БАНК ЦЕНТР-ИНВЕСТ

CENTER-INVEST BANK GROUP

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report
31 December 2015

CONTENTS

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Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint-Stock Company Commercial Bank «Center-invest»:

We have audited the accompanying consolidated financial statements of Open Joint-Stock Company Commercial Bank «Center-invest» and its subsidiary (the "Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

AO PricewaterhouseCoopers Audit

15 March 2016
Moscow, Russian Federation

AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F:+7 (495) 967-6001, www.pwc.ru

CENTER-INVEST BANK GROUP
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	7	12 186 777	11 454 902
Mandatory cash balances with the Central Bank of the Russian Federation		411 386	543 600
Trading securities and repurchase receivables	8	-	3 747 222
Due from other banks		416 240	300
Loans and advances to customers	9	72 310 896	71 456 556
Finance lease receivables		361 190	523 714
Investment in associate	10	323 144	332 202
Intangible assets	11	252 756	280 610
Premises and equipment	12	2 270 541	2 310 867
Other financial assets		678 051	417 308
Other assets	13	361 711	248 900
Deferred income tax asset	25	68 307	-
TOTAL ASSETS		**89 640 999**	**91 316 181**
LIABILITIES			
Due to the Central Bank of the Russian Federation	14	-	10 079 160
Due to other banks	15	630 001	1 529 410
Customer accounts	16	65 039 828	49 217 578
Debt securities in issue	17	3 171 560	9 060 314
Borrowings from international financial institutions	18	6 079 705	8 532 622
Subordinated debt	19	3 692 976	2 846 628
Other financial liabilities		93 503	171 600
Other liabilities	20	330 031	170 031
Deferred income tax liability	25	-	123 361
TOTAL LIABILITIES		**79 037 604**	**81 730 704**
EQUITY			
Share capital	21	1 326 277	1 258 709
Share premium	21	2 078 860	1 646 428
Revaluation reserve for land and premises		1 192 811	1 229 040
Retained earnings		6 005 447	5 451 300
TOTAL EQUITY		**10 603 395**	**9 585 477**
TOTAL LIABILITIES AND EQUITY		**89 640 999**	**91 316 181**

15 March 2016

Открытое акционерное общество коммерческий банк «Центр-инвест» * Рег. №2225 * г. Ростов-на-Дону *

Y.Y. Bogdanov
Chairman of the Executive Board

T.I. Ivanova
Chief Accountant

The notes form an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2015	2014
Interest income	22	11 089 497	9 489 711
Interest expense	22	(7 661 920)	(4 876 879)
Contributions to the state deposit insurance scheme		(179 563)	(158 188)
Net interest income		**3 248 014**	**4 454 644**
Provision for impairment of loan portfolio and finance lease receivables	9	(1 374 838)	(1 482 362)
Net interest income after impairment provisions		**1 873 176**	**2 972 282**
Fee and commission income	23	1 192 570	1 038 111
Fee and commission expense	23	(364 039)	(326 575)
Gains less losses from trading securities		43 168	(84 732)
Gains less losses from trading in foreign currencies		117 629	181 925
Foreign exchange translation gains less losses		459 976	135 083
Losses less gains from conversion operations on the interbank market		(510 026)	(216 367)
Other provisions and expenses		(39 795)	(129 671)
Repayment of debt written off		61 768	55 878
Other operating income		54 280	42 456
Administrative and other operating expenses	24	(2 174 975)	(2 233 979)
Share of result of associate	10	(10 743)	(5 093)
Profit before tax		**702 989**	**1 429 318**
Income tax expense	25	(168 157)	(322 262)
Profit for the year		**534 832**	**1 107 056**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of premises and equipment of associate	10	1 685	-
Income tax recorded directly in other comprehensive income	25	(528)	-
Other comprehensive income for the year		**1 157**	**-**
Total comprehensive income for the year		**535 989**	**1 107 056**

In thousands of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Total equity
Balance at 1 January 2014		**1 258 709**	**1 646 428**	**1 327 697**	**4 519 573**	**8 752 407**
Profit		-	-	-	1 107 056	1 107 056
Total comprehensive income for the year		**-**	**-**	-	**1 107 056**	**1 107 056**
Dividends declared						
- ordinary shares	26	-	-	-	(255 917)	(255 917)
- preference shares	26	-	-	-	(18 099)	(18 099)
Other movements		-	-	-	30	30
Transfer of revaluation surplus on premises to retained earnings		-	-	(98 657)	98 657	-
Balance at 31 December 2014		**1 258 709**	**1 646 428**	**1 229 040**	**5 451 300**	**9 585 477**
Profit		-	-	-	534 832	534 832
Other comprehensive income		-	-	1 685	(528)	1 157
Total comprehensive income for the year		**-**	**-**	**1 685**	**534 304**	**535 989**
Issue of ordinary shares	21	67 568	432 432	-	-	500 000
Dividends declared						
- preference shares	26	-	-	-	(18 099)	(18 099)
Other movements		-	-	-	28	28
Transfer of revaluation surplus on premises to retained earnings		-	-	(37 914)	37 914	-
Balance at 31 December 2015		**1 326 277**	**2 078 860**	**1 192 811**	**6 005 447**	**10 603 395**

In thousands of Russian Roubles	Note	2015	2014
Cash flows from operating activities			
Interest received		10 633 457	9 245 897
Interest paid		(7 320 027)	(4 580 268)
Contributions to the state deposit insurance scheme		(170 115)	(154 099)
Fees and commissions received		1 186 107	1 075 057
Fees and commissions paid		(359 518)	(324 156)
Losses less gains from trading securities		(13 899)	(16 489)
Gains less losses from trading in foreign currencies		117 629	181 925
Losses less gains paid from conversion operations on the interbank market		(535 872)	(191 964)
Receipts from assignment of rights of claim		175 551	170 944
Repayment of debt written off		61 768	47 853
Other operating income received		38 142	29 215
Staff costs paid		(1 461 384)	(1 403 142)
Operating expenses paid		(592 678)	(651 015)
Income tax paid		(174 549)	(431 830)
Cash flows from operating activities before changes in operating assets and liabilities		**1 584 612**	**2 997 928**
Change in operating assets and liabilities			
Net change in mandatory cash balances with the Central Bank of the Russian Federation		132 214	(15 470)
Net change in trading securities and repurchase receivables		3 774 339	(1 721 479)
Net change in due from other banks		(415 081)	1 099 978
Net change in loans and advances to customers		(568 995)	(9 701 957)
Net change in finance lease receivables		153 575	82 345
Net change in other financial and other assets		(371 024)	4 298
Net change in due to the Central Bank of the Russian Federation and due to other banks		(11 030 428)	11 322 898
Net change in customer accounts		14 566 850	(2 200 635)
Net change in promissory notes issued		151 629	(205 458)
Net change in other financial and other liabilities		(37 506)	(31 472)
Net cash from operating activities		**7 940 185**	**1 630 976**
Cash flows from investing activities			
Acquisition of premises and equipment	12	(73 876)	(102 407)
Proceeds from disposal of premises and equipment	12	2 206	541
Acquisition of intangible assets	11	(10 695)	(21 333)
Net cash used in investment activities		**(82 365)**	**(123 199)**
Cash flows from financing activities			
Issue of bonds	17	2 927 122	7 020 332
Repurchase and repayment of bonds	17	(8 885 204)	(6 810 889)
Borrowings from international financial institutions	18	-	3 523 408
Repayment of borrowings from international financial institutions	18	(3 009 074)	(2 345 574)
Repayment of subordinated debt	19	-	(172 075)
Issue of ordinary shares	21	500 000	-
Dividends paid	26	(18 071)	(273 986)
Net cash (used in)/from financing activities		**(8 485 227)**	**941 216**
Effect of exchange rate changes on cash and cash equivalents		**1 359 282**	**2 007 148**
Net increase in cash and cash equivalents		**731 875**	**4 456 141**
Cash and cash equivalents at the beginning of the year		11 454 902	6 998 761
Cash and cash equivalents at the end of the year	7	**12 186 777**	**11 454 902**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2015 for Open Joint-Stock Company Commercial Bank «Center-invest» (the "Bank") and its 100% subsidiary OOO Center-Leasing (the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares.

Principal activity. The Group's principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 31 December 2015, the Bank has nine (31 December 2014: nine) branches within the Russian Federation. Additionally, the Bank has a representative office in Moscow and 111 (2014: 110) sub-branches in the Rostov, Volgograd, Stavropol and Krasnodar regions.

Registered address and place of business. The Bank's registered address is: 62 Sokolova Street, Rostov-on-Don, Russian Federation, 344000.

The average number of the Group's employees during 2015 was 1 512 (2014: 1 544).

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles ("RR thousands"), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 30). During 2015 and 2016, the Russian economy was negatively impacted and is still impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

The Bank operates primarily in the South of Russia. Due to a diversified by industry economic structure the South of Russia demonstrates more dynamic and stable development trends than most other Russian regions. The growth rate demonstrated by the main industry of the region, agriculture, significantly exceeds Russia's average level. Stable growth is attributable to natural and climatic factors, well developed infrastructure, the structure of economy diversified by activity and characterised by high share of small and medium enterprises. The management believes that these developments improve competitive advantages of the South of Russia.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment, and financial instruments at fair value through profit and loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented in the consolidated financial statements, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiary use uniform accounting policies consistent with the Group's policies.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. Post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last price on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price. Refer to Note 5.

3 Summary of Significant Accounting Policies (Continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants on a voluntary basis at the measurement date in current market conditions. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other resources given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to purchase or sale a financial asset. All other purchases and sales are recognised on the delivery date with the change in value between the commitment date and delivery date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss; and recognised in equity for assets classified as available for sale.

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

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within one business day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the Central Bank of the Russian Federation. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months. The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the borrower considers or is implementing financial restructuring, which may result in a worsening of the borrower's financial position entailing bankruptcy or persistent insolvency (e.g., a decrease in the borrower's net assets by more than 25%);
- provision by the Bank of favourable terms due to economic or judicial reasons associated with the borrower's financial problems, which the Bank would not have otherwise undertaken (debt restructuring);
- available information on an identifiable decrease of the expected future cash flows for a group of loans, on condition that this decrease cannot be yet identified with certain loans within this group, including national or local economic conditions related to defaults on loans within the group (growth of unemployment in the borrowers' geographic regions, a fall in real estate prices in relation to the mortgage situation in a particular region, adverse changes in the sector affecting the borrowers within the group).

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

3 Summary of Significant Accounting Policies (Continued)

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

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

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

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

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset, in full or in part, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in other assets and are subsequently remeasured and accounted for in accordance with the accounting policies for this category of assets.

Credit related commitments. The Group issues financial guarantees, letters of credit and commitments to provide loans. Financial guarantees and letters of credit represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and letters of credit to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. All commitments to extend credit are revocable and are automatically closed upon breach by the borrower of the loan agreement, they create no exposure to credit risk and therefore no provision is made.

Investment properties. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

3 Summary of Significant Accounting Policies (Continued)

Premises and equipment. Premises and equipment (except for land and premises of the Group) are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required.

Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. If there is no market based evidence of fair value, fair value is estimated using an income method.

Costs of minor repairs and day-to-day maintenance are expensed when incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Other premises and equipment include office and computer equipment and are stated at cost, less accumulated depreciation and provision for impairment, where required.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Premises	2% – 2.5%
Other	20%

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

Intangible assets. All of the Group's intangible assets have a definite useful life and primarily include capitalised computer software and software licenses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 10 years. Under certain circumstances the Group may decide to extend useful lives.

3 Summary of Significant Accounting Policies (Continued)

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

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement using a discount rate determined at inception.

Commencement of the lease term. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Inception of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall set forth the principal terms of the transaction.

Revenue recognition. The Group records finance lease receivables in the amount equal to the net investment in the lease. Net investment in the lease is calculated as the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together gross investment in the lease), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in the lease to be equal to the fair value of the leased asset.

The difference between the gross investment in the lease and the net investment in the lease represents unearned financial income. The unearned finance income is amortised over the lease term using the discount rate implicit in the lease.

Initial direct costs incurred by lessors include amounts such as intermediary activities, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team. In case of a finance lease direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Any advances made to the supplier after the date of the inception of the lease and before the date of commencement of the lease term, are recorded as prepayments within other financial assets. Payments received by the Group from the lessee before the commencement of the lease term are recorded as advances received within other financial liabilities. These amounts are adjusted against finance lease receivables on the date of commencement of the lease term.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected future cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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

3 Summary of Significant Accounting Policies (Continued)

Debt securities in issue. Debt securities in issue include promissory notes and debentures issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Borrowings from international financial institutions. Borrowings (including subordinated loans) are recorded from the moment of provision of cash funds to the Group. The non-derivative liability is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in the consolidated statement of profit or loss and other comprehensive income. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of profit or loss and other comprehensive income except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for consolidated financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the temporary difference will not reverse through dividends, or otherwise, in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Group with account for IFRS profit are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense on all debt instruments are recorded in the consolidated statement of profit or loss and other comprehensive income on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and will not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful for collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset’s effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of said transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and the Group’s presentation currency is the national currency of the Russian Federation, Russian Roubles (“RR”).

Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity’s functional currency at period-end official exchange rates of the CBRF, are recognised in the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2015, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 72.8827, EUR 1 = RR 79.6972 (2014: USD 1 = RR 56.2584, EUR 1 = RR 68.3427).

3 Summary of Significant Accounting Policies (Continued)

Fiduciary assets. Assets held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from such activities are shown in fee and commission income.

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Board responsible for making operating decisions. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Changes in presentation of prior period financial statements. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

Management has made these changes to the classification of the prior year's values in order to present better information to the users of these consolidated financial statements. The effect of reclassifications of the information for 2014 for the purpose of presentation of consolidated financial statements was as follows:

In thousands of Russian Roubles	**2014 (before reclassification)**	**Reclassification**	**2014 (after reclassification)**
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Interest income	9 489 711	-	9 489 711
Interest expense	(4 876 879)	-	(4 876 879)
Contributions to the state deposit insurance scheme	-	(158 188)	(158 188)
Net interest income	**4 612 832**	(158 188)	**4 454 644**
Provision for impairment of loan portfolio and finance lease receivables	(1 482 362)	-	(1 482 362)
Net interest income after impairment provisions	**3 130 470**	(158 188)	**2 972 282**
Contributions to the state deposit insurance scheme	(158 188)	158 188	-

4 Critical Accounting Estimates and Professional Judgements in Applying Accounting Policies

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

4 Critical Accounting Estimates and Professional Judgements in Applying Accounting Policies (Continued)

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss and other comprehensive income for the year, the Group makes professional judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include measurable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan portfolio impairment losses of RR 460 248 thousand (2014: RR 409 458 thousand), respectively.

Revaluation of premises and equipment. Given the absence of a highly liquid market for non-residential premises in Rostov, the Rostov Region and other regions of the South of Russia, the Group and the independent appraiser have used professional judgements on comparability of existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of land had increased by 10%, the carrying value of land would have increased by RR 45 485 thousand (2014: RR 45 665 thousand). If the price per square meter of building had increased by 10%, the carrying value of building would have increased by RR 171 167 thousand (2014: RR 173 928 thousand).

Impairment of investment in associate. The Group management considered impairment of its investment in the associate (Note 10), taking into consideration valuation made by an independent appraiser and discussions of the value with potential investors in this industry. The valuation identified absence of any impairment. As a result of the analysis, the Group management concluded that no impairment of carrying value of this investment was required. This conclusion largely depends on the correct assessment of 1) further growth of tariffs for services of TEPTS, 2) further solvency of clients of TEPTS, 3) discount rate applied to future cash flows, 4) well proven practice of TEPTS of including payment shortages into the future year tariffs. These parameters largely depend on the macroeconomic situation and the level of governmental regulation in the Russian Federation. Refer to Note 2. The Group set up a provision for non-performing receivables of TEPTS, which the management believes adequate.

Other matters. In January 2016, the Bank received an order as a result of the audit by the CBRF, including the requirement for creating additional loan loss provisions in the Bank's statutory financial statements in the amount not leading to incompliance with mandatory ratios set by the CBRF. Based on the detailed review of the actual information, management of the Group believes that these additional provisions are unnecessary and is currently challenging the matter. The order is currently suspended. Management of the Group believes that this situation will not lead to violation by the Bank of requirements of the CBRF.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 30.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2015, but did not have any material impact on the Group:

5 Adoption of New or Revised Standards and Interpretations (Continued)

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard is expected to have a significant impact on the Group's loan impairment provisions. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the amendment on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14 “Regulatory deferral accounts” (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- “Agriculture: Bearer plants” – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- “Equity Method in Separate Financial Statements” – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- “Investment Entities”: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**2015**	**2014**
Cash on hand	4 224 184	4 720 123
Cash balances with the Central Bank of the Russian Federation (other than mandatory reserve deposits)	2 171 793	2 228 952
Correspondent accounts and overnight placements with banks		
- Russian Federation	1 293 158	977 220
- other countries	4 441 548	2 930 852
- settlement accounts with trading systems	56 094	597 755
Total cash and cash equivalents	**12 186 777**	**11 454 902**

7 Cash and Cash Equivalents (Continued)

Analysis by credit quality of correspondent accounts and overnight placements at 31 December 2015 and 2014, is as follows:

In thousands of Russian Roubles	**Country**	**Rating Fitch/ S&P**	**2015**	**2014**
Bank 1	Russia	BBB-	661 909	850 396
Bank 2	Russia	BBB-	58 379	2 920
Bank 3	Russia	BB+	26 937	12 330
Non-banking credit institutions	Russia	-	545 798	111 429
Other	Russia	-	135	145
Total for the Russian Federation			**1 293 158**	**977 220**
Bank 4	Austria	BBB+	4 101 643	2 462 572
Bank 5	US, UK	A+	182 002	149 252
Bank 6	Germany	BBB	126 722	284 137
Others with a rating not lower than BBB		-	31 181	34 891
Total for other countries			**4 441 548**	**2 930 852**

Settlement accounts with trading systems represent balances on the Moscow Stock Exchange and its subsidiary.

Balances on correspondent accounts and overnight placements are not collateralised.

Interest rate analysis of cash and cash equivalents is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

8 Trading Securities and Repurchase Receivables

In thousands of Russian Roubles	**2015**	**2014**
Repurchase receivables (corporate bonds)	-	3 259 442
Corporate bonds	-	487 780
Total trading securities and repurchase receivables	**-**	**3 747 222**

Corporate bonds are interest bearing securities denominated in Russian Roubles and freely tradable on the Russian market. Corporate securities were mainly issued by large Russian companies and banks.

Trading securities and repurchase receivables are carried at fair value which also reflects any credit risk related write-downs. As trading securities and repurchase receivables are carried at their fair values, the Group does not analyse or monitor their impairment indicators.

8 Trading Securities and Repurchase Receivables (Continued)

The analysis by credit quality of debt securities and repurchase receivables (showing Fitch/S&P rating) was as follows at 31 December 2014:

	2014	
In thousands of Russian Roubles	**Corporate bonds**	**Repurchase receivable**
Neither past due nor impaired		
BBB rated	-	198 870
BBB- rated	-	47 835
BB- rated	487 780	3 012 737
Total debt securities and repurchase receivables	**487 780**	**3 259 442**

The debt securities are not collateralised. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets.

Repurchase receivables represent securities sold to the Central Bank of the Russian Federation under repurchase agreements. Refer to Note 14.

The Group did not classify trading securities transferred under repurchase agreements into a separate category due to the short-term nature of the transactions. Interest rate analyses of trading securities are disclosed in Note 28.

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

9 Loans and Advances to Customers

In thousands of Russian Roubles	**2015**	**2014**
Loans to small and medium size enterprises (SME loans)	30 581 994	30 467 136
Loans to individuals - consumer loans and car loans	22 177 141	21 449 548
Loans to individuals - mortgage loans	14 494 656	12 533 690
Corporate loans	9 659 585	11 100 766
Total loans and advances to customers before provision for loan impairment	**76 913 376**	**75 551 140**
Less: Provision for loan impairment	(4 602 480)	(4 094 584)
Total loans and advances to customers	**72 310 896**	**71 456 556**

9 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	Loans to small and medium enterprises (SME)	Corporate loans	Consumer loans and car loans	Mortgage loans	Total
Provision for loan impairment at 1 January 2015	**1 576 868**	**898 481**	**1 180 702**	**438 533**	**4 094 584**
Provision for loan impairment during the year	381 437	48 016	764 458	175 486	1 369 397
Provision on assigned loans written off	(119 538)	(61 524)	(722)	(1 018)	(182 802)
Amounts written off during the year as uncollectible	(98 869)	(381 351)	(176 863)	(21 616)	(678 699)
Provision for loan impairment at 31 December 2015	**1 739 898**	**503 622**	**1 767 575**	**591 385**	**4 602 480**

Movements in the provision for loan impairment during 2014 are as follows:

In thousands of Russian Roubles	Loans to small and medium enterprises (SME)	Corpo-rate loans	Consumer loans and car loans	Mortgage loans	Total
Provision for loan impairment at 1 January 2014	**1 027 779**	**740 726**	**692 885**	**351 841**	**2 813 231**
Provision for loan impairment during the year	689 989	157 755	540 162	95 987	1 483 893
Provision on assigned loans written off	(33 268)	-	(1 757)	-	(35 025)
Amounts written off during the year as uncollectible	(107 632)	-	(50 588)	(9 295)	(167 515)
Provision for loan impairment at 31 December 2014	**1 576 868**	**898 481**	**1 180 702**	**438 533**	**4 094 584**

In 2015, the Group assigned its rights to overdue, impaired and written off loans totally amounting (before impairment provision) to RR 343 251 thousand (2014: RR 215 202 thousand) for RR 160 449 thousand (2014: RR 180 177 thousand).

Economic sector concentrations within the loan portfolio are as follows:

	2015		2014	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals (total), incl.	36 671 797	47.7	33 983 238	45.0
- consumer loans	*19 722 335*	*25.6*	*19 125 900*	*25.3*
- mortgage loans	*14 494 656*	*18.9*	*12 533 690*	*16.6*
- car loans	*2 454 806*	*3.2*	*2 323 648*	*3.1*
Trade	11 167 512	14.5	11 116 004	14.7
Manufacturing	9 632 467	12.5	9 007 700	11.9
Agriculture	8 602 232	11.2	9 758 492	12.9
Transport	5 575 396	7.3	4 808 532	6.4
Construction	1 849 959	2.4	2 651 185	3.5
Real estate	94 989	0.1	82 983	0.1
Energy	38 092	0.0	76 109	0.1
Financial companies	-	-	192 302	0.3
Other	3 280 932	4.3	3 874 595	5.1
Total loans and advances to customers before provision for loan impairment	**76 913 376**	**100.0**	**75 551 140**	**100.0**

9 Loans and Advances to Customers (Continued)

At 31 December 2015, the Group had 10 major borrowers with aggregate loan amounts (including finance lease investments) of RR 11 720 309 thousand, or 15.2% of the loan portfolio and finance lease receivables (2014: RR 11 044 649 thousand, or 14.5%).

Information about collateral at 31 December 2015 is as follows:

In thousands of Russian Roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Loans collateralised by:	30 506 694	9 603 436	15 395 287	14 102 221	69 607 638
- real estate	*21 432 637*	*8 755 544*	*3 350 709*	*12 801 237*	*46 340 127*
- tradable securities	*341 684*	*-*	*9 100*	*-*	*350 784*
- motor vehicles	*3 527 746*	*350 579*	*6 381 212*	*38 023*	*10 297 560*
- agricultural equipment	*1 315 727*	*269 690*	*39 011*	*9 081*	*1 633 509*
- property	*1 166 284*	*169 712*	*113 085*	*31 553*	*1 480 634*
- pledge of rights	*88 607*	*-*	*6 607*	*83 027*	*178 241*
- goods in turnover	*799 445*	*38 884*	*1 608*	*-*	*839 937*
- third parties' guarantees	*1 834 564*	*19 027*	*5 493 955*	*1 139 300*	*8 486 846*
Unsecured loans	75 300	56 149	6 781 854	392 435	7 305 738
Total loans and advances to customers before provision for loan impairment	**30 581 994**	**9 659 585**	**22 177 141**	**14 494 656**	**76 913 376**

Information about collateral at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Loans collateralised by:	30 437 859	10 828 864	15 049 550	12 182 708	68 498 981
- real estate	*21 028 985*	*9 326 539*	*3 313 759*	*10 965 345*	*44 634 628*
- tradable securities	*160 661*	*28 256*	*5 000*	*-*	*193 917*
- motor vehicles	*3 928 745*	*635 817*	*6 210 176*	*29 460*	*10 804 198*
- agricultural equipment	*1 407 128*	*193 038*	*55 674*	*5 757*	*1 661 597*
- property	*1 519 035*	*325 373*	*196 698*	*80 801*	*2 121 907*
- pledge of rights	*105 333*	*-*	*666*	*85 353*	*191 352*
- goods in turnover	*797 755*	*159 472*	*2 119*	*-*	*959 346*
- third parties' guarantees	*1 490 217*	*160 369*	*5 265 458*	*1 015 992*	*7 932 036*
Unsecured loans	29 277	271 902	6 399 998	350 982	7 052 159
Total loans and advances to customers before provision for loan impairment	**30 467 136**	**11 100 766**	**21 449 548**	**12 533 690**	**75 551 140**

The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

9 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	Loans to small and medium enterprises (SME)	Corporate loans	Consumer loans and car loans	Mortgage loans	Total
Current and not impaired					
Individually significant borrowers					
- A1 rated	1 245 457	2 465 596	-	-	3 711 053
- A2 rated	215 168	709 327	-	-	924 495
- A3 rated	1 590 341	3 181 671	-	-	4 772 012
- B1 rated	995 212	-	-	-	995 212
- B2 rated	3 864	1 042 242	-	-	1 046 106
Loans assessed on a portfolio basis					
- Agriculture	5 692 603	495 987	-	-	6 188 590
- Trade	9 652 541	92 538	-	-	9 745 079
- Manufacturing	4 104 692	968 257	-	-	5 072 949
- Other	4 414 766	293 968	-		4 708 734
- Mortgage loans	-	-		13 338 821	13 338 821
- Car loans	-	-	2 314 333	-	2 314 333
- Consumer loans	-	-	17 537 589	-	17 537 589
Total current and not impaired	**27 914 644**	**9 249 586**	**19 851 922**	**13 338 821**	**70 354 973**
Past due but not impaired					
Loans assessed on a portfolio basis					
- 1 to 90 days overdue	140 932	-	716 294	455 283	1 312 509
Total past due but not impaired	**140 932**	**-**	**716 294**	**455 283**	**1 312 509**
Impaired					
Loans assessed on a portfolio basis					
- up to 180 days overdue	460 555	257 133	287 283	152 811	1 157 782
- over 181 days overdue	2 065 863	152 866	1 321 642	547 741	4 088 112
Total impaired loans and advances to customers	**2 526 418**	**409 999**	**1 608 925**	**700 552**	**5 245 894**
Total loans and advances to customers before provision for loan impairment	**30 581 994**	**9 659 585**	**22 177 141**	**14 494 656**	**76 913 376**
Less: Provision for impairment	(1 739 898)	(503 622)	(1 767 575)	(591 385)	(4 602 480)
Total loans and advances to customers	**28 842 096**	**9 155 963**	**20 409 566**	**13 903 271**	**72 310 896**

9 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	Loans to small and medium enterprises (SME)	Corporate loans	Consumer loans and car loans	Mortgage loans	Total
Current and not impaired					
Individually significant borrowers					
- A1 rated	1 809 398	3 173 076	-	-	4 982 474
- A2 rated	1 615 387	3 383 990	-	-	4 999 377
- A3 rated	1 768 896	-	-	-	1 768 896
- B2 rated	7 071	899 384	-	-	906 455
Loans assessed on a portfolio basis					
- Agriculture	6 151 232	416 109	-	-	6 567 341
- Trade	8 476 118	540 439	-	-	9 016 557
- Manufacturing	3 616 059	1 367 463	-	-	4 983 522
- Other	4 906 025	601 325	-	-	5 507 350
- Mortgage loans	-	-	-	11 695 794	11 695 794
- Car loans	-	-	2 198 031	-	2 198 031
- Consumer loans	-	-	17 460 415	-	17 460 415
Total current and not impaired	**28 350 186**	**10 381 786**	**19 658 446**	**11 695 794**	**70 086 212**
Past due but not impaired					
Loans assessed on a portfolio basis					
- 1 to 90 days overdue	199 319	4 800	908 639	353 518	1 466 276
Total past due but not impaired	**199 319**	**4 800**	**908 639**	**353 518**	**1 466 276**
Impaired					
Individually significant borrowers					
- over 181 days overdue	-	520 554	-	-	520 554
Loans assessed on a portfolio basis					
- up to 180 days overdue	580 750	1 378	198 642	89 666	870 436
- over 181 days overdue	1 336 881	192 248	683 821	394 712	2 607 662
Total impaired loans and advances to customers	**1 917 631**	**714 180**	**882 463**	**484 378**	**3 998 652**
Total loans and advances to customers before provision for loan impairment	**30 467 136**	**11 100 766**	**21 449 548**	**12 533 690**	**75 551 140**
Less: Provision for impairment	(1 576 868)	(898 481)	(1 180 702)	(438 533)	(4 094 584)
Total loans and advances to customers	**28 890 268**	**10 202 285**	**20 268 846**	**12 095 157**	**71 456 556**

The Group applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

9 Loans and Advances to Customers (Continued)

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are determined to be impaired.

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due is the whole balance of such loans, not only the individual instalments that are past due.

Based on the results of the collection rate analysis, the Group assigns one of the following ratings to borrowers with individually significant, unimpaired and not past due loans:

A 1 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and other information on the borrower, including information on external conditions, confirm the borrower's absolute financial stability and the absence of any negative aspects or trends (with consideration of the seasonal factor) that can affect the borrower's financial stability in future, or existence of certain insignificant adverse aspects or trends that do not, and should not, affect the borrower's financial stability in foreseeable future (or before the agreement expires).

A2 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower confirm the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can cause financial problems unless the borrower undertakes necessary actions to remedy the situation, however the analysis of movements on the borrower's settlement accounts with the Bank confirms the borrower's ability to fully meet its obligations to the Group in due time.

A3 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower confirm the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can cause financial problems unless the borrower undertakes necessary actions to remedy the situation, the analysis of movements on the borrower's settlement accounts in the Bank indicates insufficiency of the cashflows for the purpose of debt repayment, however the sound budgeted performance indicators of the borrower of the Bank confirm the borrower's ability to fully meet its obligations in due time.

B1 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower indicates the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can lead to financial problems unless the borrower undertakes necessary actions to remedy the situation, and the analysis of actual and justified performance indicators of a group of entities, of which the borrower is a part, allows to conclude that the borrower will be able to repay its debt with the use of the group's funds.

B2 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower indicates the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can cause financial problems unless the borrower undertakes necessary actions to remedy the situation, and the analysis of movements on the borrower's settlement accounts with the Bank indicates insufficiency of the movements for the purpose of debt repayment, however, the analysis of the borrower's loan collateral enables to conclude that the borrower will be able to repay its debt to the Group by selling the available collateral.

An entity's rating deterioration alone is not an impairment indicator, however, it may become an impairment indicator when other available information is taken into account.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

9 Loans and Advances to Customers (Continued)

The effect of collateral at 31 December 2015:

In thousands of Russian Roubles	Over-collateralised assets		Under-collateralised assets	
	Assets	**Fair value of collateral**	**Assets**	**Fair value of collateral**
Loans to small and medium enterprises (SME)	15 304 640	35 240 318	15 277 354	7 004 499
Corporate loans	4 933 020	13 395 540	4 726 565	2 852 103
Consumer loans and car loans	14 267 257	33 087 997	7 909 884	893 531
Mortgage loans	13 786 785	41 189 117	707 871	278 334

The effect of collateral at 31 December 2014:

In thousands of Russian Roubles	Over-collateralised assets		Under-collateralised assets	
	Assets	**Fair value of collateral**	**Assets**	**Fair value of collateral**
Loans to small and medium enterprises (SME)	14 579 272	30 757 049	15 887 864	6 973 531
Corporate loans	5 795 754	14 642 693	5 305 012	3 151 297
Consumer loans and car loans	13 930 211	29 874 667	7 519 337	822 377
Mortgage loans	11 955 356	34 453 890	578 334	192 647

The fair value of the collateral in respect of retail loans includes personal guarantees in the amount less than or equal to the loan amount. The fair value of these guarantees was RR 31 976 324 thousand at 31 December 2015 (2014: RR 28 047 759 thousand). The Group believes it reasonable to use personal guarantees as loan collateral, since it has practical experience in collecting overdue loans from guarantors.

The fair value of residential real estate at the end of the reporting period was estimated by indexing the values determined by the Group's internal credit department staff at the time of loan inception for the average increases in residential real estate prices by city and region. The fair value of other real estate and other assets was determined by the credit department using analysis of comparable offers in the open market, subject to information available on specific features of assets being evaluated based on the Group's internal guidelines. In the current economic conditions there exists an uncertainty as to complete repossession of collateral. Provision for impairment reflects the risk that the management will not be able to change the right of ownership and take possession of the collateral on a particular loan or the amount received from the disposal of the collateral will be insufficient.

At 31 December 2015, loans and advances to customers were pledged under liabilities to the Central Bank of the Russian Federation and to other banks in the total amount RR 693 079 thousand (2014: RR 7 557 015 thousand). Refer to Notes 14, 15 and 30.

Carrying value of each class of loans and advances to customers approximates their fair value at 31 December 2015 and 31 December 2014. Refer to Note 32.

Geographical, maturity and interest rate analyses are disclosed in Note 28. Information on related party balances is disclosed in Note 34.

10 Investment in Associate

Before December 2007, OAO TEPTS Teploenergo ("TEPTS") was a subsidiary of Center-invest Bank. Following the additional share issue in December 2007, Center-invest Bank Group holds 47.31% in the share capital of "TEPTS" and EBRD holds 25%.

10 Investment in Associate (Continued)

The table below summarises the movements in the carrying amount of the Group's investment in the associate.

In thousands of Russian Roubles	2015	2014
Carrying amount at 1 January	332 202	337 295
Share of result of associate	(10 743)	(5 093)
Revaluation reserves of premises and equipment	1 685	-
Carrying amount at 31 December	**323 144**	**332 202**

Summarised financial information on this associate, including total assets, liabilities, revenues and profit or loss, was as follows:

In thousands of Russian Roubles	2015	2014
Total current assets	295 811	310 144
Total non-current assets	739 044	775 969
Total current liabilities	(177 702)	(206 182)
Total non-current liabilities	(174 120)	(177 749)
Revenue	526 131	595 760
Loss	(22 708)	(10 765)
% interest held	47.31%	47.31%

11 Intangible Assets

In thousands of Russian Roubles	Note	2015	2014
Carrying value			
Balance at 1 January		427 669	415 739
Additions		10 695	21 333
Disposal/fully amortised		(47 403)	(9 403)
Balance at 31 December		**390 961**	**427 669**
Accumulated depreciation			
Balance at 1 January		147 059	113 938
Amortisation charge	24	38 025	42 002
Disposal/fully amortised		(46 879)	(8 881)
Balance at 31 December		**138 205**	**147 059**
Net carrying amount at 31 December		**252 756**	**280 610**

Residual value of intangible assets includes investments into the following software: SAP for Banking, SAP Business Warehouse data storage, TranzWare processing centre, CFT settlement centre, SAP Process Integration, GEMINI IBSC remote banking service system, SAP Human Capital Management,Terrasoft XRM Bank and other. Amortisation on operating software was charged based on useful lives from 3 to 10 years.

12 Premises and Equipment

In thousands of Russian Roubles	Note	Land	Premises	Other	Total
Residual value at 31 December 2013		**517 100**	**1 829 542**	**112 240**	**2 458 882**
Carrying value					
Balance at the beginning of the year		517 100	1 931 542	1 003 421	3 452 063
Additions		-	23 521	81 069	104 590
Disposals		-	-	(16 561)	(16 561)
Transfer to other assets		(60 446)	(70 474)	-	(130 920)
Balance at the end of the year		**456 654**	**1 884 589**	**1 067 929**	**3 409 172**
Accumulated depreciation					
Balance at the beginning of the year		-	102 000	891 181	993 181
Depreciation charge	24	-	46 639	78 027	124 666
Disposals		-	-	(16 209)	(16 209)
Transfer to other assets		-	(3 333)	-	(3 333)
Balance at the end of the year		-	**145 306**	**952 999**	**1 098 305**
Residual value at 31 December 2014		**456 654**	**1 739 283**	**114 930**	**2 310 867**
Carrying value					
Balance at the beginning of the year		456 654	1 884 589	1 067 929	3 409 172
Additions		-	22 249	51 627	73 876
Disposals		-	(1 181)	(12 213)	(13 394)
Transfer to other assets		(1 807)	(3 304)	-	(5 111)
Balance at the end of the year		**454 847**	**1 902 353**	**1 107 343**	**3 464 543**
Accumulated depreciation					
Balance at the beginning of the year		-	145 306	952 999	1 098 305
Depreciation charge	24	-	45 690	60 788	106 478
Disposals		-	(25)	(10 467)	(10 492)
Transfer to other assets		-	(289)	-	(289)
Balance at the end of the year		-	**190 682**	**1 003 320**	**1 194 002**
Residual value at 31 December 2015		**454 847**	**1 711 671**	**104 023**	**2 270 541**

At 31 December 2015, independent valuation of premises and land was not performed, since there were no significant changes in the real estate market of the Southern Federal District in 2015. Premises and land were independently valued at 31 December 2014 by an independent firm of valuers, ZAO BDO, Moscow, who hold a recognised and relevant professional qualification and who have recent professional experience in valuation of assets of similar location and category. The appraisal was largely based on the market value. As a result of the valuation the management of the Group made a conclusion that (1) land and premises are not impaired and (2) a revaluation of carrying amount not required especially considering the unstable situation in the real estate market.

13 Other Assets

In thousands of Russian Roubles	2015	2014
Repossessed collateral	143 194	162 599
Investment property	126 822	-
Prepayments to suppliers of equipment for leasing purposes	44 491	45 329
Prepaid taxes and recoverable taxes (other than income tax)	24 754	21 056
Equipment purchased for leasing purposes	22 589	32 659
Prepaid income tax	486	17 016
Other	71 329	46 414
Less impairment provision	(71 954)	(76 173)
Total other assets	**361 711**	**248 900**

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

In thousands of Russian Roubles	2015	2014
Provision for other assets at 1 January	**76 173**	**111 810**
Charge to provision for other assets during the period	44 992	125 669
Amounts written off during the year as uncollectible and recovered by selling assets	(49 211)	(161 306)
Provision for other assets at 31 December	**71 954**	**76 173**

14 Due to the Central Bank of the Russian Federation

In thousands of Russian Roubles	Note	2015	2014
Short-term revolving borrowings		-	7 121 955
Sale and repurchase agreements	30	-	2 957 205
Total due to the Central Bank of the Russian Federation		**-**	**10 079 160**

Carrying value of each class of amounts due to the Central Bank of the Russian Federation approximates their fair value at 31 December 2015 and 31 December 2014. Refer to Note 32.

15 Due to Other Banks

In thousands of Russian Roubles	2015	2014
Current term placements of other banks	630 000	1 529 311
Correspondent accounts of other banks	1	99
Total due to other banks	**630 001**	**1 529 410**

The structure of current term deposits of other banks at 31 December 2015 and 31 December 2014:

In thousands of Russian Roubles	2015	2014
Loans from MSP bank under the SME lending programme	630 000	500 000
Loan from Erste bank	-	679 060
Short-term placements of Russian banks	-	320 757
Loans from Raiffesenlandesbank for trade financing	-	29 494
Total due to other banks	**630 000**	**1 529 311**

15 Due to Other Banks (Continued)

Carrying value of each class of amounts of other banks approximates their fair value at 31 December 2015 and 31 December 2014. Refer to Note 32.

Geographical, maturity and interest rate analyses are disclosed in Note 28. Information on related party balances is disclosed in Note 34.

16 Customer Accounts

In thousands of Russian Roubles	2015	2014
State and public organisations		
- Current/settlement accounts	88 544	52 390
- Term deposits	21 336	17 626
Other legal entities		
- Current/settlement accounts	9 919 972	8 573 689
- Term deposits	3 407 105	2 978 978
Individuals		
- Current/demand accounts	4 954 530	4 285 272
- Term deposits	46 648 341	33 309 623
Total customer accounts	**65 039 828**	**49 217 578**

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	2015		2014	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals	51 602 871	79.4	37 594 895	76.4
Trade	3 860 366	5.9	3 066 457	6.2
Agriculture	1 819 300	2.8	915 482	1.9
Construction	1 545 561	2.4	1 730 598	3.5
Manufacturing	1 314 313	2.0	1 410 715	2.9
Transport	605 697	0.9	459 662	0.9
Financial sector	453 788	0.7	588 458	1.2
Energy	144 397	0.2	209 561	0.4
Education	97 927	0.2	52 635	0.1
Telecommunications	24 571	0.0	9 907	0.0
Municipal organisations	19 153	0.0	78 432	0.2
Other	3 551 884	5.5	3 100 776	6.3
Total customer accounts	**65 039 828**	**100.0**	**49 217 578**	**100.0**

At 31 December 2015, the total aggregate balance of 10 largest clients of the Group was RR 2 172 421 thousand or 3.3% of customer accounts (2014: RR 2 672 831 thousand or 5.4% of customer accounts).

Carrying value of each class of customer accounts approximates fair value at 31 December 2015 and 31 December 2014. Refer to Note 33.

Geographical, maturity and interest rate analyses are disclosed in Note 28. Information on related party balances is disclosed in Note 34.

17 Debt Securities in Issue

In thousands of Russian Roubles	**2015**	**2014**
Bonds	2 781 219	8 831 394
Promissory notes	390 341	228 920
Total debt securities in issue	**3 171 560**	**9 060 314**

Each bond has a par value of RR 1 000 and an embedded put option at par value of the bond exercisable at the moment of coupon income change.

Issue	**CINBO-BO2**	**CINBO-BO6**	**CINBO-BO3**	**CINBO-BO7**	**CINBO-BO10**
Par value, RR	1 000	1 000	1 000	1 000	1 000
Quantity	1 500 000	1 000 000	1 500 000	3 265 000	3 000 000
Initial placement date	April 2012	March 2013	March 2013	November 2013	May 2014
Maturity	April 2015	March 2016	March 2016	November 2018	May 2019
Next offer date	-	March 2016	March 2016	November 2016	May 2016
at 31 December 2015					
Number of bonds in issue	-	13	62	276 973	2 497 338
- including repurchased by subsidiary	-	-	-	-	337
Coupon rate, %	-	0.50	0.50	11.25	15.25
Weighted average price, RR	-	1 000.0	999.7	992.0	1 010.0
at 31 December 2014					
Number of bonds in issue	1 500 000	999 859	1 499 545	2 000 000	2 738 838
- including repurchased by subsidiary	10 599	-	2 000	3 917	505
Coupon rate, %	10,20	11,50	11,50	9,20	13,00
Weighted average price, RR	994,9	1000,0	1000,0	936,9	999,7

Geographical, currency, interest rate and maturity analyses of debt securities in issue are disclosed in Note 28.

18 Borrowings from International Financial Institutions

In 2009-2014, the Group opened several credit lines with International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD"), Austrian Bank of Economic Development (Oesterreichische Entwicklungsbank AG) (OeEB), Eurasian Bank for Development (EBD), funds Credit Suisse Microfinance Fund Management Company and responsAbility SICAV (Lux) (ResponsAbility), Black Sea Bank of Reconstruction and Development (Greece) (BSTDB) and International Investment Bank.

18 Borrowings from International Financial Institutions (Continued)

The principal conditions of these loans are as follows:

In thousands of Russian Roubles	Currency	Original issue date	Repayable by tranches by:	Balance at 31 December 2015	Balance at 31 December 2014
BSTDB	EUR	February 2014	June 2019	1 594 528	1 364 522
OeEB	EUR	September 2012	April 2019	1 402 405	1 373 707
International Investment Bank	EUR	October 2014	October 2017	959 374	1 026 487
EBRD	Roubles	November 2009	June 2017	921 084	2 231 576
IFC	Roubles	March 2013	March 2016	705 945	1 137 048
ResponsAbility	Roubles	August 2013	February 2017	496 369	496 369
EBD	Roubles	June 2012	April 2016	-	902 913
Total borrowings from international financial institutions	**-**	**-**	**-**	**6 079 705**	**8 532 622**

The carrying value of borrowings from international financial institutions approximates fair value at 31 December 2015 and 31 December 2014, as interest rate of these borrowings is floating. Refer to Note 32.

Geographical, maturity and interest rate analyses are disclosed in Note 28. Information on covenants related to borrowings from international financial institutions is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

19 Subordinated Debt

In thousands of Russian Roubles	2015	2014
Subordinated loan from DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	2 215 770	1 707 956
Subordinated loan from EBRD	1 477 206	1 138 672
Total subordinated debt	**3 692 976**	**2 846 628**

The principal conditions of these subordinated loans are as follows:

	Amount (thousands of USD)	Issue date	Maturity date
Subordinated loan from DEG	30 000	June 2008	October 2018
Subordinated loan from EBRD	20 000	April 2008	October 2018

The carrying value of subordinated loans approximates fair value at 31 December 2015 and 31 December 2014, as interest rate of these loans is floating. Refer to Note 32.

The claims of other lenders against the Group in respect of the principal and interest on these loans will be subordinated to the claims of other creditors in accordance with legislation of the Russian Federation.

Geographical, maturity and interest rate analyses are disclosed in Note 28. Information on covenants related to borrowings is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

20 Other Liabilities

Other liabilities comprise the following:

In thousands of Russian Roubles	Note	2015	2014
Income tax liability		174 576	5 303
Deposits insurance agency		50 350	40 902
Taxes payable other than on income		27 042	39 363
Provisions for contingent liabilities	30	13 668	15 028
Other		64 395	69 435
Total other liabilities		**330 031**	**170 031**

Movements in the provision for contingent liabilities during 2015 and 2014 are as follows:

In thousands of Russian Roubles	2015	2014
Provision for contingent liabilities at 1 January	15 028	18 682
Provision for liabilities and charges during the period	1 927	10 479
Use of provision during the period	(3 287)	(14 133)
Provision for contingent liabilities at 31 December	**13 668**	**15 028**

The provision for contingent liabilities includes a provision for legal claims brought against the Group by borrowers and lessees. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts. Refer to Note 30.

21 Share Capital

In thousands of Russian Roubles except for number of shares	Number of outstanding shares			Ordinary shares	Preference shares	Share premium	Total
	Ordinary shares	Preference shares with a par value of RR 4	Preference shares with a par value of RR 1 000				
At 1 January 2014 and 31 December 2014	**77 550 750**	**123 125**	**90 000**	**1 162 786**	**95 923**	**1 646 428**	**2 905 137**
New shares issued	6 756 757	-	-	67 568	-	432 432	500 000
At 31 December 2015	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**

The nominal registered amount of the Bank's issued share capital, prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 933 568 thousand (2014: RR 866 000 thousand). At 31 December 2015 and 31 December 2014, all of the Bank's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a par value of RR 10 per share (2014: RR 10 per share). Each share carries one vote.

The preference shares have a par value of RR 4 and RR 1 000 and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Preference share dividends are set at 20 % p.a. (2014: 20 % p.a.) and rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

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

22 Interest Income and Expense

In thousands of Russian Roubles	2015	2014
Interest income		
Loans and advances to SME	4 476 745	3 935 395
Consumer loans and car loans	3 350 717	2 781 482
Mortgage loans	1 630 002	1 257 839
Corporate loans	1 027 918	1 021 374
Impaired loans	329 667	233 182
Debt trading securities	159 830	76 667
Finance income arising from leasing	80 727	106 762
Due from and accounts with other banks	33 891	77 010
Total interest income	**11 089 497**	**9 489 711**
Interest expense		
Term deposits of individuals	4 632 640	2 660 977
Bonds issued	947 650	893 327
Borrowings from international financial institutions and subordinated debt	938 077	820 635
Due to the Central Bank of the Russian Federation	592 069	154 593
Term deposits of legal entities	282 257	127 475
Term placements of other banks	106 625	102 677
Current accounts of legal entities	88 104	74 156
Promissory notes issued	74 498	43 039
Total interest expense	**7 661 920**	**4 876 879**
Net interest income	**3 427 577**	**4 612 832**

23 Fee and Commission Income and Expense

In thousands of Russian Roubles	2015	2014
Fee and commission income		
- Settlement transactions	473 772	431 627
- Plastic card transactions	286 415	272 337
- Cash transactions	246 001	207 112
- Guarantees issued	109 002	58 824
- Currency transactions	40 940	38 434
- Other	36 440	29 777
Total fee and commission income	**1 192 570**	**1 038 111**
Fee and commission expense		
- Plastic card transactions	150 635	135 637
- Settlement and currency transactions	64 999	61 452
- Cash collection	51 097	52 100
- Collection agencies	46 043	35 320
- Guarantees received	8 277	7 682
- Borrowings	5 779	16 616
- Other	37 209	17 768
Total fee and commission expense	**364 039**	**326 575**
Net fee and commission income	**828 531**	**711 536**

24 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2015	2014
Staff costs		1 416 798	1 377 736
Maintenance and lease of premises and equipment		196 546	220 419
Depreciation of premises and equipment	12	106 478	124 666
Taxes other than on income		80 751	91 103
Consulting and information services		73 714	75 520
Telecommunication and mail		38 331	37 576
Amortisation of intangible assets	11	38 025	42 002
Payments to the Board of Directors		31 469	37 722
Advertising and marketing services		30 659	35 604
Staff costs other than salary		27 678	24 902
Security		26 637	30 540
Insurance		19 901	17 216
Repair of premises and equipment		19 034	42 536
Travel and representative expenses		15 960	16 466
Stationary		14 343	12 848
Maintenance and repair of motor vehicles		13 390	14 184
Other		25 261	32 939
Total administrative and other operating expenses		**2 174 975**	**2 233 979**

Included in staff costs are statutory pension contributions of RR 217 480 thousand, social security contributions and contributions to the obligatory medical insurance fund of RR 83 414 thousand (2014: RR 207 579 thousand and RR 66 929 thousand accordingly).

25 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	2015	2014
Current tax	360 352	383 631
Deferred tax	(192 195)	(61 369)
Income tax expense for the year	**168 157**	**322 262**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

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

In thousands of Russian Roubles	2015	2014
Profit before tax	**702 989**	**1 429 318**
Theoretical tax charge at statutory rate (2015: 20%; 2014: 20%)	140 598	285 864
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	27 559	36 398
Income tax expense for the year	**168 157**	**322 262**

25 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

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

In thousands of Russian Roubles	**1 January 2015**	**Credited/ (charged) to profit or loss**	**Charged directly to equity**	**31 December 2015**
Loans and advances to customers	113 020	201 071	-	314 091
Other assets and accruals	32 027	5 522	-	37 549
Other liabilities and accruals	26 108	(8 547)	-	17 561
Other	21 961	(13 147)	-	8 814
Gross deferred tax asset	**193 116**	**184 899**	**-**	**378 015**
Premises and equipment	(242 839)	1 305	-	(241 534)
Investment in associate	(62 453)	2 340	(528)	(60 641)
Other	(11 185)	3 651	-	(7 533)
Gross deferred tax liability	**(316 477)**	**7 296**	**(528)**	**(309 708)**
Less offsetting with deferred tax assets	193 116	184 899	-	378 015
Net deferred tax (liability)/asset	**(123 361)**	**192 195**	**(528)**	**68 307**

In thousands of Russian Roubles	**1 January 2014**	**Credited/ (charged) to profit or loss**	**Charged directly to equity**	**31 December 2014**
Loans and advances to customers	93 552	19 468	-	113 020
Other assets and accruals	40 425	(8 398)	-	32 027
Other liabilities and accruals	25 679	429	-	26 108
Other	5 678	16 283	-	21 961
Gross deferred tax asset	**165 334**	**27 782**	**-**	**193 116**
Premises and equipment	(268 195)	25 356	-	(242 839)
Investment in associate	(63 472)	1 019	-	(62 453)
Finance lease receivables	(7 184)	7 184	-	-
Other	(11 213)	28	-	(11 185)
Gross deferred tax liability	**(350 064)**	**33 587**	**-**	**(316 477)**
Less offsetting with deferred tax assets	165 334	27 782	-	193 116
Net deferred tax liability	**(184 730)**	**61 369**	**-**	**(123 361)**

The main part of the net deferred tax asset is expected to be settled in the term more than 12 months, or has no stated maturity.

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

26 Dividends

	2015		2014	
In thousands of Russian Roubles	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends declared during the period	-	18 099	255 917	18 099
Dividends paid during the period	-	(18 099)	(255 917)	(18 099)
Other movements	-	28	-	30

During 2015 the Bank declared dividends on preference shares with a par value of RR 1 000 – RR 200 per share (2014: RR 200 per share) and on preference shares with a par value of RR 4 – RR 0.8 per share (2014: RR 0.8 per share). In 2015, the Bank did not declare dividends on ordinary shares for 2014 (2014: RR 3.3 per share). All dividends are declared and paid in Russian Roubles. A part of declared dividends was not claimed.

27 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the chief operating decision maker (CODM) are performed by the Executive Board of the Bank.

Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of the following main business segments:

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, private customers, deposits, investment savings products, custody, credit and debit cards, municipal payments.

Factors that management used to identify the reportable segments

The Group’s segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending and leasing. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment – treasury. Retail and plastic cards have been aggregated into one segment - retail banking.

In addition, the Bank's Executive Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

27 Segment Analysis (Continued)

Measurement of operating segment profit or loss, assets and liabilities

The Executive Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- for operating decisions standalone information not adjusted to statutory subsequent events is used;
- income taxes are not allocated to segments;
- loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;
- income on impaired loans is not recognised;
- commission income related to lending and commission expenses on borrowings is recognised immediately rather than deferred using the effective interest rate method;
- finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;
- funds are generally reallocated between segments ignoring internal interest rates.

Information about reportable segment profit or loss, assets and liabilities

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

In thousands of Russian Roubles	**Lending**	**Treasury**	**Retail banking**	**Total**
2015				
External revenues:				
Interest income	10 082 464	197 484	131 760	10 411 708
Fee and commission income and other operating income	545 977	593 471	593 060	1 732 508
Gains less losses from trading securities	-	42 014	-	42 014
Total revenues	**10 628 441**	**832 969**	**724 820**	**12 186 230**
Interest expense	-	(3 018 333)	(4 638 558)	(7 656 891)
Provision for loan impairment	(208 733)	2 272	(1 853)	(208 314)
Losses less gains from trading in foreign currencies and foreign exchange translation	-	(37 060)	-	(37 060)
Fee and commission expenses and other expenses	(223 438)	(96 068)	(172 422)	(491 928)
Segment result	**10 196 270**	**(2 316 220)**	**(4 088 013)**	**3 792 037**
Total reportable segment assets	**73 112 082**	**767 818**	**-**	**73 879 900**
Total reportable segment liabilities	-	**(23 995 002)**	**(53 583 222)**	**(77 578 224)**

27 Segment Analysis (Continued)

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

In thousands of Russian Roubles	**Lending**	**Treasury**	**Retail banking**	**Total**
2014				
External revenues:				
Interest income	8 670 974	153 661	86 672	8 911 307
Fee and commission income and other operating income	524 859	555 373	564 291	1 644 523
Total revenues	**9 195 833**	**709 034**	**650 963**	**10 555 830**
Interest expense	-	(2 191 627)	(2 681 131)	(4 872 758)
Provision for loan impairment	(1 281 958)	1 359	(660)	(1 281 259)
Losses less gains from trading securities	-	(83 368)	-	(83 368)
Fee and commission expenses and other expenses	(73 046)	(120 670)	(137 637)	(331 353)
Segment result	**7 840 829**	**(1 685 272)**	**(2 168 465)**	**3 987 092**
Total reportable segment assets	**72 016 447**	**4 558 228**	**-**	**76 574 675**
Total reportable segment liabilities	**-**	**(41 434 232)**	**(39 173 616)**	**(80 607 848)**

Reconciliation of reportable segment profit or loss, assets and liabilities

In thousands of Russian Roubles	**2015**	**2014**
Total revenues for reportable segments	**12 186 230**	**10 555 830**
Effective interest rate method application	25 620	26 119
Fair value of trading securities portfolio recalculation	(6 053)	(31 026)
Recognition of interest income on impaired loans	341 136	206 445
Foreign exchange translation losses less gains	(459 976)	(135 083)
Gains less losses from conversion operations on the interbank market	535 872	191 964
Consolidation effect	(15 818)	11 255
Other	(48 099)	(17 423)
Total consolidated revenues	**12 558 912**	**10 808 081**

Total consolidated revenues comprise interest income, fee and commission income, gains less losses on transactions with trading securities, foreign currency, income from assignment, repayment of debt earlier written off and other operating income.

In thousands of Russian Roubles	**2015**	**2014**
Total reportable segment result	**3 792 037**	**3 987 092**
Administrative expenses	(2 447 768)	(2 501 379)
Effective interest rate method application	5 761	33 971
Fair value of trading securities portfolio and other financial assets and liabilities recalculation	15 405	(51 041)
Recognition of interest income on impaired loans	341 136	206 445
Recalculation of provision for impairment	(920 323)	(121 463)
Consolidation effect	(19 664)	(2 485)
Events after the end of the reporting period	(64 222)	(75 937)
Amortisation recalculation	11 842	(468)
Other	(11 215)	(45 417)
Profit before tax	**702 989**	**1 429 318**

27 Segment Analysis (Continued)

In thousands of Russian Roubles	2015	2014
Total reportable segment assets	**73 879 900**	**76 574 675**
Unallocated assets	16 042 083	15 114 997
Recalculation of provision for impairment	(909 740)	(25 678)
Recognition of interest income on impaired loans	723 892	454 842
Application of effective interest rate method to fee and commission income	(266 654)	(291 008)
Finance lease adjustments	(93 385)	(145 223)
Consolidation effect	268 507	285 424
Other	(3 604)	(651 848)
Total consolidated assets	**89 640 999**	**91 316 181**

In thousands of Russian Roubles	2015	2014
Total reportable segment liabilities	**77 578 224**	**80 607 848**
Unallocated liabilities	1 541 499	1 223 687
Application of effective interest rate method to fee and commission expenses	(36 473)	(56 332)
Consolidation effect	(48 108)	(56 243)
Other	2 462	11 744
Total consolidated liabilities	**79 037 604**	**81 730 704**

Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 22 and 23.

Major customers

The Group does not have customers, revenues from which exceed 10% the total revenues.

28 Financial Risk Management

The risk management function within the Group is carried out in respect of the entire range of financial risks faced by the Group in the course of business. The focus is placed on the following risks: credit, market (including currency, equity and interest rate risk), liquidity, operational, business event (including legal, strategic and reputational risks) and system risk.

The Bank's risk management function is viewed as a full set of activities aimed to protect its assets.

The Group uses the following main risk management tools:

- Limiting accepted risks and risk concentration by setting limits;
- Managing positions;
- Creating collateral;
- Insuring risks;
- Hedging risks;
- Covering risks by adequate reserves level;
- Covering risks by adequate capital level;
- Monitoring compliance with internal procedures and regulations.

28 Financial Risk Management (Continued)

The Bank manages risks on the basis of the document “Risk Management Policy of OAO KB Center-invest” approved by the Bank’s Board of Directors in February 2015. The policy regulates the Bank’s risk management strategy, main requirements and strategy implementation procedures; mandatory business lines and types of risks for monitoring; interaction in the process of managing the Bank's risks.

The risk management strategy described in this document includes:

- Accepting risks on the basis of the level of profitability and risks associated with business lines;
- Priority of lending operations development;
- Evaluation of market risks associated with assets on a regular basis;
- Consideration of the risk level in evaluating business lines’ efficiency;
- Capital and reserves management.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group’s lending and other transactions with counterparties giving rise to financial assets.

The Bank manages credit risks on the basis of the following principles:

- Avoiding risks through refusing from transactions that fall beyond the Bank’s Credit Policy or Risk Management Policy;
- Setting concentration limits, limits per one borrower (a group of related borrowers) covering on-balance sheet and off-balance sheet risks (“one obligor” principle);
- Creating and adequately evaluating collateral;
- Using a system of corporate and personal guarantees;
- Diversifying the loan portfolio;
- Limiting officials’ authority in making lending decisions without consideration by collegial bodies (credit committees);
- Improving the methods of reviewing borrowers’ financial and business activity enabling adequate evaluation of the level of risk associated with loans and other credit instruments;
- Regular monitoring of borrowers’ financial position, condition of collateral and debt servicing;
- Using same credit policies in relation to contingent liabilities and on-balance sheet financial instruments through established credit approvals, risk control limits, monitoring procedures;
- Using selective approaches and procedures for evaluating credit risks and decision-making procedures with consideration of products, risk levels and aggregate outstanding balances per borrower (a group of borrowers);
- Covering credit risks by an adequate capital and reserves level;
- Performing preventive and efficient work on collection of overdue debts.

The Group’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 30.

Such risks are monitored on a regular basis.

Lending transactions are approved according to individual decision-making limits and the structure of credit committees:

28 Financial Risk Management (Continued)

Large Credit Committee of the Bank's Head Office approves credit limits for borrowers or groups of related borrowers with aggregate outstanding balances in the range from RR 10 million (2014: RR 10 million) (without positive credit history) and RR 20 million (2014: RR 20 million) (with positive credit history) to 25% (2014: 25%) of capital, calculated in accordance with the requirements of the Central Bank of the Russian Federation. It is also responsible for issuing guidance to lower level credit committees. The Committee meets twice a week.

Small Credit Committees of the Bank's Head Office approve loans to borrowers and groups of related borrowers with aggregate outstanding balances less than RR 10 million (2014: RR 10 million) (without positive credit history) and RR 20 million (2014: RR 20 million) (with positive credit history). At present, there are two small credit committees functioning at the Bank's Head Office which approve credit limits for small businesses and retail clients. The Committees meet twice a week.

Transactions of borrowers and groups of related borrowers - legal entities and entrepreneurs with an aggregate debt of up to RR 3 million (2014: RR 3 million) on standard loan programmes are approved by sole decisions of authorised persons who are confirmed by the order of the Chairman of the Bank's Executive Board.

Transactions of borrowers and groups of related borrowers - individuals on standard loan programmes are approved by authorised persons within the limits set by the order of the Chairman of the Bank's Executive Board.

Loan applications originated by relevant client relationship managers are considered on the basis of standardised procedures and passed on to an individual having a personal decision-making limit or to the relevant Credit Committee for approval of credit limit after completion of preliminary, authorisation and monitoring procedures.

In order to monitor credit risk, credit officers are monitoring the borrowers based on a structured analysis of borrowers' business and financial performance in conformity with the requirements of the Central Bank of the Russian Federation and with the internal requirements of the Bank. Any significant exposures to customers and groups of related customers with deteriorating creditworthiness are reported to, and reviewed by the appropriate Credit Committees, the Risk Management Committee and the Committee for Problem Loans. The Group uses quality categories in compliance with regulations of the Central Bank of the Russian Federation. The Bank takes preventive actions, performs monitoring and implements a set of measures aimed at collection of overdue debts.

Additionally, in 2013, to minimize credit risks the Bank set up a control group comprised of most experienced employees of the Head Office and branches. Loans are allocated among them at random and through a random sampling technique on a monthly basis. The control group reviews compliance of an issued loan with the Bank's requirements (decision of an authorised body, correct and full documentation, quality of monitoring, etc.). The Group's credit departments review ageing analysis of outstanding loans and follow up past due balances. The ageing and other information about credit risk is disclosed in Note 9.

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements.

28 Financial Risk Management (Continued)

The Bank manages market risks and monitors corresponding limits on a regular basis. Market risks are managed in respect of each component and in general on the basis of the following principles:

- Ongoing monitoring of trading operations;
- Setting limits on financial investments;
- Setting limits on homogeneous financial instrument portfolios;
- Monitoring and evaluation of the level of market risk;
- Coverage of market risks through ensuring an adequate capital level.

Market risk associated with revaluation of the trading securities portfolio. The Bank accepts equity risk associated with losses resulting from fluctuations of market values of open positions on securities and derivative market instruments. The Bank opens positions on securities for subsequent resale and for investment purposes.

Equity risks are managed through limiting the overall volume of transactions, exposed to such risk, and setting limits on different types of transactions and specific issuers with consideration of risks associated with the issuer's industry (on the basis of regular monitoring and analysis). The Bank uses a wide range of VaR (Value at Risk) methodologies for reviewing and limiting risks associated with market price fluctuations.

The management sets limits in respect of the level of capital allocated for coverage of market risk.

At 31 December 2015, the level of market risk was RR 46 145 thousand under a limit of RR 2 530 210 thousand (2014: RR 400 812 thousand under a limit of RR 1 524 659 thousand).

Currency risk. The Group is exposed to currency risk associated with losses resulting from fluctuations of market values of open positions in different currencies. Exposure to currency risk is evaluated on the basis of VaR. The size of the currency position is regulated through matching assets and liabilities balances in foreign currencies. The Group seeks to decrease the open currency position, thereby decreasing its exposure to currency risk. The Bank manages its currency position by using currency swaps and forwards in the interbank market and other transactions. The Group is not exposed to the risks associated with changes in precious metals' prices due to the absence of such transactions.

At 31 December 2015, the ten day VAR level was RR 15 382 thousand (2014: RR 17 024 thousand).

Since VAR is used for management of certain risks, for the purpose of this consolidated financial statements the level of currency risk is examined based on the basis of simple sensitivity, calculated based on open currency position of the Group at the reporting date. The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date:

	At 31 December 2015				**At 31 December 2014**			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Foreign exchange spot contracts**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Foreign exchange spot contracts**	**Net position**
Russian Roubles	74 756 138	(67 252 072)	(16 179)	**7 487 887**	78 242 381	(70 603 630)	(1 131 454)	**6 507 297**
US Dollars	6 386 441	(6 323 529)	-	**62 912**	5 671 882	(5 151 527)	(408 954)	**111 401**
Euro	5 131 048	(5 101 713)	16 205	**45 540**	4 117 952	(5 568 567)	1 514 588	**63 973**
Other	90 887	(30 259)	-	**60 628**	111 387	(87 768)	-	**23 619**
Total	**86 364 514**	**(78 707 573)**	**26**	**7 656 967**	**88 143 602**	**(81 411 492)**	**(25 820)**	**6 706 290**

The above analysis includes only monetary assets and liabilities. The Group's management believes that investments in equities and non-monetary assets will not give rise to any material currency risk.

28 Financial Risk Management (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

In thousands of Russian Roubles	2015 Impact on profit or loss	2015 Impact on equity	2014 Impact on profit or loss	2014 Impact on equity
US dollar strengthening by 30% (2014: 72%)	15 099	15 099	64 167	64 167
US dollar weakening by 30% (2014: 72%)	(15 099)	(15 099)	(64 167)	(64 167)
Euro strengthening by 17% (2014: 52%)	6 193	6 193	26 613	26 613
Euro weakening by 17% (2014: 52%)	(6 193)	(6 193)	(26 613)	(26 613)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

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

Interest rate risk is managed based on the analysis of the structure of the Group's assets and liabilities by interest repricing dates.

The management monitors exposure to interest rate risk on a quarterly basis and sets limits on the level of interest rate risk that may be undertaken.

The Group evaluates new products from the point of their impact on interest rate risk. The Treasury department of the Group operates daily within approved limits on the level of interest rate risk whereas the Risk Management department independently monitors compliance of actual level of interest rate to the approved limits.

To manage interest rate risk, the Group uses fixed and floating interest rates for attracted funds.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Non-interest bearing assets	Total
31 December 2015							
Total financial assets	17 368 082	6 188 678	10 729 778	14 327 277	37 744 728	5 997	86 364 540
Total financial liabilities	(16 950 082)	(13 063 573)	(7 189 236)	(3 483 347)	(38 021 335)	-	(78 707 573)
Net interest sensitivity gap at 31 December 2015	**418 000**	**(6 874 895)**	**3 540 542**	**10 843 930**	**(276 607)**	**5 997**	**7 656 967**
31 December 2014							
Total financial assets	22 490 455	4 132 828	4 888 598	19 200 446	37 425 278	5 997	88 143 602
Total financial liabilities	(23 267 716)	(12 463 278)	(12 473 797)	(7 015 718)	(26 216 803)	-	(81 437 312)
Net interest sensitivity gap at 31 December 2014	**(777 261)**	**(8 330 450)**	**(7 585 199)**	**12 184 728**	**11 208 475**	**5 997**	**6 706 290**

28 Financial Risk Management (Continued)

All of the Group's debt instruments reprice within 5 years (2014: all reprice within 5 years).

At 31 December 2015, if interest rates had been 400 basis points lower/higher, with all other variables held constant, profit for the year would have been RR 585 883 thousand (2014: if interest rates had been 400 basis points higher/lower, profit would have been RR 877 579 thousand) higher/lower, due to the structure and repricing timing of attracted and invested funds.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel of the Group:

	2015				**2014**			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Cash balances with the CBRF	0.0	-	-	-	0.0	-	-	-
Correspondent accounts and overnight placements with other banks	0.5	0.0	0.0	0.3	0.5	0.0	0.0	0.3
Debt trading securities	-	-	-	-	13.6	-	-	-
Due from other banks								
- Placements with the Central Bank of the Russian Federation	10.0	-	-	-	-	-	-	-
Loans and advances to customers:								
- Corporate loans	13.2	8.4	-	-	11.5	7.9	-	-
- Loans to SME	14.5	6.7	6.4	-	13.5	6.7	7.0	-
- Loans to individuals - consumer loans	17.7	10.0	-	-	16.4	10.1	-	-
- Loans to individuals – car loans	14.9	-	-	-	14.7	-	-	-
Loans to individuals - mortgage loans	12.9	12.8	-	-	12.6	12.9	-	-
Finance lease receivables	19.8	-	-	-	18.4	8.0	15.1	-
Liabilities								
Due to the CBRF	-	-	-	-	16.2	-	-	-
Due to other banks	9.1	-	-	-	13.5	-	1.9	-
Customer accounts								
- Current accounts of legal entities	0.6	0.0	0.0	0.0	0.6	0.0	0.0	0.0
- Demand deposits of individuals	0.2	0.1	0.1	0.2	0.2	0.1	0.1	0.1
- Term deposits of legal entities	9.5	2.8	2.3	-	11.2	1.7	3.2	-
- Term deposits of individuals	12.0	2.5	2.2	12.0	10.9	2.9	2.2	1.0
Promissory notes issued	10.1	-	-	-	9.2	-	-	-
Bonds issued	14.7	-	-	-	12.3	-	-	-
Loans from international financial institutions	14.5	-	3.9	-	16.0	-	4.1	-
Subordinated debt	-	6.7	-	-	-	6.3	-	-

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

Other price risk. The Group has limited exposure to equity price risk.

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit or loss and equity for the year and at the reporting date would not have been significantly impacted by changes in early repayment rates because such loans are carried at amortised cost and the early repayment amount is at or close to the amortised cost of loans and advances to customers.

28 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Russia	USA	Europe	Other	Total
Assets					
Cash and cash equivalents	7 745 229	175 729	4 255 681	10 138	12 186 777
Mandatory cash balances with the CBRF.	411 386	-	-	-	411 386
Due from other banks	400 300	-	15 940	-	416 240
Loans and advances to customers.	70 927 508	-	1 382 573	815	72 310 896
Finance lease receivables	361 190	-	-	-	361 190
Other financial assets	677 297	-	320	434	678 051
Total financial assets	80 522 910	175 729	5 654 514	11 387	86 364 540
Other assets	3 276 459	-	-	-	3 276 459
Total assets	83 799 369	175 729	5 654 514	11 387	89 640 999
Liabilities					
Due to other banks	630 001	-	-	-	630 001
Customer accounts	64 967 540	2 163	21 920	48 205	65 039 828
Debt securities in issue	3 171 560	-	-	-	3 171 560
Borrowings from international financial institutions	959 374	705 945	4 414 386	-	6 079 705
Subordinated debt	-	-	3 692 976	-	3 692 976
Other financial liabilities	93 447	-	56	-	93 503
Total financial liabilities	69 821 922	708 108	8 129 338	48 205	78 707 573
Other liabilities	330 031	-	-	-	330 031
Total liabilities	**70 151 953**	**708 108**	**8 129 338**	**48 205**	**79 037 604**
Net position	**18 088 964**	**(708 108)**	**(6 730 505)**	**(46 956)**	**10 603 395**
Credit related commitments (Note 30)	**10 088 306**	**-**	**-**	**-**	**10 088 306**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

28 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2014 is disclosed in table below:

In thousands of Russian Roubles	Russia	USA	Europe	Other	Total
Assets					
Cash and cash equivalents	8 524 050	88 265	2 836 104	6 483	11 454 902
Mandatory cash balances with the CBRF.	543 600	-	-	-	543 600
Trading securities and repurchase receivables	3 747 222	-	-	-	3 747 222
Due from other banks	300	-	-	-	300
Loans and advances to customers.	70 309 750	-	1 146 806	-	71 456 556
Finance lease receivables	523 714	-	-	-	523 714
Other financial assets	415 752	-	1 556	-	417 308
Total financial assets	**84 064 388**	**88 265**	**3 984 466**	**6 483**	**88 143 602**
Other assets	3 172 579	-	-	-	3 172 579
Total assets	**87 236 967**	**88 265**	**3 984 466**	**6 483**	**91 316 181**
Liabilities					
Due to the CBRF	10 079 160	-	-	-	10 079 160
Due to other banks	820 851	-	708 554	5	1 529 410
Customer accounts	49 157 274	2 475	24 585	33 244	49 217 578
Debt securities in issue	9 060 314	-	-	-	9 060 314
Borrowings from international financial institutions	1 026 487	1 137 048	5 466 174	902 913	8 532 622
Subordinated debt	-	-	2 846 628	-	2 846 628
Other financial liabilities	171 584	-	16	-	171 600
Total financial liabilities	**70 315 670**	**1 139 523**	**9 045 957**	**936 162**	**81 437 312**
Other liabilities	293 392	-	-	-	293 392
Total liabilities	**70 609 062**	**1 139 523**	**9 045 957**	**936 162**	**81 730 704**
Net position	**16 627 905**	**(1 051 258)**	**(5 061 491)**	**(929 679)**	**9 585 477**
Credit related commitments (Note 30)	**12 080 035**	-	-	-	**12 080 035**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of capital. Refer to Note 9.

Liquidity risk. Liquidity risk is determined as the risk of facing difficulties associated with the transformation of assets into cash required for repayment of liabilities upon maturity, the real cost of the asset remaining unchanged.

The Asset and Liability Committee of the Bank is a regulatory and consultative body in charge of liquidity risk management. It coordinates actions of the Bank's units that have a direct or indirect impact on liquidity and cooperates with the Credit Committee in respect of liquidity issues.

Operational liquidity management is carried out by the Bank's Treasury on a daily basis through maintaining the overall liquidity reserve, consisting of balances on the Bank's correspondent accounts, cash on hand, due from other banks – primary liquidity reserve, and high liquid securities – secondary liquidity reserve. The Treasury monitors the Bank's payment position on a daily basis.

28 Financial Risk Management (Continued)

Efficient liquidity management is ensured through forecasting and reviewing liquidity gaps calculated as the difference between assets and liabilities (including off-balance sheet positions) by maturity. Based on forecast data, the Bank prepares a schedule of future cash receipts and payments and sets its own liquidity surplus (deficit) ratios. These are approved by the Audit and Compliance Committee at the Board of Directors, regularly controlled by the Asset and Liability Committee and are used in the current operations of the Bank.

The table below shows liabilities at 31 December 2015 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities							
Due to other banks	1	9 419	14 443	71 028	653 863	17 998	766 752
Customer accounts	16 706 946	3 619 686	5 252 963	3 600 430	45 055 941	-	74 235 966
Debt securities in issue	273 384	116 631	2 688 547	291 827	21 743	-	3 392 132
Borrowings from international financial institutions	76 271	6 107 748	-	-	-	-	6 184 019
Subordinated debt	-	3 756 132	-	-	-	-	3 756 132
Gross settled foreign exchange spot contracts	16 179	-	-	-	-	-	16 179
Contingent credit related commitments	575 720	1 361 427	1 335 370	3 760 625	3 055 164	-	10 088 306
Other financial liabilities	40 974	4 727	-	3 000	-	-	48 701
Total potential future payments for financial obligations	**17 689 475**	**14 975 770**	**9 291 323**	**7 726 910**	**48 786 711**	**17 998**	**98 488 187**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement.

The maturity analysis of financial liabilities at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities						
Due to the CBRF	4 993 900	5 237 208	-	-	-	10 231 108
Due to other banks	325 045	14 495	723 806	27 116	564 381	1 654 843
Customer accounts	14 469 010	2 249 572	2 774 522	6 014 805	30 057 370	55 565 279
Debt securities in issue	2 697 453	52 058	4 584 945	2 083 132	66 836	9 484 424
Borrowings from international financial institutions	32 904	8 666 680	-	-	-	8 699 584
Subordinated debt	-	2 850 951	-	-	-	2 850 951
Gross settled foreign exchange spot contracts	2 000 862	-	-	-	-	2 000 862
Contingent credit related commitments	844 051	3 289 841	1 311 475	4 054 783	2 579 885	12 080 035
Other financial liabilities	76 202	2 180	-	-	-	78 382
Total potential future payments for financial obligations	**25 439 427**	**22 362 985**	**9 394 748**	**12 179 836**	**33 268 472**	**102 645 468**

28 Financial Risk Management (Continued)

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Group does not use the above maturity analysis to manage liquidity. Instead, the Group monitors expected maturities, which may be summarised as follows at 31 December 2015:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
Assets								
Cash and cash equivalents	12 186 777	-	-	-	-	-	-	12 186 777
Mandatory cash balances with the Central Bank of the Russian Federation.	411 386	-	-	-	-	-	-	411 386
Due from other banks	400 300	-	-	15 940	-	-	-	416 240
Loans and advances to customers.	2 363 123	4 333 134	6 064 563	15 631 933	32 682 350	11 235 793	-	72 310 896
Finance lease receivables	36 891	41 240	35 292	94 880	152 887	-	-	361 190
Investments in associate	-	-	-	-	-	-	323 144	323 144
Intangible assets	-	-	-	-	-	-	252 756	252 756
Premises and equipment	-	-	-	-	-	-	2 270 541	2 270 541
Other financial assets	341 193	15 579	2 292	215 346	97 644	-	5 997	678 051
Other assets	16 091	58 699	20 743	63 913	75 443	-	126 822	361 711
Deferred income tax asset	-	-	-	-	-	-	68 307	68 307
Total assets	**15 755 761**	**4 448 652**	**6 122 890**	**16 022 012**	**33 008 324**	**11 235 793**	**3 047 567**	**89 640 999**
Liabilities								
Due to other banks	1	-	-	41 666	588 334	-	-	630 001
Customer accounts	16 588 225	3 232 048	4 676 252	2 686 604	37 856 699	-	-	65 039 828
Debt securities in issue	256 177	115 950	2 510 995	280 299	8 139	-	-	3 171 560
Borrowings from international financial institutions	75 726	294 491	1 642 869	1 131 629	2 934 990	-	-	6 079 705
Subordinated debt	-	-	52 023	-	3 640 953	-	-	3 692 976
Other financial liabilities	41 514	7 059	1 989	16 444	26 497	-	-	93 503
Other liabilities	81 973	197 598	11	25 257	25 192	-	-	330 031
Total liabilities	**17 043 616**	**3 847 146**	**8 884 139**	**4 181 899**	**45 080 804**	**-**	**-**	**79 037 604**
Net liquidity gap at 31 December 2015	**(1 287 855)**	**601 506**	**(2 761 249)**	**11 840 113**	**(12 072 480)**	**11 235 793**	**3 047 567**	**10 603 395**
Cumulative liquidity gap as at 31 December 2015	**(1 287 855)**	**(686 349)**	**(3 447 598)**	**8 392 515**	**(3 679 965)**	**7 555 828**	**10 603 395**	

The above analysis is based on expected maturities. Therefore, (1) as at 31 December 2014 the entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's liquidity, (2) borrowings from international financial institutions and subordinated debt are stated on the basis of contractual maturities, i.e., without taking into consideration the impact of non-compliance with the covenants (Note 30) because on the basis of negotiations with the creditors the Group's management estimated at 31 December 2015 the probability of early repayment as low and (3) the part of customer accounts is classified to later time periods since diversification of customer accounts by amounts and types and continuous attracting of new clients indicate that customer accounts represent a long-term and stable source of funding. The expected negative gap in the table above is planned to be covered by (1) continuous attracting of customer accounts, (2) financing from the Central Bank of the Russian Federation secured by pledge of loans and advances to customers.

28 Financial Risk Management (Continued)

The analysis by expected maturities at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**No stated maturity**	**Total**
Assets								
Cash and cash equivalents	11 454 902	-	-	-	-	-	-	11 454 902
Mandatory cash balances with the Central Bank of the Russian Federation.	543 600	-	-	-	-	-	-	543 600
Due from other banks	300	-	-	-	-	-	-	300
Trading securities and repurchase receivables	3 747 222	-	-	-	-	-	-	3 747 222
Loans and advances to customers.	1 640 782	4 291 997	5 185 981	17 446 006	32 497 809	10 393 981	-	71 456 556
Finance lease receivables	21 986	50 488	68 327	122 932	259 981	-	-	523 714
Investments in associate	-	-	-	-	-	-	332 202	332 202
Intangible assets	-	-	-	-	-	-	280 610	280 610
Premises and equipment	-	-	-	-	-	-	2 310 867	2 310 867
Other financial assets	205 403	36 403	3 248	64 224	102 033	-	5 997	417 308
Other assets	11 698	50 258	51 709	42 947	92 288	-	-	248 900
Total assets	**17 625 893**	**4 429 146**	**5 309 265**	**17 676 109**	**32 952 111**	**10 393 981**	**2 929 676**	**91 316 181**
Liabilities								
Due to the CBRF	4 965 342	5 113 818	-	-	-	-	-	10 079 160
Due to other banks	320 855	417	708 138	-	500 000	-	-	1 529 410
Customer accounts	4 648 427	1 987 091	2 365 862	5 030 670	35 185 528	-	-	49 217 578
Debt securities in issue	2 581 118	127 665	4 318 429	1 971 786	61 316	-	-	9 060 314
Borrowings from international financial institutions	29 293	959 263	1 235 950	1 004 949	5 303 167	-	-	8 532 622
Subordinated debt	-	-	38 030	-	2 808 598	-	-	2 846 628
Other financial liabilities	102 317	8 756	1 241	13 262	46 024	-	-	171 600
Other liabilities	66 642	47 292	10 004	15 582	30 511	-	-	170 031
Deferred income tax liability	-	-	-	-	-	-	123 361	123 361
Total liabilities	**12 713 994**	**8 244 302**	**8 677 654**	**8 036 249**	**43 935 144**	**-**	**123 361**	**81 730 704**
Net liquidity gap at 31 December 2014	**4 911 899**	**(3 815 156)**	**(3 368 389)**	**9 639 860**	**(10 983 033)**	**10 393 981**	**2 806 315**	**9 585 477**
Cumulative liquidity gap as at 31 December 2014	**4 911 899**	**1 096 743**	**(2 271 646)**	**7 368 214**	**(3 614 819)**	**6 779 162**	**9 585 477**	

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

The management of the Group believes that in spite of a substantial liquidity gap, diversification of liabilities by number and type of creditors, the past experience and liability dynamics in 2015 would indicate that these funds provide a stable source of funding for the Group.

Operational risk. To ensure efficient risk management, the Bank has created an operational risk management system. Currently, the Bank uses the Base Indicative Approach (BIA) to operational risk evaluation. Operational risks are managed on the basis of the regulation approved by the Bank's Executive Board. This activity includes the following:

- Collecting information on operating losses;
- Identifying sources of operational risk in the credit institution's activity;
- Identifying and preventing fraud in banking transactions;
- Developing regulations and actions for decreasing the level of operational risk;
- Coverage of risks by maintenance of adequate level of capital.

28 Financial Risk Management (Continued)

The Bank implemented an efficient system for identifying and preventing fraud transactions with plastic cards.

The Bank's information security and continuity are ensured by the Bank's Information Security Policy developed on the basis of ISO and approved by the Board of Directors. The Bank has adopted the set of documents on the Bank of Russia's standardisation "Ensuring Information Security of the Banking System of the Russian Federation". The Bank has a policy that insures its property interests associated with ownership, use and disposal of the Bank's property and also with unforeseen expenses (losses) incurred by the Bank in its operations.

Offsetting financial assets and liabilities. Repurchase receivables are subject to offsetting with liabilities from sale and repurchase agreements in case of non-fulfilment of contractual obligations.

29 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Executive Board and Chief Accountant. Other objectives of capital management are evaluated annually.

The Group and the Bank are also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with Basel I is as follows:

In thousands of Russian Roubles	**2015**	**2014**
Tier 1 capital		
Share capital	1 326 277	1 258 709
Share premium	2 078 860	1 646 428
Retained earnings	6 005 447	5 451 300
Total tier 1 capital	**9 410 584**	**8 356 437**
Tier 2 capital		
Revaluation reserve for land and premises	1 192 811	1 229 040
Subordinated debt	2 034 642	2 133 131
Total tier 2 capital	**3 227 453**	**3 362 171**
Total capital	**12 638 037**	**11 718 608**

At 31 December 2015 the Bank's capital adequacy ratio, calculated in accordance with Basel I is 17.1% (2014: 14.5%).

The management of the Bank believes that the Group and the Bank complied with all regulatory capital requirements throughout 2015 and 2014. Information on compliance with the covenants related to borrowings is disclosed in Note 30.

30 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 31 December 2015, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. A provision of RR 13 668 thousand (2014: RR 15 028 thousand) has been made as internal professional advice has indicated that it is likely that a liability will eventuate.

In 2014 the Bank's client challenged at court cash transfers to its counterparties from its account with the Bank. Further to the court decision the Bank reimbursed losses to the plaintiff in the amount of RR 127 842 thousand. At present the court decision on the reimbursement by the Bank to the plaintiff has been cancelled. The case is under second trial and the cash transferred has been arrested on the plaintiff's account in another bank till the case is finally heard and decided. The Bank's management believes that this situation is abuse of law by the plaintiff, the cash transferred will be returned to the Bank, the Bank will not incur any material financial losses and no material provisions for losses are required. The cash transferred is recorded in full within other financial assets.

Tax legislation. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

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, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, under management's estimates it would not have a significant impact on the Group's financial position and/or overall operations of the Group.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 23 981 thousand (2014: nil). These tax risks relate to potential additional calculation of income tax on income of foreign entities, which the Bank should have charged as a tax agent when making interest payments to non-resident banks under interest-bearing loans received in previous periods (Notes 18, 19).

These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

30 Contingencies and Commitments (Continued)

Capital expenditure commitments. At 31 December 2015, the Group did not have contractual capital expenditure commitments in respect of premises and equipment, and software and other intangible assets (2014: nil).

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a claim on early repayment of the loan.

At 31 December 2015, the Group did not comply with covenants with regard to the risk per borrower or a group of related borrowers and open credit risk ratios. At 31 December 2014, the Group did not comply with covenants regarding the capital adequacy ratio, risk per borrower or a group of related borrowers and cumulative liquidity gap with 30% permanent customer accounts. The reasons for non-compliance are attributable to crisis developments in the banking system. The Group started negotiations with relevant creditors regarding this situation once the non-compliance was identified.

Documentation on a temporary softening of these covenants to the level acceptable for the Group was signed with some creditors after the reporting date. On the basis of current negotiations with the creditors the management of the Group is confident that 1) all necessary documentation on softening of these covenants will be signed in the near future, and 2) the incurred cases of non-compliance will not result in claims of early repayment of the Group's obligations.

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

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In thousands of Russian Roubles	2015	2014
Guarantees issued	2 965 113	3 334 958
Guarantees issued to other banks	-	2 380 445
Total guarantees issued	**2 965 113**	**5 715 403**

The total outstanding contractual amount of undrawn contractual guarantees and warranties does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of guarantees was RR 73 561 thousand of commitments at 31 December 2015 (2014: RR 67 398 thousand of commitments). Guarantees denominated in currencies as follows:

In thousands of Russian Roubles	2015	2014
Russian Roubles	2 908 903	5 640 357
US Dollars	37 511	45 215
Euro	18 699	29 831
Total guarantees issued	**2 965 113**	**5 715 403**

The Group has loan commitments of RR 7 123 193 thousand (2014: RR 6 364 632 thousand). All undrawn credit facilities can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

30 Contingencies and Commitments (Continued)

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

In thousands of Russian Roubles	Note	31 December 2015 Asset pledged	31 December 2015 Related liability	31 December 2014 Asset pledged	31 December 2014 Related liability
Repurchase receivables	8, 14	-	-	3 259 442	2 957 205
Loans and advances to customers.	9, 14, 15	693 079	500 000	7 557 015	5 313 870
Total		**693 079**	**500 000**	**10 816 457**	**8 271 075**

At 31 December 2015, balances and deposits "overnight" from other banks balances of RR 119 846 thousand (2014: RR 113 942 thousand) are placed as a cover for international payment cards transactions. In addition, mandatory cash balances with the CBRF of RR 411 386 thousand (2014: RR 543 600 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

31 Foreign Exchange Spot Contracts

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange spot contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature:

In thousands of Russian Roubles	2015 Contracts with positive fair value	2015 Contracts with negative fair value	2014 Contracts with positive fair value	2014 Contracts with negative fair value
Foreign exchange spot contracts: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	-	-	-	22 805
- USD payable on settlement (-)	-	-	(431 759)	-
- Euros receivable on settlement (+)	16 205	-	-	1 514 588
- RR receivable on settlement (+)	-	-	437 650	-
- RR payable on settlement (-)	(16 179)	-	-	(1 569 104)
Net fair value of foreign exchange spot contracts	**26**	**-**	**5 891**	**(31 711)**

Foreign exchange spot contracts entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The contracts have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of foreign exchange spot contracts can fluctuate significantly from time to time.

32 Fair Value

Fair value measurements are analysed by level in the fair value hierarchy as follows: (1) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly and (3) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that are required or permited by other IFRS in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Russian Roubles	**31 December 2015**				**31 December 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Trading securities and repurchase receivables								
- Corporate bonds	-	-	-	-	-	487 780	-	487 780
- Repurchase receivables	-	-	-	-	-	3 259 442	-	3 259 442
Other financial assets								
- Other securities at fair value through profit or loss	-	-	5 997	5 997	-	-	5 997	5 997
- Foreign exchange spot contracts	-	26	-	26	-	-	-	-
NON-FINANCIAL ASSETS								
- Investment properties	-	126 822	-	126 822	-	-	-	-
- Premises and land (Note 4)	-	-	2 166 518	2 166 518	-	-	2 195 937	2 195 937
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**126 848**	**2 172 515**	**2 299 363**	**-**	**3 747 222**	**2 201 934**	**5 949 156**

In thousands of Russian Roubles	**31 December 2015**				**31 December 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
LIABILITIES CARRIED AT FAIR VALUE								
Other financial liabilities								
- Foreign exchange spot contracts	-	-	-	-	-	25 820	-	25 820
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	-	-	-	**-**	**25 820**	**-**	**25 820**

32 Fair Value (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2015			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents	4 224 184	7 962 593	-	12 186 777
Mandatory cash balances with the Central Bank of the Russian Federation.	-	411 386	-	411 386
Due from other banks	-	416 240	-	416 240
Loans and advances to customers.	-	-	71 724 557	72 310 896
- Loans to small and medium entities	-	-	*28 530 162*	*28 842 096*
- Corporate loans	-	-	*9 124 014*	*9 155 963*
- Loans to individuals – consumer and car loans	-	-	*20 232 397*	*20 409 566*
- Mortgage loans	-	-	*13 837 984*	*13 903 271*
Finance lease receivables	-	-	360 984	361 190
Other financial assets	-	-	672 028	672 028
TOTAL	**4 224 184**	**8 790 219**	**72 757 569**	**86 358 517**

	31 December 2014			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents	4 720 123	6 734 779	-	11 455 202
Mandatory cash balances with the Central Bank of the Russian Federation.	-	543 600	-	543 600
Due from other banks	-	300	-	300
Loans and advances to customers.	-	-	70 234 188	71 456 556
- Loans to small and medium entities	-	-	*28 414 824*	*28 890 268*
- Corporate loans	-	-	*10 069 284*	*10 202 285*
- Loans to individuals – consumer and car loans	-	-	*19 718 077*	*20 268 846*
- Mortgage loans	-	-	*12 032 003*	*12 095 157*
Finance lease receivables	-	-	520 326	523 714
Other financial assets	-	-	411 311	411 311
TOTAL	**4 720 123**	**7 278 679**	**71 165 825**	**84 390 683**

Mandatory cash balances with the CBRF are classified into the second level in the fair value hierarchy, since they have credit risk other than zero.

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2015			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES				
Due to other banks	-	-	630 001	630 001
Customer accounts	-	-	65 039 828	65 039 828
Debt securities in issue	2 838 114	-	390 341	3 171 560
- Promissory notes	-	-	*390 341*	*390 341*
- Bonds issued on domestic market	*2 838 114*	-	-	*2 781 219*
Borrowings from international financial institutions	-	-	6 079 705	6 079 705
Subordinated debt	-	-	3 692 976	3 692 976
Other financial liabilities	-	-	93 503	93 503
TOTAL	**2 838 114**	**-**	**75 926 354**	**78 707 573**

32 Fair Value (Continued)

	31 December 2014			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES				
Due to the CBRF	-	-	10 074 572	10 079 160
Due to other banks	-	-	1 529 410	1 529 410
Customer accounts	-	-	46 480 147	49 217 578
Debt securities in issue	8 751 390	-	228 920	9 060 314
- Promissory notes	-	-	*228 920*	*228 920*
- Bonds issued on domestic market	*8 751 390*	-	-	*8 831 394*
Borrowings from international financial institutions	-	-	8 501 518	8 532 622
Subordinated debt	-	-	2 852 721	2 846 628
Other financial liabilities	-	-	145 780	145 780
TOTAL	**8 751 390**	**-**	**69 813 068**	**81 411 492**

Discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty. These main discount rates are analysed below:

In thousands of Russian Roubles	2015	2014
RR		
Loans and advances to customers.		
Loans to small and medium entities	14.1 – 16.6%	13.8 – 16.3%
Corporate loans	14.0 – 16.5%	13.0 – 17.1%
Loans to individuals - consumer loans	16.5 – 18.6%	13.5 – 17.5%
Loans to individuals – car loans	12.6 – 16.2%	12.3 – 15.4%
Loans to individuals - mortgage loans	12.9 – 13.1%	10.5 – 12.2%
Finance lease receivables	19.0 – 23.0%	19.7 – 19.8%
Customer accounts		
Term deposits of individuals	2.0 – 15.0%	7.0 – 17.0%
Term deposits of enterprises	5.0 – 20.9%	7.0 – 15.1%
Due to the CBRF	-	18.75%
Borrowings from international financial institutions	10.5 – 16.0%	25.4 – 28.3%
Currency		
Loans and advances to customers.		
Corporate loans and loans to SME	7.9%	6.1%
Loans to individuals – consumer loans	10.0%	10.0%
Mortgage loans	9.0%	9.0%
Finance lease receivables	-	8.0%
Customer accounts		
Term deposits of individuals	1.0 – 4.0%	1.0 – 2.6%
Borrowings from international financial institutions	3.8 – 4.5%	3.8 – 4.6%
Subordinated debt	6.7%	6.4%

Current rates on the Group's liabilities approximate market rates as they relate to short-term instruments or instruments with floating rates.

The Group’s liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

33 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

At 31 December 2015 and 31 December 2014, all financial assets were designated as "Loans and receivables" except for trading securities (Note 8) and other securities at fair value through profit or loss. All of the Group's financial liabilities except for foreign exchange spot contracts were carried at amortised cost.

34 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The consolidated financial statements of the Group include the following significant transactions and balances with related parties:

	2015			2014		
In thousands of Russian Roubles	**Significant shareholders**	**Associate**	**Management and Board of Directors**	**Significant shareholders**	**Associate**	**Management and Board of Directors**
Correspondent accounts with banks	4 101 643	-	-	2 462 572	-	-
Gross amount of loans and advances to customers (contractual interest rate: 2015: 9.4% - 12%; 2014: 8% - 16%)	-	165 676	10 458	-	67 967	8 238
Customer accounts (contractual interest rate: 2015: 0.1% – 12.5%; 2014: 0.1% – 17%)	-	1 354	60 344	-	5 110	278 031
Due to other banks (contractual interest rate: 2015: -; 2014: 1.8%)	-	-	-	679 060	-	-
Borrowings from international financial institutions (contractual interest rate: 2015: 15.0% – 16.0%; 2014: 13.2% – 29.1%)	921 084	-	-	2 231 576	-	-
Subordinated loans (contractual interest rate: 2015: 6.7%; 2014: 6.3%)	3 692 976	-	-	2 846 628	-	-

34 Related Party Transactions (Continued)

	2015			2014		
In thousands of Russian Roubles	**Significant shareholders**	**Associate**	**Management and Board of Directors**	**Significant shareholders**	**Associate**	**Management and Board of Directors**
Interest income	-	22 885	633	-	10 231	838
Interest expense	(539 929)	-	(15 474)	(424 224)	-	(21 338)
Fee and commission income	-	582	16	-	1 137	13
Administrative expenses excluding management remuneration	-	-	(2 634)	-	-	(3 197)

The major shareholders of the Bank at 31 December 2015 and 31 December 2014 were as follows:

	2015		2014	
Shareholder	**Equity share, %**	**Voting rights, %**	**Equity share, %**	**Voting rights, %**
European Bank for Reconstruction and Development	22.80	25.25	24.58	27.45
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	18.65	20.65	20.10	22.45
Vasiliy Vasilievich Vysokov	11.10	12.30	8.07	9.01
Tatiana Nikolaevna Vysokova	10.96	12.13	7.91	8.83
Erste Bank	9.09	9.01	9.80	9.80
Firebird funds	8.22	9.11	8.87	9.90
Rekha Holdings Limited	6.77	7.49	7.29	8.15

Key management compensation is presented below:

	2015		2014	
In thousands of Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	28 971	-	22 371	-
- Short-term and other bonuses	82 082	-	92 772	-
Long-term bonus scheme	(9 038)	17 452	15 416	26 490
Post-employment benefits	465	-	1 059	-
Total	**102 480**	**17 452**	**131 618**	**26 490**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

In 2015, the Board of Directors consisted of 7 persons (2014: 7 persons). As at the end of 2015, the Group's Executive Board consisted of 4 persons (2014: 5 persons).