate debt securities				
- Corporate bonds				
- OJSC Transaero Airlines	112 048	-	(111 403)	(645)
- OJSC FESCO	291 475	248 411	-	(43 064)
- Corporate Eurobonds				
- OJSC Koks	659 982	603 436	-	(56 546)
Total	**9 269 482**	**9 034 060**	**(111 403)**	**(124 019)**

As at 31 December 2015 and 31 December 2014 corporate equity securities are represented by shares issued by Russian enterprise CJSC Editorial Office of Finansy Vostoka Journal.

During 2014 financial assets available for sale were reclassified in “Investments, held to maturity” category (Note 11).

Debt securities are not collateralised.

(in thousands of Russian Roubles)

Below is the credit quality analysis of issuers of debt securities included within financial assets available for sale as at 31 December 2015 in accordance with the international agencies' ratings:

	Fitch	Moody's	S&P	Total
Government, municipal and sovereign debt securities				
- Russian Federation bonds (OFZ)	Baa3-	-	BBB-	13 735
- Subfederal bonds				
- Omsk region	Ba3-	-	-	151 236
- Sovereign bonds				
- Bonds of the Government of the USA	AAA	Aaa	-	8 017 242
Corporate debt securities				
- Corporate bonds				
- OJSC FESCO	B-	-	B-	248 411
- Corporate eurobonds				
- OJSC Koks	B	B2	B-	603 436
Total debt securities issued included into financial assets available for sale				**9 034 060**

Russian Federation bonds (OFZ) are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 31 December 2015 OFZ bonds in the Bank's portfolio have the coupon rate of 6.9% per annum for the securities with maturity date in August 2016.

Subfederal bonds are Rouble-denominated interest-bearing securities issued by subjects of the Russian Federation and local governments. Subfederal bonds in the Bank's portfolio have maturity date in October 2016, the coupon rate of 7.85% per annum.

As at 31 December 2015 sovereign bonds are USD-denominated interest-bearing securities issued by the Government of the USA. Sovereign bonds in the Bank's portfolio have maturity date in November 2022, the coupon rate 1.63% per annum.

Corporate bonds are represented by Rouble-denominated interest-bearing securities issued by Russian company. As at 31 December 2015, corporate bonds in the Bank's portfolio have dates of maturity/redemption date from November 2017, the coupon rate from 12.0% per annum.

Corporate eurobonds are represented by USD-denominated interest-bearing securities issued by Russian company. As at 31 December 2015, corporate eurobonds in the Bank's portfolio have maturity date in July 2016, the coupon rate of 10.75% per annum.

Below is the credit quality analysis of individually impaired debt securities issued included into financial assets available for sale as at 31 December 2015:

	Overdue	
	from 1 to 6 months	Total
Corporate debt securities		
- Corporate bonds	111 403	111 403
Less: impairment of financial assets available for sale	(111 403)	(111 403)
Total individually impaired debt securities issued included into financial assets available for sale	**-**	**-**

Below are equity securities available for sale as at 31 December 2015 and 31 December 2014:

		Interest in share	Fair value	
Issuer	Type of business	capital, %	2015	2014
CJSC Editorial Office of Finansy Vostoka Journal	Financial publications	7.69	55	55
Total			**55**	**55**

(in thousands of Russian Roubles)

Movements in the provision for impairment of equity securities classified as financial assets available for sale in 2015 and 2014 are as follows:

	2015	2014
Provision for impairment of financial assets available for sale as at 1 January	**55**	**56**
Recovery of provision during the year	-	(1)
Provision for impairment of financial assets available for sale as at 31 December	**55**	**55**

10. Financial Assets, available for sale, pledged under repo agreements

Financial assets, available for sale, pledged under repo agreements, include assets available for sale which were provided as collateral under sale and repurchase agreements with the right to sell or repledge.

	2015
Sovereign debt securities	
- Bonds of the Government of the USA	750 351
Total financial assets, available for sale, pledged under repo agreements	**750 351**

Sovereign bonds in the Bank's portfolio as at 31 December 2015 are presented by the USD-denominated interest-bearing securities issued by the Government of the USA (2014: none). Sovereign bonds in the Bank's portfolio have maturity date in November 2022, the coupon rate 1.63% per annum.

Below is the credit quality analysis of issuers of debt securities classified as financial assets available for sale, pledged under repo agreements, as at 31 December 2015 in accordance with international agencies' ratings:

	Fitch	Moody's	Total
Sovereign debt securities			
- Bonds of the Government of the USA	AAA	Aaa	750 351
Total financial assets, available for sale, pledged under repo agreements			**750 351**

11. Investments held to maturity

	2014
Government and municipal debt securities	
- Russian Federation bonds (OFZ)	125 997
- Subfederal securities	261 893
Corporate debt securities	
- Corporate bonds	1 217 134
- Corporate eurobonds	757 259
Less: provision for impairment of investments held to maturity, pledged under repo agreements	(59 832)
Total investments held to maturity	**2 302 451**

During 2015 the Bank began to sell Investments, held to maturity, and it was decided to reclassified debt securities in the financial assets available for sale (Note 9).

(in thousands of Russian Roubles)

Movements in the provision for impairment of corporate debt securities classified as investments held to maturity in 2015 and 2014 are as follows:

	2015	2014
Provision for impairment of investments held to maturity as at 1 January	**59 832**	**-**
(Recovery of provision)/provision for impairment during the year	(59 832)	59 832
Provision for impairment of investments held to maturity as at 31 December	**-**	**59 832**

Below is the credit quality analysis of issuers of debt securities classified as impairment of investments held to maturity, pledged under repo agreements as at 31 December 2014 in accordance with the ratings of international agencies:

	Fitch	Moody’s	Amount	No rating assigned	Total
Government subfederal and municipal debt securities					
- Russian Federation bonds (OFZ)	BBB-	Baa3	125 997	-	125 997
- Subfederal securities					
- Omsk region	-	Baa3	259 275	-	259 275
Corporate debt securities					
- Corporate bonds					
- OJSC Mordovcement	-	-	-	370 716	370 716
- CJSC Hydromashservice	-	-	-	218 318	218 318
- OJSC Krayinvestbank	B	-	164 519	-	164 519
- CB Renaissance Credit (LLC)	-	E+	147 818	-	147 818
- JSCB Tatfondbank	-	E+	126 137	-	126 137
- OJSC Transaero Airlines	-	-	-	108 428	108 428
- LLC Uralsib Leasing	-	-	-	31 557	31 557
- Corporate eurobonds					
- OJSC Koks	-	B2	749 686	-	749 686
Total debt securities classified as impairment of investments held to maturity			**1 573 432**	**729 019**	**2 302 451**

Russian Federation bonds (OFZ) are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 31 December 2014, OFZ bonds in the Bank’s portfolio had the coupon rate of 6.88% per annum for the securities with maturity date in July 2015 and coupon rate of 7% per annum for the securities with maturity date in June 2015.

Subfederal bonds are Rouble-denominated interest-bearing securities issued by subjects of the Russian Federation. As at 31 December 2014, subfederal bonds in the Bank’s portfolio had maturity date in October 2016, the coupon rate of 7.85% per annum and yield to maturity of 7.5% per annum.

Corporate bonds are represented by Rouble-denominated interest-bearing securities issued by Russian companies and commercial banks. As at 31 December 2014, corporate bonds in the Bank’s portfolio had dates of maturity/redemption date from February 2015 to June 2016, the coupon rate from 10.25% to 15.5% per annum, depending on the issue, yield to maturity/redemption from 10.77% to 16.08% per annum, depending on the issue.

Corporate eurobonds are represented by USD-denominated interest-bearing securities issued by Russian companies. As at 31 December 2014, corporate eurobonds in the Bank’s portfolio had maturity date in June 2016, the coupon rate of 7.75% and yield to maturity of 8.95% per annum.

(in thousands of Russian Roubles)

Due to rapid deterioration of the situation in the world financial markets in 2014 financial assets at the end of 2014 were reclassified to investments held to maturity. The information on reclassification is presented in the table below:

Description	Fair value at the date of reclassification as at 1 October 2014	Fair value as at 31 December 2014	Income/(expense) from changes in the fair value of assets recognized as other comprehensive income
- Russian Federation bonds (OFZ)	126 863	123 615	(3 248)
- Bonds issued by RF subjects	263 461	201 304	(62 157)
- CB Renaissance Credit (LLC)	279 647	262 854	(16 793)
- OJSC Krayinvestbank	150 998	95 828	(55 170)
- JSCB Tatfonbank	123 560	126 224	2 664
- OJSC Mordovcement	418 349	357 360	(60 989)
- CJSC Hydromashservice	214 393	209 437	(4 956)
- OJSC Transaero Airlines	108 579	82 902	(25 677)
- LLC Uralsib Leasing	32 046	24 975	(7 071)
- CJSC Pioneer Group	135 083	114 051	(21 032)
- OJSC FESCO	291 277	215 915	(75 362)
- OJSC Koks	523 098	639 189	116 091
Total	**2 667 354**	**2 453 654**	**(213 700)**

Information on carrying and fair values of investments held to maturity reclassified in accordance with Amendments to IAS 39 and IFRS 7 is presented below:

(in thousands of Russian Roubles)

Reclassified financial asset	Balance amount as at 31 December 2014	Fair value as at 31 December 2014	Increase / (decrease) in the fair value of assets recognized as other comprehensive income as at 31 December 2014	Increase/(decrease) in the fair value of assets which would have been recognised within other comprehensive income without reclassification	Expense/(income) from changes in the fair value of assets recognized as other comprehensive income as at 31 December 2014
- Russian Federation bonds (OFZ)	125 378	123 615	(951)	(1 763)	(833)
- Bonds issued by RF subjects	263 715	201 304	(4 400)	(62 411)	45 377
- CB Renaissance Credit (LLC)	285 082	262 854	(5 466)	(22 228)	(3 431)
- OJSC Krayinvestbank	154 644	95 828	(2 271)	(58 816)	(1 045)
- JSCB Tatfonbank	127 334	126 224	(64)	(1 110)	2 796
- OJSC Mordovcement	410 814	357 360	(4 032)	(53 454)	(4 032)
- OJSC Mechel	-	-	-	-	19 777
- CJSC Hydromashservice	219 383	209 437	(898)	(9 946)	(898)
- NFK Bank (CJSC)	-	-	-	-	2 982
- OJSC Transaero Airlines	109 353	82 902	(874)	(26 451)	(874)
- OJSC Ural Bank of Reconstruction and Development	-	-	-	-	274
- NOTA-Bank (OJSC)	-	-	-	-	1 151
- OJSC RUSAL Bratsk	-	-	-	-	42 876
- LLC RMK - Finance	-	-	-	-	216
- UTair-Finance LLC	-	-	-	-	1 425
- LLC Uralsib Leasing	31 837	24 975	61	(6 862)	61
- CJSC Pioneer Group	131 369	114 051	(1 219)	(17 318)	(1 219)
- LLC RSG-Finance	-	-	-	-	1 741
- OJSC FESCO	283 072	215 915	(7 544)	(67 157)	(7 544)
- OJSC Koks	731 461	639 189	(44 281)	(92 292)	(20 712)
Total	**2 873 442**	**2 453 654**	**(71 939)**	**(419 808)**	**78 088**

(in thousands of Russian Roubles)

12. Investments held to maturity, pledged under repo agreements

Investments held to maturity, pledged under repo agreements are assets which were provided as collateral under repo agreements with the right of sale and subsequent pledge.

	2014
Corporate debt securities	
- Corporate bonds	570 458
Less: provision for impairment of investments held to maturity, pledged under repo agreements	(5 705)
Total investments held to maturity, pledged under repo agreements	**564 753**

Movements in the provision for impairment of corporate debt securities classified as investments held to maturity, pledged under repo agreements in 20154 and 2014 are as follows:

	2015	2014
Provision for impairment of investments held to maturity, pledged under repo agreements as at 1 January	**5 705**	**-**
(Recovery of provision)/provision for impairment during the year	(5 705)	5 705
Provision for impairment of investments held to maturity pledged, under repo agreements as at 31 December	**-**	**5 705**

As at 31 December 2014 corporate bonds are represented by Rouble-denominated interest-bearing securities issued by Russian commercial banks and companies which have dates of maturity/redemption date from February 2015 to May 2016, depending on the issue, the coupon rate from 10.25% to 14.50% per annum, depending on the issue.

Below is the credit quality analysis of issuers of debt securities classified as impairment of investments held to maturity, pledged under repo agreements as at 31 December 2014 in accordance with the ratings of international agencies:

	Fitch	Moody's	No rating assigned	Total
Corporate debt securities				
- Corporate bonds				
- CB Renaissance Credit (LLC)	-	E+	-	131 369
- OJSC FESCO	BBB+	-	-	296 368
- CJSC Pioneer Group	-	-	142 721	142 721
Total debt securities classified as impairment of investments held to maturity, pledged under repo agreements				**570 458**

(in thousands of Russian Roubles)

13. Investment property

Investment property consisted of nonresidential building with land at 43, Svetlanskaya st., Vladivostok.

During 2015 году Investment property were sold with the loss from sale totaled RUB 27 497 thousand.

As at 31 December 2014, the market value of land and building adjusted as a result of revaluation was RUB 131 191 thousand. Revaluation of investment property amounted to RUB 31 626 thousand and was recorded in the statement of profit or loss and other comprehensive income as a separate line. Investment property was appraised by the independent valuer NP Professional Club.

Below is the information on changes in the fair value of investment property:

	2015	2014
Cost as at 1 January	**131 191**	**-**
Transfer from premises and equipment	-	99 565
Revaluation of investment property	-	31 626
Disposal of investment property	(131 191)	-
Cost as at 31 December	**-**	**131 191**

As at 31 December 2014, the total deferred tax liability of RUB 6 325 thousand was computed in respect of total accumulated revaluation of Bank’s land and premises at fair value and recorded in the statement of profit or loss and other comprehensive income in accordance with IAS 40 (Note 25).

14. Premises and Equipment

	Land and premises	Furniture, computers and office equipment	Motor vehicles	Improvements to leasehold premises	Construction in progress	Total
Net book value as at 31 December 2014	**818 228**	**189 051**	**16 893**	**31 310**	**-**	**1 055 482**
Cost (or revalued amount)						
Balance as at 1 January 2015	818 228	531 289	40 168	39 849	-	1 429 534
Receipt under compensation agreements	195 490	-	-	-	110 191	305 681
Additions	-	29 246	939	3 698	-	33 883
Disposals	(16 271)	(31 339)	(4 627)	-	-	(52 237)
Balance as at 31 December 2015	**997 447**	**529 196**	**36 480**	**43 547**	**110 191**	**1 716 861**
Accumulated depreciation						
Balance as at 1 January 2015	-	342 238	23 275	8 539	-	374 052
Depreciation charge	17 365	65 299	6 789	10 641	-	100 094
Disposals	(217)	(30 399)	(2 954)	-	-	(33 570)
Balance as at 31 December 2015	**17 148**	**377 138**	**27 110**	**19 180**	**-**	**440 576**
Net book value as at 31 December 2015	**980 299**	**152 058**	**9 370**	**24 367**	**110 191**	**1 276 285**

(in thousands of Russian Roubles)

In 2015 году the Bank puts into operations immovable assets in the amount RUB 195 490 thousand, received under compensation agreements.

Construction in progress are presented by the building located at: 21, Muravyova-Amurskogo street, Vladivostok. In 2016 the Bank plans to transfer this asset to the relevant category of the premises and equipment.

As at 31 December 2015, the Bank decided not to revalue its premises, because the market review of the office and production facilities performed by NP Professional Club demonstrate insignificant changes in the market prices in 2015.

As at 31 December 2015, the total deferred tax liability of RUB 102 075 thousand was computed in respect of total accumulated revaluation of land and premises at fair value and recorded within equity in accordance with IAS 16 (Note 25).

	Land and premises	Furniture, computers and office equipment	Motor vehicles	Improvements to leasehold premises	Construction in progress	Total
Net book value as at 31 December 2013	**470 958**	**487 017**	**33 786**	**33 376**	**316 982**	**1 342 119**
Cost (or revalued amount)						
Balance as at 1 January 2014	470 958	487 017	33 786	33 376	316 982	1 342 119
Additions	59 199	56 709	8 463	6 473	1 204	132 048
Revaluation	141 118	-	-	-	-	141 118
Accumulated depreciation eliminated against gross carrying amount of the asset on revaluation	(19 672)	-	-	-	-	(19 672)
Deficit on revaluation in the statement of profit or loss and other comprehensive income	(47 632)	-	-	-	-	(47 632)
Transfers between categories	318 186	-	-	-	(318 186)	-
Transfer to investment property	(103 670)	-	-	-	-	(103 670)
Disposals	(259)	(12 437)	(2 081)	-	-	(14 777)
Balance as at 31 December 2014	**818 228**	**531 289**	**40 168**	**39 849**	**-**	**1 429 534**
Accumulated depreciation						
Balance as at 1 January 2014	9 403	274 426	17 487	6 252	-	307 568
Depreciation charge	14 374	80 023	7 737	2 287	-	104 421
Accumulated depreciation eliminated on revaluation	(19 672)	-	-	-	-	(19 672)
Transfer to investment property	(4 105)	-	-	-	-	(4 105)
Disposals	-	(12 211)	(1 949)	-	-	(14 160)
Balance as at 31 December 2014	**-**	**342 238**	**23 275**	**8 539**	**-**	**374 052**
Net book value as at 31 December 2014	**818 228**	**189 051**	**16 893**	**31 310**	**-**	**1 055 482**

(in thousands of Russian Roubles)

In 2014 the Bank transferred a building, which was earlier recognized as construction in progress, into premises and equipment

The Bank took a decision on revaluation of land and premises at fair value as at 31 December 2014. The appraisal was performed by the independent firm NP Professional Club and was based on the market value. As at 31 December 2014, the net book value of buildings included RUB 514 910 thousand, representing positive revaluation of the Bank's premises and equipment.

The net book value of the administrative building within premises and equipment at 131B, Svetlanskaya st., Vladivistok exceeded the appraised value as at 31 December 2014. Therefore, the cost of the building was lowered to the appraised value and the difference was recorded in the statement of profit or loss and other comprehensive income, as deficit on revaluation of premises and equipment. The deficit on revaluation amounted to RUB 47 632 thousand.

As at 31 December 2014, the total deferred tax liability of RUB 102 983 thousand was computed in respect of total accumulated revaluation of Bank's land and premises at fair value and recorded within equity in accordance with IAS 16 (Note 25).

If the premises were measured using the cost model, the net book value would be as follows:

	2015	2014
Cost	383 064	208 112
Accumulated depreciation and impairment	(40 302)	(32 641)
Net book value	**342 762**	**175 471**

15. Other Assets

	2015	2014
Settlements with payment systems	1 228 112	410 764
Collateral retained in ownership for non-payments	110 731	143 305
Receivables	109 840	96 418
Prepaid taxes (other than income tax)	59 272	36 587
Plastic card settlements	31 800	12 051
Advance payments	3 312	36 322
Investments in share capitals of other companies	1 412	3
Other	1 944	3 450
Less: provision for impairment of other assets	(68 588)	(44 575)
Total other assets	**1 477 835**	**694 325**

Collateral retained in ownership for non-payments, represents assets received by the Bank in settlement of overdue loans. The Bank intends to sell these assets in the foreseeable future. These assets are not treated as held for sale assets in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" as the Bank did not launch an active marketing campaign to sell them.

(in thousands of Russian Roubles)

Movements in the provision for impairment of other assets during 2015 and 2014 are as follows:

	Receivables	Advances issued	Investments in share capitals of other companies	Total
Provision for impairment of other assets as at 1 January 2014	**40 935**	**511**	**1**	**41 447**
(Recovery of provision)/provision for impairment during 2014	9 404	(61)	-	9 343
Receivables written off during 2014 as uncollectible	(6 215)	-	-	(6 215)
Provision for impairment of other assets as at 31 December 2014	**44 124**	**450**	**1**	**44 575**
Provision for impairment/(recovery of provision) during 2015	24 877	(442)	-	24 435
Receivables written off during 2015 as uncollectible	(422)	-	-	(422)
Provision for impairment of other assets as at 31 December 2015	**68 579**	**8**	**1**	**68 588**

Below is the list of investments in share capitals of other companies:

	2015		2014	
Company	**Amount of investments**	**Share of control, %**	**Amount of investments**	**Share of control, %**
LLC Tikhookeanskaya Leasing Company	0.5	5	0.5	5
LLC Primorskaya Leasing Company	0.5	5	0.5	5
LLC East-Asian Leasing Company	0.5	5	0.5	5
CJSC Yakov Semenov	1.7	14	1.7	14
S.W.I.F.T.	1 409	0,01	-	-
Total investments in share capitals of other companies	**1 412**		**3**	

Below is the credit quality analysis of financial assets included within other assets as at 31 December 2015:

	Current and unimpaired	Individually impaired	Total
Settlements with payment systems	1 228 112	-	1 228 112
Receivables	-	109 840	109 840
Plastic card settlements	31 800	-	31 800
Settlements on conversion operations	1 409	3	1 412
Less: provision for impairment of other assets	-	(68 580)	(68 580)
Total financial assets included within other assets	**1 261 321**	**41 263**	**1 302 584**

(in thousands of Russian Roubles)

Below is the credit quality analysis of financial assets included within other assets as at 31 December 2015:

	Current	From 1 to 6 months overdue	From 6 to 12 months overdue	More than 1 year overdue	Total
Receivables	79 036	2 707	440	27 657	109 840
Investments in share capitals of other companies	3	-	-	-	3
Less: provision for impairment of other assets	(38 706)	(1 777)	(440)	(27 657)	(68 580)
Total impaired financial assets included within other assets	**40 333**	**930**	**-**	**-**	**41 263**

Below is the credit quality analysis of financial assets included within other assets as at 31 December 2014:

	Current and unimpaired	Individually impaired	Total
Settlements with payment systems			
Receivables	410 764	-	410 764
Plastic card settlements	42 208	54 210	96 418
Settlements on conversion operations	12 051	-	12 051
Investments in share capitals of other companies	-	3	3
Less: provision for impairment of other assets	-	(44 575)	(44 575)
Total financial assets included within other assets	**465 023**	**9 638**	**474 661**

Below is the credit quality analysis of impaired financial assets included within other assets as at 31 December 2014:

	Current	From 1 to 6 months overdue	From 6 to 12 months overdue	More than 1 year overdue	Total
Receivables	-	41 655	3 043	9 512	54 210
Investments in share capitals of other companies	3	-	-	-	3
Less: provision for impairment of other assets	(1)	(33 462)	(3 038)	(8 074)	(44 575)
Total impaired financial assets included within other assets	**2**	**8 193**	**5**	**1 438**	**9 638**

As at 31 December 2015 and 31 December 2014, receivables are not collateralised.

(in thousands of Russian Roubles)

16. Due to Other Banks

	2015	2014
Term loans and deposits of other banks	708 927	130 000
Correspondent accounts of other banks	3 339	10 397
Repo agreements with the Bank of Russia	-	369 430
Total due to other banks	**712 266**	**509 827**

As at 31 December 2015 financial assets, available for sale, pledged under repo agreements in the amount of RUR 750 351 thousand (2014: investments held to maturity, pledged under repo agreements in the amount of RUR 564 753 thousand) were provided by the Bank to third parties as collateral against its liabilities on term bank deposits (Note 10, 11).

As at 31 December 2015 the Bank did not have counterparty (2014: 1 counterparty) with the total cash balance over 10% of the Bank’s capital (2014: the aggregate amount of these funds was RUB 369 430 thousand or 72.5% of total due to other banks).

17. Customer Accounts

	2015	2014
State and public organisations		
— Current/settlement accounts	141 729	157 214
— Term deposits	101 932	-
Other legal entities		
— Current/settlement accounts	4 004 079	4 719 492
— Term deposits	832 251	634 792
Individuals		
— Current/demand accounts	3 589 194	3 040 856
— Term deposits	17 255 687	13 776 072
Total customer accounts	**25 924 872**	**22 328 426**

According to the Russian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate paid by the Bank on demand deposits unless otherwise specified by the contract.

Economic sector concentrations within customer accounts are as follows:

	2015		2014	
	Amount	%	Amount	%
Individuals	20 844 881	80.4	16 816 928	75.3
Trade	2 063 238	8.0	1 834 239	8.2
Services	1 246 009	4.8	965 185	4.3
Industry	484 077	1.9	627 544	2.8
Transport and communications	411 049	1.6	485 869	2.2
Construction	393 505	1.5	421 235	1.9
State-owned and public organisations	243 661	0.9	157 214	0.7
Shipbuilding and ship repairing	59 246	0.2	881 415	4.0
Fishery	32 763	0.1	22 921	0.1
Other	146 443	0.6	115 876	0.5
Total customer accounts	**25 924 872**	**100.0**	**22 328 426**	**100.0**

As at 31 December 2015, the Bank had one customer (2014: one customer) with total balances over 10% of the Bank’s capital. The aggregate amount of these customer accounts was RUB 1 641 737 thousand or 6.3% of total customer accounts (2014: RUB 627 517 thousand or 2.8% of total customer accounts).

(in thousands of Russian Roubles)

18. Debt Securities Issued

As at 31 December 2015 debt securities issued by the Bank include the Rouble-denominated not-interest bearing note with the nominal amount of RUB 34 522 thousand, and maturity date in May 2016.

As at 31 December 2014, there were no debt securities issued.

19. Other Liabilities

	Note	2015	2014
Provision for credit related commitments	31	43 547	83 149
Taxes other than income tax		28 658	6 886
Payables to employees		28 038	27 089
Payables on bank's guarantees		14 584	20 735
Payables		11 566	20 015
Payables to the Deposit Insurance Agency		6 012	6 624
Plastic card settlements		4 707	6 688
Dividends payable	27	342	742
Other		5 791	8 758
Total other liabilities		**143 245**	**180 686**

Movements in provision for non-credit related commitments in 2015 and 2014 years are as follows:

	2015	2014
Provision for non-credit related commitments as at 1 January	**-**	**208**
Recovery of provision for non-credit related commitments during the year	-	(50)
Non-credit related commitments written off during the year	-	(158)
Provision for non-credit related commitments as at 31 December	**-**	**-**

20. Share Capital and Share Premium

Authorised, issued and fully paid share capital comprises:

	2015			2014		
	Number of shares	Nominal value	Inflation adjusted amount	Number of shares	Nominal value	Inflation adjusted amount
Ordinary shares	250 000	250 000	381 027	250 000	250 000	381 027
Total share capital	**250 000**	**250 000**	**381 027**	**250 000**	**250 000**	**381 027**

All ordinary shares have a nominal value of RUB 1 thousand per share and carry one vote.

Share premium represents the excess of contributions over the nominal value of the shares issued. As at 31 December 2015 the share premium amounted to RUB 352 357 thousand (2014: RUB 352 357 thousand). The above amounts were adjusted for inflation.

21. Retained Earnings according to Russian Legislation

According to the Russian legislation only accumulated retained earnings reflected in the Bank's statutory financial statements may be distributed as dividends among the shareholders. As at 31 December 2015, the Bank's retained earnings amounted to RUB 2 449 267 thousand (2014: RUB 2 443 736 thousand), including loss of the reporting year in the amount of RUB 608 432 thousand (2014: income amounted to RUB 617 335 thousand).

Equity reflected in the Bank's statutory records includes a reserve fund in the amount of RUB 12 500 thousand (2014: RUB 12 500 thousand) that represents funds provided, as required by the regulations of the Russian Federation, in respect of the Bank's general banking risks, including future losses and other unforeseen risks or contingent liabilities.

(in thousands of Russian Roubles)

22. Interest Income and Expense

	2015	2014
Interest income		
Loans to customers	1 950 173	1 909 283
Financial assets available for sale and financial assets pledged under repo agreements	306 272	605 667
Due from other banks	21 311	1 793
Correspondent accounts with other banks	227	51
Total interest income	**2 277 983**	**2 516 794**
Interest expense		
Customer accounts	1 915 364	1 035 028
Due to other banks	14 150	101 331
Debt securities issued	2 317	290
Total interest expense	**1 931 831**	**1 136 649**
Net interest income	**346 152**	**1 380 145**

23. Fee and Commission Income and Expense

	2015	2014
Fee and commission income		
Commission for transfer of funds	246 803	235 396
Commission on currency transactions	187 809	258 516
Commission on settlement and cash transactions	166 089	239 606
Commission for plastic card transactions	148 743	103 311
Commission for cashing services	78 425	103 916
Commission for cash acceptance and recalculation	48 412	46 748
Commission on guarantees issued	31 146	16 941
Other	34 994	29 878
Total fee and commission income	**942 421**	**1 034 312**
Fee and commission expense		
Commission on settlement and cash transactions	116 051	102 656
Commission on currency transactions	17 017	23 268
Other	3 897	2 049
Total fee and commission expense	**136 965**	**127 973**
Net fee and commission income	**805 456**	**906 339**

24. Operating Expenses

	Note	2015	2014
Staff costs		705 751	683 905
Rent expenses		116 262	110 265
Professional services (security, communications and other)		100 459	96 119
Depreciation of premises and equipment	14	100 094	104 421
Administrative expenses		81 106	83 414
Insurance contributions to Mandatory Insurance Agency		63 886	43 045
Taxes (other than income tax)		47 420	52 102
Premises and equipment maintenance costs, including utilities		35 196	31 198
Expenses arising from write-off of inventories		31 722	54 281
Repair costs		15 656	66 553
Advertising and marketing		10 748	20 448
Charity		-	2 944
Other		26 447	27 522
Total operating expenses		**1 334 747**	**1 376 217**

(in thousands of Russian Roubles)

25. Income Tax

Income tax expense comprises the following:

	2015	2014
Current income tax expense	3 807	49 551
Deferred taxation movement due to origination and reversal of temporary differences	(135 295)	119 308
Less: deferred taxation charged directly to other comprehensive income	837	(43 842)
Income tax expense for the year	**(130 651)**	**125 017**

The current tax rate applicable to the majority of the Bank's profit in 2015 is 20% (2014: 20%).

Reconciliation between the theoretical and the actual taxation charge is provided below:

	2015	2014
IFRS (loss)/income before taxation	**(629 753)**	**620 043**
Theoretical tax (recovery)/charge at the applicable statutory rate (2015: 20%; 2014: 20%)	(125 951)	124 009
Non-deductible charity expenses	-	589
Income on government securities taxed at different rates (15%)	(1 269)	(2 185)
Non-deductible expenses less non-taxable income	(3 431)	2 604
Income tax expense for the year	**(130 651)**	**125 017**

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial statement purposes and for the Bank income tax purposes.

	2015	Movement	2014
Tax effect of deductible temporary differences			
Accumulated tax loss	427 776	427 776	-
Loans to customers	97 556	31 384	66 172
Fair value remeasurement of financial assets available for sale	15 224	837	14 387
Provision for credit related commitments	8 709	(7 921)	16 630
Remuneration payable to employees	5 608	(1 135)	6 743
Premises and equipment	7 640	7 640	-
Provision for impairment of other assets	13 718	4 803	8 915
Other	6 642	(827)	7 469
Gross deferred tax assets	**582 873**	**462 557**	**120 316**
Tax effect of taxable temporary differences			
Revaluation of premises and equipment	(102 075)	908	(102 983)
Revaluation of investment property	-	6 325	(6 325)
Revaluation of financial assets available for sale at the applicable exchange rate	(401 478)	(401 478)	-
Revaluation of investments held to maturity at the applicable exchange rate	-	60 571	(60 571)
Provision for financial assets available for sale	(8 997)	(8 997)	-
Provision for investments held to maturity	-	11 102	(11 102)
Premises and equipment	-	2 696	(2 696)
Financial assets and liabilities at fair value through profit or loss	(4)	4 023	(4 027)
Discount on financial assets available for sale and financial assets pledged under repo agreements	(5 614)	(2 412)	(3 202)
Gross deferred tax liabilities	**(518 168)**	**(327 262)**	**(190 906)**
Total net deferred tax assets	**64 705**	**135 295**	**(70 590)**

(in thousands of Russian Roubles)

	2014	Movement	2013
Tax effect of deductible temporary differences			
Loans to customers	66 172	(3 794)	69 966
Fair value remeasurement of financial assets available for sale	14 387	(15 618)	30 005
Provision for credit related commitments	16 630	1 118	15 512
Remuneration payable to employees	6 743	(5 544)	12 287
Provision for impairment of other assets	8 915	626	8 289
Revaluation of financial assets available for sale and financial assets pledged under repo agreements at the applicable exchange rate	-	(2 417)	2 417
Financial assets and liabilities at fair value through profit or loss	-	(548)	548
Other	7 469	306	7 163
Gross deferred tax assets	**120 316**	**(25 871)**	**146 187**
Tax effect of taxable temporary differences			
Revaluation of premises and equipment	(102 983)	(28 224)	(74 759)
Revaluation of investment property	(6 325)	(6 325)	-
Revaluation of investments held to maturity at the applicable exchange rate	(60 571)	(60 571)	-
Provision for investments held to maturity	(11 102)	(11 102)	-
Provision for impairment of financial assets available for sale and financial assets pledged under repo agreements made in tax records	-	14 791	(14 791)
Premises and equipment	(2 696)	2 607	(5 303)
Financial assets and liabilities at fair value through profit or loss	(4 027)	(4 027)	-
Discount on financial assets available for sale and financial assets pledged under repo agreements	(3 202)	(586)	(2 616)
Gross deferred tax liabilities	**(190 906)**	**(93 437)**	**(97 469)**
Total net deferred tax assets	**(70 590)**	**(119 308)**	**48 718**

Net deferred tax assets represent the amounts of income tax that may be offset against future income taxes and are reported as deferred tax assets in the statement of financial position. Deferred tax asset arising from tax loss carryfowards is recognised to the extent that it is probable that the respective tax benefit can be utilised.

The Bank has tax losses in the amount of RUB 2 138 880 thousand, which can be offset against future taxable income. Tax effect of the tax losses was recorded in the financial statement as accumulated deferred tax loss.

As at 31 December 2015, the total deferred tax liability of RUB 102 074 thousand was calculated in respect of positive revaluation of land and premises recorded within premises and equipment at fair value (2014: 102 983 thousand) and recorded within revaluation reserve for premises and equipment in accordance with IAS 16 (Note 14).

As at 31 December 2015 investment property was disposed (Note 13).

As at 31 December 2014, the total deferred tax liability of RUB 6 325 thousand was calculated in respect of positive revaluation of land and premises recorded within investment property at fair value and recorded in the statement of profit or loss and other comprehensive income in accordance with IAS 40 (Note 13).

26. (Loss)/ Earnings per Share

Basic earnings/(loss) per share are calculated by dividing net loss or net profit, attributable to the ordinary shares by the weighted average number of ordinary shares outstanding during the year less the average number of ordinary shares bought out by the Bank from its shareholders.

The Bank has no potentially dilutive ordinary shares, therefore, diluted earnings/(loss) per share equal basic earnings/(loss) per share.

	2015	2014
Net(loss)/ profit (in thousands of RUB)	(499 102)	495 026
Weighted average number of outstanding ordinary shares (in thousands))	250	250
Basic (loss)/ earnings per share (RUB per share)	**(1 996,4)**	**1 980,1**

27. Dividends

	2015	2014
Dividends payable as at 1 January	**742**	**1 779**
Dividends declared during the year	-	39 760
Dividends paid during the year	-	(40 797)
Add to retained earnings	(400)	-
Dividends payable as at 31 December	**342**	**742**
Dividends per share declared during the year, RUB	**-**	**163**

After the expiration of the period to claim the payment of dividends, the Bank took a decision to transfer unclaimed dividends in the amount of RUB 400 thousand to retained earnings.

28. Segment Reporting

The Bank has the following three main business segments:

Treasury business – this business segment includes trading in financial instruments, transactions with securities and derivatives, including REPO deals, foreign currency transactions, raising and originating loans on interbank loan markets. Besides, the treasury function includes the Bank's short-term asset management and the Bank's position in foreign currencies, i.e. currency risk management.

Corporate business – this business segment includes services associated with servicing settlement and current accounts of legal entities, acceptance of deposits from corporate clients, extension of credit lines in the form of overdrafts, issuance of loans and other types of financing, rendering of investment banking services, trade financing of corporate clients.

Retail business – this segment covers rendering of banking services to individuals - opening and maintaining accounts, accepting deposits from individuals, fiduciary services, accumulation of investments, servicing debit and credit cards, consumer and mortgage lending.

The Bank's transactions not included in the above business segments are disclosed separately.

Transactions between business segments are based on commercial terms. In the ordinary course of business the Bank's financial resources are reallocated between business segments. As a result, intersegment allocations are reflected within assets/liabilities of a business segment and the cost of reallocated financial resources is included in the business segment income/expenses.

The Current Risk and Liquidity Management Unit analyses financial information prepared in accordance with the Russian legislation requirements. This financial information differs, in certain respects, from the information prepared under IFRS:

- loan provisions are recognised in accordance with the Russian legislation rather than on the basis of the incurred loss model required by IAS 39;
- fee and commission income from loan origination is recorded immediately and not in future periods using the effective interest rate method;

(in thousands of Russian Roubles)

– liabilities for unused vacations are not recognised.

The Bank's Executive Board uses profit before taxation as a basis for assessing the segment's performance.

Segment information on the Bank's main business segments for the year ended 31 December 2015 is given in the table below:

	Treasury business	Corporate business	Retail business	Not allocated	Total
Assets					
Cash and cash equivalents	614 730	1 151 883	-	4 597 197	6 363 810
Funds with CBR, including mandatory cash balances with the Central Bank of the Russian Federation	169 037	-	-	-	169 037
Financial assets at fair value through profit or loss	-	20	-	-	20
Due from other banks	396 964	-	-	-	396 964
Loans to customers	-	9 012 009	1 295 912	-	10 307 921
Financial assets available for sale	8 182 213	884 039	-	-	9 066 252
Financial assets, available for sale, pledged under repo agreements	750 351	-	-	-	750 351
Premises and equipment	-	-	-	1 276 285	1 276 285
Other assets	59 272	1 282 910	24 922	110 731	1 477 835
Total assets by segment	**10 172 567**	**12 330 861**	**1 320 834**	**5 984 213**	**29 808 475**

Reconciliation to assets in the statement of financial position	
Elimination of intra-company balances and reclassification	(252 288)
Provision for impairment of loans to customers	(221 614)
Impairment of financial assets available for sale	(32 192)
Materials written off to expenses	(11 772)
Deferred taxation	64 705
Other adjustments	12 749
Total assets	**29 368 063**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Not allocated	Total
Liabilities					
Due to other banks	708 927	3 339	-	-	712 266
Customer accounts	-	5 079 991	20 844 881	-	25 924 872
Debt securities issued	-	34 522	-	-	34 522
Financial liabilities at fair value through profit or loss	-	68 068	-	-	68 068
Other liabilities	28 658	41 010	28 038	1 992	99 698
Provisions for credit related commitments and other possible losses	-	43 547	-	-	43 547
Total liabilities by segment	**737 585**	**5 270 477**	**20 872 919**	**1 992**	**26 882 973**

Reconciliation to liabilities in the statement of financial position	
Elimination of intra-company balances and reclassification	24 281
Liabilities accrued on unused vacations	(28 038)
Commission for guarantees accrued	(14 584)
Other adjustments	18 341
Total liabilities	**26 882 973**

(in thousands of Russian Roubles)

Segment information on the Bank's main business segments for the year ended 31 December 2014 is given in the table below:

	Treasury business	Corporate business	Retail business	Not allocated	Total
Assets					
Cash and cash equivalents	245 974	1 851 821	-	3 533 825	5 631 620
Funds with CBR, including mandatory cash balances with the Central Bank of the Russian Federation	215 984	-	-	-	215 984
Due from other banks	650 000	333 877	-	-	983 877
Loans to customers	-	8 639 977	6 875 013	-	15 514 990
Financial assets at fair value through profit or loss	-	23 072	32	-	23 104
Investments held to maturity, pledged under repo agreements	125 997	2 834 582	-	-	2 960 579
Investment property	-	-	-	131 191	131 191
Premises and equipment	-	-	-	903 848	903 848
Other assets	848	306 567	33 702	9 883	351 000
Total assets by segment	**1 238 803**	**13 989 896**	**6 908 747**	**4 578 747**	**26 716 193**

Reconciliation to assets in the statement of financial position	
Elimination of intra-company balances and reclassification	(148 961)
Loans remeasured at amortised cost	(18 923)
Provision for impairment of loans to customers	(310 971)
Provision for impairment of investments held to maturity	(37 699)
Adjustment of premises and equipment	23 063
Deferred taxation	(70 590)
Materials written off to expenses	(15 645)
Other adjustments	(56 826)
Total assets	**26 079 641**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Not allocated	Total
Liabilities					
Due to other banks	369 430	140 397	-	-	509 827
Customer accounts	157 214	5 354 284	16 816 928	-	22 328 426
Financial liabilities at fair value through profit or loss	-	2 972	-	-	2 972
Other liabilities	6 887	39 215	44 871	6 564	97 537
Provisions for credit related commitments and other possible losses	-	83 149	-	-	83 149
Total liabilities by segment	**533 531**	**5 620 017**	**16 861 799**	**6 564**	**23 021 911**

Reconciliation to liabilities in the statement of financial position	
Elimination of intra-company balances and reclassification	21 694
Liabilities accrued on unused vacations	(33 713)
Other adjustments	82 609
Total liabilities	**23 092 501**

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

	Treasury business	Corporate business	Retail business	Not allocated	Total
Interest income	-	2 128 562	149 421	-	2 277 983
Interest expense	-	(142 484)	(1 789 347)	-	(1 931 831)
Gains less losses arising from financial assets at fair value through profit or loss	-	(1 685 578)	-	-	(1 685 578)
Gains less losses arising from financial assets available for sale, financial assets, available for sale, pledged under repo agreements and investments held to maturity	(5 553)	(49 923)	-	-	(55 476)
Fee and commission income	-	444 038	227 168	271 215	942 421
Fee and commission expense	-	(64 780)	(51 271)	(20 914)	(136 965)
Gains less losses from dealing in foreign currency	-	(156 784)	(58 886)	497 123	281 453
Loss from sale of investment property	-	(27 497)	-	-	(27 497)
Foreign exchange translation gains less losses	-	-	-	2 453 965	2 453 965
Other income	-	7 160	6 003	55 145	68 308
Net operating (expenses)/ income by segment	**(5 553)**	**452 714**	**(1 516 912)**	**3 256 534**	**2 186 783**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Not allocated	Total
Provision for impairment of loans to customers and correspondent account balances	-	(1 428 994)	(22 096)	-	(1 451 090)
Impairment of financial assets available for sale	-	(111 403)	-	-	(111 403)
Provision for impairment of Investments held to maturity and financial assets pledged under repo agreements	-	65 537	-	-	65 537
Provision for impairment of credit related commitments and other assets	-	15 167	-	-	15 167
Operating expenses	-	(199 973)	(721 155)	(413 619)	(1 334 747)
Loss before taxation by segment	**(5 553)**	**(1 206 952)**	**(2 260 163)**	**2 842 915**	**(629 753)**
Income tax recovery					21 317
Loss by segment					**(608 436)**

Reconciliation to loss before taxation in the statement of profit or loss and other comprehensive income	
Recovery of provision for credit related commitments	55 675
Additional accrual of provision for loans to customers	(221 614)
Recovery of provision for investments held to maturity	79 266
Additional accrual of remuneration to employees	(22 026)
Deferred taxation	21 811
Commission for guarantees accrued	(14 584)
Materials written off to expenses	(11 772)
Other adjustments	222 578
Total loss	**(499 102)**

(in thousands of Russian Roubles)

The table below shows a breakdown of the Bank's statement of profit or loss and other comprehensive income by business segments for the year ended 31 December 2014:

	Treasury business	Corporate business	Retail business	Not allocated	Total
Interest income	-	2 286 038	230 756	-	2 516 794
Interest expense	-	(252 628)	(884 021)	-	(1 136 649)
Gains less losses arising from financial assets available for sale	1 096	26 308	-	-	27 404
Fee and commission income	-	666 096	154 251	213 965	1 034 312
Fee and commission expense	-	(53 689)	(52 346)	(21 938)	(127 973)
Deficit on revaluation of premises and equipment	-	-	-	(47 632)	(47 632)
Gains less losses from dealing in foreign currency	-	273 122	138 580	352 584	764 286
Foreign exchange translation gains less losses	-	-	-	(472 953)	(472 953)
Gains less losses from revaluation of investment property	-	-	-	31 626	31 626
Other income	-	4 140	4 723	19 809	28 672
Net operating income by segment	**1 096**	**2 949 387**	**(408 057)**	**75 461**	**2 617 887**
Provision for impairment of loans to customers and correspondent account balances	-	(530 060)	(11 147)	-	(541 207)
Provision for impairment of investments held to maturity and financial assets pledged under repo agreements	-	(65 537)	-	-	(65 537)
Provision for impairment of credit related commitments and other assets	-	(7 901)	(6 982)	-	(14 883)
Operating expenses	-	(226 832)	(684 287)	(465 098)	(1 376 217)
Profit/(loss) before taxation by segment	**1 096**	**2 119 057**	**(1 110 473)**	**(389 637)**	**620 043**
Income tax expense					(2 708)
Profit by segment					**617 335**

Reconciliation to profit before taxation in the statement of profit or loss and other comprehensive income	**Total**
Recovery of provision for credit related commitments	27 544
Additional accrual of provision for loans to customers	(310 971)
Financial assets remeasured at amortised cost	22 950
Additional accrual of remuneration to employees	(33 713)
Deferred taxation	(70 590)
Materials written off to expenses	(15 645)
Financial result from transactions in financial derivative instruments	2 740
Other adjustments	255 376
Total profit	**495 026**

29. Risk Management

The risk management function within the Bank is carried out in respect of financial risks (industry, credit, market, currency, liquidity and interest rate), operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Industry risk. One of the main risks is industry concentration in construction of residential and commercial property and financing of residential and commercial property investors. Industry risk is managed by evaluating construction projects (consideration of project implementation cycle, market analysis and substantiation of competitiveness, payback period and profitability), evaluating developers, monitoring projects and determining financing forms. Refinancing or co-investor involvement is considered when acceptable concentrations are exceeded. Stress-testing of probable losses and possible impact on capital is performed with a certain periodicity. The stress-testing results are discussed at the Credit Committee and are taken into consideration while developing the Credit Policy. In case of stress situations (decreasing market demand, macroeconomic deterioration) equity investments (projects) are sold.

Credit risk. The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank controls the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of related borrowers. Such risks are monitored by the Bank on a regular basis, the limits being subject to an annual or more frequent review. Limits on the level of credit risk by product, borrowers and industry segments are approved by the Bank's Credit Committee.

The exposure to any one borrower including banks and broker companies is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures are monitored against limits dailye.

In accordance with the Bank's credit policy, credit risk is managed through a two-level management system for the loan portfolio as a whole using management of limits and provisions for possible losses, risk assessment for major transactions, regulation of interaction with credit risk generating services and also via a system of assessment and minimisation of risk on individual transactions in compliance with the set limits. The limits are set by borrower business segments, major borrower concentration, borrowers' relatedness, and credit products (corporate, standardised, or retail). An individual approach is used to arrange the control and monitoring system. The Bank regulates authority of agencies and certain officials to carry out loan transactions. Geographical diversification of the loan portfolio is performed to decrease risk concentration. The Bank promptly and adequately responds to negative trends when they arise to prevent critically high levels of credit risk, conducts HR management activities including training and professional development of employees and management engaged in credit transactions.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying value of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credits, the maximum exposure to credit risk is equal to total liabilities disclosed in Note 31.

When problem assets arise the work is coordinated by the Credit Committee with possible involvement of specialised organisations.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making contingent obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedure.

The Bank performs the loan maturity analysis and subsequent monitoring of overdue balances. Therefore, the management provides information on maturities and other information on credit risk, as described in Notes 7, 8, 9, 10, 11, 12, 15 and 31.

(in thousands of Russian Roubles)

The Bank is exposed to early redemption risk as a result of lending at fixed or variable interest rates, including mortgage loans, that entitles the borrower to repay loans ahead of schedule. The financial result and the Bank's equity for the current year and at the end of the reporting period would not greatly depend on the rate fluctuations in case of early redemption because such loans are carried at amortised cost whereas the amount to be early redeemed corresponds or nearly corresponds to the amortised cost of loans to customers.

Market risk. The Bank takes on exposure to market risk arising from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Current Risk and Liquidity Management Unit sets limits in respect of the risks assumed. However, the use of this approach does not prevent losses beyond these limits in the event of more significant market movements.

The market risk is assessed by the Bank in accordance with the requirements of CBR Regulation No. 387-P of 28 September 2012 "On procedure of market risk calculation by credit institutions" (as amended by CBR Directive No. 3092-U of 25 November 2014).

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

	Russia	**OECD**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	5 686 645	409 796	267 369	6 363 810
Mandatory cash balances with the Central Bank of the Russian Federation	169 037	-	-	169 037
Financial assets at fair value through profit or loss	20	-	-	20
Due from other banks	263 375	20 347	113 242	396 964
Loans to customers	9 834 019	-	-	9 834 019
Financial assets available for sale	1 016 818	8 017 242	-	9 034 060
Financial assets, available for sale, pledged under repo agreements	-	750 351	-	750 351
Premises and equipment	1 276 285	-	-	1 276 285
Other assets	1 476 004	1 409	422	1 477 835
Current tax assets	977	-	-	977
Deferred tax assets	64 705	-	-	64 705
Total assets	**19 787 885**	**9 199 145**	**381 033**	**29 368 063**
Liabilities				
Due to other banks	712 266	-	-	712 266
Customer accounts	25 754 748	118 411	51 713	25 924 872
Debt securities issued	34 522	-	-	34 522
Financial liabilities at fair value through profit or loss	68 068	-	-	68 068
Other liabilities	142 972	-	273	143 245
Total liabilities	**26 712 576**	**118 411**	**51 986**	**26 882 973**
Net balance sheet position	**(6 924 691)**	**9 080 734**	**329 047**	**2 485 090**
Credit related commitments	**1 686 028**	**-**	**-**	**1 686 028**

(in thousands of Russian Roubles)

The geographical concentration of the Bank's assets and liabilities as at 31 December 2014 is set out below:

	Russia	**OECD**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	3 846 208	1 768 583	16 829	5 631 620
Mandatory cash balances with the Central Bank of the Russian Federation	215 984	-	-	215 984
Financial assets at fair value through profit or loss	23 104	-	-	23 104
Due from other banks	983 877	-	-	983 877
Loans to customers	14 385 649	-	35 071	14 420 720
Investments held to maturity, pledged under repo agreements	564 753	-	-	564 753
Investments held to maturity	2 302 451	-	-	2 302 451
Investment property	131 191	-	-	131 191
Premises and equipment	1 055 482	-	-	1 055 482
Other assets	693 916	-	409	694 325
Current tax assets	56 134	-	-	56 134
Total assets	**24 258 749**	**1 768 583**	**52 309**	**26 079 641**
Liabilities				
Due to other banks	509 827	-	-	509 827
Customer accounts	22 243 308	59 384	25 734	22 328 426
Financial liabilities at fair value through profit or loss	2 972	-	-	2 972
Other liabilities	180 601	1	84	180 686
Deferred tax liabilities	70 590	-	-	70 590
Total liabilities	**23 007 298**	**59 385**	**25 818**	**23 092 501**
Net balance sheet position	**1 251 451**	**1 709 198**	**26 491**	**2 987 140**
Credit related commitments	**2 846 765**	**-**	**-**	**2 846 765**

(in thousands of Russian Roubles)

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Current Risk and Liquidity Management Unit sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and monitors them on a daily basis. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2015.

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	3 348 099	2 225 534	363 666	426 511	6 363 810
Mandatory cash balances with the Central Bank of the Russian Federation	169 037	-	-	-	169 037
Financial assets at fair value through profit or loss	20	-	-	-	20
Due from other banks	186 465	167 653	5 614	37 232	396 964
Loans to customers	8 453 551	1 380 461	7	-	9 834 019
Financial assets available for sale	413 382	8 620 678	-	-	9 034 060
Financial assets pledged under repo agreements	-	750 351	-	-	750 351
Premises and equipment	1 276 285	-	-	-	1 276 285
Other assets	326 920	1 087 348	1 424	62 143	1 477 835
Current tax assets	977	-	-	-	977
Deferred tax liabilities	64 705	-	-	-	64 705
Total assets	**14 239 441**	**14 232 025**	**370 711**	**525 886**	**29 368 063**
Liabilities					
Due to other banks	44	709 216	2	3 004	712 266
Customer accounts	21 123 232	4 282 512	344 955	174 173	25 924 872
Debt securities issued	34 522	-	-	-	34 522
Financial liabilities at fair value through profit or loss	68 068	-	-	-	68 068
Other liabilities	142 335	894	3	13	143 245
Total liabilities	**21 368 201**	**4 992 622**	**344 960**	**177 190**	**26 882 973**
Net balance sheet position	**(7 128 760)**	**9 239 403**	**25 751**	**348 696**	**2 485 090**
Net off-balance sheet position	**9 954 796**	**(9 889 985)**	**(23 909)**	**(108 915)**	**(68 013)**
Net balance sheet and off-balance sheet position	**2 826 036**	**(650 582)**	**1 842**	**239 781**	**2 417 077**
Credit related commitments	**1 417 060**	**256 224**	**12 744**	**-**	**1 686 028**

(in thousands of Russian Roubles)

As at 31 December 2014, the Bank has the following positions in currencies:

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	3 784 799	585 961	1 144 736	116 124	5 631 620
Mandatory cash balances with the Central Bank of the Russian Federation	215 984	-	-	-	215 984
Financial assets at fair value through profit or loss	23 104	-	-	-	23 104
Due from other banks	778 953	196 322	8 602	-	983 877
Loans to customers	12 469 063	1 936 884	14 773	-	14 420 720
Investments held to maturity, pledged under repo agreements	564 753	-	-	-	564 753
Investments held to maturity	1 552 766	749 685	-	-	2 302 451
Investment property	131 191	-	-	-	131 191
Premises and equipment	1 055 482	-	-	-	1 055 482
Other assets	283 482	66	410 775	2	694 325
Current tax assets	56 134	-	-	-	56 134
Total assets	**20 915 711**	**3 468 918**	**1 578 886**	**116 126**	**26 079 641**
Liabilities					
Due to other banks	499 482	5 213	720	4 412	509 827
Customer accounts	18 877 613	1 730 335	1 701 291	19 187	22 328 426
Financial liabilities at fair value through profit or loss	2 972	-	-	-	2 972
Other liabilities	180 375	310	-	1	180 686
Deferred tax assets	70 590	-	-	-	70 590
Total liabilities	**19 631 032**	**1 735 858**	**1 702 011**	**23 600**	**23 092 501**
Net balance sheet position	**1 284 679**	**1 733 060**	**(123 125)**	**92 526**	**2 987 140**
Net off-balance sheet position	**318 460**	**(550 544)**	**252 867**	**-**	**20 783**
Net balance sheet and off-balance sheet position	**1 603 139**	**1 182 516**	**129 742**	**92 526**	**3 007 923**
Credit related commitments	**2 522 466**	**287 459**	**13 308**	**23 532**	**2 846 765**

The Bank issues loans in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Russian Rouble may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at 31 December 2015, if all other conditions remain unchanged. A reasonably possible change by each currency is determined based on the analysis of historical data on maximum movements in foreign exchange rates for December 2015. The variance analysis of foreign exchange rates for 2015 has shown that as at 31 December 2015 a reasonably possible variance in the USD exchange rate may reach 20%, a possible variance in EUR may reach 20%, and a possible variance in other currencies as at 31 December 2015 may reach 20%.

	31 December 2015	
	Effect on loss before taxation	**Effect on comprehensive loss**
USD appreciation by 20%	(130 116)	(104 093)
USD depreciation by 20%	130 116	104 093
EUR appreciation by 20%	368	294
EUR depreciation by 20%	(368)	(294)
Other currencies appreciation by 20%	47 956	38 365
Other currencies depreciation by 20%	(47 956)	(38 365)

(in thousands of Russian Roubles)

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at 31 December 2014, if all other conditions remain unchanged. A reasonably possible change by each currency is determined based on the analysis of historical data on maximum movements in foreign exchange rates for December 2014. The variance analysis of foreign exchange rates for 2014 has shown that as at 31 December 2014 a reasonably possible variance in the USD exchange rate may reach 34%, a possible variance in EUR may reach 34%, and a possible variance in other currencies as at 31 December 2014 may reach 34%.

	31 December 2014	
	Effect on profit before taxation	**Effect on comprehensive income**
USD appreciation by 34%	402 055	321 644
USD depreciation by 34%	(402 055)	(321 644)
EUR appreciation by 34%	44 112	35 290
EUR depreciation by 34%	(44 112)	(35 290)
Other currencies appreciation by 34%	31 459	25 167
Other currencies depreciation by 34%	(31 459)	(25 167)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Bank is exposed to risk via daily calls from customers on its available cash resources from cash settled current accounts, maturing deposits, loan draw downs, and guarantees. The Bank does not accumulate cash resources to meet calls on all liabilities mentioned above, as based on the existing practice, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations. Liquidity risk is managed by the Current Risk and Liquidity Management Unit.

The Bank is keen on maintaining stable financing predominantly consisting of due to other banks, deposits of legal entities and individuals, debt securities issued and also on investing funds in diversified liquid asset portfolios to be able to meet unexpected liquidity needs quickly and unhampered.

To manage its liquidity, the Bank is required to analyse the level of liquid assets needed to settle the liabilities on their maturity by providing access to various sources of financing, drawing up plans to solve the problems with financing and exercising control over compliance of liquidity ratios with the laws and regulations. The Bank calculates the liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios include:

- Quick ratio (H2) calculated as a ratio of highly liquid assets and liabilities on demand. As at 31 December 2015, this ratio was 188.4% (2014: 77.3%) with the minimum admissible level of 15%.
- Current liquidity ratio (H3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. As at 31 December 2015, this ratio was 111.1% (2014: 101.8%) with the minimum admissible level of 50%.
- Long-term liquidity ratio (H4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. As at 31 December 2015, this ratio was 28.6% (2014: 78.8%) with the maximum admissible level of 120%.

The Bank's Treasury Department receives information on movements of financial assets and liabilities. The Treasury Department controls liquidity position on a daily basis and, if necessary, raises funds from financial markets, mainly interbank loans, thereby managing quick and current liquidity.

The Treasury Department provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of government and corporate bonds, bank deposits and other interbank instruments, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Risk Assessment Department regularly monitors liquidity risk indicators and performs regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions to manage long-term liquidity.

Tables below show the liabilities as at 31 December 2015 and at 31 December 2014 by their remaining contractual maturity. The amounts in the table represent contractual undiscounted cash flows. These undiscounted cash flows differ from the amounts recorded in the statement of financial position as these amounts are based on discounted cash flows.

(in thousands of Russian Roubles)

In those cases when the amount to be paid is not fixed, the amount in the table is determined on the basis of conditions prevailing at the end of the reporting period. Foreign currency payments are translated using the CBR exchange rates effective at the end of the reporting period.

The table below shows the maturity analysis of financial liabilities as at 31 December 2015:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Liabilities					
Due to other banks	712 645	-	-	-	712 645
Customer accounts	15 943 344	5 969 580	1 740 860	3 310 620	26 964 404
Debt securities issued	-	38 933	-	-	38 933
Total potential future payments under financial liabilities	**16 655 989**	**6 008 513**	**1 740 860**	**3 310 620**	**27 715 982**

The table below shows the maturity analysis of financial liabilities as at 31 December 2014:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Liabilities					
Due to other banks	512 935	-	-	-	512 935
Customer accounts	8 735 111	4 405 844	5 222 793	5 049 673	23 413 421
Total potential future payments under financial liabilities	**9 248 046**	**4 405 844**	**5 222 793**	**5 049 673**	**23 926 356**

Customer accounts are reflected in the above analysis by the term to maturity. However, in accordance with the Civil Code of the Russian Federation, the individuals have the right to withdraw funds from accounts before maturity in which case they lose the accrued interest.

(in thousands of Russian Roubles)

The Bank does not use the above undiscounted amounts in the maturity analysis to monitor the liquidity profile. Instead, the Bank monitors the expected maturity limits presented in the table below as at 31 December 2015:

	On 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	No stated maturity	Total
Assets							
Cash and cash equivalents	6 363 810	-	-	-	-	-	6 363 810
Mandatory cash balances with the Central Bank of the Russian Federation	169 037	-	-	-	-	-	169 037
Financial assets at fair value through profit or loss	20	-	-	-	-	-	20
Due from other banks	396 964	-	-	-	-	-	396 964
Loans to customers	166 170	1 621 237	2 051 737	4 977 702	1 017 173	-	9 834 019
Financial assets available for sale	9 034 060	-	-	-	-	-	9 034 060
Financial assets available for sale, pledged under repo agreements	750 351	-	-	-	-	-	750 351
Premises and equipment	-	-	-	-	-	1 276 285	1 276 285
Current tax assets	-	977	-	-	-	-	977
Deferred tax assets	-	-	-	-	-	64 705	64 705
Other assets	1 302 327	11 068	3 324	22 620	24 407	114 089	1 477 835
Total assets	**18 182 739**	**1 633 282**	**2 055 061**	**5 000 322**	**1 041 580**	**1 455 079**	**29 368 063**
Liabilities							
Due to other banks	712 266	-	-	-	-	-	712 266
Customer accounts	15 612 906	5 322 811	1 694 277	3 294 878	-	-	25 924 872
Debt securities issued	-	34 522	-	-	-	-	34 522
Financial liabilities at fair value through profit or loss	68 068	-	-	-	-	-	68 068
Other liabilities	19 616	2	183	-	-	123 444	143 245
Total liabilities	**16 412 856**	**5 357 335**	**1 694 460**	**3 294 878**	**-**	**123 444**	**26 882 973**
Net liquidity gap as at 31 December 2015	**1 769 883**	**(3 724 053)**	**360 601**	**1 705 444**	**1 041 580**	**1 331 635**	**2 485 090**
Cumulative liquidity gap as at 31 December 2015	**1 769 883**	**(1 954 170)**	**(1 593 569)**	**111 875**	**1 153 455**	**2 485 090**	

(in thousands of Russian Roubles)

The table below shows the expected maturity analysis as at 31 December 2014:

	On 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	No stated maturity	Total
Assets							
Cash and cash equivalents	5 631 620	-	-	-	-	-	5 631 620
Mandatory cash balances with the Central Bank of the Russian Federation	215 984	-	-	-	-	-	215 984
Financial assets at fair value through profit or loss	23 104	-	-	-	-	-	23 104
Due from other banks	983 877	-	-	-	-	-	983 877
Loans to customers	1 119 435	2 447 243	2 517 188	7 084 293	1 252 561	-	14 420 720
Investments held to maturity, pledged under repo agreements	-	-	-	564 753	-	-	564 753
Investments held to maturity	-	481 466	276 788	1 544 197	-	-	2 302 451
Investment property	-	-	-	-	-	131 191	131 191
Premises and equipment	-	-	-	-	-	1 055 482	1 055 482
Current tax assets	-	56 134	-	-	-	-	56 134
Other assets	554 899	24 747	11 347	49 122	-	54 210	694 325
Total assets	**8 528 919**	**3 009 590**	**2 805 323**	**9 242 365**	**1 252 561**	**1 240 883**	**26 079 641**
Liabilities							
Due to other banks	509 827	-	-	-	-	-	509 827
Customer accounts	8 619 660	3 976 718	4 790 006	4 942 042	-	-	22 328 426
Financial liabilities at fair value through profit or loss	2 972	-	-	-	-	-	2 972
Other liabilities	7 133	6 688	38 064	39 560	-	89 241	180 686
Deferred tax liabilities	-	-	-	-	-	70 590	70 590
Total liabilities	**9 139 592**	**3 983 406**	**4 828 070**	**4 981 602**	**-**	**159 831**	**23 092 501**
Net liquidity gap as at 31 December 2014	**(610 673)**	**(973 816)**	**(2 022 747)**	**4 260 763**	**1 252 561**	**1 081 052**	**2 987 140**
Cumulative liquidity gap as at 31 December 2014	**(610 673)**	**(1 584 489)**	**(3 607 236)**	**653 527**	**1 906 088**	**2 987 140**	

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

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

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

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates fixed contractually on both assets and liabilities, are often renegotiated as mutually agreed to reflect current market conditions.

The Current Risk and Liquidity Management Unit sets limits on the level of mismatch of interest rate re-pricing that may be undertaken and the Treasury Department monitors compliance with these limits daily. In the absence of any available hedging instruments, the Bank normally seeks to match its interest rate positions.

(in thousands of Russian Roubles)

The table below summarises the Bank's exposure to interest rate risks as at 31 December 2015.

	On 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	Non-interest bearing	Total
Assets							
Cash and cash equivalents	-	-	-	-	-	6 363 810	6 363 810
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	169 037	169 037
Financial assets at fair value through profit or loss	-	-	-	-	-	20	20
Due from other banks	-	-	-	-	-	396 964	396 964
Loans to customers	166 170	1 621 237	2 051 737	4 977 702	1 017 173	-	9 834 019
Financial assets available for sale	9 034 060	-	-	-	-	-	9 034 060
Financial assets available for sale, pledged under repo agreements	750 351	-	-	-	-	-	750 351
Premises and equipment	-	-	-	-	-	1 276 285	1 276 285
Other assets	-	-	-	-	-	1 477 835	1 477 835
Current tax assets	-	-	-	-	-	977	977
Deferred tax assets	-	-	-	-	-	64 705	64 705
Total assets	**9 950 581**	**1 621 237**	**2 051 737**	**4 977 702**	**1 017 173**	**9 749 633**	**29 368 063**
Liabilities							
Due to other banks	712 266	-	-	-	-	-	712 266
Customer accounts	11 471 335	5 322 811	1 694 277	3 294 878	-	4 141 571	25 924 872
Debt securities issued	-	34 522	-	-	-	-	34 522
Financial liabilities at fair value through profit or loss	-	-	-	-	-	68 068	68 068
Other liabilities	-	-	-	-	-	143 245	143 245
Total liabilities	**12 183 601**	**5 357 333**	**1 694 277**	**3 294 878**	**-**	**4 352 884**	**26 882 973**
Net liquidity gap as at 31 December 2015	**(2 233 020)**	**(3 736 096)**	**357 460**	**1 682 824**	**1 017 173**	**5 396 749**	**2 485 090**
Cumulative liquidity gap as at 31 December 2015	**(2 233 020)**	**(5 969 116)**	**(5 611 656)**	**(3 928 832)**	**(2 911 659)**	**2 485 090**	

(in thousands of Russian Roubles)

The table below summarises the Bank’s exposure to interest rate risks as at 31 December 2014.

	On 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	Non-interest bearing	Total
Assets							
Cash and cash equivalents	-	-	-	-	-	5 631 620	5 631 620
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	215 984	215 984
Financial assets at fair value through profit or loss	-	-	-	-	-	23 104	23 104
Due from other banks	650 000	-	-	-	-	333 877	983 877
Loans to customers	1 119 435	2 447 243	2 517 188	7 084 293	1 252 561	-	14 420 720
Investments held to maturity, pledged under repo agreements	-	-	-	564 753	-	-	564 753
Investments held to maturity	-	481 466	276 788	1 544 197	-	-	2 302 451
Investment property	-	-	-	-	-	131 191	131 191
Premises and equipment	-	-	-	-	-	1 055 482	1 055 482
Other assets	-	-	-	-	-	694 325	694 325
Current tax assets	-	-	-	-	-	56 134	56 134
Total assets	**1 769 435**	**2 928 709**	**2 793 976**	**9 193 243**	**1 252 561**	**8 141 717**	**26 079 641**
Liabilities							
Due to other banks	509 827	-	-	-	-	-	509 827
Customer accounts	7 418 544	3 976 225	4 789 724	4 938 550	-	1 205 383	22 328 426
Financial liabilities at fair value through profit or loss	-	-	-	-	-	2 972	2 972
Other liabilities	-	-	-	-	-	180 686	180 686
Deffered tax liabilities	-	-	-	-	-	70 590	70 590
Total liabilities	**7 928 371**	**3 976 225**	**4 789 724**	**4 938 550**	**-**	**1 459 631**	**23 092 501**
Net interest rate gap as at 31 December 2014	**(6 158 936)**	**(1 047 516)**	**(1 995 748)**	**4 254 693**	**1 252 561**	**6 682 086**	**2 987 140**
Cumulative interest rate gap as at 31 December 2014	**(6 158 936)**	**(7 206 452)**	**(9 202 200)**	**(4 947 507)**	**(3 694 946)**	**2 987 140**	

(in thousands of Russian Roubles)

The change of interest rates by 50 bps as at 31 December 2015 and 31 December 2014 would not have materially affected the profit as all the above liabilities and financial instruments have fixed interest rates. The Bank performs monitoring of interest rates on financial instruments.

The table below shows the interest rates on the basis of the reports that were analysed by key managers of the Bank as at 31 December 2015 and 31 December 2014:

	2015				2014			
	RUB	USD	EUR	Other currencies	RUB	USD	EUR	Other currencies
Assets								
Cash and cash equivalents	0.51%	0.05%	0.01%	-	0.49%	0.04%	0.01%	0.5%
Due from other banks	-	-	-	-	16.0%	-	-	-
Loans to customers	14.94%	6.11%	15.0%		14.10%	6.80%	10.10%	-
Financial assets available for sale	10.52%	3.03%	-	-	-	-	-	-
Financial assets, available for sale, pledged under repo agreements	-	1.63%	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	10.3%	7.8%	-	-
Investments held to maturity, pledged under repo agreements	-	1.63%	-	-	12.4%	-	-	-
Liabilities								
Due to other banks	-	1.5%	-	-	16.8%	-	-	-
Customer accounts								
- term deposits of legal entities	9.06%	-	-	-	10.96%	-	-	-
- term deposits of individuals	12.3%	2.73%	2.76%	3.66%	12.5%	5.1%	6.4%	5.1%
Debt securities issued	10.01%	-	-	-	-	-	-	-

Other price risks. The Bank is not exposed to the risk of changes in share prices. The Bank's shares in the portfolio of the financial assets available for sale as at 31 December 2015 and 31 December 2014 are not quoted on the active market.

30. Capital Management

The Bank's capital management has the following objectives: to observe the capital requirements established by the Central Bank of the Russian Federation, in particular, deposit insurance system requirements; to ensure the Bank's ability to operate as a going concern and maintain capital base at the level required to sustain capital adequacy ratio at 10% required by the CBR. The control over compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised daily in respect of the projected and actual data and on the basis of monthly reports with the corresponding calculations that are verified by the Bank's Executive Board.

The Bank's policy is aimed at sustaining the level of capital required to maintain the confidence of creditors, investors and the market as a whole and to assure future development of the Bank. In accordance with the existing capital requirements set by the CBR the banks are required to maintain the risk-adjusted capital to asset ratio (capital adequacy ratio) at the level above the mandatory minimum level.

The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	2015	2014
Core capital	2 314 335	2 784 884
Secondary capital	494 857	563 768
Total regulatory capital	**2 809 192**	**3 348 652**

In 2015 and 2014 the Bank complied with the capital requirements established by the CBR.

(in thousands of Russian Roubles)

As at 31 December 2015, the Bank's capital adequacy ratio calculated on the basis of capital requirements established by the CBR was 13.9% (2014: 13.3%). The minimum admissible value is set by the CBR at 10%.

31. Contingent Liabilities

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

As at 31 December 2015 and 31 December 2014, a lien was put on the administrative building owned by the Bank and located at 47, Svetlanskaya Street, Vladivostok, as this building is material evidence in a litigation between third parties. No claims were lodged against the Bank with respect to the above litigation. In the opinion of the Bank's management this situation will not have an adverse opinion on the Bank's financial position and operations. The carrying amount of the building as at 31 December 2015 is RUB 410 352 thousand (2014: RUB 410 352 thousand).

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 Bank may be challenged by the relevant regional and federal authorities. The practice shows that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments and it is possible that transactions and accounting methods that have not been challenged in the past may be challenged. As such, the Bank may be assessed significant additional taxes, penalties and interest. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2015, the management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency and customs positions will be sustained by controlling bodies.

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

	2015	**2014**
Less than 1 year	104 386	112 871
From 1 to 5 years	301 745	348 931
More than 5 years	544 804	677 378
Total operating lease commitments	**950 935**	**1 139 180**

In 2015 and in 2014 immovable property leased by the Bank was not subleased to third parties.

Credit related commitments. The main objective of these instruments is to provide funds to customers when necessary. The total outstanding contractual amount of guarantees, letters of credit and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. However, as there is a potential risk, a provision for credit related commitments in respect of issued guarantees is made in the statement of financial position within other liabilities depending on the customer's financial position. With respect to undrawn credit lines, the Bank is less exposed to the risk of loss since in the case of impairment of loans issued the Bank will not pay the remaining amounts. Therefore, no provision for these credit related commitments is created.

Outstanding credit related commitments of the Bank are as follows:

	2015	**2014**
Undrawn credit lines	895 310	1 667 738
Guarantees issued	826 965	1 184 429
Letters of credit	7 300	77 747
Less: provision for credit related commitments	(43 547)	(83 149)
Total credit related commitments	**1 686 028**	**2 846 765**

(in thousands of Russian Roubles)

Movements in the provision for credit related commitments are as follows:

	2015	2014
Provision for credit related commitments as at 1 January	**83 149**	**77 558**
(Recovery of provision)/provision for credit related commitments during the year	(39 602)	5 591
Provision for credit related commitments as at 31 December	**43 547**	**83 149**

32. Fair Value of Financial Instruments

The fair value is defined as the amount at which the instrument could be exchanged in a transaction between knowledgeable willing parties on arm's length conditions, other than in a forced or liquidation sale. Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for major part of the Bank's financial instruments, their fair value is based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

Below is the estimated fair value of the Bank's financial instruments as at 31 December 2015 and 2014:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	6 363 810	6 363 810	5 631 620	5 631 620
Financial assets at fair value through profit or loss	20	20	23 104	23 104
Due from other banks	396 964	396 964	983 877	983 877
Loans to customers	9 834 019	9 834 019	14 420 720	14 420 720
Financial assets available for sale	9 034 060	9 034 060	-	-
Financial assets, available for sale, pledged under repo agreements	750 351	750 351	-	-
Investments held to maturity	-	-	2 302 451	2 302 451
Investments held to maturity pledged under repo agreements	-	-	564 753	564 753
Financial liabilities				
Due to other banks	712 266	712 266	509 827	509 827
Customer accounts	25 924 872	25 924 872	22 328 426	22 328 426
Debt securities issued	34 522	34 522	-	-
Financial liabilities at fair value through profit or loss	68 068	68 068	2 972	2 972

The Bank uses the following methods and assumptions to estimate the fair value of the following financial instruments:

Financial instruments carried at fair value. Cash and cash equivalents, financial assets and liabilities at fair value through profit or loss, financial assets available for sale and financial assets pledged under repo agreements are carried in the statement of financial position at their fair value. Certain financial assets available for sale for which there are no available independent quotations have been fair valued by the Bank on the basis of results of recent sales of interests in investees to unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation techniques.

Due from other banks. The fair value of floating rate instruments is their carrying amount. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. The management believes that the fair values of due from other banks as at 31 December 2015 and

31 December 2014 do not differ from respective carrying amounts. This is primarily due to the short-term nature of investments and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (as at 31 December 2014 the interest rates vary from 15.5% to 22.3% depending on maturity). As at 31 December 2015 due from other banks are current and impaired with a short-term nature.

Loans to customers. Loans to customers are reported net of impairment provision. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that fair values of loans to customers as at 31 December 2015 and 31 December 2014 do not materially differ from respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (as at 31 December 2015 the interest rates vary from 12.5% to 38.9% (2014: from 9.0% to 23.1%)).

Investments held to maturity. The fair value of investments held to maturity is based on quoted market prices. As at 31 December 2015 the Bank has no investments held to maturity. As at 31 December 2014, the fair value was estimated using the interest rate from 6% to 14.4%

Due to other banks. The fair value of due to other banks maturing within one month approximates the carrying amount due to their relatively short-term maturity. For longer-term deposits, the estimated fair value is based on discounted cash flows using year-end market interest rates. The Bank believes that fair values of due to other banks do not differ from their carrying amounts as at 31 December 2015 and 31 December 2014. This is primarily due to the short-term nature of these liabilities. As at 31 December 2015, the fair value was estimated using the interest rate 18.0% (2014: interest rate from 16.0% to 18.2%)

Customer accounts. The estimated fair value of liabilities with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing placements and other borrowings without a quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Bank believes that fair values of customer accounts as at 31 December 2015 and 31 December 2014 do not materially differ from respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (as at 31 December 2015 the interest rates vary from 2.2% to 19.0% (2014: from 2.8 % to 19.8%) depending on the currency and maturity of the instrument).

Debt securities issued. The fair value of fixed interest bearing financial liabilities carried at amortised cost is determined by comparing the market interest rates at initial recognition of these instruments with current market rates on similar financial instruments. The estimated fair value of fixed interest bearing debt securities issued is based on discounted cash flows using money market interest rates for debt instruments with similar credit risk and maturity (as at 31 December 2015 the interest rates vary from 8.2% to 10.9% depending on maturity). As at 31 December 2014 there are no debt securities issued by the Bank.

(in thousands of Russian Roubles)

Below is the fair value hierarchy of financial instruments as at 31 December 2015. Level 1 includes financial assets which are traded in an active market, whose fair values are measured based on market quotations. Level 2 includes financial assets whose fair value is determined based on different valuation models. These models are based on observable market data on market conditions and other factors that may affect the fair value of a financial asset. Level 3 includes financial assets whose fair value is determined based on judgment or fair value techniques for which any significant input is not based on observable market data.

	Level 1	Level 3	Total
Financial assets			
Due from other banks	-	396 964	396 964
Financial assets at fair value through profit or loss	20	-	20
Loans to customers	-	9 834 019	9 834 019
Financial assets available for sale	9 034 060	-	9 034 060
Financial assets, available for sale, pledged under repo agreements	750 351	-	750 351
Financial liabilities			
Due to other banks	-	712 266	712 266
Customers accounts	-	25 924 872	25 924 872
Debt securities issued	-	34 522	34 522
Financial liabilities at fair value through profit or loss	68 068	-	68 068

Cash and cash equivalents, mandatory cash balances with the Central Bank of the Russian Federation, other assets and other liabilities were not included in the table, as their carrying amounts approximate their fair values due to their short-term nature or interest rate renegotiation.

Below is the fair value hierarchy of financial assets and liabilities as at 31 December 2014.

	Level 1	Level 3	Total
Financial assets			
Due from other banks	-	983 877	983 877
Loans to customers		14 420 720	14 420 720
Investments held to maturity, pledged under repo agreements	-	564 753	564 753
Investments held to maturity	-	2 302 451	2 302 451
Financial assets at fair value through profit or loss	23 104	-	23 104
Financial liabilities			
Due to other banks	-	509 827	509 827
Customers accounts	-	22 328 426	22 328 426
Financial liabilities at fair value through profit or loss	2 972	-	2 972

Below is the fair value hierarchy of non-financial assets and liabilities as at 31 December 2014:

	Level 3
Non-financial assets	
Premises and equipment (buildings and land)	980 299

Below is the fair value hierarchy of non-financial assets and liabilities as at 31 December 2014:

	Level 3
Non-financial assets	
Investment property	131 191
Premises and equipment (buildings and land)	818 228

(in thousands of Russian Roubles)

The Bank uses the following methods and assumptions for measurement of non- financial assets classified as Level 3 in fair value hierarchy:

Investment property, premises and equipment (land and buildings). The fair value of investment property and premises and equipment (land and buildings) of the Bank were determined using the sales comparison approach. The valuation was performed by an independent valuer. The valuation was performed in accordance with the Russian Federal Standards, standards of the Russian Union of Appraisers and IVS. The following methods were used to determine the market value of the Bank's property: the discounted cash flow method (income approach), the sales comparison method (market approach) and the asset accumulation method (cost approach). The independent valuer applied different adjustment factors to the market prices of property items comparable to the cost of the Bank's investment property, land and buildings to derive the market value of the measured property. The adjustment factors comprise factors for the quality of the property, its location and environment, transport accessibility and other individual physical characteristics, approximating the used analogues to property under valuation. The estimated values of investment property and premises and equipment (land and buildings) are approved by the Bank's Financial Director who considers the relevance of initial valuation data and the valuation results, using different valuation methods and techniques. The approved valuation results are reported by the Financial Director to the Bank's management.

As at 31 December 2015, if the adjustment factor increases by 10%, the cost of premises and equipment (land and buildings) will increase by RUB 98 030 thousand, If the adjustment factor decreases by 10%, the cost of premises and equipment (land and buildings) will decrease by RUB 98 030 thousand.

As at 31 December 2015 the Bank has no investment property.

As at 31 December 2014, if the adjustment factor increases by 10%, the cost of investment property will increase by RUB 13 119 thousand and the cost of premises and equipment (land and buildings) – by RUB 81 822 thousand, If the adjustment factor decreases by 10%, the cost of investment property will decrease by RUB 13 119 thousand and the cost of premises and equipment (land and buildings) – by RUB 81 822 thousand.

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

	2014	**Depreciation**	**Additions**	**Disposal**	**2015**
Investment property	131 191	-	-	(131 191)	-
Premises and equipment (land and buildings)	818 228	(17 148)	195 490	(16 271)	980 299

There were no reclassifications of financial instruments between the Levels during 2015 and 2014.

33. Reconciliation of Classes of Financial Instruments with Measurement Categories

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the Bank classifies its financial assets in the following categories: 1) financial assets at fair value through profit or loss; 2) loans and receivables; 3) investments held to maturity; 4) financial assets available for sale.

At the same time, in accordance with IFRS 7 "Financial Instruments: Disclosure" the Bank discloses different classes of financial instruments.

(in thousands of Russian Roubles)

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2015:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Cash and cash equivalents	6 363 810	-	-	6 363 810
Financial assets at fair value	20	-	-	20
Due from other banks				
- Current accounts with banks	-	396 964	-	396 964
Loans to customers				
- Corporate loans	-	4 981 666	-	4 981 666
- Loans to individual entrepreneurs, small and medium business	-	4 170 602	-	4 170 602
- Consumer loans to individuals	-	640 773	-	640 773
- Mortgage loans to individuals	-	40 978	-	40 978
Financial assets available for sale				
- Russian Federation bonds (OFZ)	-	-	13 735	13 735
- Subfederal securities	-	-	151 236	151 236
- Bonds of the Government of the USA	-	-	8 017 242	8 017 242
- Corporate bonds	-	-	248 411	248 411
- Corporate eurobonds	-	-	603 436	603 436
Financial assets available for sale pledged under repo agreements				
- Sovereign bonds	-	-	750 351	750 351
Other assets				
- Settlements with payment systems	-	1 228 112	-	1 228 112
- Receivables	-	41 261	-	41 261
- Plastic card settlements	-	31 800	-	31 800
- Investments in share capital of other companies	-	-	1 411	1 411
Total financial assets	**6 363 830**	**11 532 156**	**9 785 822**	**27 681 808**
Non-financial assets				1 686 255
Total assets				**29 368 063**

(in thousands of Russian Roubles)

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2014:

	Financial assets at fair value through profit or loss	Loans and receivables	Investments held to maturity	Financial assets available for sale	Total
Cash and cash equivalents	5 631 620	-	-	-	5 631 620
Financial assets at fair value	23 104				23 104
Due from other banks					
- Loans and deposits with other banks	-	650 000	-	-	650 000
- Current accounts with banks	333 877	-	-	-	333 877
- Promissory notes of other banks					
Loans to customers					
- Corporate loans	-	7 902 579	-	-	7 902 579
- Loans to individual entrepreneurs, small and medium business	-	5 525 874	-	-	5 525 874
- Consumer loans to individuals	-	926 264	-	-	926 264
- Mortgage loans to individuals	-	66 003	-	-	66 003
Investments held to maturity					
- Russian Federation bonds (OFZ)	-	-	125 997	-	125 997
- Subfederal bonds	-	-	259 275	-	259 275
- Corporate bonds	-	-	1 167 493	-	1 167 493
- Corporate eurobonds	-	-	749 686	-	749 686
Investments held to maturity, pledged under repo agreements					
- Corporate bonds	-	-	564 753		564 753
Other assets					
- Settlements with payment systems	-	410 764	-	-	410 764
- Receivables	-	51 844	-	-	51 844
- Plastic card settlements	-	12 051	-	-	12 051
- Investments in share capital of other companies	-	-	-	2	2
Total financial assets	**5 988 601**	**15 545 379**	**2 867 204**	**2**	**22 401 186**
Non-financial assets					1 678 455
Total assets					**26 079 641**

All financial liabilities of the Bank, except derivative financial instruments (Note 6), are carried at amortised cost.

34. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

In the normal course of business the Bank enters into transactions with its major shareholders, directors and other parties. These transactions include settlements, issuance of loans and deposit taking. According to the Bank's policy the terms of related party transactions are equivalent to those prevailing in arm's length transactions.

(in thousands of Russian Roubles)

The outstanding balances at the year end and asset transactions with related parties for 2015 and 2014 are as follows:

	Shareholders		Directors and key management personnel		Other related parties		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Loans to customers								
Loans to customers as at 1 January (gross)	-	419	900	5 306	410 513	314 170	411 413	319 895
Loans to customers issued during the year	25 001	14 412	31 060	6 636	513 066	4 374 891	569 127	4 395 939
Amortisation of loans during the year	-	-	-	6 924	-	-	-	6 924
Loans to customers repaid during the year	(24 681)	(14 831)	(29 999)	(17 966)	(794 089)	(4 278 548)	(848 769)	(4 311 345)
Loans to customers as at 31 December (gross)	**320**	**-**	**1 961**	**900**	**129 490**	**410 513**	**131 771**	**411 413**
Provisions for impairment of loans to customers								
Provision for impairment of loans to customers as at 1 January	-	17	5	166	84 345	84 843	84 350	85 026
(Recovery of provision)/ provision for impairment of loans to customers during the year	6	(17)	34	(161)	(52 016)	(498)	(51 976)	(676)
Provision for impairment of loans to customers as at 31 December	**6**	**-**	**39**	**5**	**32 329**	**84 345**	**32 374**	**84 350**
Loans to customers as at 1 January (less provision for impairment)	**-**	**402**	**895**	**5 140**	**326 168**	**229 327**	**327 063**	**234 869**
Loans to customers as at 31 December (less provision for impairment)	**314**	**-**	**1 922**	**895**	**97 161**	**326 168**	**99 397**	**327 063**
Interest received on loans to customers	**205**	**133**	**277**	**7 368**	**55 931**	**53 489**	**56 413**	**60 990**

(in thousands of Russian Roubles)

The outstanding balances at the year end and liability transactions with related parties for 2015 and 2014 are as follows:

	Shareholders		Directors and key management personnel		Other related parties		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Current accounts and deposits								
Current accounts and deposits as at 1 January	2 581 962	1 788 077	428 861	249 037	105 524	161 132	3 116 347	2 198 246
Funds received during the year	8 681 782	4 151 121	5 153 830	1 372 873	11 936 446	3 657 669	25 772 058	9 181 663
Funds repaid during the year	(11 103 056)	(3 357 236)	(5 328 082)	(1 193 049)	(11 725 589)	(3 713 277)	(28 156 727)	(8 263 562)
Current accounts and deposits as at 31 December	**160 688**	**2 581 962**	**254 609**	**428 861**	**316 381**	**105 524**	**731 678**	**3 116 347**
Debt securities issued								
Debt securities issued as at 1 January	-	-	-	-	-	2 646	-	2 646
Debt securities repaid during the year	-	-	-	-	-	(2 646)	-	(2 646)
Debt securities issued as at 31 December	-	-	-	-	-	-	-	-

	Shareholders		Directors and key management personnel		Other related parties		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Interest expense for the year	86 099	123 434	21 815	20 497	6 965	6 488	114 879	150 419
Fee and commission income for the year	139	140	289	184	10 248	5 426	10 676	5 750

Other related parties represent companies controlled by the Bank's shareholders, general directors of these companies, immediate family of key management personnel and shareholders.

In 2015 payments and remuneration to the Bank's key management personnel totalled RUB 68 493 thousand (2014: RUB 137 394 thousand).

Chief Executive Officer — A.V. Bagaev

Chief Accountant — A.A. Kovtaniuk

22 April 2016