PJSC BEST EFFORTS BANK

Financial Statements for the year ended 31 December 2015 and Auditor's Report

BEST EFFORTS

Contents

AUDITOR'S REPORT

To the Shareholders of
Public Joint Stock Company
Best Efforts Bank

AUDITEE:

Full Name: Public Joint Stock Company Best Efforts Bank.

Abbreviated Name: PJSC Best Efforts Bank.

Number and Date of State Registration Certificate:

- State Registration Certificate № 435 of the Credit Institution issued by the Central Bank of the Russian Federation on 3 October 1990.
- Certificate of Entry in the Unified State Register of Legal Entities № 1037700041323 issued by the Ministry on Taxes and Levies of the Russian Federation on 21 January 2003.

Location: 38/1 Dolgorukovskaya str., Moscow 127006, Russian Federation.

AUDITOR:

Full Name: Joint Stock Company Audit-Consulting Group Business Systems Development.

Abbreviated Name: JSC ACG RBS.

State Registration Number: 1027739153430.

Location: 5/3 Sushchevsky Val, Moscow 127018, Russian Federation.

Membership in Self-Regulatory Organization of Auditors:

- Full member of the self-regulatory organization of auditors Non-Profit Partnership Auditor Association Sodruzhestvo (NP AAS); Certificate No. 4632 of 20 August 2012.

Number in the Register of Auditors and Audit Organizations of the Self-Regulatory Organization of Auditors: 11206027697.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Joint Stock Company Best Efforts Bank (hereinafter referred to as "the Bank"), which are comprised of the Statement of Financial Position as of 31 December 2015, Statement of Profit and Loss and Other Comprehensive Income, Cash Flow Statement, and Statement of Changes in Equity for FY 2015, as well as notes to the significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The management of PJSC Best Efforts Bank is responsible for the preparation and fair presentation of these financial statements in compliance with the International Financial Reporting Principles and the requirements of the Russian laws concerning financial reporting and internal controls required to prepare the financial statements that are free from any material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the truth and fairness of these financial statements based on our audit. We performed the audit in compliance with the federal standards on auditing and international standards on auditing. These standards require observing the applicable code of ethics as well as planning and performing the audit so as to obtain reasonable assurance that the financial statements are free from any material misstatements.

The audit included the audit procedures required to obtain audit evidence supporting the figures reported in the financial statements and relevant disclosures. Audit procedures are selected on the basis of our judgment that relied on the assessment of the material misstatement risk due to fraud or error. In assessment of this risk, we examined the system of internal control that ensures proper preparation and truth and fairness of the annual financial statements in order to select appropriate audit procedures but without an intention to express an opinion on the internal control system efficiency.

The audit also included the assessment of the appropriateness of applicable accounting policy and reasonableness of estimates derived by the Auditee's management as well as the evaluation of the overall presentation of the annual financial statements.

We believe that the audit evidence obtained in the course of the engagement provides a reasonable and sufficient basis to express an opinion on the truth and fairness of the financial statements.

OPINION

In our opinion, the annual financial statements, in all material respects, give a true and fair view of the financial position of PJSC Best Efforts Bank as of 31 December 2015, results of its financial performance and its cash flows for FY 2015 in compliance with the International Financial Reporting Standards and the requirements of the Russian laws to financial reporting.

Report of findings from the procedures performed in compliance with the requirements of Article 42 of Federal Law № 395-I *On Banks and Banking Activities* (as amended and supplemented) of 2 December 1990.

Management of PJSC Best Efforts Bank is responsible for the Bank's compliance with statutory requirements established by the Bank of Russia, as well as for maintaining internal controls and organizing risk management systems in accordance with the requirements imposed by the Bank of Russia on such systems.

In compliance with Article 42 of Federal Law № 395-I *On Banks and Banking Activities* during our audit of the Bank's annual financial statements for FY 2015 we have audited:

- the Bank's compliance as at 1 January 2016 with the statutory requirements imposed by the Bank of Russia;
- compliance of the Bank's internal controls and risk management systems with the requirements imposed by the Bank of Russia on such systems.

This audit was limited by the procedures that were selected on the basis of our judgment and included inquiries, analyses, inspections of documents, comparisons of the Bank's policies, procedures and methodologies to applicable requirements established by the Bank of Russia, as well as recalculations, reconciliations and comparisons of numerical data and other information.

Our findings from the procedures are reported below:

1) based on our procedures with respect to the Bank's compliance with the statutory requirements imposed by the Bank of Russia we established that :

- the Bank's mandatory ratios as at 1 January 2016 were within the limits established by the bank of Russia.

We have not performed any procedures on the accounting records maintained by the Bank other than those that we considered necessary to enable us to express an opinion as to whether the Bank's annual financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, its financial performance and its cash flows for FY 2015 in compliance with the International Financial Reporting Standards and the requirements of the Russian laws to financial reporting;

2) based on our procedures with respect to compliance of the Bank's internal controls and risk management systems with the requirements of imposed by the Bank of Russia on such systems we found that:

- as at 31 December 2015 the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors, the risk management function was not subordinated to and accountable to divisions accepting the respective risks in accordance with the regulations and recommendation of the Bank of Russia; the heads of the internal audit department and risk management department of the Bank comply with the qualification requirements established by the Bank of Russia;
- the Bank's internal documentation, effective as at 31 December 2015, establishing the procedures and methodologies for identifying and managing the Bank's significant credit, operational, market, interest, legal, liquidity, reputational risks, and for stress testing was approved by the authorized management bodies of the Bank in accordance with the regulations and recommendations of the Bank of Russia;

- as at 31 December 2015, the Bank maintained a system of reporting on its significant credit, operational, market, interest, legal, and reputational risks, as well as on the Bank's capital;
- the frequency and consistency of the reports prepared by the Bank's risk management function and the internal audit department during 2015, which cover the Bank's credit, operational, market, interest, legal, liquidity and reputational risks, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management function and the Internal Audit Department as to their assessment of the efficiency of the Bank's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2015, the Bank's Board of Directors and the executive management of the Bank had the responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios as established by the Bank's internal documentation, as well as the efficiency of risk management procedures applied by the Bank and their consistency.

Our procedures with respect to the Bank's internal controls and risk management systems were performed solely for the purpose of examining whether these controls and systems are in compliance with the requirements imposed by the Bank of Russia on such systems.

29 April 2016

Head of the Credit Institutions Audit Division,
Audit Department,
JSC AKG RBS
acting on the basis of PoA № 47 dated 3 August 2015
(qualification certificate № 01-000319 as of 26 December 2011 duration unlimited)

E.V. Pelevina

«Аудиторско-консультационная группа «Развитие бизнес-систем» «АКГ «РБС»

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR FY 2015

	Notes	2015 RUB '000	2014 RUB '000
Interest income	4	195 237	218 812
Interest expense	4	(159 631)	(144 623)
Net interest income		**35 606**	**74 189**
Fee and commission income	5	78 567	26 320
Fee and commission expense	6	(36 830)	(8 851)
Net fee and commission income		**41 737**	**17 469**
Net income from financial assets available for sale		1 762	(6 683)
Income from early discharge of issued debt liabilities		-	-
Net income from foreign currency transactions	7	109 376	40 741
Other income		1 727	2 233
Operating income		**190 208**	**127 949**
Recovery (creation) of impairment provisions	8	760	12 013
Other general and administrative expense	9	(123 604)	(117 267)
Profit before income tax		**67 364**	**22 695**
Income tax expense	10	(12 612)	(1 804)
Profit for the year		**54 752**	**20 891**
Other comprehensive income less income tax			
Financial assets available for sale:			
- Net change in fair value of financial assets available for sale		1 912	(27 434)
- Net change in fair value of financial assets available for sale transferred to profit or loss		(1 410)	5 346
Other comprehensive (loss) profit less income tax		**502**	**(22 088)**
Total comprehensive income for the year		**55 254**	**(1 197)**
Basic and diluted earnings per ordinary share (in RUB per share)	29	**0,97**	**0,37**

The accompanying Notes are an integral part of this Statement of Profit and Loss and Other Comprehensive Income.

These financial statements were approved by the Bank's Management Board on 29 April 2016 and were signed on their behalf by:

I.B. Ionova

Chairman of the Board

L.S. Grigorenko

Chief Accountant

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 RUB '000	2014 RUB '000
ASSETS			
Cash and cash equivalents	11	2 130 237	937 817
Statutory reserve with the Central Bank of the Russian Federation		11 609	11 478
Due from banks		2 868	1 722
Accounts receivable under REPO agreements	12	1 107 001	4 999
Positive fair value of derivative financial instruments	28	10 563	11 725
Financial assets available for sale:			
- owned by the Bank	13	961 733	605 491
- pledged under REPO agreements	13	204 906	1 592 104
Loans to customers	14	43 063	26 492
Current income tax receivables		22 526	34 959
Property, plant and equipment		3 546	4 141
Intangible assets		10 734	8 028
Other assets	15	5 792	4 252
Total assets		**4 514 578**	**3 243 208**
LIABILITIES			
Negative fair value of derivative financial instruments	28	16 097	534
Due to banks		-	11
Accounts payable on REPO agreements	16	1 022 866	1 451 193
Current accounts and deposits from customers	17	2 285 470	659 809
Debt liabilities issued	18	27 749	25 667
Other liabilities	19	14 598	13 450
Total liabilities		**3 366 780**	**2 150 664**
EQUITY			
Share capital	20	702 762	702 762
Additional capital		685 811	685 811
Reserve for revaluation of financial assets available for sale		(25 366)	(25 868)
Accumulated loss		(215 409)	(270 161)
Total equity		**1 147 798**	**1 092 544**
Total liabilities and equity		**4 514 578**	**3 243 208**

The accompanying Notes are an integral part of this Statement of Financial Position.

These financial statements were approved by the Bank's Management Board on 29 April 2016 and were signed on their behalf by:

I.B. Ionova

Chairman of the Board

L.S. Grigorenko

Chief Accountant

CASH FLOW STATEMENT FOR FY 2015

	Notes	2015 RUB '000	2014 RUB '000
CASH FLOW FROM OPERATING ACTIVITIES			
Interests received		214 798	191 656
Interests paid		(156 508)	(144 342)
Fees and commissions received		78 267	27 267
Fees and commissions paid		(36 660)	(8 851)
Net gain on financial assets available for sale		1 762	-
Net gain from foreign currency transactions		(145 933)	(123 685)
Other income		1 727	2 092
Other general and administrative expense and payroll expense paid		(117 147)	(112 917)
(Increase) decrease of operating assets			
Statutory reserves in the Central Bank of the Russian Federation		(131)	2 576
Due from banks		(621)	(1 828)
Accounts receivable under REPO agreements		(1 101 665)	(4 999)
Positive fair value of derivative financial instruments		11 171	-
Financial assets available for sale		1 027 471	(1 087 205)
Loans to customers		45 112	216 766
Other assets		(2 548)	11 742
Increase (decrease) of operating liabilities			
Negative fair value of derivative financial instruments		(529)	-
Due to banks		(11)	-
Accounts payable under REPO agreements "		(425 742)	1 050 399
Current accounts and deposits from customers		1 526 321	(115 421)
Debt liabilities issued		-	(15 000)
Other liabilities		133	(15 143)
Net cash flow from operating activities before income tax		**919 267**	**(126 893)**
Income tax paid		578	(1 804)
Net cash flow from operating activities		**919 845**	**(128 697)**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(5 103)	-
Sale of property, plant and equipment and intangible assets		-	499
Net cash flow from investing activities		**(5 103)**	**499**
Net increase (decrease) of cash and cash equivalents		**914 742**	**(128 198)**
Effect of fluctuation in exchange rates of cash and cash equivalents		277 678	152 750
Cash and cash equivalents as at the beginning of the year		937 817	913 265
Cash and cash equivalents as of the end of the year	11	**2 130 237**	**937 817**

The accompanying Notes are an integral part of this Cash Flow Statement.

These financial statements were approved by the Bank's Management Board on 29 April 2016 and were signed on their behalf by:

I.B. Ionova	L.S. Grigorenko
Chairman of the Board	Chief Accountant

STATEMENT OF CHANGES IN EQUITY FOR FY 2015

RUB '000	Share Capital	Additional Capital	Reserve for revaluation of financial assets available for sale	Retained Earnings (accumulated loss)	Total
Balance as at 1 January 2014	702 762	685 811	(3 780)	(291 052)	1 093 741
Total comprehensive income					
Profit for the year	-	-	-	20 891	20 891
Other comprehensive income					
Net change in fair value of financial assets available for sale less deferred income tax	-	-	(27 434)	-	(27 434)
Net change in fair value of financial assets available for sale transferred to profit or loss less deferred income tax	-	-	5 346	-	5 346
Total other comprehensive income	-	-	(22 088)	-	(22 088)
Total comprehensive income for the year	-	-	(22 088)	20 891	(1 197)
Balance as at 1 January 2015	702 762	685 811	(25 868)	(270 161)	1 092 544
Total comprehensive income					
Profit for the year	-	-	-	54 752	54 752
Other comprehensive income					
Net change in fair value of financial assets available for sale less deferred income tax	-	-	1 912	-	1 912
Net change in fair value of financial assets available for sale transferred to profit or loss less deferred income tax	-	-	(1 410)	-	(1 410)
Other comprehensive loss	-	-	502	-	502
Total comprehensive income for the year	-	-	502	54 752	55 254
Balance as at 31 December 2015	702 762	685 811	(25 366)	(215 409)	1 147 798

The accompanying Notes are an integral part of this Statement of Changes in Equity.

These financial statements were approved by the Bank's Management Board on 29 April 2016 and were signed on their behalf by:

I.B. Ionova

Chairman of the Board

L.S. Grigorenko

Chief Accountant

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 *INTRODUCTION*

Organizational Structure and Principal Activities

Public Joint Stock Company BEST EFFORTS BANK (hereinafter referred to as "the Bank") was founded by the decision of its shareholders as an open joint stock company on the 3 of October 1990. According to the decision of the extraordinary general meeting of the Bank's shareholders on the 8th of December 2014 the name of the Bank was changed from ALOR BANK (open joint stock company) to BEST EFFORTS BANK (public joint stock company). Apart from that, according to this decision the location of the Bank was also changed from 5/2 Ordzhonikidze str., Moscow 115419 to 38/1 Dolgorukovskaya str., Moscow 127006. The Bank operates on the basis of license № 435 issued by the Central Bank of the Russian Federation (hereinafter referred to as "the Central Bank"). The Bank participates in the Russian state deposit insurance program from the 26th of August 2005.

As at 1 January 2016, the Bank was controlled by the Non-Commercial Partnership of RTS' financial market development. Non-Commercial Partnership of RTS' financial market development is a membership non-commercial organization founded by legal entities with the purpose of assisting its members in ensuring the effective functioning of financial markets.

The Bank does not have any branches or subsidiaries. As at 31 December 2015, the Bank had one structural unit:

- additional *Central* office: 38/1 Dolgorukovskaya str., Moscow 127006.

All assets and liabilities of the Bank are located in the Russian Federation.

As at 31 December 2015, the Bank's average headcount was 73 employees (45 employees – as at 31 December 2014).

Economic Environment

The Banks operations are primarily located in the Russian Federation. Consequently, the Bank is exposed to economic and financial risks at the markets of the Russian Federation, which display characteristics of a developing market. The legal and regulatory framework of the Russian Federation continues to develop, but is subjects to varying interpretations and frequent changes, which together other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

In 2015, the Russian economy and business continued to face quite serious problems. According to Rosstat (Russian Federal Statistics Service), following the results of 2015 Russian GDP decreased by 3.7% compared to the previous year. Following the results of 2015, customer inflation was 12.9% after the increase of prices by 11.4% in 2014. The main factor of increasing inflation was significant devaluation of Rouble that intensified sharply at the end of 2014 and continued in 2015. In 2015, the Bank of Russia continued to carry out the monetary and lending policy in the floating exchange rate regime. The Russian Rouble exchange rate dynamics was mainly impacted by the unstable situation on the world oil market, outflow of capital from Russia and the ongoing geopolitical tension. According to the results of 2015, the Rouble devaluation rates were lower than in 2014. As compared to the beginning of 2015 the official USD-RBL exchange rate increased by 30% up to 72.9299 Roubles per 1 USD as at 1 January 2016, the EUR-RBL exchange rate increased by 16.5% up to 79.6395 Roubles per 1 Euro, and the value of bi-currency basket increased by 23%, up to 75.9492 Roubles. The similar indicators in 2014 increased by 72, 52 and 61% respectively.

In 2015, in the situation of restricted access of Russian companies and banks to international capital markets, the Bank of Russian continued to provide foreign currency to credit institutions on a repayable basis. The current economic and political situation connected with imposition of sanctions by a number of counties against Russia and introduction of counter-sanction by Russia against certain countries, creates risks for the Bank's operations. Management of the Bank believes that they make all the necessary measures to maintain the Bank's economic stability in the current environment.

The accompanying financial statements reflect Management's assessment of the possible impact of the current business environment on the operations and financial position of the Bank. The further business environment may differ from Management's assessment.

2 *BASIS OF PRESENTATION*

The Bank maintains its accounting records in compliance with the requirements of the effective laws of the Russian Federation. These financial statements have been prepared on the basis of these accounting records with adjustments required to bring them, in all material respects, in line with the IFRS.

Applied Standards

These financial statements of the Bank are prepared in accordance with the requirements of the International Financial Reporting Standards (hereinafter – "IFRS").

Basis of Measurement

These financial statements are prepared on a historical cost convention, except financial instruments that are measured at fair value, the changes in which are reflected in profit or loss for the period, and financial assets available for sale that are stated at fair value.

Functional and Presentation Currency

The functional currency of the Bank is the Russian Rouble. Being the national currency of the Russian Federation it reflects best of all the economic essence of the majority of the Bank's operations and the underlying circumstances relevant to them.

The Russian Rouble is also the presentation currency for these financial statements.

All figures in these financial statements are rounded to the whole thousands of Roubles.

Accounting Estimates and Judgements

Preparation of financial statement in accordance with IFRS requires Management to make judgments and use estimates and assumptions that influence the applied accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from such estimates

Estimates and the underlying assumptions are reviewed on the regular basis. Adjustments in estimates are recognized in the reporting period when the relevant estimates are reviewed, and in any subsequent periods that are effected by them.

Note 14 discloses information about the significant uncertainties and critical judgments concerning the application of accounting policies to loan impairment.

3 *SIGNIFICANT ACCOUNTING POLICIES*

Below you will find the main accounting policies that were applied in the preparation of these financial statements.

Foreign Currencies

Foreign currency transactions are translated into the Bank's functional currency at the exchange rates that are effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated into the functional currency at the exchange rate that is effective at the reporting date. Profit and loss from operations with monetary assets and liabilities denominated in foreign currency is the difference between the amortized cost in the functional currency as of the beginning of the period adjusted for the amount of interests accrued at the effective interest rate and payments made during the period and amortized cost in the foreign currency translated into the functional currency at the exchange rate that is effective at the end of the reporting period. Exchange differences arising on the translation into foreign currency are recognized in profit or loss, except for the differences arising on translation of equity financial instruments available for sale, or cash flows that qualify for hedging transactions, that are recognized in other comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at the Central Bank on the Nostro accounts, Nostro accounts at other banks, short-term deposits at the Central Bank and short-term deposits at other banks with maturity of 3 months or less. Statutory reserves in the Central Bank are not considered to be cash and cash equivalents because of the restrictions of use.

Financial Instruments

Classification

Financial instruments at fair value the changes in which are reflected in profit or loss for the period are financial assets and liabilities that are:

- acquired principally for the purpose of selling or repurchasing in the nearest future;

- part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making;

- derivative financial instruments (except for derivative financial instruments that are effective hedging instruments); or

- designated as measured at fair value through profit or loss upon initial recognition.

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

- the assets and liabilities are managed, evaluated and reported internally on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or

- the asset or liability contains an embedded derivative financial instrument that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivative financial instruments with positive fair value, as well as options purchased, are reported as assets. All trading derivative financial instruments with negative fair value, as well as options written, are recorded as liabilities.

Management determines the appropriate classification of financial instruments upon initial recognition. Derivative financial instruments and financial instruments classified as measured at fair value through profit or loss are not reclassified out of measured at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of measured at fair value though profit or loss or available for sale categories, if the Bank has an intention and ability to hold it for foreseeable future or until their maturity. Other financial instruments may be reclassified out of measured at fair value though profit or loss or available for sale categories in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to reoccur in the nearest future.

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

- intends to sell immediately or in the near term;

- upon initial recognition designates as measured at fair value through profit or loss;

- upon initial recognition designates as available for sale; or

- may not recover substantially all of its initial ivestment, other than because of loan impairment.

Investment held to maturity are nonOderivative financial assets with fixed or determinable payments and fixed maturity that the Bank has an intention and ability to hold until maturity, other than those that:

- the Bank upon initial recognition designates as measured at fair value through profit or loss;

- the Bank designtes as available for sale; or

- meet the definition of loans and receivables.

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

Recognition

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

Measurement

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

After initial recognition financial assets, including derivative financial assets that are assets, are measured at their fair values without any deductions of transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables that are measured at amortized cost using the effective interest rate method;

- investments held to maturity that are measured at amortized cost using the effective interest rate method;

- equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

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

Amortized Cost

Amortized cost of a financial asset or liability is the cost of the assets or liability upon initial recognition net of principle paid adjusted for the amount of accrued amortization the difference between the initially recognized cost and the cost at the settlement date, using the effective interest rate method net of impairment losses.

Premiums and discounts, including initial transaction costs, are included into the carrying amount of the related instrument and are amortized on the basis of the effective interest rate of this instrument.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

Profit and Loss on Subsequent Remeasurement

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

- profit and loss on a financial instrument classified as measured at fair value through profit or loss is recognized in profit or loss;

- profit and loss on a financial asset available for sale is reocgnized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest income on a financial asset available for sale is recognized when it arises in profit or loss using the effective interest rate

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

Derecognition

The Bank derecognizes a financial asset when the contractual rights to receive cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but does not retain the control over the financial asset. Any interest in the transferred financial asset that satisfies the requirements for derecognition owned by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

The Bank enters into transactions whereby it transfers assets recognized in the statement of financial position, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, than the transferred assets are not derecognized.

In transactions where the Bank neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

If in transfer of an asset the Bank retains the control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank also derecognizes and writes off assets that are deemed to be uncollectable.

Repurchase and Reverse Repurchase Agreements

Securities sold in repurchase and reverse repurchase transactions (hereinafter – "REPO agreements") are accounted for as financing transactions secured by collateral where the securities continue to be recognized in the statement of financial position, and liabilities to counterparties included into accounts payable under REPO agreements are recorded within amounts owed credit institutions or amounts owed to customers, as appropriate. The difference arising from pricing spreads for the underlying securities is considered to be interest expense and is recognized in profit or loss over the period that the related REPO agreement is open using the effective interest rate method.

Securities acquired in repurchase and reverse repurchase transactions are accounted for as due from credit institutions or loans to customers, as appropriate. Any related income arising from pricing spreads for the underlying securities is recognized as interest income over the period that the related REPO agreement is open using the effective interest rate method.

If assets acquired under REPO agreements are sold to third parties, the obligation to return securities is recorded as a trading liability and is measured at fair value.

Derivative Financial Instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and securities, as well as any combination of these instruments.

Derivatives are initially recognized at fair value as of the date of the transaction, and are subsequently remeasured at fair value. All derivative financial instruments are recoded as assets, if their fair value is positive, and as liabilities, if their fair value is negative.

Changes in the fair value of derivative financial instruments are recognized immediately in profit or loss.

Derivatives may be embedded into other contractual agreement ("host contract"). An embedded derivative is separated from the host contract and is accounted for as a separate derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in the fair value recognized in profit or loss. Derivative financial instruments embedded in financial assets and liabilities measured at fair value through profit or loss are not separated from a host contract.

In spite of the fact that the Bank carries out trading transactions with derivative financial instruments with the purpose of hedging risks, these transactions do not satisfy the criteria to be accounted for as hedging transactions.

Offsetting

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

Prperty, Plant and Equipment

Owned Assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.
Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment

Leased Assets

Lease, which transfers substantially all risks and rewards of ownership to the Bank, is classified as a finance lease. Items of property, plant and equipment acquired as part of finance lease are recognized at the lower of the fair value of the asset and the present value of the minimum lease payment as of the date of the lease start less accumulated depreciation of impairment losses.

Depreciation

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

- buildings and permanent improvements	from 10 to 50 years
- furniture and equipment	from 5 to 20 years
- computers and office equipment	from 2 to 5 years

Intangible Assets

Intangible assets are recognized at historical cost less accumulated depreciation and impairment loses.

Costs attributes to acquisition of licenses for special software and its implementation are capitalized in the cost of the respective intangible asset.

Depreciation is provided to write off the cost on a straight-line basis over the estimated useful life of the asset and is recorded in profit or loss. Intangible assets are of limited and unlimited useful life. Intangible assets of limited useful life are amortized during the term of their beneficial use. Useful lives of intangible assets vary from 3 to 5 years.

Impairment

At the end of each reporting period, the Bank reviews its financial assets or a group of financial assets for impairment. If there is any evidence of impairment, the Bank assesses the losses from impairment.

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

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

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

Financial Assets Carried at Amortized Cost

Financial assets carried at amortized cost consist principally of loans and other receivables. The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of a loan or receivable (occurrence of losses) and if that event has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

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

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

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

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

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

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

Financial Assets Carried at Cost

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

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

Financial Assets Available for Sale

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

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

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

Non-Financial Assets

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

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

Provisions

Provisions are recognized in the statement of financial position when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Credit Reated Commitments

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

Financial guarantees issued by the Bank represent an obligation to pay a certain amount to a beneficiary as a compensation of loss, incurred as a result of the debtor's failure to make payment when due in accordance with the terms of the financial instrument.

Such guarantees are initially recognized at fair value less transaction costs and are subsequently measured at the higher of created provision and initial cost less, where applicable, accumulated amortization of commission income, received under the financial guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Loan commitments are not recognized, except for the followings:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- commitments to provide a loan at a below-market interest rate.

Share Capital

Share capital contributed before 1 January 2003 is recognized at the cost adjusted with account of inflation. Charter capital contributed after 1 January 2003 is recognized at the historical cost.

Ordinary Shares

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

Preference Shares

Preference shares that are not subject to repurchase and do not include dividends are classified as equity.

Repuchase of Shares

If the Bank repurchases its own shares, the amount of the consideration paid, including directly attributable costs, is recognized as a decrease in equity.

Dividends

The right of the bank to declare and pay dividends is regulated by the effective laws of the Russian Federation.

Dividends on ordinary shares are accounted for by deduction from the retained earnings when they are declared.

Taxation

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for assets and liabilities the initial recognition of which affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Income and Expense Recognition

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

Fees and commissions are recognized in profit or loss when the corresponding service is provided.

Net income from transaction with financial assets measured at fair value through profit or loss includes profit or loss from sale and change of fair value of such financial assets and liabilities measured at fair value through profit or loss.

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

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

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

Segment Reporting

The Bank is involved only in the banking activity. The Bank does not have any separate subdivisions or components that engage in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Bank), whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operations of the Bank and its assets are mainly located in the Russian Federation, and the Bank does not have clients with revenues exceeding 10% of the total revenues.

New Standards and Interpretation not yet adopted

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

- IFRS 9 Financial Instruments is issued in several stages, and, should ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The first part of IFRS 9 was issued in

November 2009 and deals with financial assets classification and measurement. The second part that deals with financial liabilities classification and measurement was issued in October 2010. The third part, dealing with the general rules of recording hedging operations, was issued in November 2013. The final standard was supplemented and published in July 2014. The latest changes will include the new model of calculation of losses from impairment of "expected credit losses". The Bank realizes that the new standard introduces significant changes into the procedure of recognizing financial instruments, and, is likely to have a significant effect on the financial statements. The Bank did not assess the potential impact of these changes. The Bank does not intend to adopt this standard early. The standard will be applied retrospectively, with certain exceptions for reporting periods beginning on 1 January 2018 or later.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016.

The Bank has not yet analyzed the likely impact of the improvements on its financial position or performance.

4 INTEREST INCOME AND EXPENSE

	2015 RUB '000	2014 RUB '000
Interest income		
Financial assets available for sale	144 115	171 540
Accounts receivable under REPO agreements "	26 602	5 059
Cash and cash equivalents	21 306	24 602
Loans to customers	3 214	17 611
	195 237	218 812
Interest expense		
Accounts payable under REPO agreements	(103 133)	(78 504)
Current accounts and deposits from customers	(54 416)	(60 043)
Certificates of deposit and promissory notes	(2 082)	(5 958)
Due to banks	-	(118)
	(159 631)	(144 623)

5 FEE AND COMMISSION INCOME

	2015 RUB '000	2014 RUB '000
Brokerage	67 261	5 131
Bank guarantees issued	4 099	15 380
Accounts maintenance and servicing	2 563	3 203
Foreign currency transactions and currency control	1 100	1 853
Other	3 544	753
	78 567	26 320

6 FEE AND COMMISSION EXPENSE

	2015 RUB '000	2014 RUB '000
Brokerage	(32 994)	(737)
Settlements	(1 268)	(830)
Foreign currency transactions	(1 009)	(463)
Stock exchange transactions	-	(6 073)
Other	(1 559)	(748)
	(36 830)	(8 851)

7 NET INCOME FROM FOREIGN CURRENCY TRANSACTIONS

	2015 RUB '000	2014 RUB '000
Loss from spot transactions and derivatives	(88 428)	(13 016)
Profit from revaluation of financial assets and liabilities	261 392	153 235
Loss from foreign exchange transactions	(63 588)	(99 478)
	109 376	40 741

8 RECOVERY (CREATION) OF PROVISIONS FOR IMPAIRMENT

	2015 RUB '000	2014 RUB '000
Loans and advances issued to banks	-	(41)
Loans and advances issued to customers (Note 13)	582	11 364
Other assets (Note 14)	178	690
	760	12 013

9 OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	2015 RUB '000	2014 RUB '000
Salaries	70 383	70 189
Taxes and social security costs	17 068	13 576
Technical maintenance of PP&E	6 119	4 945
Operating lease expense	3 924	5 666
Taxes other than on income	3 833	3 186
Information and telecommunication services	3 208	3 501
Depreciation and amortization	2 992	2 282
Inventory costs write off	2 463	890
Insurance	1 985	1 518
Advertising and marketing	1 101	1 266
Professional services	375	851
Security	226	879
Other	9 927	8 518
	123 604	117 267

10 INCOME TAX EXPENSE

	2015 RUB '000	2014 RUB '000
Current income tax expense	12 612	1 804
Total income tax expense	**12 612**	**1 804**

In 2015, the applicable income tax rate for current and deferred tax in the Russian Federation is 20% (2014: 20%).

Calculation of the effective income tax rate

	2015 RUB '000	%	2014 RUB '000	%
Profit (loss) before tax	67 364		22 695	
Income tax calculated using the effective interest rate	(13 473)	(20,0)	(4 539)	(20,0)
Costs not decreasing taxable profit	(121)	(0,2)	(742)	(3,3)
Income taxed at a lower rate	137	0,2	171	0,8
Changes in unrecognized deferred tax asset	845	1,3	3 306	14,6
	(12 612)	(18,7)	(1 804)	(7,9)

Income tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets as at 31 December 2015 and 31 December 2014.

Deferred tax benefits can be received only if the Bank will receive income against which unused tax loss can be offset, and if there will be no changes in the Russian laws that will impede the Bank from using these tax benefits in future periods. Deferred tax assets are not reflected in the financial statements because of the uncertainty that they can be received.

Tax effect from temporary differences as at 31 December 2015 can be presented as follows:

2015 RUB '000	Balance as at 1 January 2015	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at 31 December 2015
Financial assets at fair value through profit or loss	-	(2 002)	-	(2 002)
Financial assets available for sale	(162)	913	(126)	625
Loans to customers	134	(17)	-	117
Property, plant and equipment	493	(493)	-	-
Other assets	2 716	(2 313)	-	403
Financial instruments at fair value through profit or loss	-	3 219	-	3 219
Other liabilities	347	(152)	-	195
Unrecognized deferred tax asset	(3 528)	845	126	(2 557)
	-	-	-	-

Tax effect from temporary differences as at 31 December 2014 can be presented as follows:

2014 RUB '000	Balance as at 1 January 2014	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at 31 December 2014
Loans and advances to banks	-	53	-	53
Financial assets at fair value through profit or loss	-	(2 309)	-	(2 309)
Financial assets available for sale для продажи	(162)	1 221	4 418	5 477
Loans to customers	134	(14)	-	120
Property, plant and equipment	493	(565)	-	(72)
Other assets	2 716	(2 107)	-	609
Other liabilities	347	415	-	762
Unrecognized deferred tax asset	(3 528)	3 306	(4 418)	(4 640)
	-	-	-	-

Tax effect on components of other comprehensive income for 2015 and for 2014 can be presented as follows:

	2015			2014		
RUB '000	**Profit before tax**	**Income tax expense**	**Profit after tax**	**Profit before tax**	**Income tax expense**	**Profit after tax**
Net change in fair value of financial assets available for sale	2 390	(478)	1 912	(33 189)	5 755	(27 434)
Net change in fair value of financial assets available for sale transferred to profit or loss	(1 762)	352	(1 410)	6 683	(1 337)	5 346
Other comprehensive income	**628**	**(126)**	**502**	**(26 506)**	**4 418**	**(22 088)**

11 CASH AND CASH EQUIVALENTS

	2015 RUB '000	2014 RUB '000
Cash	25 337	20 463
Nostro accounts at the Central Bank of the Russian Federation	574 465	31 916
Nostro accounts at other banks and credit institutions	1 281 738	568 657
Broker account	248 697	316 781
	2 130 237	937 817

Cash and cash equivalents are neither impaired nor past due.

As at 31 December 2015 the Bank has two counterparties (31 December 2014: two counterparties) which hold over 10% of capital. As at 31 December 2015, the total balances of these counterparties were RUB 2 008 630 thousand (31 December 2014: RUB 717 614 thousand).

12 ACCOUNTS RECEIVABLE ON REPO AGREEMENTS

As at 31 December 2015, accounts receivable on REPO agreements (RUB 1 107 001 thousand) were secured by highly liquid debt and equity securities for RUB 1 260 800 thousand (31 December 2014 the outstanding amounts on REPO transactions (RUB 4 999 thousand) were secured by highly liquid debt and equity securities for RUB 6 443 thousand).

13 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 RUB '000	2014 RUB '000
Owned by the Bank		
Debt instruments and other fixed income instruments		
- Bonds of the Government of the Russian Federation		
- Bonds of the Government of the Russian Federation	41 624	-
Total bonds of the Government of the Russian Federation	**41 624**	**-**
- Corporate bonds		
rated from BBB- to BBB+	816 529	478 296
rated below B+	-	70 345
Total corporate bonds	**816 529**	**548 641**
Equity Instruments		
- Corporate shares	103 580	56 850
Total equity instruments	**103 580**	**56 850**
	961 733	**605 491**
Pledged under REPO agreements		
- Bonds of the Government of the Russian Federation		
- Bonds of the Government of the Russian Federation	31 839	55
Total bonds of the Government of the Russian Federation	**31 839**	**55**
- Corporate bonds		
rated from BBB- to BBB+	153 843	196 886
rated from BB- to BB+	-	1 137 497
rated below B+	-	257 253
Total corporate bonds	**153 843**	**1 591 636**
Equity Instruments		
- Corporate shares	19 224	413
Total equity instruments	**19 224**	**413**
	204 906	**1 592 104**

Financial assets available for sale are neither past due nor impaired.

14 LOANS TO CUSTOMERS

	2015 RUB '000	2014 RUB '000
Loans to legal entities		
Loans to small and medium entities	30 000	27 374
Total loans to legal entities	**30 000**	**27 374**
Loans to retail customers		
Consumer loans	13 363	-
Total loans to retail customers	**13 363**	**-**
Gross loans to customers	**43 363**	**27 374**
Provision for impairment	(300)	(882)
Loans to customers less provision for impairment	**43 063**	**26 492**

Analysis of changes in provisions for impairments of loans to customers for 2015 and 2014 is given in the table below:

	31 December 2015 RUB '000	31 December 2014 RUB '000
Provision for impairment as at the beginning of the year	882	37 824
Net (recovery) creation of provision for impairment	(582)	(11 364)
Loans to customers write off	-	(25 578)
Provision for impairment as at the end of the year	**300**	**882**

Credit quality of loans to customers

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

	Loans before deduction of impairment provision RUB '000	Provision for impairment RUB '000	Loans after deduction of impairment provision RUB '000	Provision for impairment vs loans before deduction of impairment provision (%)
Corporate loans				
Loans to small and medium enterprises				
Loans without individual indicators of impairment	30 000	(300)	29 700	1,00
Total loans to small and medium enterprises	**30 000**	**(300)**	**29 700**	**1,00**
Retail loans				
Consumer loans				
Loans without individual indicators of impairment	13 363	-	13 363	0,00
Total retail loans	**13 363**	**-**	**13 363**	**0,00**
Total loans to customers	**43 363**	**(300)**	**43 063**	**0,69**

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

	Loans before deduction of impairment provision RUB '000	Provision for impairment RUB '000	Loans after deduction of impairment provision RUB '000	Provision for impairment vs loans before deduction of impairment provision (%)
Corporate loans				
Loans to small and medium enterprises				
Loans without individual indicators of impairment	27 374	(882)	26 492	3,22
Total loans to small and medium enterprises	**27 374**	**(882)**	**26 492**	**3,22**
Total loans to customers	**27 374**	**(882)**	**26 492**	**3,22**

Key assumptions and judgements used to assess loan impairment

Corporate lending

Impairment of a loan takes place as a result of one or several events that happen after initial recognition of the loan and influence the estimated future cash flows from the loan that can be reliably measured. For loans that do not have individual indicators of impairment, there is no objective evidence of impairment that can be related directly to them.

Objective evidence of impairment of loans issued to legal entities include:

- overdue payments under loan agreements;

- significant deterioration of the borrower's financial position;
- deterioration of economic situation, negative changes in the markets where the borrower operates;
- restructuring of a loan on conditions that the Bank would not otherwise consider.

The Bank assess the amount of provision for impairment of loans issued to legal entities on the basis of on its past loss experience for such types of loans.

Significant assumptions used by Management in assessing the amount of provision for impairment of loans issued to legal entities includes an assumption that as at 31 December 2015 the annual level of the actually incurred loses was 1.00% (31 December 2013: 3.22%).

Changes in these estimates may affect the amount of loan impairment provision. For instance, if the net present value of estimated future cash flows had changed for plus/minus one percent, as at 31 December 2015 the amount of the provision for impairment of loans issued to legal entities would have been RUB 238 thousand lower/higher (31 December 2014: RUB 212 thousand).

Retail lending

The Bank assess the amount of provision for impairment of retail loans on the basis of on its past loss experience for such types of loans.

Significant assumptions used by Management in assessing the amount of provision for impairment of retail loans includes an assumption that as at 31 December 2015 the annual level of the actually incurred loses was 0.00%.

Changes in these estimates may affect the amount of loan impairment provision. For instance, if the net present value of estimated future cash flows had changed for plus/minus three percent, as at 31 December 2015 the amount of the provision for impairment of retail loans would have been RUB 321 thousand lower/higher.

Colleteral analysis

The following table provides the analysis of corporate loans, net of impairment, by types of collateral as at 31 December 2015 and 31 December 2014:

31 December 2015 RUB '000	Loans to customers, carrying amount	Fair value of colletral assesed as of the loan issuance date
No collateral	29 700	-
Total corporate loans	**29 700**	**-**

31 December 2014 RUB '000	Loans to customers, carrying amount	Fair value of colletral assesed as of the loan issuance date
Rights of claim	11 785	11 785
No collateral	14 707	-
Total corporate loans	**26 492**	**11 785**

The tables above exclude overcollateralization.

The recoverability of loans issued to legal entities which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date. For most of the loans, the amounts presented in the table are higher, and are based on the fair value of collateral measured as of the loan issuance date.

For loans that are secured by several types of collateral, the type of collateral that is the most significant to assess impairment is disclosed. Guarantees and commitments from individuals, for instance, shareholders of borrowers-small and medium enterprises, is not taken into account for impairment assessment purposes. Therefore, such loans and loans that are not secured by collateral, or are partially covered by collateral are disclosed in *No collateral* category.

Retail lending

The following table provides the analysis of the fair value of collateral for retail loans, net of impairment, by types of collateral as at 31 December 2015:

	Loans to customers, carrying amount	Fair value of colletral assesed as of the loan issuance date
No collateral	13 363	-
Total retail loans	**13 363**	**-**

The tables above exclude overcollateralization.

The Bank may assess the colleteral on an individual basis as at the reporting date if any evidence of impairment arises. For the majority of the loans the information given in the table is based on the fair favue of the colleteral assessed as at the loan issuance date.

Industry and geographic analysis of the loan portfolio

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

	2015 RUB '000	2014 RUB '000
Financial servicos	30 000	27 374
Retail lending	13 363	-
	43 363	**27 374**
Impairmont provision	(300)	(882)
	43 063	**26 492**

Significant credit exposures

As at 31 December 2015 and 2014, the Bank does not have any borrowers or groups of related borrowers, whose loan balances comprised over 10% of capital:

15 OTHER ASSETS

	2015 RUB '000	2014 RUB '000
Accounts receivable	2 940	3 413
Impairment provision	(2 822)	(3 413)
Total other financial assets	118	-
Advance payments	5 423	2 958
Other	316	1 556
Impairment provision	(65)	(262)
Total other nonfinancial assets	5 674	4 252
Total other assets	**5 792**	**4 252**

Analysis of changes in impairment provision

	2015 RUB '000	2014 RUB '000
Impairment provision as at the beginning of the year	3 675	7 500
Net (recovery) creation of impairment provision	(179)	(690)
Other assets write off	(609)	(3 135)
Impairment provision as at the end of the year	**2 887**	**3 675**

As at 31 December 2015, other assets include RUB 2 822 thousand overdue receivable (31 December 2014: RUB 3 413 thousand).

16 ACCOUNTS PAYABLE UNDER REPO AGREEMENTS

	2015 RUB '000	2014 RUB '000
Other credit institution	1 022 866	100 546
Central Bank of the Russian Federation	-	1 350 647
	1 022 866	**1 451 193**

As at 31 December 2015 the Bank pledged securities with the fair value of RUB 1 194 572 thousand as collateral for REPO agreements (31 December 2014: RUB 1 592 104 thousand).

17 CURRENT CUSTOMER ACCOUNTS AND DEPOSITS

	2015 RUB '000	2014 RUB '000
Current accounts and ondemand deposits		
- Retail customers	97 532	14 218
- Legal entities	1 308 895	316 785
Fixed-term deposits		
- Retail customers	7 056	2 452
- Legal entities	871 987	326 354
	2 285 470	**659 809**

As at 31 December 2015, the Bank has four customers whose balances comprised more than 10% of the capital (as at 31 December 2014: one customer). As at 31 December 2015, the total amount of balances of accounts and deposits of these clients was RUB 1 549 274 thousand (31 December 2014: RUB 250 916 thousand).

18 DEBT LIABILITIES ISSUED

	2015 RUB '000	2014 RUB '000
Debt liabilities issued	27 749	25 667
	27 749	25 667

19 OTHER LIABILITIES

	2015 RUB '000	2014 RUB '000
Trade payables	989	2 615
Total other financial liabilities	989	2 615
Salaries	5 455	3 477
Dividends payable	4 553	4 553
Payable under return of commission	1 328	1 278
Other taxes payable	553	93
Other non-financial liabilities	1 720	1 434
Total other non-financial liabilities	13 609	10 835
Total other liabilities	14 598	13 450

20 SHAREHOLDERS' EQUITY

Issued share capital and share premium

Registered, issued and circulating share capital of the Bank consists of 56,490,000 ordinary shares (31 December 2013: 56,490,000) and 100,000 preference shares (31 December 2013: 100,000). The nominal value of each ordinary share is 10 RUB, the nominal value of each preference share is 1 RUB.

The holders of ordinary shares are entitled to receive dividends as annually declared and are entitled to one vote per share at annual and other general meetings of the Bank's shareholders.

The holders of preference shares are entitled to receive dividends as annually declared at annual and other general meetings of the Bank's shareholders. The holders of preference shares do not have voting rights at general meetings of the Bank's shareholders. Shareholders-holders of preference shares acquire voting rights at the general meeting of shareholders by the decision introducing amendments to the Bank's articles of association limiting the rights of shareholders-holders of preference shares.

	31 December 2015 RUB '000	31 December 2014 RUB '000
Nominal value of ordinary shares	564 900	564 900
Nominal value of preference shares	100	100
Inflation adjustment	137 762	137 762
Shareholders' equity	702 762	702 762

Dividends

Distributions to participants are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Russian Federation. In accordance with the requirements of the legislation of the Russian Federation as of the reporting date the amount available for distribution was RUB 139 193 thousand (31 December 2014: RUB 80 190 thousand).

21 RISK MANAGEMENT

Risk management is fundamental to the banking business and is an essential element of the Group's operations. Market risk, credit risk and liquidity risk are the main risks the Bank's operations are exposed to.

Risk management policies and procedures

The Banks policy in tackling the risks is aimed at identification, analysis and management of risks the Bank is exposed to, at establishment of risk limits and the relevant controls, as well as at regular assessment of the risk levels and the extent they correlate with the established risk limits. Risk management policies and procedures are reviewed at a regular basis in order to reflect the changes in the market situation and in the products and services offered by the Bank, as well as emerging best practices.

The Board of Directors is responsible for the appropriate functioning of the risk management controls, for managing key risks, for approving risk management policies and procedures, and for major transactions approval.

The Management Board is responsible for the implementation of the risk management strategy, monitoring risks, implementation of measures to minimize risks, and it also ensures that the Bank operates within the established risk limits.

In order to implement risk regulating processes and risk management principles the Bank created the following Committees:

The Risk Control Department is responsible for identification and assessment of risks, analysis and forecasts of the risk levels, working out recommendations to minimize risks, informing the Bank's management on the current and forecasted risk levels.

Credit, market and liquidity risks are managed and controlled by the Management Board, Internal Audit Department, Credit Committee and ALM Committee, both at the portfolio level on the whole, and at the level of separate transactions. To enhance the efficiency of decision-making, risk management function is divided between different departments of the Bank, depending on the risk type and the size of the risk exposure.

Both internal and external risk factors are identified and managed within the departments of the Bank. Attention is given to identification of the whole list of risk factors and determination of the sufficiency of the current risk minimizing procedures.

Market Risk

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

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

ALM Committee is responsible for market risk management. ALM Committee approves internal market risk norms on the basis of risk tackling recommendations and suggestions made by the Risk Control Department.

The Bank manages its market risk by setting open position limits in relation to the size of portfolio of certain financial instruments, terms of interest rate change, currency position, loss limits and by regular monitoring of compliance with them, the results of which are reviewed and approved by the Management Board.

Interest rate risk

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2015 and 2014. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2015 Average effective interest rate, %			2014 Average effective interest rate, %		
	RUB	USD	Other currencies	RUB	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	8.0%	-	-	8.0%	-	-
Accounts receivable under REPO agreements	11.1%	-	-	19.0%	-	-
Financial assets available for sale	13.3%	-	-	13.3%	-	-
Loans to customers	18.0%	-	-	15.9%	-	-
Interest bearing liabilities						
Accounts payable under REPO agreements	10.9%	-	-	17.1%	-	-
Current accounts and deposits from customers						
- Fixer-term deposits	10.8%	0.4%	0.1%	19.1%	2.5%	-
Debt liabilities issued	9.5%	-	-	9.5%	-	-

Interest rate sensitivity analysis

Interest rate risk management based on the analysis of the term when interest rates are reviewed is supplemented by monitoring the assets and liabilities sensitivity. An analysis of sensitivity of profit or loss and equity (less taxes) to changes in the interest rates (repricing risks) based on a simplified scenario of a 100 basis point (bp) symmetrical rise or fall in all yield curves and positions of interest bearing assets and liabilities existing as at 31 December 2015 and 2014 is as follows:

	2015 RUB '000	2014 RUB '000
100 bp parallel decrease	9 092	8 660
100 bp parallel increase	(9 092)	(8 660)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of debt financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2015		2014	
	Net profit or loss RUB '000	Equity RUB '000	Net profit or loss RUB '000	Equity RUB '000
100 bp parallel decrease	-	6 975	-	14 099
100 bp parallel increase	-	(6 975)	-	(14 099)

Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of assets and liabilities as at 31 December 2015:

	RUB RUB '000	USD RUB '000	EUR RUB '000	Total RUB '000
ASSETS				
Cash and cash equivalents	832 416	315 595	982 226	2 130 237
Statutory reserves with the Central Bank of the Russian Federation	11 609	-	-	11 609
Due to banks	3	2 865	-	2 868
Accounts receivable under REPO agreements	1 106 905	96	-	1 107 001
Positive fair value of derivative financial instruments	-	656	9 907	10 563
Financial assets available for sale	1 089 486	77 153	-	1 166 639
Loans to customers	43 063	-	-	43 063
Other financial assets	118	-	-	118
Total assets	**3 083 600**	**396 365**	**992 133**	**4 472 098**
LIABILITIES				
Negative fair value of derivative financial instruments	15 873	224	-	16 097
Accounts payable under REPO agreements	1 003 336	19 530	-	1 022 866
Current accounts and deposits from customers	1 929 698	329 061	26 711	2 285 470
Debt liabilities issued	27 749	-	-	27 749
Other financial liabilities	989	-	-	989
Total liabilities	**2 977 645**	**348 815**	**26 711**	**3 353 171**
Effect of derivative financial instruments expresed in foreign currencies	**996 859**	**(47 622)**	**(954 771)**	**(5 534)**
Net position	**1 102 814**	**(72)**	**10 651**	**1 113 393**

The foreign currency exposure structure of assets and liabilities by currency as at 31 December 2014 is as follows:

	RUB RUB '000	USD RUB '000	EUR RUB '000	Total RUB '000
ASSETS				
Cash and cash equivalents	440 583	142 254	354 980	937 817
Statutory reserves with the Central Bank of the Russian Federation	11 478	-	-	11 478
Due to banks	-	1 722	-	1 722
Accounts receivable under REPO agreements	4 999	-	-	4 999
Positive fair value of derivative financial instruments	11 725	-	-	11 725
Financial assets available for sale	2 140 333	57 262	-	2 197 595
Loans to customers	26 492	-	-	26 492
Total assets	**2 635 610**	**201 238**	**354 980**	**3 191 828**
LIABILITIES				
Negative fair value of derivative financial instruments	-	534	-	534
Due to banks	11	-	-	11
Accounts payable under REPO agreements	1 450 770	423	-	1 451 193
Current accounts and deposits from customers	578 757	67 348	13 704	659 809

	RUB RUB '000	USD RUB '000	EUR RUB '000	Total RUB '000
Debt liabilities issued	25 667	-	-	25 667
Other financial liabilities	2 615	-	-	2 615
Total liabilities	**2 057 820**	**68 305**	**13 704**	**2 139 829**
Effect of derivative financial instruments expresed in foreign currencies	**486 705**	**(133 089)**	**(341 714)**	**11 902**
Net position	**1 064 495**	**(156)**	**(438)**	**1 063 901**

The weakening of the Russian Rouble, as indicated below, against the following currencies at 31 December 2015 and 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2015 RUB '000	2014 RUB '000
10% appreciation of USD against RUB	(6)	(12)
10% appreciation of EUR against RUB	852	(35)

The strengthening of the Russian Rouble against the above currencies at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Credit risk is the risk of financial losses of the Bank if a customer or counterparty fails to meet its contractual obligations. The bank manages its credit risk through approved policies and procedures that include requirements to establish and observe credit risk concentration limits, as well as through creation of the Credit Committee and ALM Committee that are responsible for making decisions on credit risk regulation and for control over compliance with internal limits and norms

The credit policies of the Bank, as well as amendments to these policies, are considered by the Credit Committee and the Management Board, and are approved by the Bank's Board of Directors.

The credit policies regulates the Bank's credit operations and other operations containing the credit risk (hereinafter – "the credit operations") that are carried out with retail and corporate clients, including different kinds of short-term and long-term lending, issue of guarantees and letters of credit, acceptance of guarantees as collateral for liabilities of corporate clients, acceptance of letters of credit.

Credit policies cover transactions exposed to credit risk with financial institutions (credit institutions, payment/settlement systems, depositary institutions, clearing houses, financial companies), including interbank lending, conversion operations, limiting risks on operations with Nostro accounts, issue/acceptance of guarantees, acceptance of the letters of credit, transactions dealing with sale/purchase of financial assets on a deferred payment basis (supply of financial assets), etc., as well as participation in syndicated loans and co-loans that enable the Bank to divide the risk.

Procedures used to consider loan applications, methodology used to assess the creditworthiness of borrowers and counterparties, requirements to loan documentation are set forth in the Regulations on lending under different lending programs.

Loan applications from corporate clients are passed over for consideration to Active Operations Department that is responsible for corporate credit portfolio. Reports of analysts of this Department are based on the structural analysis of borrower's business and financial position. The Credit Committee reviews loan applications on the basis of the documents provided by the Active Operations Department. Before the Credit Committee approves separate transactions, the documents are reviewed by legal adviser to the Management Board. Security Department tests clients' economic security.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank.

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

The maximum exposure to credit risk recognized on the statement of financial position at 31 December 2015 and 2014 is as follows:

	31 December 2015 RUB '000	31 December 2014 RUB '000
ASSETS		
Cash and cash equivalents	2 104 900	917 354
Statotury reserves with the Central Bank of the Russian Federation	11 609	11 478
Due from banks	2 868	1 722
Accounts receivable under REPO agreements	1 107 001	4 999
Positive fair value of derivative financial instruments	10 563	11 725
Debt liabilities available for sale	1 043 835	2 140 332
Loans to clients	43 063	26 492
Other financial assets	118	-
Total maximum risk level	**4 323 957**	**3 114 102**

The Bank receives collateral for customer loans in the form of real estate pledge and other assets and guarantees pledge. The value of collateral is assessed at the date of the loan issue, and, as a rule, is not reviewed, except for the cases when the loans is considered impaired on the individual basis. If the market value of collateral decreases, the borrower is usually asked to provide additional collateral.

Collateral is not usually provided for the rights of claim on derivative financial instruments, investments in securities, loans and advances issued to banks, except for the cases when securities are received under reverse REPO transactions and securities lending transactions.

For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 13.

For the maximum credit risk exposure in respect of unrecognized contract commitments as of the reporting date refer to Note 22.

As at 31 December 2015, the Bank has two counterparties (31 December 2014: one counterparty) whose individual credit risk exposure exceeds 10% of the maximum level of credit risk exposure. As at 31 December 2015, the credit risk exposure in respect of these counterparties is RUB 2 910 063 thousand (31 December 2014: RUB 484 276 thousand).

Liquidity risk

Liquidity risk is the risk that the Bank may face difficulties in meeting its payment obligations. Liquidity risk arises when the terms of maturity of assets and liabilities do not coincide. Matching and/or controlled mismatching of assets and liabilities maturities and interest rates is the key factor in managing liquidity risk. Due to the diverse nature of the Bank's operations and related uncertainties full coincidence between assets and liabilities maturities is not common practice at financial institutions, which gives an opportunity to increase the return on operations, but also increases the risk of losses.

The Bank maintains the required liquidity level in order to ensure the continuing availability of cash required to settle all liabilities as they mature.

The Bank strives to actively maintain diversified and stable structure of financing sources consisting of debt securities issued, long-term and short-term loans from other banks, deposits from major corporate and retail clients, as well as to diversify highly liquid asset portfolio in order to be able to react quickly and without sharp swings to unforeseeable liquidity requirements.

Risk liquidity factors, segregation of liquidity management function and responsibilities, liquidity assessment and management methods, reporting and information exchange procedures in the course of liquidity risk management are described in detail on the *Liquidity Risk Management Regulation*.

The Bank's liquidity management and control system includes the following elements:

- the Bank's Management Board that is responsible for the general organization of efficient liquidity management and control over liquidity position ;

- ALM Committee that is responsible for liquidity management decision-making, ensuring efficient liquidity management and implementing controls over liquidity position and implementation of the relevant decisions;

- Risk Control Department that is responsible for liquidity position analysis;

- Treasury that is responsible for ensuring compliance with the established norms and limits in active banking transactions;

- the Bank's head office and additional offices that are responsible for providing information about the inflows and clients' payments;

- the Bank's internal documents regulating the Bank's liquidity level and setting forth measures to maintain liquidity: documents describing liquidity position analysis procedure, decisions of managing bodies on mobilization of assets, implementation of new banking products, involvement of additional resources, etc.;

- the system ensuring provision of regular and current information and reports on the Bank's liquidity to regulatory authorities;

- Internal Control Department that is responsible for ensuring compliance with all risk management procedures.

Financial Reporting Division of the Accounting and Financial Reporting Department on a daily basis calculates statutory economic standards in compliance with the procedures established by the Central Bank, as well as assesses the actual value of statutory liquidity ratio and the size of risks the Bank is exposed to.

An inherent element of liquidity management is a regular review of liquidity position based on the short-term liquidity forecast and data taken from the repots. If there is an inconsistency between the forecasted and actual results, the Bank analyses these inconsistencies with the purpose to introduce adjustments into liquidity management system. In order to assess a perspective liquidity position a short-term liquidity forecast is made.

Liquidity level forecast is made by extrapolation of the current liquidity level with account of adjustment for the planned changes in the asset and liability structure on the basis of data provided by the Bank's divisions that are responsible for such information.

The following tables show the undiscounted cash flows on financial assets and liabilities and unrecognized credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the liabilities or off-balance commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

Analysis of financial liabilities, by expected maturities, as at 31 December 2015, can be presented as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total gross amount of outflow	Carrying amount
Non-derivative financial liabilities						
Negative fair value of derivative financial instruments	16 097	-	-	-	16 097	16 097
Accounts payble under REPO agreeemnts	1 022 866	-	-	-	1 022 866	1 022 866
Customer current accounts and deposits	1 950 756	314 795	25 370	-	2 290 921	2 285 470
Debt liabilities issued	-	27 749	-	-	27 749	27 749
Other financial liabilities	839	-	150	-	989	989
Total liabilities	**2 990 558**	**342 544**	**25 520**	**-**	**3 358 622**	**3 353 171**
Off-balance credit commitments	**141 826**	**-**	**-**	**-**	**141 826**	**141 826**

Analysis of financial liabilities, by expected maturities, as at 31 December 2014, can be presented as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total gross amount of outflow	Carrying amount
Non-derivative financial liabilities						
Negative fair value of derivative financial instruments	178	356			534	534
Due to banks	11	-	-	-	11	11
Accounts payable under REPO agreeemnts	1 451 193	-	-	-	1 451 193	1 451 193
Customer current accounts and deposits	586 517	46 391	30 260	-	663 168	659 809
Debt liabilities issued	-	-	-	25 667	25 667	25 667
Other financial liabilities	2 330	-	285	-	2 615	2 615
Total liabilities	**2 040 229**	**46 747**	**30 545**	**25 667**	**2 143 188**	**2 139 829**
Off-balance credit commitments	**19 800**	**-**	**106 250**	**162 225**	**288 275**	**288 275**

According to the Russian laws, individuals can withdraw their demand deposits from the Bank at any time, however, in most cases, they lose the right to receive accrued interest income. Consequently, such deposits net of accrued interest income are disclosed in the table below in *Demand and less than 1 month* category. Information about the contractual maturities of these deposits is given later on:

	2015 RUB '000	2014 RUB '000
Demand and less than 1 month	4 185	-
From 1 to 3 months	-	62
From 3 to 12 months	2 871	2 390
From 1 year to 5 years	-	-
	7 056	2 452

The table below shows the analysis of assets and liabilities by their contractual maturity as at 31 December 2015, except for financial assets available for sale. These securities are disclosed in Demand and less than 1 month category as the Bank's Management believes that the majority of these financial instruments can be sold by the Bank within the short term.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	No maturity	Total
Non-derivative financial assets							
Cash and cash equivalents	2 130 237	-	-	-	-	-	2 130 237
Statutory reserve with the Central Bank of the Russian Federation	9 897	1 590	122	-	-	-	11 609
Due from banks	2 868	-	-	-	-	-	2 868
Accounts receivable under REPO agreements	1 106 916	85	-	-	-	-	1 107 001
Positive fair value of derivative financial instruments	10 009	554	-	-	-	-	10 563
Financial assets available for sale	1 166 639	-	-	-	-	-	1 166 639
Customer loans	-	-	29 700	13 363	-	-	43 063
Other financial assets	118	-	-	-	-	-	118
Total assets	**4 426 684**	**2 229**	**29 822**	**13 363**	**-**	**-**	**4 472 098**
Non-derivative financial liabilities							
Negative fair value of derivative financial instruments	16 097	-	-	-	-	-	16 097
Accounts payable under REPO agreements	1 022 866	-	-	-	-	-	1 022 866
Customer current accounts and deposits	1 948 471	312 961	24 038	-	-	-	2 285 470
Debt liabilities issued	-	27 749	-	-	-	-	27 749
Other financial liabilities	839	-	150	-	-	-	989
Total liabilities	**2 988 273**	**340 710**	**24 188**	**-**	**-**	**-**	**3 353 171**
Net position	**1 438 411**	**(338 481)**	**5 634**	**13 363**	**-**	**-**	**1 118 927**

The table below shows the analysis of assets and liabilities by their contractual maturity as at 31 December 2014, except for financial assets available for sale. These securities are disclosed in Demand and less than 1 month category as the Bank's Management believes that the majority of these financial instruments can be sold by the Bank within the short term.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	No maturity	Total
Non-derivative financial assets							
Cash and cash equivalents	937 817	-	-	-	-	-	937 817
Statutory reserve with the Central Bank of the Russian Federation	10 151	803	524	-	-	-	11 478
Due from banks	-	-	-	-	-	1 722	1 722
Accounts receivable under REPO agreements	4 999	-	-	-	-	-	4 999
Positive fair value of derivative financial instruments	11 725	-	-	-	-	-	11 725
Financial assets available for sale	2 197 595	-	-	-	-	-	2 197 595
Customer loans	14 708	-	11 784	-	-	-	26 492
Total assets	**3 176 995**	**803**	**12 308**	**-**	**-**	**1 722**	**3 191 828**
Non-derivative financial liabilities							
Negative fair value of derivative financial instruments	178	356	-	-	-	-	534
Due to banks	11	-	-	-	-	-	11
Accounts payable under REPO agreements	1 451 193	-	-	-	-	-	1 451 193
Customer current accounts and deposits	581 919	46 074	31 816	-	-	-	659 809
Debt liabilities issued	-	-	-	25 667	-	-	25 667
Other financial liabilities	2 330	-	285	-	-	-	2 615
Total liabilities	**2 035 631**	**46 430**	**32 101**	**25 667**	**-**	**-**	**2 139 829**
Net position	**1 141 364**	**(45 627)**	**(19 793)**	**(25 667)**	**-**	**1 722**	**1 051 999**

The table below shows the analysis of financial assets available for sale by their contractual maturity as at 31 December 2015 and 31 December 2014:

	2015 RUB '000	2014 RUB '000
From 1 to 3 months	58	203 167
From 3 to 12 months	168 798	553 965
From 1 year to 5 years	587 853	756 829
Over 5 years	287 126	626 371
No maturity	122 804	57 263
Financial assets available for sale	**1 166 639**	**2 197 595**

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the Central Bank.

These ratios include:

- instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand;
- current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;
- long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after 1 year to the equity and liabilities maturing after 1 year.

	Requirement	2015, %	2014, %
Instant liquidity ratio (N2)	Not less than 15%	92,0	51,9
Current liquidity ratio (N3)	Not less than 50%	156,6	72,9
Long-term liquidity ratio (N4)	Not more than 120%	0,8	0,0

22 *CAPITAL MANAGEMENT*

The Bank's lead regulator, the Central Bank, sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital (equity) of credit institutions. As at 31 December 2014, the minimum level of a ratio of capital to risk As at 31 December 2014, the minimum basic capital adequacy ratio (hereinafter – "N1.1 ratio"), the minimum additional capital adequacy ratio (hereinafter – "N1.2 ratio") and the minimum equity adequacy ratio (hereinafter – "N1.0 ratio") were 5.5%, 5.5% and 10.0% respectively. Starting from 1 January 2015 the minimum level of N1.2 ratio is 6.0%. As at 31 December 2015 and 31 December 2014 the Bank's capital adequacy ratio was compliant with the statutory required level.

The calculation of capital adequacy based on requirements set by Regulation № 395-P of the Central Bank as at 31 December is as follows:

	2015 RUB '000	2014 RUB '000
Basic capital	1 105 643	1 067 875
Additional capital	46 658	84
Total capital	**1 152 301**	**1 067 959**
Risk weighted assets	**2 719 898**	**3 565 959**
N1.1 ratio (%)	**40.7%**	**29.9%**
N1.2 ratio (%)	**40.7%**	**29.9%**
N1.0 ratio (%)	**42.4%**	**29.9%**

23 CREDIT RELATED CONTINGENCIES

At any moment the Bank may have to be required to provide loan resources. These commitments may involve issue of loans resources in the form of approved loans, credit card limits and overdrafts.

The Bank issues bank guarantees and letters of credit with the purpose to ensure fulfillment of the clients' obligations to third parties. Such agreements record the limits of the Bank's liabilities, and, as a rule, are effective up to one year.

When the Bank issues guarantees, loan off-balance commitments and letters of credit, the Bank applies the same risk management policies and procedures as upon issue of loans to customers.

Contractual amounts of off-balance liabilities are presented, by category, in the table below. Amounts disclosed in the table in respect of loan commitments presuppose that these liabilities will be settled in full. Amounts disclosed in the table in respect of guarantees and letters of credit are the maximum amounts of accounting losses that would have been recognized as of the reporting date, if the counterparties failed to fulfill their contractual obligations.

	2015 RUB '000	2014 RUB '000
Guarantees and letters of credit	141 826	288 275
	141 826	**288 275**

Many of the disclosed liabilities can be terminated without their partial or full settlement. As a result, these liabilities do not entail anticipated cash outflow. The majority of loans and credit line liabilities are not the Bank's absolute obligations.

As at 31 December 2015 and 31 December 2014, the Bank did not have any counterparties the total amount of loan liabilities to whom comprised more than 10% of the total capital.

24 OPERATING LEASE

Bank as a lessee

Operating lease liabilities where the Bank acts as a lessee and that cannot be annulled unilaterally as at 31 December were as follows:

	2015 RUB '000	2014 RUB '000
Less than 1 year	4 766	4 094
Between 1 and 5 years	7 006	6 602
	11 772	**10 696**

The Bank leases a number of premises and equipment under operating lease agreements. The leases typically run for an initial period from five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. Operating lease liabilities do not include contingent liabilities.

25 CONTINGENT LIABILITIES

Outstanding litigations

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

Taxation contingencies

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

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

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the short period since the current Russian transfer pricing rules became effective, the impact of any such challenge cannot be reliably estimated. However, Management believes that they can significantly affect the financial position and/or the overall operations of the Bank.

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

26 RELATED PARTY TRANSACTIONS

Transaction with the Board of Directors and the Management Board

The total amount of remuneration included into *Payroll expenses* as at December 2015 and 2014 is as follows:

	2015 RUB '000	2014 RUB '000
Short-term remuneration to the Board of Directors and the Management Board	7 840	10 406
	7 840	10 406

As at 31 December 2015 and 31 December 2014, the outstanding balances and the related average effective interest rates on transactions with related parties were as follows:

	31 December 2015		31 December 2014	
	RUB '000	Average effective interest rates	RUB '000	Average effective interest rates
Statement of Financial Position				
ASSETS				
Customer loans:				

	31 December 2015		31 December 2014	
	RUB '000	Average effective interest rates	RUB '000	Average effective interest rates
Retail loans:				
- in RUB	9 469	15.5%	-	-
LIABILITIES				
Customer current accounts and deposits:				
Current accounts:				
- in RUB	1 116	0.0%	135	0.0%

In 2015 and 2014, the amounts included into profit or loss from transactions with the Board of Directors and Management Board were as follows:

	2015 RUB '000	2014 RUB '000
Statement of Comprehensive Income		
Interest income	521	-
Interest expense	-	(10)
Fee and commission income	53	-
Net loss from foreign currency transactions	(875)	-
Other general and administrative expense	(7 840)	(10 406)

Other related party transactions

Other related parties include entities that are shareholders of the Banks and associated entities and persons. As at 31 December 2015 and 31 December 2014, the outstanding balances and the related average effective interest rates on related party transactions were as follows:

	31 December 2015		31 December 2014	
	RUB '000	Average effective interest rates	RUB '000	Average effective interest rates
Statement of Financial Position				
ASSETS				
Cash and cash equivalents:				
Nostro accounts in other banks and financial institutions:				
- in RUB	2	-	4 079	-
- in USD	37 861	-	9 626	-
Broker account in RUB	-	-	310 005	8.0%
Accounts receivable under REPO agreements:				
- in USD	96	0.7%	-	-
Financial assets available for sale:				
- owned by the Bank	45 651	-	-	-
- pledged under REPO agreements	19 225	-	97 111	-
Other assets	6	-	-	-
LIABILITIES				
Accounts payable under REPO agreements:				
- in RUB	-	-	85 017	10.5%
- in USD	19 531	0.3%	423	0.0%
Customer current accounts and deposits:				
Current accounts:				
- in RUB	13 121	0.0%	69 746	0.0%
- in USD	9 733	0.0%	9 266	0.0%
Fixed-term deposits:				
- in RUB	725 258	10.8%	326 502	19.0%
- in USD	136 307	0.4%	-	-
Other assets	17	-	-	-

As at 31 December 2015, the Bank issued a guarantee to a shareholder amounting to RUB 53 086 thousand (31 December 2014: RUB 27 500 thousand).

In 2015 and 2014, the amounts included into profit or loss from other related party transactions were as follows:

	2015 RUB '000	2014 RUB '000
Statement of Comprehensive Income		
Interest income	27	24 326
Interest expense	(59 448)	(59 788)
Fee and commission income	3 875	11 841
Fee and commission expense	(216)	(19)
Net loss from foreign currency transactions	(30 519)	(399)
Other income	186	1
Creation of impairment provision	(660)	(249)

27 *FINANCIAL ASSETS AND LIABILITES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS*

Accounting classifications and fair value

The table below shows the carrying amount and the fair value of financial assets and liabilities as at 31 December 2015:

	Measured at fair value	Loans and receivables	Available fore sale	Other carried at amortized cost	Total recognized amount	Fair value
Cash and cash equivalents	-	2 130 237	-	-	2 130 237	2 130 237
Statutory reserves with the Central Bank of the Russian Federation	-	11 609	-	-	11 609	11 609
Due to banks	-	2 868	-	-	2 868	2 868
Accounts receivable under REPO agreements	-	1 107 001	-	-	1 107 001	1 107 001
Positive fair value of derivative financial instruments	10 563	-	-	-	10 563	10 563
Financial assets available for sale	-	-	1 166 639	-	1 166 639	1 166 639
Customer loans:						
- corporate loans	-	29 700	-	-	29 700	29 700
- retail loans	-	13 363	-	-	13 363	13 363
Other financial assets	-	118	-	-	118	118
	10 563	**3 294 896**	**1 166 639**	-	**4 472 098**	**4 472 098**
Negative fair value of derivative financial instruments	(16 097)	-	-	-	(16 097)	(16 097)
Accounts payable under REPO agreements	-	-	-	(1 022 866)	(1 022 866)	(1 022 866)
Customer current accounts and deposits	-	-	-	(2 285 470)	(2 285 470)	(2 285 470)
Debt liabilities issued	-	-	-	(27 749)	(27 749)	(27 749)
Other financial liabilities	-	-	-	(989)	(989)	(989)
	(16 097)	-	-	**(3 337 074)**	**(3 353 171)**	**(3 353 171)**

The table below shows the carrying amount and the fair value of financial assets and liabilities as at 31 December 2014:

	Measured at fair value	Loans and receivables	Available fore sale	Other carried at amortized cost	Total recognized amount	Fair value
Cash and cash equivalents	-	937 817	-	-	937 817	937 817
Statutory reserves with the Central Bank of the Russian Federation	-	11 478	-	-	11 478	11 478
Due to banks	-	1 722	-	-	1 722	1 722
Accounts receivable under REPO agreements	-	4 999	-	-	4 999	4 999
Positive fair value of derivative financial instruments	11 725	-	-	-	11 725	11 725
Financial assets available for sale	-	-	2 197 595	-	2 197 595	2 197 595
Customer loans:						
- loans to legal entities	-	26 492	-	-	26 492	26 492
	11 725	**982 508**	**2 197 595**	**-**	**3 191 828**	**3 191 828**
Negative fair value of derivative financial instruments	(534)	-	-	-	(534)	(534)
Due from banks	-	-	-	(11)	(11)	(11)
Accounts payable under REPO agreements	-	-	-	(1 451 193)	(1 451 193)	(1 451 193)
Customer current accounts and deposits	-	-	-	(659 809)	(659 809)	(659 809)
Debt liabilities issued	-	-	-	(25 667)	(25 667)	(25 667)
Other financial liabilities	-	-	-	(2 615)	(2 615)	(2 615)
	(534)	**-**	**-**	**(2 139 295)**	**(2 139 829)**	**(2 139 829)**

The Bank performed an assessment of the fair value of its financial instruments, as required by IFRS 7 Financial Instruments: Disclosures.

The estimated fair value of financial instruments available for sale is based on quoted market prices at the reporting date without any deduction for transaction costs.

The fair value of all other financial assets and liabilities are measured using the discounted cash flow method on the basis of estimated future cash flows and discount rates used for similar instruments as of the reporting date. In using the discounted cash flow method the future cash flows are measured on the basis Management's estimates and the discount rate is the market rate used for similar instruments as at the reporting date. The rates disclosed for the main financial instruments, by currency, in Note 21 Risk Management *Interest Rate Risk* section are not materially different from the market rates effective as of the reporting date.

As at 31 December 2015 and 31 December 2014, Management concluded that the fair value of all financial assets and financial liabilities are not materially different from their carrying value.

Measurement of fair value is aimed at a more precise determination of the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction on the measurement date. However, due to existing uncertainties and subjectivity of estimates the fair value should not be regarded as the amount for which an asset can be immediately sold or a liability can be immediately settled.

Fair value hierarchy

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

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

The table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorized:.

	Level 1	Level 2	Total
Positive fair value of derivative financial instruments	-	10 563	10 563
Financial assets available for sale			
- Debt instruments and other fixed income instruments	1 043 835	-	1 043 835
- Equity instruments	122 804	-	122 804
Negative fair value of derivative financial instruments	-	16 097	16 097

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Total
Positive fair value of derivative financial instruments	-	11 725	11 725
Financial assets available for sale			
- Debt instruments and other fixed income instruments	2 140 332	-	2 140 332
- Equity instruments	57 263	-	57 263
Negative fair value of derivative financial instruments	-	534	534

28 *DERIVATIVE FINANCIAL INSTRUMENTS*

The table below shows the analysis of derivative financial instruments as at 31 December 2015 and 31 December 2014:

	2015 RUB '000	2014 RUB '000
Foreign currency forward contracts(swap) (assets)	10 009	11 725
Foreign currency forward contracts (assets)	554	-
Foreign currency forward contracts (swap) (liabilities)	(16 097)	(178)
Foreign currency forward contracts (liabilities)	-	(356)
Total derivative financial instruments	**(5 534)**	**11 191**

	Nominal transaction cost 2015 RUB '000	Fair value 2015 RUB '000
Purchase of USD for RUB		
For less than 1 month	18 658	102
Purchase of RUB for USD		
For less than 1 month	2 282 258	(15 873)
Purchase of EUR for RUB		
For less than 1 month	1 276 749	9 906
Purchase of USD for EUR		
For less than 1 month	2 231 297	(223)
		(6 088)

The table below shows the analysis of derivative financial instruments as at 31 December 2014:

	Nominal transaction cost	Fair value
	2014	2014
	RUB '000	RUB '000
Purchase of USD for RUB		
For less than 1 month	12 827	(178)
Purchase of RUB for USD		
For less than 1 month	148 586	2 314
Purchase of RUB for EUR		
For less than 1 month	351 125	9 411
		11 547

29 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit or loss from ordinary shares by the weighted average of ordinary shares circulating during the year.

The Bank does not have ordinary shares that potentially reduce the amount of earnings per share. So, therefore, the diluted earnings per share are equal to the basic earnings per share.

	2015	2014
Net income for period payable to shareholders	54 752	20 891
Weighted average of circulating ordinary shares (in thousand shares)	56 490	56 490
	0.97	**0.37**

I.B. Ionova

Chairman of the Board

L.S. Grigorenko

Chief Accountant

29 April 2016

NUMBERED, BOUND,
SEALED
54 (Fifty four) SHEETS
Head of the Credit Institutions Audit
Division
JSC AKG RBS

E.V. Pelevina