JOINT-STOCK COMPANY
“BANK CREDIT SUISSE (MOSCOW)”

Financial Statements
for the year ended 31 December 2015
and Auditors’ Report

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Joint-Stock Company KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Auditors' Report

To the Shareholders and the Board of Directors of
Joint Stock Company "BANK CREDIT SUISSE (MOSCOW)"

We have audited the accompanying financial statements of Joint Stock Company "BANK CREDIT SUISSE (MOSCOW)" (the Bank), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Audited entity: JSC "BANK CREDIT SUISSE (MOSCOW)".

Registered by the Central Bank of the Russian Federation on 13 September 1993, Registration No. 2494.

Entered in the Unified State Register of Legal Entities on 10 November 2002 by Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027739526935, Certificate series 77 No. 008158202.

Address of audited entity: building 4, 2, Romanov pereulok, Moscow, Russian Federation, 125009.

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

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

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

Member of the Self-regulated organisation of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

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

  - as at 31 December 2015, the Bank's Internal audit function was subordinated to, and reported to, the Board of Directors, and the Risk management function was not subordinated to, and did not report to, divisions accepting relevant risks in accordance with regulations and recommendations issued by the Bank of Russia;
  - the Bank's internal documentation, effective on 31 December 2015, establishing the procedures and methodologies for identifying and managing the Bank's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing was approved by the authorized management bodies of the Bank in accordance with regulations and recommendations issued by the Bank of Russia;
  - as at 31 December 2015, the Bank maintained a system for reporting on the Bank's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Bank's capital;
  - the frequency and consistency of reports prepared by the Bank's Risk management and Internal audit functions during 2015, which cover the Bank's credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's Risk management and Internal audit functions as to their assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement;
  - as at 31 December 2015, the Board of Directors and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with risk limits and capital adequacy ratios as established by the Bank's internal documentation. With the objective of monitoring effectiveness of the Bank's risk management procedures and their consistent application during 2014, the Board of Directors and Executive Management of the Bank periodically discussed reports prepared by the Risk management and Internal audit functions, and considered proposed corrective actions.

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

Kouznetsov A.A.

Deputy Director, power of attorney dated 16 March 2015 № 30/15

JSC KPMG

26 April 2016

Moscow, Russian Federation

(in thousands of Russian Roubles)

	Notes	2015	2014
Interest income	4	1 450 839	1 079 869
Interest expense	4	(404 792)	(393 661)
Net interest income		**1 046 047**	**686 208**
Fee and commission income	5	66 825	111 307
Fee and commission expense	5	(185 994)	(156 938)
Net fee and commission expense		**(119 169)**	**(45 631)**
Net profit (loss) on financial instruments at fair value through profit or loss	6	104 618	(651 342)
Net foreign exchange income	7	2 802 917	3 248 321
Other income	8	1 610 795	1 912 544
		5 445 208	**5 150 100**
General administrative expenses	9	(3 954 349)	(2 730 338)
Profit before income tax		**1 490 859**	**2 419 762**
Income tax expense	10	(401 799)	(517 195)
Profit for the year		**1 089 060**	**1 902 567**
Total comprehensive income for the year		**1 089 060**	**1 902 567**

The financial statements were approved by management on 26 April 2016 and were signed on its behalf by:

Z.L. Bondarenko
Acting President

N.I. Kondrashina
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

(in thousands of Russian Roubles)

	Notes	2015	2014
ASSETS			
Cash and cash equivalents	11	7 411 353	8 374 049
Mandatory deposits with the Central Bank of the Russian Federation		42 048	70 805
Loans to banks and other financial institutions	12	41 675 269	4 220 788
Financial instruments at fair value through profit or loss			
- held by the Bank	13	624 836	6 954 547
Property and equipment	14	139 657	192 421
Deferred tax assets	10	56 507	-
Current income tax asset		153 589	269 360
Other assets	15	3 205 078	3 134 360
Total assets		**53 308 337**	**23 216 330**
LIABILITIES			
Financial instruments at fair value through profit or loss	13	41 382	3 948 669
Deposits and balances from banks	16	11 763 084	3 114 988
Current accounts and deposits from customers	17	26 809 117	2 132 570
Deferred tax liabilities	10	-	337 163
Other liabilities	18	604 329	681 575
Total liabilities		**39 217 912**	**10 214 965**
EQUITY			
Share capital	19	460 000	460 000
Cumulative translation reserve		(10 970)	(10 970)
Retained earnings		13 641 395	12 552 335
Total equity		**14 090 425**	**13 001 365**
Total liabilities and equity		**53 308 337**	**23 216 330**

Z.L. Bondarenko
Acting President

N.I. Kondrashina
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

(in thousands of Russian Roubles)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and fees and commissions received		1 520 472	1 402 348
Interest and fees and commissions paid		(604 057)	(490 372)
Net gain (loss) on financial instruments at fair value through profit or loss		4 412	(741 294)
Net income (expenses) from foreign exchange		4 856 481	(282 132)
Other income received		1 583 840	1 980 071
General administrative expenses paid		(3 829 134)	(2 360 414)
		3 532 014	**(491 793)**
(Increase) decrease in operating assets			
Mandatory deposits with the Central Bank of the Russian Federation		28 757	(37 124)
Loans to banks and other financial institutions		(37 661 570)	(1 392 243)
Financial instruments at fair value through profit or loss		1 211	23 399 331
Other assets		553 389	(1 188 450)
Increase (decrease) in operating liabilities			
Deposits and balances from banks		8 067 413	(18 660 553)
Current accounts and deposits from customers		24 268 236	149 720
Other liabilities		(151 875)	66 200
Net cash (used in) provided from operating activities before income tax paid		**(1 362 425)**	**1 845 088**
Income tax paid		(679 698)	(58 697)
Net cash (used in) provided from operating activities		**(2 042 123)**	**1 786 391**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(11 658)	(16 815)
Net cash flows used in investing activities		**(11 658)**	**(16 815)**
Net (decrease) increase in cash and cash equivalents		**(2 053 781)**	**1 769 576**
Effect of changes in exchange rates on cash and cash equivalents		1 091 085	1 438 126
Cash and cash equivalents at the beginning of the year		8 374 049	5 166 347
Cash and cash equivalents at the end of the year	11	**7 411 353**	**8 374 049**

Z.L. Bondarenko
Acting President

N.I. Kondrashina
Chief Accountant

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

(in thousands of Russian Roubles)

	Share capital	Cumulative translation reserve	Retained earnings	Total equity
Balance as at 1 January 2014	**460 000**	**(10 970)**	**10 649 768**	**11 098 798**
Profit for the year	-	-	1 902 567	1 902 567
Total comprehensive income for the year	**-**	**-**	**1 902 567**	**1 902 567**
Balance as at 31 December 2014	**460 000**	**(10 970)**	**12 552 335**	**13 001 365**
Balance as at 1 January 2015	**460 000**	**(10 970)**	**12 552 335**	**13 001 365**
Profit for the year	-	-	1 089 060	1 089 060
Total comprehensive income for the year	**-**	**-**	**1 089 060**	**1 089 060**
Balance as at 31 December 2015	**460 000**	**(10 970)**	**13 641 395**	**14 090 425**

Z.L. Bondarenko
Acting President

N.I. Kondrashina
Chief Accountant

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

Organisation and operations

Joint Stock Company "BANK CREDIT SUISSE (MOSCOW)" (the Bank) was established in the Russian Federation as a closed joint stock company and was granted its general license No.2494 on 13 September 1993. The Bank is a member of the state deposit insurance scheme in the Russian Federation. The principal activities are operations with securities and foreign exchange, private banking services, deposit taking and customer accounts maintenance, cash and settlement operations. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the CBR). The Bank has a general banking license and lisenses of a professional participant of the securities market for carrying out brokerage, dealer and custodian activities. The majority of the Bank's assets and liabilities are located in the Russian Federation. The average number of people employed by the Bank during the year was 182 (2014: 188).

Shareholders

The Bank's shareholders are Credit Suisse AG and Credit Suisse Asset Management International Holding Ltd. The share capital comprises 20 000 000 ordinary shares, of which Credit Suisse AG owns 19 999 999 shares and Credit Suisse Asset Management International Holding Ltd owns 1 share.

Russian business environment

The Bank's operations are primarily located in the Russian Federation. Consequently, the Bank is exposed to the economic and financial risks on the markets of the Russian Federation, which display characteristics of an emerging market. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

There was fall in oil prices during 2015, which resulted in weakness of the exchange rate of the Russian currency, increase of inflation and reduced financial stability in the Russian economy. Despite the difficult economic situation, the Bank ended the year with a profit. The Bank's management believes that it takes all necessary actions to ensure economic sustainability and efficient operations of the Bank in the current environment.

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

2 Basis of preparation

Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

Functional and presentation currency

The functional currency of the Bank is the Russian Rouble (RUB) as, being the national currency of the Russian Federation; it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with IFRS. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Actual results may differ from those estimates.

3 Significant accounting policies

The accounting policies set out below are applied consistently by the Bank to all periods presented in these financial statements.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign exchange differences arising on translation are recognised in statement of profit or loss and other comprehensive income. Income and expenses, and non-monetary items, whose value is denominated in foreign currency, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances (nostro accounts) held with the CBR, other banks and financial institutions. The mandatory reserve deposits with the CBR are not considered to be a cash equivalent due to restrictions on their withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments; or
- upon initial recognition, designated as at fair value through profit or loss.

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Bank has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

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

Recognition

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

Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments that are measured at amortized cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

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

Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- - a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- - a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

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

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans to banks and other financial institutions or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

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

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

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

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives of property and equipment are as follows.

Equipment	3 to 10 years
Fixtures and fittings	5 to 15 years
Leasehold improvements	10 to 15 years

Impairment

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Bank determines the amount of any impairment loss.

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

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

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

Financial assets carried at amortized cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis.

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

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

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

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

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

Financial assets carried at cost

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. But any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

Provisions

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

Credit-related commitments

In the normal course of business, the Bank enters into credit-related commitments, comprising undrawn loan commitments and overdrafts.

Loan commitments are not recognised, except in the following cases:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;

- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;

- commitments to provide a loan at a below-market interest rate.

Share capital

Ordinary shares

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

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

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

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

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

Income and expense recognition

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

Accrued premiums on financial instruments at fair value through profit or loss are recognised in net gain on financial instruments at fair value through profit or loss.

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

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

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

(in thousands of Russian Roubles)

New standards and interpretations not yet adopted

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

- IFRS 9 Financial Instruments, published in July 2014, replaces the existing International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance with regard to the classification and measurement of financial assets including a new expected credit loss model for impairment assessment and new general requirements for hedge accounting. The new standard also leaves in place IAS 39 guidance on recognition and derecognition of financial instruments. The Bank recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Bank has not analysed the impact of these changes yet. The Bank does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- Various Improvements to IFRS are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Interest income and expense

	2015	2014
Interest income		
Loans to banks and other financial institutions	1 409 616	578 491
Financial instruments at fair value through profit or loss	41 223	501 378
	1 450 839	**1 079 869**
Interest expense		
Deposits and balances from banks	(338 721)	(384 117)
Current accounts and deposits from customers	(66 071)	(9 544)
	(404 792)	**(393 661)**
Net interest income	**1 046 047**	**686 208**

5 Fee and commission income and expense

	2015	2014
Fee and commission income		
Brokerage operations	23 806	29 769
Custody activities	19 052	33 289
Underwriting and corporate finance services	14 633	40 296
Settlement operations	9 334	7 953
	66 825	**111 307**
Fee and commission expense		
Guarantees received	(94 472)	(14 528)
Foreign exchange operations	(48 658)	(97 444)
Brokerage operations	(30 763)	(33 527)
Custody activities	(8 573)	(7 671)
Settlement operations	(3 528)	(3 768)
	(185 994)	**(156 938)**
Net fee and commission expense	**(119 169)**	**(45 631)**

(in thousands of Russian Roubles)

6 Net profit (loss) on financial instruments at fair value through profit or loss

	2015	2014
Debt instruments	104 618	(651 342)
	104 618	**(651 342)**

7 Net foreign exchange income

	2015	2014
Gain from revaluation of financial assets and liabilities	467 951	840 659
Gain on spot transactions and derivatives	2 334 966	2 407 662
	2 802 917	**3 248 321**

8 Other income

	2015	2014
Income from private and investment banking services to other Credit Suisse Group companies	1 604 029	1 904 918
Other	6 766	7 626
	1 610 795	**1 912 544**

9 General administrative expenses

	2015	2014
Employee compensation	2 377 144	1 565 920
Rent	436 575	244 020
Employee compensation related taxes	386 630	239 980
Taxes other than on income	167 864	114 351
Communications and information services	119 931	95 480
Travel expenses	96 426	74 558
Occupancy costs other than rental expenses	89 162	49 377
Repairs and maintenance	86 598	91 117
Depreciation	64 422	103 867
Professional services	62 593	47 278
Advertising and marketing	28 637	62 694
Security	9 069	7 851
Office supplies	8 162	6 812
Other	21 136	27 033
	3 954 349	**2 730 338**

10 Income tax expense

	2015	2014
Current year tax expense	(798 340)	(35 861)
Current tax expense over-provided in prior years	2 871	-
Deferred taxation movement due to origination and reversal of temporary differences	393 670	(481 334)
	(401 799)	**(517 195)**

In 2015 and 2014 the applicable tax rate for current and deferred income tax is 20%, except for tax on interest income on government securities, which is calculated at a rate of 15%.

(in thousands of Russian Roubles)

Reconciliation of effective tax rate

	2015	%	2014	%
Profit before tax	**1 490 859**		**2 419 762**	
Income tax at the applicable tax rate	(298 172)	(20.0)	(483 952)	(20.0)
Non-deductible costs	(108 556)	(7.3)	(45 197)	(1.9)
Income taxed at lower tax rates	2 058	0.1	11 954	0.5
Current tax expense over-provided in prior years	2 871	0.2	-	-
	(401 799)	**(27)**	**(517 195)**	**(21.4)**

Deferred tax liabilities and assets

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

	Assets		Liabilities		Net position	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Financial instruments at fair value through profit or loss	8 276	789 734	(46 925)	(1 312 690)	(38 649)	(522 956)
Property and equipment	36 480	32 664	-	-	36 480	32 664
Tax loss carry-forward	-	64 830	-	-	-	64 830
Other assets	682	-	(52 983)	(17 628)	(52 301)	(17 628)
Other liabilities – employee compensation payables	98 382	88 854	-	-	98 382	88 854
Other liabilities – other	12 595	17 073	-	-	12 595	17 073
Total deferred tax assets (liabilities)	**156 415**	**993 155**	**(99 908)**	**(1 330 318)**	**56 507**	**(337 163)**

Movement in temporary differences

	1 January 2014	Recognised in profit or loss	31 December 2014	Recognised in profit or loss	31 December 2015
Financial instruments at fair value through profit or loss	18 768	(541 724)	(522 956)	484 307	(38 649)
Property and equipment	22 420	10 244	32 664	3 816	36 480
Tax loss carry-forward	81 656	(16 826)	64 830	(64 830)	-
Other assets	(22 412)	4 784	(17 628)	(34 673)	(52 301)
Other liabilities – employee compensation payables	38 324	50 530	88 854	9 528	98 382
Other liabilities – other	5 415	11 658	17 073	(4 478)	12 595
	144 171	**(481 334)**	**(337 163)**	**393 670**	**56 507**

(in thousands of Russian Roubles)

11 Cash and cash equivalents

	2015	**2014**
Cash on hand	**190 067**	**237 513**
Nostro accounts with the CBR	**978 381**	**1 027 468**
Nostro accounts with banks and other financial institutions		
Russian clearing companies	6 001 876	7 084 915
OECD banks	232 953	18 609
Russian subsidiaries of OECD banks	8 076	5 544
Total nostro accounts with banks and other financial institutions	**6 242 905**	**7 109 068**
Total cash and cash equivalents	**7 411 353**	**8 374 049**

None of cash and cash equivalents are impaired or past due.

Concentration of nostro accounts with banks and other financial institutions

As at 31 December 2015 and 31 December 2014 the Bank had one counterparty whose balances of nostro accounts exceeded 10% of total cash and cash equivalents:

	2015	**2014**
Russian clearing company	6 001 876	7 084 915
	6 001 876	**7 084 915**

12 Loans to banks and other financial institutions

	2015	**2014**
Loans to OECD banks	41 675 269	4 220 788
Total loans to banks and other financial institutions	**41 675 269**	**4 220 788**

None of loans to banks and other financial institutions are impaired or past due.

Concentration of loans to banks and other financial institutions

As at 31 December 2015 and 31 December 2014 the Bank had one counterparty whose balances exceeded 10% of total loans to banks and other financial institutions:

	2015	**2014**
Credit Suisse Group company	41 675 269	4 220 788
	41 675 269	**4 220 788**

(in thousands of Russian Roubles)

13 Financial instruments at fair value through profit or loss

	2015	2014
ASSETS		
Held by the Bank		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	473 960	374 600
Total government and municipal bonds	**473 960**	**374 600**
- Corporate bonds		
rated from BB- to BB+	-	269
Total corporate bonds	**-**	**269**
- Derivative financial instruments		
Currency interest rate swaps	**-**	**3 854 386**
rated BB	-	3 854 386
Foreign currency contracts	**150 876**	**2 725 292**
rated from B- to A	127 423	49 115
rated from BBB- to BBB+	22 302	2 673 827
not rated	1 151	2 350
Total derivative financial instruments	**150 876**	**6 579 678**
Total financial instruments held by the Bank	**624 836**	**6 954 547**
LIABILITIES		
Derivative financial instruments		
Currency interest rate swaps	-	3 854 084
Foreign currency contracts	41 382	94 585
Total derivative financial instruments	**41 382**	**3 948 669**

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

Counterparty ratings are determined in accordance with Fitch Ratings international rating agency standards.

Financial instruments at fair value through profit or loss for the period are not past due.

Foreign currency contracts and other derivative financial instruments

The table below summarises, by major currencies, the contractual amounts of foreign exchange contracts, currency options and currency interest rate swaps with interest payments at fixed rates outstanding at 31 December 2015 and at 31 December 2014 with details of the contractual weighted average exchange rates and remaining periods to maturity. Foreign currency amounts being underlying assets for financial instruments presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

Currency interest rate swaps

	Fair value		Notional amount	
	2015	2014	2015	2014
Payment in RUB, receipt in USD				
From 3 to 12 months	-	3 854 386	-	7 750 460
Payment in USD, receipt in RUB				
From 3 to 12 months	-	(3 854 084)	-	7 750 076

(in thousands of Russian Roubles)

Foreign currency contracts

	Fair value		Notional amount		Weighted average contracted exchange rates	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Buy USD sell RUB						
Less than 3 months	149 758	2 434 629	26 201 331	13 430 230	72,68	46,44
Buy RUB sell USD						
Less than 3 months	(40 264)	196 078	4 529 660	18 185 517	72,46	57,14

14 Property and equipment

	Equipment	Fixtures and fittings	Leasehold improvements	Total
Cost				
Balance as at 1 January 2014	**352 380**	**65 268**	**441 945**	**859 593**
Additions	4 278	4 815	7 722	16 815
Disposals	(29 384)	(590)	(164)	(30 138)
Balance as at 31 December 2014	**327 274**	**69 493**	**449 503**	**846 270**
Balance as at 1 January 2015	**327 274**	**69 493**	**449 503**	**846 270**
Additions	10 338	1 080	240	11 658
Disposals	(34 366)	(31)	(7 627)	(42 024)
Balance as at 31 December 2015	**303 246**	**70 542**	**442 116**	**815 904**
Depreciation				
Balance as at 1 January 2014	**(213 997)**	**(53 534)**	**(312 503)**	**(580 034)**
Depreciation charge	(45 251)	(13 334)	(45 282)	(103 867)
Disposals	29 384	559	109	30 052
Balance as at 31 December 2014	**(229 864)**	**(66 309)**	**(357 676)**	**(653 849)**
Balance as at 1 January 2015	**(229 864)**	**(66 309)**	**(357 676)**	**(653 849)**
Depreciation charge	(28 828)	(1 354)	(34 240)	(64 422)
Disposals	34 366	31	7 627	42 024
Balance as at 31 December 2015	**(224 326)**	**(67 632)**	**(384 289)**	**(676 247)**
Carrying value				
as at 31 December 2014	**97 410**	**3 184**	**91 827**	**192 421**
as at 31 December 2015	**78 920**	**2 910**	**57 827**	**139 657**

15 Other assets

	2015	2014
Other financial assets		
Guarantee deposit with Russian clearing company	2 906 637	2 893 275
Accrued income from private and investment banking services to other Credit Suisse Group companies	107 653	80 698
Custodian fees receivable	3 931	7 461
Fees for market-maker and underwriting services	1 143	-
Other	986	445
Other non-financial assets		
Prepayments	184 728	152 481
	3 205 078	**3 134 360**

(in thousands of Russian Roubles)

16 Deposits and balances from banks

	2015	2014
Vostro accounts		
Credit Suisse Group banks	3 260 423	3 056 897
Total vostro accounts	**3 260 423**	**3 056 897**
Term deposits		
Russian banks	8 502 661	-
Credit Suisse Group banks	-	58 091
Total term deposits	**8 502 661**	**58 091**
Total deposits and balances from banks	**11 763 084**	**3 114 988**

Concentration of deposits and balances from banks

As at 31 December 2015 the Bank had 4 counterparties and 1 group of related counterparties (31 December 2014: 1 group of related counterparties) whose balances exceeded 10% of total deposits and balances from banks:

	2015	2014
Credit Suisse Group banks	3 260 423	3 114 988
Russian banks	8 502 661	-
	11 763 084	**3 114 988**

17 Current accounts and deposits from customers

	2015	2014
Current accounts and demand deposits		
- Corporate	25 459 699	594 530
- Retail	1 301 015	1 319 912
Term deposits		
- Retail	48 403	218 128
Total current accounts and deposits from customers	**26 809 117**	**2 132 570**

As at 31 December 2015 and 31 December 2014, the Bank maintained no customer deposit balances that serve as collateral for loans and credit instruments granted by the Bank.

Concentration of current accounts and deposits from customers

As at 31 December 2015 the Bank had 1 customer or group of related customers (31 December 2014: 1 customer or group of related customers), whose balances exceeded 10% of total current accounts and deposits from customers:

	2015	2014
Companies engaged in real estate operations	25 376 089	-
Credit Suisse Group companies	-	587 315
	25 376 089	**587 315**

18 Other liabilities

	2015	2014
Other financial liabilities		
Fees for guarantees received payable	-	14 528
Other non-financial liabilities		
Bonus and related taxes accruals	418 147	401 706
Provision for unused vacations and related accrued taxes and contributions	73 762	42 563
Other than on-income tax payable	85 576	195 905
Other	26 844	26 873
	604 329	**681 575**

19 Share capital and reserves

As at 31 December 2015 and 31 December 2014 the authorised, issued and outstanding share capital comprises 20 000 000 ordinary shares. All shares have a nominal value of RUB 23.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general Shareholders' meetings of the Bank.

Under Russian legislation, as at 31 December 2015, total amount available for distribution is RUB 13 452 051 thousand (31 December 2014: RUB 12 255 783 thousand). In 2015, based on the results of 2014, the Bank did not pay dividends; in 2016, based on the results of 2015, the Bank does not plan to pay dividends.

20 Corporate governance, internal control and risk-management

Corporate governance framework

Shareholders' general meeting

The Bank is a credit institution established and operating as a closed joint stock company. The supreme governing body of the Bank is the Shareholders' general meeting. The Bank annually holds annual Shareholders' general meeting. Extraordinary Shareholders' general meeting is called on the decision of the Board of Directors of the Bank on its own initiative, on request of the Bank's Controller, Auditor of the Bank, as well as shareholder (s) holding at least 10 percent of the voting shares of the Bank at the date of the request.

Shareholders' general meeting is responsible for:

- amendments and additions to the charter of the Bank or approval of the new edition of the charter;
- reorganization of the Bank;
- liquidation of the Bank, the appointment of the liquidation commission and approval of interim and final liquidation balance sheets;
- determination of the quantity composition of the Board of Directors, the election of its members and early termination of their powers;
- determination of the number, par value, category (type) of declared shares and the rights attached to these shares;
- increase of the authorized capital of the Bank by increasing the nominal value of shares or by issuing additional shares;
- reduction of the authorized capital of the Bank in cases and in accordance with the legislation of the Russian Federation;
- the appointment and dismissal of the President, as well as determination of the composition of the Management Board and the appointment and dismissal of members of the Management Board;
- election of the Bank's Controller and early termination of his powers;
- approval of the Auditor of the Bank;
- approval of annual reports, annual accounting (financial) statements, including the statements of financial results of the Bank, as well as the distribution of profits (including payment (declaration) of dividends, except for profits distributed as dividends based on the results of the first quarter, six months, nine months of the financial year) and losses of the Bank for the financial year;
- determination of the procedure for the Shareholders' general meeting;
- election of members of ballot committee and early termination of their powers;
- split and consolidation of shares;
- decisions on approval of transactions in cases stipulated by the Article 83 of the Federal Law dated 26 December 1995 No 208-FZ "On Joint Stock Companies" (the Federal Law No 208);
- decisions on approval of major transactions in cases stipulated by the Article 79 of the Federal Law No 208;
- acquisition by the Bank of own shares in cases stipulated by the legislation of the Russian Federation;
- decision on participation in associations and other joint commercial entities;

- approval of internal documents regulating the Bank's activity;
- decision on application for listing the Bank's shares and (or) issued securities convertible into the Bank's shares;
- decision on application for delisting the Bank's shares and (or) issued securities convertible into its shares; and
- decision on other matters stipulated by the Federal Law No 208.

The Board of Directors

The Bank has established the Board of Directors, which is responsible for overall governance of the Bank's activities, except for the matters referred to the competence of the Shareholders' general meeting.

As at 31 December 2015 the Board of Directors includes:

- Richard Wayne Kempson,
- Stiven Hellman,
- Polina Viktorovna Goloshchapova,
- Valeriy Pushnya,
- Kazmi Farhan Mustafa.

The Board of Directors is responsible for:

- determination of priority activities of the Bank;
- call of annual and extraordinary Shareholders' general meetings, except for cases stipulated by the legislation of the Russian Federation;
- approval of the agenda of the Shareholders' general meeting;
- determination of the date of compiling the list of persons entitled to attend the Shareholders' general meeting, and other matters related to the competence of the Board of Directors by the legislation of the Russian Federation in relation to the preparation and holding of the Shareholders' general meeting;
- placement by the Bank of additional shares into which certain type preference shares placed by the Bank convertible into ordinary shares or other type preference shares can be converted, unless such placement is due to an increase in the share capital of the Bank, and placement by the Bank of bonds or other equity securities, except for shares, in cases stipulated by the legislation of the Russian Federation;
- determination of the price (monetary value) of the property, placement value or the procedure for its determination and redemption value of equity shares of the Bank in cases stipulated by the legislation of the Russian Federation;
- acquisition of bonds issued by the Bank and other securities in cases stipulated by the legislation of the Russian Federation and the Bank's charter;
- recommendations to the Shareholders' general meeting on the amount of remuneration and compensation to be paid to the Controller of the Bank and determination of the amount of remuneration to be paid to the auditor of the Bank;
- recommendations to the Shareholders' general meeting on the amount and the order of payment of dividends;
- use of reserve and other funds of the Bank in accordance with the legislation of the Russian Federation;
- approval of the Bank's internal documents, if their approval is stipulated by Regulations on the Board of Directors, except for internal documents, the approval of which is referred by the legislation of the Russian Federation to the competence of the Shareholders' general meeting, as well as other internal documents of the Bank, the approval of which is referred by the charter to the executive bodies of the Bank;
- opening and closing of branches, representative offices of the Bank, as well as the approval of Regulation on their activity;
- approval of major and other transactions in cases stipulated by the Federal Law No 208;
- approval of the registrar of the Bank and its contract terms, as well as termination of the contract;

- approval of the decision on securities issuance and approval of the report on securities issuance;
- other issues stipulated by the legislation of the Russian Federation and the Bank's charter.

Matters referred to the Board of Directors shall not be delegated to the Executive bodies of the Bank.

Executive bodies of the Bank

General activities of the Bank are managed by the President (sole executive body of the Bank) and the Management Board (collective executive body of the Bank). The President exercises functions of the Chairman of the Management Board.

The President and the Management Board of the Bank are responsible for implementation of decisions of the Shareholders' general meeting and the Board of Directors.

Sole executive body of the Bank (the President) acts on behalf of the Bank without power of attorney, including the representation of its interests, execution of transactions on behalf of the Bank, approval of staff list, issuance of orders and instructions mandatory for all employees of the Bank.

Collective executive body of the Bank (the Management Board) acts in accordance with the charter of the Bank and approved by the of Shareholders' general meeting of the Bank's internal document (Regulation on the Management Board), which sets out the terms and procedure for call and holding of its meetings and procedure for decision-making.

The Management Board is responsible for overall management of the Bank, except for matters referred to the competence of the Shareholders' general meeting, the Board of Directors and the President.

The Management Board is responsible for:

- preliminary review of all matters which, in accordance with the legislation of the Russian Federation and the charter of the Bank are subject to review by the Shareholders' general meeting and preparation of relevant materials and proposals;
- preparation of proposals and projects relating to the organisational structure of the Bank, its divisions, subsidiaries and representative offices;
- compliance by the Bank with the legislation of the Russian Federation;
- determination of information defined as commercial secret of the Bank, and approval of the procedure for dealing with such information;
- approval of decisions submitted for consideration by the President;
- establishment of the basic principles of corporate policy, principal directions of the Bank's activities;
- approval of plans of prospective development of the Bank;
- determination of the Bank's policy in relation to issuance of loans, maintenance of current accounts and foreign operations;
- providing information to the Board of Directors on important matters related to the activities of the Bank;
- providing any information on the Bank to the Board of Directors or the Shareholders' general meeting at their request;
- notification of the Shareholders' general meeting of any possible or incurred losses of the Bank in the amount of more than half of the authorized capital of the Bank; and
- other actions stipulated by the charter of the Bank, the Regulations on the Management Board and the legislation of the Russian Federation.

Internal control policies and procedures

The Bank complies with requirements of the CBR related to internal control system**.** The Bank developed a system of internal control, which is appropriate for the scale, nature and complexity of operations, the level and combination of risks accepted, with reference to requirements established by the CBR to the systems of internal control of the Bank.

In accordance with the charter and internal documents of the Bank, internal control in the Bank comprises:

- governing bodies of the Bank – the Shareholders' general meeting, the Board of Directors, the Management

Board and the President of the Bank;

- Controller of the Bank;
- Chief Accountant of the Bank (Deputy Chief Accountants);
- divisions and employees with control responsibilities in accordance with powers defined by internal documents of the Bank, including :
- the Internal control function;
- the Internal audit function;
- the Risk management function;
- the Financial monitoring function (the head of this function is also responsible for anti-money laundering and counter-terrorism financing);
- other divisions and responsible employees of the Bank.

The internal control system of the Bank includes:

- control by the governing bodies over the organization of the Bank's activities;
- control over risk management system and assessment of banking risks;
- control over the segregation of duties in banking transactions and other transactions;
- control over the management of information flows (receipt and transmission of information), and information security;
- ongoing monitoring of the internal control system in order to assess its compliance with the objectives of the Bank, to identify gaps, develop proposals and control over the implementation of decisions on improvement of the internal control system of the Bank (monitoring of internal control system).

Monitoring of the internal control system implemented on an ongoing basis. The Bank takes the necessary measures to improve internal controls to ensure its effective functioning in response to changing internal and external factors affecting the operations of the Bank.

Monitoring of internal control system is performed by the management and employees of various departments, including departments exercising banking operations and other transactions and their recording in the accounting and reporting, as well as by the Internal audit function.

The frequency of monitoring of various activities of the Bank is determined on the basis of related banking risks, the frequency and nature of changes in the activities of the Bank.

Results of the review are documented and submitted to the management of the Bank (its divisions).

Internal audit function exercises the following functions:

- audit and efficiency assessment of the system of internal control as a whole, fulfillment of the decisions of key management structures (Shareholders' general meeting, Board of Directors, Management Board and President of the Bank);
- audit of efficiency of methodology of assessment of banking risks and risk management procedures, regulated by internal documents in the Bank (methods, programmes, rules and procedures for banking operations and transactions, and for the management of banking risks) and proper application of these documents;
- audit of reliability of internal control system over automated information systems;
- audit and testing of fairness, completeness and timeliness of accounting and reporting function and the reliability (including the trustworthiness, completeness and timeliness) of the collection and submission of financial information;
- verification of the applied methods of safeguard over the Bank's assets;
- assessment of economic reasonability and efficiency of operations and other deals;
- verification of processes and procedures of internal control;
- audit of Internal control function and Risk management function.

Compliance with the Bank's standards is supported by a program of periodic reviews undertaken by Internal audit function. The Internal audit function is independent from management and reports directly to the Board of Directors. The results of Internal audit function reviews are discussed with relevant business process managers, with summaries submitted to the Board of Directors.

Internal control function conducts compliance activities focused primarily on regulatory risks faced by the Bank.

The main functions of Internal control function include the following:

- identification of compliance risks, i.e. risks of losses due to non-complience with the legislation of the Russia Federation, the Bank's internal documents and standards of self-regulated organisations, as well as due to applying sanctions and/or other enforcement actions by regulatory authorities (hereinafter – "regulatory risks");
- monitoring of events related to regulatory risk, including probability of occurrence and quantitative assessment of its consequences;
- monitoring of regulatory risk, including analysis of new banking products and services implemented by the Bank and planned methods of its implementation for existence of regulatory risk;
- preparation of recommendations on regulatory risk management;
- coordination and participation of design of measures to decrease regulatory risk;
- monitoring of efficiency of regulatory risk management;
- participation in preparation of internal documents on regulatory risk management;
- providing information concerning regulatory risk management to the Bank's employees;
- identification of conflicts of interest in the activities of the Bank and its employees, participation in the development of internal documents aimed at their minimization;
- analysis of dynamics of clients' complaints and analysis of observance of the clients' rights by the Bank;
- analysis of economic reasonableness of agreements with legal entities and individual entrepreneurs for providing services and/or performing works ensured conducting banking transactions by the Bank (outsoursing);
- participation in preparation of internal documents on commercial bribery and corruption management;
- participation in preparation of internal documents and organization of activities aimed at compliance with rules of corporate conduct and professional ethics;
- participation in interaction with authorities, self-organized organisations, associations and financial market participants;
- conducting training activities for the Bank's employees on issues under the competence of Internal control function (internal products, statutory and internal requirements on regulatory risk);
- providing explanations on applying statutory and internal requirements of the Bank, documents of self-organized organisations on issues under the competence of Internal control function;
- the Internal control function shall have the right to perform other activities related to regulatory risk management, stipulated by the Bank's internal documents.

The main functions of Risk management function include the following:

- developing proposals for optimizing banking activities to minimize risks;
- organizing cooperation between Bank's departments on risks management;
- preparing management and other statements on assessment of banking risks.

To ensure the implementation of the Rules of the Bank's internal control in order to meet anti-money laundering requirements, the Bank established the Financial Monitoring function whose responsibilities include matters of compliance with anti-money laundering requirements. The Financial Monitoring function is headed by the special official responsible for implementation of the Rules of the Bank's internal control in order to meet anti-money laundering requirements.

Russian legislation, including the Federal Law dated 2 December 1990 No 395-1 "On banks and banking activity" ("Federal Law No 395-1"), Direction of the CBR dated 1 April 2014 No 3223-U "On requirement to head of risk management service, head of internal control service, head of internal audit service of the credit organisation" establish the professional qualifications, business reputation and other requirements for members of the Board of Directors, Management Board, Heads of Internal audit function, Internal control function and Risk management function and other key management personnel. All members of the governing bodies and management of the Bank are in compliance with these requirements.

Management believes that the Bank complies with the CBR requirements related to risk management and internal control systems, including requirements related to the Internal audit function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

Risk management policies and procedures

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The major (significant) risks faced by the Bank are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

The risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Bank has developed a system of reporting on significant risks and capital.

As at 31 December 2015, the Bank's internal documentation establishing the procedures and methodologies for identifiying and managing the Bank's significant risks was approved by the authorised management bodies of the Bank in accordance with regulations and recommendations issued by the CBR.

The Board of Directors has overall responsibility for the oversight of the risk management framework, management of key risks and approval risk management policies and procedures as well as approval major transactions.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters. The Head of the Risk management function is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President and indirectly to the Board of Directors. The Risk management function is not subordinate to, and does not report to, divisions accepting relevant risks.

The Board of Directors and management bodies of the Bank have responsibility for controlling the Bank's compliance with risk limits and capital adequacy ratios as established by the Bank's internal documentation. With the view of controlling effectiveness of the Bank's risk management procedures and their consistent application the Board of Directors and management bodies of the Bank periodically receive reports prepared by the Risk management function and Internal audit function, discuss the contents of these reports and consider proposed corrective actions.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through the Board of Directors and an Asset and Liability Management Committee (ALCO).

Both external and internal risk factors are identified and managed by the Bank. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk management function monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

In compliance with the Bank's internal documentation the Risk management function and Internal audit function frequently prepare reports, which cover the Banks's significant risks management. The reports include observations as to assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement.

The Bank calculates mandatory ratios on a daily basis in accordance with the requirements of the CBR. As at 1 January 2016 and 1 January 2015 the mandatory ratios were in compliance with limits set by the CBR.

Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk. The Bank has developed a Market risk control policy to measure, monitor and control market risks. In order to monitor market risk the Bank uses risk management techniques:

- forecasts;
- limits on securities position and individual counterparty;
- comparison of instruments' interest rates to market interest rates at the date of the transaction.

The Bank estimates market risk for all trading securities positions on a daily basis by performing revaluation of the trading securities portfolio and monitoring established limits compliance. This enables the Bank to receive on a daily basis the real market value of a trading portfolio for the purpose of controlling and forecasting unfavorable market price change on each security category.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase profit as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The Bank has Interest rate policy on attraction and placement of funds in RUB and other foreign currencies, which sets out measures to maintain profitability and liquidity of the Bank. Also the basis for interest rate risk management is the Provision for market risk control. These policies describe standard rules for the definition and management of interest rate risk.

Average interest rates

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

(in thousands of Russian Roubles)

	2015 Average effective interest rate, %			2014 Average effective interest rate, %		
	RUB	**USD**	**EUR**	**RUB**	**USD**	**EUR**
Interest-bearing assets						
Financial instruments at fair value through profit or loss	8.15%	-	-	8.15%	-	-
Loans to banks and other financial institutions	11.20%	-	-	16.54%	0.13%	-
Interest-bearing liabilities						
Deposits and balances from banks						
- Term deposits	11.43%	-	-	-	-	0.12%
Current accounts and deposits from customers						
- Current accounts and demand deposits	0.01%	0.01%	0.01%	0.01%	0.26%	0.01%
- Term deposits	7.98%	-	-	20.09%	-	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities.

An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 31 December 2014 is as follows.

	2015	**2014**
100 bp parallel rise	261 490	34 349
100 bp parallel fall	(261 490)	(34 349)

An analysis of sensitivity of profit or loss and equity (net of taxes) as a result of changes in the fair value of financial instruments at fair value though profit or loss due to changes in the interest rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows.

	2015	**2014**
100 bp parallel rise	(37 485)	(32 199)
100 bp parallel fall	41 481	35 834

Currency risk

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

Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The Bank manages the risk connected with fluctuation of currency rates on its financial position and cash flows. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Bank's Market risk control policy and Currency risk control policy are used to control risks on a regular basis.

The Bank monitors the level of foreign currency risk through compliance with the limits of open currency position on a daily basis.

During 2015, the Bank had no breaches of balancing positions. The following table shows the currency structure of assets and liabilities as at 31 December 2015.

(in thousands of Russian Roubles)

	RUB	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	2 271 305	4 662 361	472 473	5 214	7 411 353
Mandatory deposits with the Central Bank of the Russian Federation	42 048	-	-	-	42 048
Loans to banks and other financial institutions	41 675 263	6	-	-	41 675 269
Financial instruments at fair value through profit or loss, net of derivative financial instruments on purchase/sale of foreign currency	473 960	-	-	-	473 960
Property and equipment	139 657	-	-	-	139 657
Deferred tax assets	56 507	-	-	-	56 507
Current income tax asset	153 589	-	-	-	153 589
Other assets	784 131	5 352	2 311 219	104 376	3 205 078
Total assets	**45 596 460**	**4 667 719**	**2 783 692**	**109 590**	**53 157 461**
LIABILITIES					
Deposits and balances from banks	9 451 865	-	2 311 219	-	11 763 084
Current accounts and deposits from customers	296 415	26 132 078	359 562	21 064	26 809 119
Other liabilities	595 550	2 833	257	5 689	604 329
Total liabilities	**10 343 830**	**26 134 911**	**2 671 038**	**26 753**	**39 176 532**
Net position	**35 252 630**	**(21 467 192)**	**112 654**	**82 837**	**13 980 929**
Effect of foreign currency derivatives	(21 671 671)	21 671 671	-	-	-
Net position after foreign currency derivatives	**13 580 959**	**204 479**	**112 654**	**82 837**	**13 980 929**

The following table shows the currency structure of assets and liabilities as at 31 December 2014.

	RUB	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	4 498 632	3 413 201	457 731	4 485	8 374 049
Mandatory deposits with the Central Bank of the Russian Federation	70 805	-	-	-	70 805
Loans to banks and other financial institutions	1 537 090	2 683 698	-	-	4 220 788
Financial instruments at fair value through profit or loss, net of derivative financial instruments on purchase/sale of foreign currency	374 869	-	-	-	374 869
Property and equipment	192 421	-	-	-	192 421
Current income tax asset	269 360	-	-	-	269 360
Other assets	1 278 611	65 555	1 708 568	81 626	3 134 360
Total assets	**8 221 788**	**6 162 454**	**2 166 299**	**86 111**	**16 636 652**
LIABILITIES					
Deposits and balances from banks	1 348 329	-	1 766 659	-	3 114 988
Current accounts and deposits from customers	484 956	1 128 251	393 938	125 425	2 132 570
Deferred tax liabilities	337 163	-	-	-	337 163
Other liabilities	665 171	16 068	211	125	681 575
Total liabilities	**2 835 619**	**1 144 319**	**2 160 808**	**125 550**	**6 266 296**
Net position	**5 386 169**	**5 018 135**	**5 491**	**(39 439)**	**10 370 356**
Effect of foreign currency derivatives	4 754 903	(4 754 903)	-	-	-
Net position after foreign currency derivatives	**10 141 072**	**263 232**	**5 491**	**(39 439)**	**10 370 356**

For disclosure of gross and net positions by currencies, the Bank changed presentation of financial assets and liabilities at fair value through profit or loss. These items are shown net of derivative financial instruments on purchase/sale of foreign currency.

(in thousands of Russian Roubles)

Amounts shown in the line "Effect of foreign currency derivatives", represent amounts of rights to purchase foreign currency and obligations to sell foreign currency, translated into roubles at the CBR rate at the reporting date.

A weakening of the RUB, as indicated below, against the following currencies at 31 December 2015 and 31 December 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net-of-tax basis assumes that all other variables, in particular interest rates, remain constant.

	2015	2014
10% appreciation of USD against RUB	16 358	21 059
10% appreciation of EUR against RUB	9 012	439

A strengthening of the RUB against the above currencies at 31 December 2015 and 31 December 2014 would have had the equal but opposite effect, on the basis that all other variables remain constant.

During 2014 there was significant devaluation of RUB against EUR and USD which continued in 2015 and 2016. In the current circumstances, it is difficult to assess the future possible fluctuations and their impact on profit or loss and equity of the Bank.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Bank has credit policy and procedures on the assessment of the borrower's financial position, the decision-making process on loan issuance, and the control over timeliness of its repayment.

Exposure to one borrower or group of related borrowers, the maximum amount of large credit risks, the aggregate amount of the Bank's exposure to insiders are further limited by internal limits, which are set at the level below of mandatory ratios, regulated by the CBR. Actual compliance with the limits on the level of risk is controlled by the Credit risk management department on a daily basis.

The Bank limits the concentration of exposure to individual customers, counterparties and issuers (for securities), as well as to groups of related customers. Credit risk management is performed by regular analysis of the borrower's creditworthiness, as well as through changing/adjusting of credit limits, if necessary.

As at 1 January 2016 and 1 January 2015 the Bank was in compliance with the statutory ratios related to credit risks.

In 2015 the Bank had guarantees from the parent company and one of the largest Russian bank's guarantee as a collateral to secure obligations of its counterparties. Russian bank's guarantee can not be accepted as an instrument of minimizing risk to calculate ratio N6, therefore for calculating the ratio the Bank applied the procedure stipulated by Letter № 211-T by the Bank of Russia dated 18 December 2014 "On the application of statutory regulations of the Bank of Russia" and used the official exchange rate of USD against RUB established by the Bank of Russia as at 1 October 2014. The counterparties met their obligations on time and in full.

As at 31 December 2015 and 31 December 2014, the Bank has no restructured debt.

The maximum exposure to credit risk from financial assets at the reporting date is as follows.

	2015 RUB'000	2014 RUB'000
ASSETS		
Cash and cash equivalents	7 221 286	8 136 536
Mandatory deposits with the Central Bank of the Russian Federation	42 048	70 805
Loans to banks and other financial institutions	41 675 269	4 220 788
Financial instruments at fair value through profit or loss	624 836	6 954 547
Other assets	3 205 078	3 134 360
Total maximum exposure	**52 768 517**	**22 517 036**

(in thousands of Russian Roubles)

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 22.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Bank's statement of financial position or are subject to an enforceable master netting arrangement or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position. Similar agreements include derivative clearing agreements, global master repurchase agreements.

The Bank's derivative transactions are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

The Bank's sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the offsetting criteria in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Bank receives and accepts collateral in the form of marketable securities in respect of the sale and repurchase, and reverse sale and repurchase agreements. Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction, but must be returned by the execution of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015.

				Related amounts not offset in the statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets/liabilities**	**Gross amount of recognised financial asset/liability offset in the statement of financial position**	**Net amount of financial assets/ liabilities presented in the statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Derivatives trading assets	22 302	-	22 302	(22 302)	-	-
Total financial assets	**22 302**	**-**	**22 302**	**(22 302)**	**-**	**-**
Derivatives trading liabilities	40 477	-	40 477	(22 302)	-	18 175
Total financial liabilities	**40 477**	**-**	**40 477**	**(22 302)**	**-**	**18 175**

(in thousands of Russian Roubles)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2014.

Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amount of recognised financial asset/liability offset in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Derivatives trading assets	189 755	-	189 755	(82 957)	-	106 798
Total financial assets	**189 755**	**-**	**189 755**	**(82 957)**	**-**	**106 798**
Derivatives trading liabilities	82 957	-	82 957	(82 957)	-	-
Total financial liabilities	**82 957**	**-**	**82 957**	**(82 957)**	-	

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the following basis:

- derivative financial assets and liabilities – fair value;
- assets and liabilities resulting from sale and repurchase agreements – amortised cost.

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the statement of financial position", as set out above, to the line items presented in the statement of financial position as at 31 December 2015.

Types of financial assets/liabilities	Net amount	Line item in the statement of financial position	Carrying amount in the statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
Derivatives trading assets	22 302	Financial instruments at fair value through profit or loss	150 876	128 574	13
Derivatives trading liabilities	(40 477)	Financial instruments at fair value through profit or loss	(41 382)	(905)	13

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the statement of financial position", as set out above, to the line items presented in the statement of financial position as at 31 December 2014.

Types of financial assets/liabilities	Net amount	Line item in the statement of financial position	Carrying amount in the statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
Derivatives trading assets	189 755	Financial instruments at fair value through profit or loss	6 579 678	6 389 923	13
Derivatives trading liabilities	(82 957)	Financial instruments at fair value through profit or loss	(3 948 669)	(3 865 712)	13

(in thousands of Russian Roubles)

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions 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 Bank has developed a Liquidity Policy, which establishes general principles of asset and liability management to minimize liquidity risks.

Under the Liquidity Policy the control over liquidity is performed as well as control over timeliness and completeness of payment under current obligations of the Bank. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

On a regular basis liquidity risk information is sent to the Bank's governing bodies (the President, the Management Board, the Board of Directors) and departments being part of the internal control system. The Head of Internal control function convenes the Management Board with the purpose to make decisions on what actions are needed in cases of significant declines of current or predicted liquidity.

The President and the Management Board of the Bank make immediate decisions relating to the Bank's liquidity management and control.

Daily liquidity management of the Bank is performed by the Treasury Department. The Operations department performs monitoring of short-term and medium-term liquidity.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Liquidity Forecasting (preliminary and current) and control is undertaken in conjunction with monitoring of the sufficiency of money resources on the Bank's correspondent accounts.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the CBR. These ratios include:

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

As at 1 January 2016 and 1 January 2015, the liquidity ratios were in compliance with the required level.

The following table shows the mandatory liquidity ratios as at 1 January 2016 and 1 January 2015.

	Requirement	**2015**	**2014**
Instant liquidity ratio (N2)	Not less than 15%	122.3%	79.6%
Current liquidity ratio (N3)	Not less than 50%	137.4%	316.6%
Long-term liquidity ratio (N4)	Not more than 120%	0.2%	0.2%

The following tables show undiscounted cash flows on financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liabilities.

(in thousands of Russian Roubles)

The maturity analysis for financial liabilities as at 31 December 2015 is as follows.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 12 months	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities						
Deposits and balances from banks	11 792 354	-	-	-	11 792 354	11 763 084
Current accounts and deposits from customers	26 771 918	37 878	-	-	26 809 796	26 809 117
Total non-derivative liabilities	**38 564 272**	**37 878**	**-**	**-**	**38 564 272**	**38 572 201**
Derivative liabilities						
- Inflow	(30 704 495)	-	-	-	(30 704 495)	(150 876)
- Outflow	30 657 350	-	-	-	30 657 350	41 382
Total liabilities	**38 535 127**				**38 535 127**	**38 462 707**
Commitments						
Undrawn overdraft facilities	2 000 000	-	-	-	2 000 000	-
Total commitments	**2 000 000**				**2 000 000**	**-**

The maturity analysis for financial liabilities as at 31 December 2014 is as follows.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 12 months	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities						
Deposits and balances from banks	3 114 990	-	-	-	3 114 990	3 114 988
Current accounts and deposits from customers	1 985 640	145 167	6 922	-	2 137 729	2 132 570
Other liabilities	14 528	-	-	-	14 528	14 528
Total non-derivative liabilities	**5 115 158**	**145 167**	**6 922**	**-**	**5 267 247**	**5 262 086**
Derivative liabilities						
- Inflow	(31 901 098)	-	(11 929 980)	-	(43 831 078)	(6 579 678)
- Outflow	29 270 813	-	11 929 596	-	41 200 409	3 948 669
Total liabilities	**2 484 873**	**145 167**	**6 538**		**2 636 578**	**2 631 068**
Commitments						
Undrawn overdraft facilities	2 000 000	-	-	-	2 000 000	-
Total commitments	**2 000 000**	**-**	**-**	**-**	**2 000 000**	**-**

Under Russian law, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are shown in the tables above in the category of "Demand and less than 1 month", "From 1 to 3 months" and "From 3 to 6 months".

(in thousands of Russian Roubles)

The following tables show assets and liabilities of the Bank by their remaining contractual maturity as at 31 December 2015 and 31 December 2014, with the exception of trading securities, which are shown in the category "Demand and less than 1 month" based on the fact that the Bank's management believes that all of these trading securities could be sold within one month in the normal course of business.

Due to the fact that substantially all the financial instruments of the Bank are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The structure of assets and liabilities as at 31 December 2015 is as follows:

	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
ASSETS						
Cash and cash equivalents	7 411 353	-	-	-	-	7 411 353
Mandatory deposits with the Central Bank of the Russian Federation	-	-	-	-	42 048	42 048
Loans to banks and other financial institutions	41 675 269	-	-	-	-	41 675 269
Financial instruments at fair value through profit or loss	624 836	-	-	-	-	624 836
Property and equipment	-	-	-	-	139 657	139 657
Deferred tax assets	-	-	-	-	56 507	56 507
Current income tax asset	-	-	153 589	-	-	153 589
Other assets	130 404	8 254	9 112	143 060	2 914 248	3 205 078
Total assets	**49 841 862**	**8 254**	**162 701**	**143 060**	**3 152 460**	**53 308 337**
LIABILITIES						
Financial instruments at fair value through profit or loss	41 382	-	-	-	-	41 382
Deposits and balances from banks	11 763 084	-	-	-	-	11 763 084
Current accounts and deposits from customers	26 771 477	37 640	-	-	-	26 809 117
Other liabilities	487 256	31 543	1 916	83 614	-	604 329
Total liabilities	**39 063 199**	**69 183**	**1 916**	**83 614**	**-**	**39 217 912**
Net position	**10 778 663**	**(60 929)**	**160 785**	**59 446**	**3 152 460**	**14 090 425**
Cumulative liquidity gap	**10 778 663**	**10 717 734**	**10 878 519**	**10 937 965**	**14 090 425**	

(in thousands of Russian Roubles)

The structure of assets and liabilities as at 31 December 2014 is as follows:

	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
ASSETS						
Cash and cash equivalents	8 374 049	-	-	-	-	8 374 049
Mandatory deposits with the Central Bank of the Russian Federation	-	-	-	-	70 805	70 805
Loans to banks and other financial institutions	4 220 788	-	-	-	-	4 220 788
Financial instruments at fair value through profit or loss	3 100 161	-	3 854 386	-	-	6 954 547
Property and equipment	-	-	-	-	192 421	192 421
Current income tax asset	-	-	269 360	-	-	269 360
Other assets	87 656	16 786	9 748	126 827	2 893 343	3 134 360
Total assets	**15 782 654**	**16 786**	**4 133 494**	**126 827**	**3 156 569**	**23 216 330**
LIABILITIES						
Financial instruments at fair value through profit or loss	94 585	-	3 854 084	-	-	3 948 669
Deposits and balances from banks	3 114 988	-	-	-	-	3 114 988
Current accounts and deposits from customers	1 984 750	141 093	6 727	-	-	2 132 570
Deferred tax liabilities	-	-	-	-	337 163	337 163
Other liabilities	114 046	562 583	1 916	3 030	-	681 575
Total liabilities	**5 308 369**	**703 676**	**3 862 727**	**3 030**	**337 163**	**10 214 965**
Net position	**10 474 285**	**(686 890)**	**270 767**	**123 797**	**2 819 406**	**13 001 365**
Cumulative liquidity gap	**10 474 285**	**9 787 395**	**10 058 162**	**10 181 959**	**13 001 365**	

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

Operational risk

One of the major risks, associated with the Bank's activity, is the operational risk.

Operational risk is the risk of losses resulting from non-conformance to nature and scale of the Bank's operations and (or) current legislation of internal rules and procedures for banking operations and other transactions, violation of rules by the Bank's employees and (or) other persons (due to unintentional or intentional acts or omissions), disproportion (insufficiency) of functionality capabilities (features) of information, technological and other systems applied by the Bank and (or) their failures (malfunctions), as well as from external events.

Operational risk management policy adopted by the Bank provides preventing of known risks and identification of new operational risks arising in the course of the Bank's activity, as well as the development of procedures to assess, identify and prevent these risks.

Operational risk management system based on the principle of distribution of power and responsibilities between all levels of the Bank's management.

Legal risk

Legal risk in the Bank's activities associated with the following risks:

- risk of transactions recognized invalid in accordance with the current legislation of the Russian Federation;
- risks of entering into contracts containing inadequate liability provisions for the Bank or provisions that could lead to significant impairment of assets or increase in liabilities;
- risks of adverse outcome of litigation involving the Bank;
- risks associated with changes in foreign exchange, tax, banking legislation, judicial practice on the main activities of the Bank.

These risks are not specific Bank's risk, all financial institutions are subject to them.

The Bank monitors on a regular basis the level of legal risk, implementing continuous monitoring of indicators of legal risk, such as the number of complaints and claims against the Bank, violations of laws of the Russian Federation, the application of enforcement measures to the Bank by the regulation and supervision bodies, detection of theft, fraud, etc.

To minimise legal risks, the Bank has taken various measures, the most important of which are the following: the use of standardised forms of documents (contracts), coordination by the Legal service of non-standard contracts and agreements concluded on high risk deals, regular training on compliance with legislation and the Bank's internal rules.

The Head of Legal service reports directly to the President of the Bank.

Strategic risk

Strategic risk is the risk of losses due to errors (deficiencies) in the decision-making process, defining the strategy of the Bank, due to the neglect or lack of consideration of possible risk that may threaten the Bank's activities, improper or not founded identification of prospective development areas in which the Bank may gain a competitive advantage, the lack of necessary resources (financial, material, etc.).

The strategy of the Bank for a period from one to two years is approved by the Board of Directors. Subdivisions of the Bank shall inform the Management Board and the Board of Directors on the strategy implementation. If necessary, the Management Board shall make appropriate changes in the strategy and pass to the Board of Directors' approval.

Reputational risks

The Bank has a stable business reputation, creates a positive view of the Bank, quality of services provided and nature of activities as a whole, based on the objective results of its activities. The risk of losses occurring as a result of loss of goodwill is estimated by the Bank as minimal.

Country risk

Country risk (including the risk that funds will not be transferred) – the risk of losses resulting from the failure or improper performance of foreign counterparties (legal entities and individuals) of liabilities due to economic, political and social changes, as well as due to the fact that the currency of a monetary liability may not be available for the counterparty because of the specific of national law (regardless of the financial situation of the counterparty).

The Bank is a resident of the Russian Federation and operates on the territory of the Russian Federation.

The major amount of the Bank's credit risk falls on borrowers, issuers and counterparties, which operate on the territory of the Russian Federation. Credit risk of residents of other countries can be accepted only after a special analysis. Information on the major currencies in which the Bank conducts business operations presented above in this note.

21 Capital management

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. The Bank calculates amount of capital in accordance Provision of the CBR dated 28 December 2012 No 395-P "On methodology of calculation of own funds (capital) of the credit organisations (Basel III)" (Provision of the CBR No 395-P).

In accordance with the Instruction of CBR № 139-I dated 2 December 2012 "On Obligatory Ratios for Banks" (hereinafter – "Instruction of CBR № 139-I"), as at 1 January 2015 minimum levels of basic capital ratio (ratio N1.1), main capital ratio (ratio N1.2), own funds (capital) ratio (ratio N1.0) are 5,0%, 5,5% and 10,0% respectively. In accordance with the Instruction of CBR № 139-I, as at 1 January 2016 minimum levels of ratios H1.1, H1.2, H1.0 are 5,0%, 6,0% and 10,0%; since 1 January 2016 minimum levels of ratios H1.1, H1.2, H1.0 are changed to 4,5%, 6,0% and 8,0% respectively.

(in thousands of Russian Roubles)

The Bank maintains capital adequacy at the level, which corresponds to the nature and volume of transactions conducted by the Bank.

On the first day of each month, the Bank provides to the territorial division of the CBR information about statutory ratios, in prescribed format. The Finance department of the Bank performs control over compliance with capital adequacy ratios on a daily basis.

	2015	**2014**
Own funds (capital) ratio (N1.0)	69,2%	76,3%
Basic capital ratio (N1.1)	63,5%	64,6%
Main capital ratio (N1.2)	63,5%	64,6%

22 Commitments

At any time the Bank has outstanding commitments to issue loans. These commitments take the form of approved loans and overdraft facilities.

The contractual amounts of commitments are set out in the following table.

	2015	**2014**
Undrawn overdraft facilities – the parent company	2 000 000	2 000 000
	2 000 000	**2 000 000**

23 Operating leases

Non-cancellable operating lease rentals as at 31 December 2015 and 31 December 2014 are payable as follows.

	2015	**2014**
Less than 1 year	641 259	529 260
Between 1 and 5 years	1 736 618	1 569 081
	2 377 877	**2 098 341**

The Bank leases a number of premises under operating lease. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year RUB 436 575 thousand was recognised as an expense in profit or loss in respect of operating leases (2014: RUB 244 020 thousand).

24 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

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

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

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

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these financial statements.

Additionally, a number of new laws, which amend the tax legislation of the Russian Federation, was adopted. In particular, changes aimed at regulating tax consequences of transactions with foreign companies, such as the concept of the beneficiary ownership of income, were made since 1 January 2015. Potentially, these changes may significantly influence the Bank's tax position and create additional tax risks in future. This legislation continues to develop, and influence of the legislative changes must be reviewed based on the actual circusntances.

The management believes, that tax obligations were fully accounted for in the financial statements based on the management intepretations of the tax legislation of the Russian Federation, official comments of regulatory documents and legal authoritoes' decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position of the Bank, if the authorities were successful in enforcing their interpretations, could be significant.

25 Custody activities

The Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Bank and are not recognised in the statement of financial position.

26 Control relationships

Credit Suisse AG, the ultimate parent company of the Bank, produces publicly available financial statements.

Transactions with the members of the Board of Directors and the Management Board

Total remuneration and appropriate taxes and contributions included in employee compensation and payroll taxes to the Board of Directors, the Management Board and other Executive Officers of the Bank was RUB 789 262 thousand for the year ended 31 December 2015 (2014: RUB 355 688 thousand).

Transactions with other related parties

Other related parties include parent company and other companies of Credit Suisse Group.

The outstanding balances, related average effective interest rates and related profit or loss amounts as at 31 December 2015 and for the year 2015 with other related parties are as follows:

(in thousands of Russian Roubles)

	Parent company	Average effective interest rate	Other companies of Credit Suisse Group	Average effective interest rate	Total
Statement of financial position					
ASSETS					
Cash and cash equivalents	228 107	0.00%	-	-	228 107
Loans to banks and other financial institutions	41 675 269	11.20%	-	-	41 675 269
Financial instruments at fair value through profit or loss	127 423	-	1 151	-	128 574
Other assets	105 337	-	4 889	-	110 226
LIABILITIES					
Financial instruments at fair value through profit or loss	-	-	253	-	253
Deposits and balances from banks	256 513	0.00%	3 003 910	0.00%	3 260 423
Current accounts and deposits from customers	-	-	80 513	0.00%	80 513
Other liabilities	4 632	-	-	-	4 632
Commitments					
Undrawn overdraft facilities	2 000 000	-	-	-	2 000 000

	Parent company	Other companies of Credit Suisse Group	Total
Statement of profit or loss and other comprehensive income			
Interest income	1 404 337	5 375	1 409 712
Interest expense	(9 599)	(367)	(9 966)
Fee and commission income	3 711	36 121	39 832
Fee and commission expense	(59 367)	(3 963)	(63 330)
Net foreign exchange (loss) income	504 392	(55 807)	448 585
Other income	392 155	1 211 874	1 604 029
General administrative expenses	-	(10 428)	(10 428)

As at 31 December 2015 and 31 December 2014 the Bank provided overdraft to the parent company in the amount of RUB 2 000 000 thousand. The interest rate on this overdraft equals to the refinancing rate of the CBR increased by 100 bp at the date of overdraft drawdown. The agreement was concluded on 18 January 2011 for the term of one year with automatic renewal for the same period in the case of no intention to terminate the agreement.

The outstanding balances, related average effective interest rates and related profit or loss amounts as at 31 December 2014 and for the year 2014 with other related parties are as follows:

	Parent company	Average effective interest rate	Other companies of Credit Suisse Group	Average effective interest rate	Total
Statement of financial position					
ASSETS					
Cash and cash equivalents	15 534	0.00%	-	-	15 534
Loans to banks and other financial institutions	4 220 788	6.10%	-	-	4 220 788
Financial instruments at fair value through profit or loss	49 115	-	2 350	-	51 465
Other assets	79 197	-	6 009	-	85 206
LIABILITIES					

	Parent company	**Average effective interest rate**	**Other companies of Credit Suisse Group**	**Average effective interest rate**	**Total**
Financial instruments at fair value through profit or loss	3 854 002	-	10 992	-	3 864 994
Deposits and balances from banks	193 504	0.12%	2 921 484	0.00%	3 114 988
Current accounts and deposits from customers	-	-	587 315	0.00%	587 315
Other liabilities	14 931	-	1 628	-	16 559
Commitments					
Undrawn overdraft facilities	2 000 000	-	-	-	2 000 000

	Parent company	**Other companies of Credit Suisse Group**	**Total**
Statement of profit or loss and other comprehensive income			
Interest income	462 022	116 464	578 486
Interest expense	(26 927)	(4 286)	(31 213)
Fee and commission income	-	36 736	36 736
Fee and commission expense	(18 150)	(3 586)	(21 736)
Net foreign exchange (loss) income	(16 577 328)	994 332	(15 582 996)
Other income	257 778	1 647 140	1 904 918
General administrative expenses	-	(12 896)	(12 896)

As at 31 December 2014 the Bank received guarantees from the parent company:

- in the amount of USD 50 mln, untill 2 March 2015;
- in the amount of USD 50 mln, untill 31 May 2015.

The total amount of guarantees received in roubles was RUB 5 625 840 thousand.

27 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premias used in estimating discount rates, bond and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

As at 31 December 2015 and 2014, the carrying value of financial instruments approximates their estimated fair value.

(in thousands of Russian Roubles)

Fair value hierarchy

The Bank measures fair values of financial instruments recognised in the statement of financial position using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

The table below analyses financial instruments measured at fair value at 31 December 2015 and 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	2015			2014		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss						
- Debt and other fixed-income instruments	473 960	-	473 960	374 869	-	374 869
- Derivative financial assets	-	150 876	150 876	-	6 579 678	6 579 678
- Derivative financial liabilities	-	(41 382)	(41 382)	-	(3 948 669)	(3 948 669)

Z.L. Bondarenko
Acting President

N.I. Kondrashina
Chief Accountant