

Audit report  
on the annual financial statements of  
**Joint Stock Company RN Bank**  
for the year ended 31 December 2015

*March 2016*

**Translation of the original Russian version**

# Audit report on the annual financial statements of JSC RN Bank

---

## Translation of the original Russian version

---

<b>Contents</b>	<b>Page</b>
Independent auditor's report	3
Appendices	
Annual financial statements of Joint Stock Company RN Bank for the year ended 31 December 2015:	
Balance sheet (published form) as at 1 January 2016	7
Statement of income (published form) for 2015	8
Appendices to the balance sheet and the statement of income	
Statement of capital adequacy to cover risks, provisions for losses from doubtful loans and other assets (published form) as at 1 January 2016	9
Statement of obligatory ratios and leverage ratio (published form) as at 1 January 2016	14
Statement of cash flows (published form) as at 1 July 2016	16
Explanatory notes to the annual financial statements	17

## **Translation of the original Russian version**

### **Independent auditor's report**

To the shareholder of JSC RN Bank and Board of Directors of JSC RN Bank

#### **Report on the annual financial statements**

We have audited the accompanying annual financial statements of JSC RN Bank (the "Bank"), which consist of the balance sheet (published form) as at 1 January 2016, the statement of income (published form) for the year ended 31 December 2015, appendices thereto comprising the statement of capital adequacy to cover risks, provisions for losses from doubtful loans and other assets (published form) as at 1 January 2016; the statement of obligatory ratios and leverage ratio (published form) as at 1 January 2016; the cash flow statement (published form) as at 1 January 2016; and explanatory information.

#### ***Audited entity's responsibility for the annual financial statements***

The management of the Bank is responsible for the preparation and fair presentation of these annual financial statements in accordance with rules on the preparation of annual financial statements established in the Russian Federation and for the internal control system relevant to the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

#### ***Auditors' responsibility***

Our responsibility is to express an opinion on these annual financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. Audit procedures selection depends on the auditor's judgment based on the assessment of the risks of material misstatements of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system relevant to the entity's preparation and fair presentation of the annual 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 system. 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 annual financial statements.

## **Translation of the original Russian version**

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

### ***Opinion***

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of JSC RN Bank as at 1 January 2016, and its financial performance and cash flows for the year 2015 in accordance with the rules on the preparation of financial statements established in the Russian Federation.

### ***Other matters***

The accompanying annual financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying annual financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Russian Federation.

### **Report on the results of our review in accordance with the requirements of Article 42 of Federal Law No. 395-1 Concerning Banks and Banking Activity of 2 December 1990**

The management of the Bank is responsible for the Bank's compliance with the obligatory ratios established by the Central Bank of the Russian Federation (the "Bank of Russia") and for compliance by the Bank's internal control and risk management systems with the requirements set forth by the Bank of Russia in relation to these systems.

In accordance with the requirements of Article 42 of Federal Law No. 395-1 *Concerning Banks and Banking Activity* of 2 December 1990 (the "Law"), during the audit of the Bank's annual financial statements for the year ended 31 December 2015, we reviewed the following:

- 1) Whether the Bank complied as at 1 January 2016 with the obligatory ratios established by the Bank of Russia;
- 2) Whether the internal control and risk management systems of the Bank meet the requirements set forth by the Bank of Russia for these systems in respect of the following:
  - ▶ Subordination of risk management departments;
  - ▶ Availability of methodologies approved by the Bank's authorized bodies for identifying and managing risks that are significant to the Bank and for performing stress testing; and availability of a system for reporting on the Bank's significant risks and capital;
  - ▶ Consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to the Bank;
  - ▶ Oversight functions performed by the Bank's Board of Directors and executive management to ensure that the Bank complies with internally established risk limits and capital adequacy requirements and applies risk management procedures in an effective and consistent manner.

## **Translation of the original Russian version**

This review involved the procedures selected on the basis of our judgment, including inquiries, analysis, review of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, and recalculation, comparison and reconciliation of amounts and other information.

The results of the review are provided below.

### ***Compliance by the Bank with the obligatory ratios established by the Bank of Russia***

We found that the values of obligatory ratios calculated by the Bank as at 1 January 2016 were within the limits established by the Bank of Russia.

We did not perform any procedures on the Bank's accounting data, except for the procedures we considered necessary to express our opinion on the fairness of the Bank's annual financial statements.

### ***Compliance by the Bank's internal control and risk management systems with the requirements set forth by the Bank of Russia in relation to these systems***

- ▶ We have found that, in accordance with the regulations and recommendations issued by the Bank of Russia as at 31 December 2015, the Bank's internal audit function was subordinated and accountable to the Board of Directors and the Bank's risk management departments were not subordinated and accountable to the departments that take relevant risks.
- ▶ We have found that the Bank's internal documents effective as at 31 December 2015 that establish the methodologies for detecting and managing credit, market, operational and liquidity risks that are significant to the Bank and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We have also confirmed that, as at 31 December 2015, the Bank has a reporting system pertaining to credit, market, operational and liquidity risks that are significant to the Bank and its capital.
- ▶ We have found that the periodicity and consistency of reports prepared by the Bank's risk management departments and internal audit function during the year ended 31 December 2015 with regard to the management of the Bank's credit, market, operational and liquidity risks comply with the Bank's internal documents and that those reports include observations made by the Bank's risk management departments and internal audit function regarding the effectiveness of the Bank's relevant risk management methodologies.
- ▶ We have found that, as at 31 December 2015, the competences of the Board of Directors and executive management bodies of the Bank include control over compliance by the Bank with internally established risk limits and capital adequacy requirements. For the purpose of controlling the efficiency of, and consistency in, applying the risk management procedures during the year ended 31 December 2015, the Bank's Board of Directors and executive management bodies regularly reviewed the reports, which were prepared by the Bank's risk management departments and internal audit function.

## **Translation of the original Russian version**

We have conducted our procedures on the internal control and risk management systems solely to review whether the Bank complied with the requirements set forth by the Bank of Russia for the above-mentioned internal control elements and for the design of the risk management systems as they are described in the Federal Law.

O.V. YOUSHENKOV  
Partner  
Ernst & Young LLC

29 March 2016

### ***Details of the audited entity***

Name: Joint Stock Company RN Bank  
Record made in the State Register of Legal Entities on 6 November 2002; State Registration Number 1025500003737.  
Address: Russia 109028, Moscow, Serebryanicheskaya nab., 29.

### ***Details of the auditor***

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of the self-regulatory organization of auditors "Russian Audit Chamber" (Association) ("SRO APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

Translation of the original Russian version

Bank reporting forms

OKATO territory code	Code of credit institution (branch)			
	OKPO	main state registration number	registration number (/index number)	BIC
45286	09808583	1025500003737	170	044583105

**BALANCE SHEET**  
(published form)

as of 1 January 2016

Credit institution Joint Stock Company RN Bank, JSC RN Bank

(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409806

Quarterly (Annual)

(kRUR)

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
<b>I. ASSETS</b>				
1	Cash	5.1	10	10
2	Amounts due to credit institutions from the Central Bank of the Russian Federation	5.1	203 563	1 253 757
2.1	Obligatory reserves	5.1	11 646	115 696
3	Amounts due from credit institutions	5.1	53 041	18 029
4	Financial assets at fair value through profit or loss	5.11	2 881 955	1 230 707
5	Net loans receivable	5.2	48 553 613	35 571 051
6	Net investments in securities and other financial assets available for sale	5.3	200 321	0
6.1	Investments in subsidiaries and associates		0	0
7	Net investments in securities held to maturity		0	0
8	Current income tax asset		32 487	0
9	Deferred tax asset		166 048	0
10	Fixed assets, intangible assets and inventories	5.4	13 255	29 490
11	Other assets	5.5	1 224 704	1 205 744
12	Total assets		53 328 997	39 308 788
<b>II. LIABILITIES</b>				
13	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	5.6	2 000 000	1 000 000
14	Amounts due to credit institutions	5.7	26 495 636	18 600 562
15	Amounts due to customers other than credit institutions	5.8	13 479 245	9 410 671
15.1	Deposits of (amounts due to) individuals and individual entrepreneurs	5.8	1 040 267	466 819
16	Financial liabilities at fair value through profit or loss	5.11	0	169 653
17	Debt obligations issued		0	0
18	Current income tax liability		0	0
19	Deferred tax liability		0	170 269
20	Other liabilities	5.9	1 753 606	1 480 972
21	Provisions for potential losses on credit-related contingent liabilities, other potential losses and transactions with offshore residents		0	0
22	Total liabilities		43 728 487	30 832 127
<b>III. EQUITY</b>				
23	Shareholders' (participants') equity	5.10	3 269 000	3 269 000
24	Treasury shares		0	0
25	Share premium	5.10	5 580 800	5 580 800
26	Reserve fund	5.10	11 006	0
27	Fair value re-measurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)		173	0
28	Revaluation of fixed assets decreased by deferred tax liability		0	0
29	Retained earnings (uncovered losses) of prior years		-384 144	-593 258
30	Unutilized profit (loss) for the reporting period		1 123 675	220 119
31	Total equity		9 600 510	8 476 661
<b>IV. OFF-BALANCE SHEET LIABILITIES</b>				
32	Irrevocable liabilities of credit institution	5.11	21 485 693	10 088 792
33	Guarantees and sureties issued by credit institution		0	0
34	Non-credit related contingent liabilities		0	0

Chairman of the Management Board

 Bruno Kintzinger

Chief Accountant



Daria A. Lvova

Stamp



29 March 2016

Translation of the original Russian version

Bank reporting forms

OKATO territory code	Code of credit institution (branch)			
45286	OKPO	main state registration number	registration number (/index number)	BIC
	09808583	102550003737	170	044583105

STATEMENT OF INCOME  
(published form)

As of 31 December 2015

Credit institution Joint Stock Company RN Bank, JSC RN Bank  
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409807  
Quarterly (Annual)  
(kRUR)

No.	Item	Explanatory note	For the reporting period	For the corresponding period of the prior year
1	2	3	4	5
1	Total interest income, including from:	6.1	5 143 117	1 303 370
1.1	deposits placed with credit institutions		470 147	266 780
1.2	loans issued to customers other than credit institutions		4 664 411	1 036 590
1.3	finance lease services		0	0
1.4	investments in securities		8 559	0
2	Total interest expense, including on:	6.1	2 230 696	833 881
2.1	funds raised from credit institutions		2 030 782	642 181
2.2	funds raised from customers other than credit institutions		199 914	191 700
2.3	debt obligations issued		0	0
3	Net interest income	6.1	2 912 421	469 489
4	Total change in provision for potential losses on loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, including:	6.7	-885 040	-229 712
4.1	change in provision for potential losses on accrued interest income		-6 515	-1 646
5	Net interest income (negative interest margin) after provision for potential losses		2 027 381	239 777
6	Net gains from financial assets at fair value through profit or loss	6.3	3 761 470	1 077 660
7	Net gains from securities available for sale	6.4	-60	0
8	Net gains from securities held to maturity		0	0
9	Net gains from dealing in foreign currencies	6.5	-545 337	6 690
10	Net gains from foreign currency translation	6.6	-5 135 162	-1 045 838
11	Income from equity interests in other legal entities		0	0
12	Fee and commission income	6.2	2 843 438	1 546 264
13	Fee and commission expense	6.2	134 645	32 618
14	Change in provision for potential losses on securities available for sale		0	0
15	Change in provision for potential losses on securities held to maturity		0	0
16	Change in provision for other losses		0	0
17	Other operating income	6.8	28 476	15 445
18	Net income (expense)		2 845 561	1 807 380
19	Operating expenses	6.9	1 387 815	1 284 020
20	Profit (loss) before tax		1 457 746	523 360
21	Tax refund (expense)	6.10	334 071	303 241
22	Profit (loss) after tax		1 123 675	220 119
23	Total distributions of profit after tax, including:		0	0
23.1	distributions among shareholders (participants)		0	0
23.2	allocations to statutory general reserve		0	0
24	Unutilized profit (loss) for the reporting period		1 123 675	220 119

Chairman of the Management Board

 Bruno Kintzinger

Chief Accountant





Daria A. Lvova

Stamp

29 March 2016



Translation of the original Russian version

Bank reporting forms

OKATO territory code	Code of credit institution (branch)			
	OKPO	main state registration number	registration number (/index)	BIC
45286	09808583	1025500003737	170	044583105

STATEMENT OF CAPITAL ADEQUACY TO COVER RISKS,  
PROVISIONS FOR POTENTIAL LOSSES ON LOANS  
AND OTHER ASSETS

(published form)

As of 1 January 2016

Credit institution Joint Stock Company RN Bank, JSC RN Bank  
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OCUD form code 0409808  
Quarterly (Annual)

Section 1. Information on capital adequacy

No.	Item	Explanatory note	At the reporting date	Increase (+)/decrease (-) for the reporting period	At the beginning of the reporting year
1	2	3	4	5	6
1	Total equity (capital) (kRUR), including:	8.1	9 066 869	1 234 464	7 832 405
1.1	Core capital:		9 984 481	914 562	9 069 919
1.1.1	Total share capital, including:		3 269 000	0	3269000
1.1.1.1	Ordinary shares (interests)		3 269 000	0	3 269 000
1.1.1.2	Preferred shares		0	0	0
1.1.2	Share premium		5 580 800	0	5 580 800
1.1.3	Reserve fund		11 006	11 006	0
1.1.4	Retained earnings:		0	0	0
1.1.4.1	Prior years		1 123 675	903 556	220 119
1.1.4.2	Reporting year		0	0	0
1.2	Items decreasing core capital:		917 612	-319 902	1 237 514
1.2.1	Intangible assets		1 003	-1 840	2 843
1.2.2	Deferred tax assets		0	0	0
1.2.3	Treasury shares		0	0	0
1.2.4	Losses:		915 105	-319 558	1 234 663
1.2.4.1	Prior years		384 144	-209 114	593 258
1.2.4.2	Reporting year		530 961	-110 444	641 405
1.2.5	Equity investments in financial institutions:		0	0	0
1.2.5.1	Insignificant		0	0	0
1.2.5.2	Significant		0	0	0
1.2.5.3	Total amount of significant investments and total amount of deferred tax assets		0	0	0
1.2.6	Negative amount of additional capital		1 504	1 496	8
1.2.7	Obligations to purchase shares (interests) included in core capital		0	0	0
1.2.8	Amounts received as payment for shares (interests) included in core capital		0	0	0
1.3	Core capital		9 066 869	1 234 464	7 832 405
1.4	Additional paid-in capital:		0	0	0
1.4.1	Total share capital in the form of preferred shares, including:		0	0	0
1.4.1.1	issued in accordance with Federal Law No. 181-FZ <i>On the Use of the State Securities of the Russian Federation for Increasing the Capitalization of Banks</i> dated 18 July 2009 <sup>1</sup>		0	0	0
1.4.2	Share premium		0	0	0
1.4.3	Subordinated loan with additional conditions		0	0	0
1.4.4	Subordinated loan (deposit, loan, bonded loan) with unlimited maturity		0	0	0
1.5	Items decreasing additional paid-in capital		1 504	1 496	8
1.5.1	Investments in treasury preferred shares		0	0	0
1.5.2	Equity investments in financial institutions:		0	0	0
1.5.2.1	Insignificant		0	0	0
1.5.2.2	Significant		0	0	0
1.5.3	Subordinated loan (deposit, loan, bonded loan) provided to financial institutions		0	0	0
1.5.3.1	Insignificant		0	0	0
1.5.3.2	Significant		0	0	0
1.5.4	Negative amount of additional capital		0	-8	8
1.5.5	Obligations to purchase shares (interests) included in additional paid-in capital		0	0	0
1.5.6	Amounts received as payment for shares (interests) included in additional paid-in capital		0	0	0
1.6	Additional paid-in capital		0	0	0
1.7	Main capital		9 066 869	1 234 464	7 832 405

Translation of the original Russian version

1	2	3	4	5	6
1.8	Additional capital:		0	0	0
1.8.1	Total share capital in the form of preferred shares, including:		0	0	0
1.8.1.1	Shares issued after 1 March 2013		0	0	0
1.8.2	Share capital formed through the capitalization of the increase in property value		0	0	0
1.8.3	Profit:		0	0	0
1.8.3.1	Current year		0	0	0
1.8.3.2	Prior years		0	0	0
1.8.4	Total subordinated loan (deposit, loan, bonded loan), including:		0	0	0
1.8.4.1	Received (placed) before 1 March 2013		0	0	0
1.8.4.2	Provided in accordance with Federal Law No. 173-FZ <i>On Additional Measures for Supporting the Financial System of the Russian Federation</i> dated 13 October 2008 <sup>2</sup> and Federal Law No. 175-FZ <i>On Additional Measures for Enhancing the Stability of the Banking System through 31 December 2014</i> dated 27 October 2008 <sup>3</sup>		0	0	0
1.8.5	Increase in property value		0	0	0
1.9	Items decreasing additional capital:		0	0	0
1.9.1	Investments in treasury preferred shares		0	0	0
1.9.2	Equity investments in financial institutions:		0	0	0
1.9.2.1	Insignificant		0	0	0
1.9.2.2	Significant		0	0	0
1.9.3	Subordinated loan (deposit, loan, bonded loan) provided to financial institutions		0	0	0
1.9.3.1	Insignificant		0	0	0
1.9.3.2	Significant		0	0	0
1.9.4	Obligations to purchase shares (interests) included in additional capital		0	0	0
1.9.5	Amounts received as payment for shares (interests) included in additional capital		0	0	0
1.10	Items decreasing the amount of main and additional capital:		0	-8	8
1.10.1	Accounts receivable past due by more than 30 calendar days		0	-8	8
1.10.2	Subordinated loans with a value not exceeding one per cent of the share capital of a credit institution acting as a borrower		0	0	0
1.10.3	Excess of the total amount of loans, bank guarantees and sureties provided to participants (shareholders) and insiders over the maximum amount in accordance with federal laws and the regulations of the Bank of Russia		0	0	0
1.10.4	Excess of investments in the construction, manufacture and purchase of fixed assets over the amount of main and additional capital		0	0	0
1.10.5	Excess of the actual value of the interest of a participant that withdrew from a limited liability company over the value at which the interest was sold to another participant of the limited liability company		0	0	0
1.11	Additional capital		0	0	0
2	Risk weighted assets (kRUR):	X	X	X	X
2.1	Required to determine the core capital adequacy ratio		46 821 445	15 411 853	31 409 592
2.2	Required to determine the main capital adequacy ratio		46 821 445	15 411 853	31 409 592
2.2	Required to determine the equity (capital) adequacy ratio		46 821 445	15 411 853	31 409 592
3	Capital adequacy ratio, %:	X	X	X	X
3.1	Core capital adequacy ratio		17.9	X	22.7
3.2	Main capital adequacy ratio		17.9	X	22.7
3.3	Equity (capital) adequacy ratio		17.9	X	22.7

<sup>1</sup> Federal Law No. 181-FZ *On the Use of the State Securities of the Russian Federation for Increasing the Capitalization of Banks* dated 18 July 2009 (Collected Legislation of the Russian Federation, 2009, No. 29, Art. 3618; 2012, No. 31, Art. 4334; No. 52, Art. 6961).

<sup>2</sup> Federal Law No. 173-FZ *On Additional Measures for Supporting the Financial System of the Russian Federation* dated 13 October 2008 (Collected Legislation of the Russian Federation, 2008, No. 42, Art. 4698; 2009, No. 29, Art. 3605; No. 48, Art. 5729; No. 52, Art. 6437; 2010, No. 8, Art. 776; No. 21, Art. 2539; No. 31, Art. 4175).

<sup>3</sup> Federal Law No. 175-FZ *On Additional Measures for Enhancing the Stability of the Banking System through 31 December 2014* dated 27 October 2008 (Collected Legislation of the Russian Federation, 2008, No. 44, Art. 4981; 2009, No. 29, Art. 3630; 2011, No. 49, Art. 7059; 2013, No. 19, Art. 2308).

## Translation of the original Russian version

### Section 2. Information on the level of credit, operational and market risks covered by capital

#### Subsection 2.1. Credit risk

(kRUR)

No.	Item	Explanatory note	At the reporting date			At the beginning of the prior reporting year		
			Value of assets (instruments)	Assets (instruments) less provisions for potential losses	Value of risk weighted assets (instruments)	Value of assets (instruments)	Assets (instruments) less provisions for potential losses	Value of risk weighted assets (instruments)
1	2	3	4	5	6	7	8	9
1	Credit risk related to assets recorded on balance sheet accounts	8.2	50 581 047	49 469 505	46 821 445	37 665 027	37 434 075	31 409 592
1.1	Total assets with a risk factor <sup>1</sup>		703 573	703 573	0	1 253 767	1 253 767	0
1.1.1	Cash and obligatory reserves deposited with the Bank of Russia		203 573	203 573	0	1 253 767	1 253 767	0
1.1.2	Credit and other claims secured by the guarantees of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia, and by the pledge of the state debt securities of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia		0	0	0	0	0	0
1.1.3	Credit and other claims to the central banks or governments of the countries classified in categories 0 or 1 <sup>2</sup> , including those secured by the guarantees of the countries, etc		0	0	0	0	0	0
1.2	Total assets with a risk factor of 20 percent, including:		2 513 298	2 430 609	486 122	5 973 664	5 963 395	1 192 679
1.2.1	Credit and other claims to the constituent entities of the Russian Federation, municipalities and other entities, secured by the guarantees of the constituent entities of the Russian Federation and municipalities and by the pledge of their securities		0	0	0	0	0	0
1.2.2	Credit and other claims to the central banks or governments of the countries classified in category 2, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.2.3	Credit and other claims to credit institutions which are residents of the countries classified in categories 0 or 1 and which have a long-term credit rating <sup>3</sup> , including those secured by their guarantees		33 067	33 067	6 613	13	13	3
1.3	Total assets with a risk factor of 50 percent, including:		0	0	0	0	0	0
1.3.1	Credit and other foreign currency-denominated claims secured by the guarantees of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia, and by the pledge of the state debt securities of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia denominated in		0	0	0	0	0	0
1.3.2	Credit and other claims to the central banks or governments of the countries classified in category 3, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.3.3	Credit and other claims to credit institutions which are residents of the countries classified in categories 0 or 1 and which do not have long-term credit ratings, and credit and other claims to credit institutions which are residents of the countries classified in category 2, including those secured by their guarantees		0	0	0	0	0	0
1.4	Total assets with a risk factor of 100 percent, including:	8.2	47 364 176	46 335 323	46 335 323	30 437 596	30 216 913	30 216 913
1.4.1	Claims to credit institutions		1 723 563	1 666 101	1 666 101	3 269 378	3 266 135	3 266 135
1.4.2	Claims to legal entities		10 737 571	10 410 352	10 410 352	5 341 021	5 268 080	5 268 080
1.4.3	Claims to individuals		34 547 089	33 922 348	33 922 348	21 476 369	21 331 870	21 331 870
1.4.4	Claims related to other assets		355 953	336 522	336 522	350 828	350 828	350 828
1.5	Assets with a risk factor of 150 percent – credit and other claims to the central banks or governments of the countries classified in category 7		0	0	0	0	0	0
2	Total assets with other risk factors, including:		0	0	0	0	0	0
2.1	Total assets with a decreased risk factor, including:		0	0	0	0	0	0
2.1.1	Mortgage loans with a risk factor of 70 percent		0	0	0	0	0	0
2.1.2	Claims of clearing participants		0	0	0	0	0	0
2.2	Total assets with an increased risk factor, including:		244 497	244 492	376 767	0	0	0
2.2	Assets with a risk factor of 110 percent		0	0	0	0	0	0
2.2	Assets with a risk factor of 130 percent		178 078	178 073	210 719	0	0	0
2.2	Assets with a risk factor of 150 percent		0	0	0	0	0	0
2.2	Assets with a risk factor of 250 percent		66 419	66 419	166 048	0	0	0
2.2	Assets with a risk factor of 1000 percent		0	0	0	0	0	0
3	Total consumer loans, including:		0	0	0	0	0	0
3.1	Assets with a risk factor of 110 percent		0	0	0	0	0	0
3.2	Assets with a risk factor of 140 percent		0	0	0	0	0	0
3.3	Assets with a risk factor of 170 percent		0	0	0	0	0	0
3.4	Assets with a risk factor of 200 percent		0	0	0	0	0	0
3.5	Assets with a risk factor of 300 percent		0	0	0	0	0	0
3.6	Assets with a risk factor of 600 percent		0	0	0	0	0	0
4	Total credit risk related to credit related contingencies, including:		0	0	0	0	0	0
4.1	High-risk financial instruments		0	0	0	0	0	0
4.2	Medium-risk financial instruments		0	0	0	0	0	0
4.3	Low-risk financial instruments		0	0	0	0	0	0
4.4	Risk-free financial instruments		0	0	0	0	0	0
5	Credit risk related to derivative financial instruments		21 833 930	X	904 533	9 292 331	X	1 857 155

<sup>1</sup> Assets are classified by risk groups in accordance with clause 2.3 of Instruction No. 139-I of the Bank of Russia.

## Translation of the original Russian version

1	2	3	4	5	6	7	8	9
---	---	---	---	---	---	---	---	---

<sup>2</sup> The categories are indicated in accordance with the classification of the export credit agencies of the countries that are the Participants of the OECD's Arrangement on Officially Supported Export Credits (the information is available on the official website of the Bank of Russia in the Banking Supervision section).

<sup>3</sup> The long-term credit ratings of a credit institution are determined on the basis of the ratings assigned by the following international rating agencies: Standart & Poor's, Fitch Rating's or Moody's Investors Service.

## Translation of the original Russian version

### Subsection 2.2. Operational risk

kRUR (number)

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
6	Total operational risk, including:	11.4	160 983	40 654
6.1	Total income used for calculating capital to cover operational risk, including:		3 219 659	813 072
6.1.1	Net interest income		601 769	250 012
6.1.2	Net non-interest income		2 617 890	563 060
6.2	Number of years preceding the date of the operational risk calculation		3	3

### Subsection 2.3. Market risk

(kRUR)

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
7	Total market risk, including:	11.2	640 910	695 902
7.1	Total interest rate risk, including:		11 752	34 830
7.1.1	General risk		9 943	34 830
7.1.2	Specific risk		1 809	0
7.2	Total equity risk including:		0	0
7.2.1	General risk		0	0
7.2.2	Specific risk		0	0
7.3	Foreign currency risk		494 010	260 527

### Section 3. Information on the amount of provisions for potential losses on loans and other assets

(kRUR)

No.	Item	Explanatory note	At the reporting date	Increase (+)/decrease (-) for the reporting	At the beginning of the reporting year
1	2	3	4	5	6
1	Total actual provisions for potential losses, including:	6.7	1 111 547	880 595	230 952
1.1	On loans receivable and similar debt		1 091 536	860 584	230 952
1.2	On other on-balance sheet assets exposed to losses, and other losses		20 011	20 011	0
1.3	On credit-related contingencies and securities, the rights to which are certified by depositories, which do not meet the criteria of the Bank of Russia and are recorded on off-balance sheet accounts		0	0	0
1.4	On transactions with offshore residents		0	0	0

### Section 4. Information on leverage ratio

No.	Item	Explanatory note	At the reporting date	At the date one quarter off the reporting date	At the date two quarters off the reporting date	At the date three quarters off the reporting date
1	2	3	4	5	6	7
1	Main capital, kRUR	8.2	9 066 869	8 473 995	8 473 825	8 024 362
2	On-balance sheet assets and off-balance sheet claims under the risk used to calculate the leverage ratio, kRUR		53 167 260	45 282 292	41 657 035	28 262 763
3	Basel III leverage ratio, %		17.1	18.7	20.3	28.4

For reference:

1. Total accrual (additional accrual) of provision for potential losses on loans receivable and similar debt in the reporting period (kRUR), including due to:	5 829 235
1.1. Issue of loans	3 751 193
1.2. Change in loan quality	1 889 349
1.3. Changes in the official exchange rate of a foreign currency to the Russian ruble set by the Bank of Russia	981
1.4. Other reasons	187 712
2. Total reversal of (decrease in) provision for potential losses on loans receivable and similar debt in the reporting period (kRUR), including due to:	4 968 651
2.1. Write-off of bad debts	4 398
2.2. Repayment of loans	3 768 700
2.3. Change in loan quality	1 002 753
2.4. Changes in the official exchange rate of a foreign currency to the Russian ruble set by the Bank of Russia	764
2.5. Other reasons	192 036

Chairman of the Management Board

Chief Accountant

Stamp

Bruno Kintzinger  
Daria A. Lyova  
29 March 2016

Translation of the original Russian version

Bank reporting forms

OKATO territory code	Code of credit institution			
	OKPO	main state registration number	registration number	BIC
45286	09808583	1025500003737	170	044583105

**INFORMATION ON PRUDENTIAL RATIOS  
AND LEVERAGE RATIO  
(published form)  
As of 1 January 2016**

Credit institution Joint Stock Company RN Bank, JSC RN Bank

(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OCUD form code 0409813

Quarterly (Annual)

(%)

No.	Item	Explanatory note	Statutory ratio	Actual ratio			
				At the reporting date		At the beginning of the reporting year	
1	2	3	4	5		6	
1	Core capital adequacy ratio (N1.1)	8.2	5.0	17.9		22.7	
2	Main capital adequacy ratio of the bank (N1.2)	8.2	5.5	17.9		22.7	
3	Equity (capital) adequacy ratio of the bank (N1.0)	8.2	10.0	17.9		22.7	
4	Equity (capital) adequacy ratio for non-banking credit institutions entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N1.3)		2	0.0		0.0	
5	Instant liquidity ratio of the bank (N2)	11.3	15.0	91.7		152.1	
6	Current liquidity ratio of the bank (N3)	11.3	50.0	291.8		195.6	
7	Long-term liquidity ratio of the bank (N4)	11.3	120.0	60.1		95.7	
8	Maximum risk per borrower or a group of related borrowers (N6)	11.1	25.0	Maximu	11.2	Maximu	23.6
				m		m	
				Minimu	1.1	Minimu	0.1
				m		m	
9	Maximum large credit risk (N7)	11.1	800.0	68.8		97.6	
10	Maximum amount of loans, bank guarantees and sureties provided by the bank to its participants (shareholders) (N9.1)		50.0	0.0		0.0	
11	Aggregate insider risk of the bank (N10.1)		3.0	0.0		0.0	
12	Share of equity (capital) used by the bank to purchase shares of (interests in) other legal entities (N12)						
13	Ratio of liquid assets maturing within the next 30 calendar days to liabilities of a non-banking settlement credit institution (N15)						
14	Liquidity ratio of a non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N15.1)						
15	Maximum aggregate loans to customers that are parties to settlements for completing the settlements (N16)						
16	Loans issued by a non-banking settlement credit institution to borrowers, other than parties to settlements, on its own behalf and for its own account (N16.1)						
17	Minimum ratio of mortgage value to mortgage-backed bonds (N18)						

## Translation of the original Russian version

### Section 2. Information on the leverage ratio calculation

#### Subsection 2.1. Calculation of the amount of on-balance sheet assets and off-balance sheet claims under the risk used to calculate the leverage ratio

(kRUR)

No.	Item	Explanatory note	Amount
1	2	3	4
1	Total assets per balance sheet (published form):		53 328 997
2	Adjustment for equity investments in credit, financial, insurance and other entities that are consolidated for accounting purposes but excluded from calculation of equity (capital), prudential ratios and thresholds (limits) on open currency positions of the banking group		not relevant to the financial statements of a credit institution as a legal entity
3	Adjustment for fiduciary assets recognized in accordance with the accounting regulations but excluded from the leverage ratio calculation		0
4	Adjustment for derivative financial instruments		382 633
5	Adjustment for securities lending		0
6	Adjustment for credit-related contingent liabilities aligned to credit equivalent		0
7	Other adjustments		544 370
8	Total on-balance sheet assets and off-balance sheet claims under the risk used, as adjusted, to calculate the leverage ratio:		53 167 260

#### Subsection 2.2. Calculation of the leverage ratio

(kRUR)

No.	Item	Explanatory note	Amount
1	2	3	4
Risk related to on-balance sheet assets			
1	Total on-balance sheet assets:		49 905 179
2	Diminishing adjustment for the indicators used to reduce the amount of main capital		2 507
3	Total on-balance sheet assets under the risk, as adjusted (difference between line 1 and line 2):		43 902 672
Risk related to derivative financial instruments			
4	Total current credit risk related to derivative financial instruments (less variation margin):		2 881 955
5	Total potential credit risk related to derivative financial instruments (per counterparty):		382 633
6	Adjustment for the nominal amount of collateral received for derivative financial instruments, to be written off from the balance sheet in accordance with the accounting regulations		not relevant in accordance with Russian Accounting Standards
7	Diminishing adjustment for the amount of variation margin transferred, as applicable		0
8	Adjustment for claims of the bank acting as a clearing participant to the central counterparty in the client's transactions		0
9	Adjustment to account for credit risk related to underlying (basic) asset on credit derivatives issued		0
10	Diminishing adjustment for credit derivatives issued		0
11	Total risk related to derivative financial instruments, as adjusted (sum of lines 4, 5 and 9 minus lines 7, 8, 10):		3 264 588
Risk related to securities lending			
12	Total claims on securities lending (before netting):		0
13	Adjustment for cash netting (claims and liabilities) on securities lending		0
14	Credit risk related to securities lending (per counterparty)		0
15	Risk related to guarantee securities lending		0
16	Total claims on securities lending, as adjusted (sum of lines 12, 14 and 15 minus line 13):		0
Risk related to credit-related contingencies			
17	Total nominal amount of risk related to credit-related contingencies:		0
18	Adjustment for credit equivalent ratios		0
19	Total risk related to credit-related contingencies, as adjusted (difference between line 17 and line 18):		0
Equity and risks			
20	Main capital		9 066 869
21	Total on-balance sheet assets and off-balance sheet claims under the risk used for the leverage ratio calculation (sum of lines 3, 11, 16 and 19):		53 167 260
Leverage ratio			
22	Basel III leverage ratio (line 20 / line 21), %		17.05

Chairman of the Management Board

Bruno Kintziener

Chief Accountant

Daria A. Lyova

Stamp

29 March 2016



Translation of the original Russian version

Bank reporting forms

OKATO territory code	Code of credit institution (branch)		
	OKPO	main state registration number	registration number (/index number)
45286	09808583	1025500003737	170
			BIC
			044583105

STATEMENT OF CASH FLOWS  
(published form)

As of 1 January 2016

Credit institution Joint Stock Company RN Bank, JSC RN Bank  
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409814  
Quarterly (Annual)  
(kRUR)

No.	Item	Explanatory note	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the prior year
1	2	3	4	5
1	Net cash from (used in) operating activities			
1.1	Total cash from (used in) operating activities before changes in operating assets and liabilities, including:		5 028 074	1 327 815
1.1.1	Interest received		4 948 924	1 230 318
1.1.2	Interest paid		-2 071 309	-160 076
1.1.3	Fees and commissions received		2 904 020	1 185 527
1.1.4	Fees and commissions paid		-132 030	-32 618
1.1.5	Gains less losses from financial assets available for sale at fair value through profit or loss		0	0
1.1.6	Gains less losses from securities held to maturity		0	0
1.1.7	Gains less losses from dealing in foreign currencies		1 395 172	6 690
1.1.8	Other operating income		103 106	15 445
1.1.9	Operating expenses		-1 475 857	-822 033
1.1.10	Tax expense (refund)		-643 952	-95 438
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		-5 693 414	-2 675 902
1.2.1	Net increase (decrease) in obligatory reserves with the Bank of Russia		104 050	-115 682
1.2.2	Net increase (decrease) in investments in securities at fair value through profit or loss		0	0
1.2.3	Net increase (decrease) in loans receivable		-13 905 013	-30 525 717
1.2.4	Net increase (decrease) in other assets		-62 870	-16 373
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Bank of Russia		1 000 000	1 000 000
1.2.6	Net increase (decrease) in amounts due to other credit institutions		5 996 583	18 403 462
1.2.7	Net increase (decrease) in amounts due to customers other than credit institutions		982 798	8 224 008
1.2.8	Net increase (decrease) in financial liabilities at fair value through profit or loss		0	0
1.2.9	Net increase (decrease) in debt obligations issued		0	0
1.2.10	Net increase (decrease) in other liabilities		191 038	354 400
1.3	Total for section 1 (line 1.1 + line 1.2)	7.1	-665 340	-1 348 087
2	Net cash from (used in) investing activities			
2.1	Purchase of securities and other financial assets designated as available for sale		-193 075	0
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available for sale		0	0
2.3	Purchase of securities designated as held to maturity		0	0
2.4	Proceeds from redemption of securities designated as held to maturity		0	0
2.5	Purchase of fixed assets, intangible assets and inventories		-97	-12 056
2.6	Proceeds from sale of fixed assets, intangible assets and inventories		7 546	0
2.7	Dividends received		0	0
2.8	Total for section 2 (sum of lines from 2.1 to 2.7)	7.1	-185 626	-12 056
3				
3.1	Contributions of shareholders (participants) to share capital		0	2 000 000
3.2	Purchase of treasury shares		0	0
3.3	Sale of treasury shares		0	0
3.4	Dividends paid		0	0
3.5	Total for section 3 (sum of lines from 3.1 to 3.4)		0	2 000 000
4	Effect of changes in the official exchange rates of foreign currencies to the Russian ruble set by the Bank of Russia on cash and cash equivalents	7.1	-60 166	422 407
5	Increase (decrease) in cash and cash equivalents	7.1	-911 132	1 062 264
5.1	Cash and cash equivalents, beginning of period	7.1	1 156 100	93 836
5.2	Cash and cash equivalents, end of period	7.1	244 968	1 156 100

Chairman of the Management Board

Chief Accountant

Stamp

 Bruno Kintzinger  
 Daria A. Lvova  
 29 March 2016  




Translation of the original Russian version

Explanatory notes  
to the annual financial statements of  
***Joint Stock Company RN Bank***  
for the 2015 reporting year

## Contents

<b>INTRODUCTION</b>	<b>20</b>
<b>1. General description of the Bank</b>	<b>20</b>
1.1. Key details	20
1.2. Shareholders of the Bank	20
1.3. Details of changes in the Bank's share capital	21
1.4. Details of changes in the composition of the Board of Directors	21
1.5. Details of changes in the composition of the Management Board of the Bank	21
<b>2. Principal activities of the Bank</b>	<b>21</b>
2.1. Principal activities and performance indicators	21
2.2. Decisions made following the review of the annual financial statements	22
2.3. Operating environment of the Bank	22
<b>3. Basis of preparation of the annual financial statements and summary of significant accounting policies of the Bank</b>	<b>23</b>
3.1. Reporting period, data comparability and measurement units in the reporting forms	23
3.2. Significant changes in the accounting policies in 2015	23
3.3. Information on changes in the Bank's accounting policies for 2016	23
3.4. Principles and methods of evaluating and accounting for significant transactions and events	23
3.5. The nature of assumptions and key sources of estimation uncertainty at the end of the reporting period	29
3.6. Material errors in annual financial statements	30
<b>4. Activities related to the end of the financial year and preparation of the annual financial statements</b>	<b>31</b>
4.1. Inventory count of balance sheet items, fixed assets, inventories and intangible assets not in use	31
4.2. Events after the reporting date	31
<b>5. Accompanying information to the balance sheet items</b>	<b>32</b>
5.1. Cash and cash equivalents	32
5.2. Net loans receivable	32
5.3. Net investments in securities available for sale	33
5.4. Fixed assets, intangible assets and inventories	33
5.5. Other assets	33
5.6. Loans, deposits and other amounts due to the Bank of Russia	34
5.7. Amounts due to credit institutions	34
5.8. Amounts due to customers other than credit institutions	34
5.9. Other liabilities	35
5.10. Sources of equity	35
5.11. Off-balance sheet liabilities and derivative financial instruments	36
<b>6. Accompanying information to the statement of income</b>	<b>36</b>
6.1. Net interest income	36
6.2. Net fee and commission income	36
6.3. Net income from financial assets	37
6.4. Net income from securities available for sale	37
6.5. Net expenses arising from foreign currency transactions	37
6.6. Net income from foreign currency translation	37
6.7. Information on charge (reversal) of provisions for potential losses	37
6.8. Other operating income	38
6.9. Operating expenses	38
6.10. Tax expense	38

Translation of the original Russian version

<b>7.</b>	<b><i>Accompanying information to the statement of cash flows</i></b>	<b>38</b>
7.1.	Information on cash flows	38
<b>8.</b>	<b><i>Accompanying information to the statement of capital adequacy to cover the risks</i></b>	<b>39</b>
8.1.	Equity (capital) structure	39
8.2.	Information on capital requirements	39
<b>9.</b>	<b><i>Accompanying information on prudential ratios</i></b>	<b>40</b>
<b>10.</b>	<b><i>Internal control system</i></b>	<b>41</b>
<b>11.</b>	<b><i>Risk management system</i></b>	<b>42</b>
11.1.	Credit risk	45
11.2.	Market risk	49
11.3.	Liquidity risk	53
11.4.	Operational risk	54
11.5.	Geographical concentration	55
11.6.	Legal risk	56
11.7.	Strategic risk	56
11.8.	Reputational risk	57
<b>13.</b>	<b><i>Related party transactions</i></b>	<b>58</b>
<b>14.</b>	<b><i>Information on compensation system</i></b>	<b>60</b>
<b>15.</b>	<b><i>Information on the body that approved the annual financial statements for issue</i></b>	<b>61</b>

## Introduction

These Explanatory notes constitute an integral part of the annual financial statements of Joint Stock Company RN Bank for the 2015 reporting year, prepared in accordance with the Russian accounting standards and the requirements of Instructive Regulation No. 3054-U of the Bank of Russia *On the Procedure for the Preparation of Financial Statements by Credit Institutions* dated 4 September 2013 (hereinafter, "Instructive Regulation No. 3054-U"), Instructive Regulation No. 2332-U of the Bank of Russia *On the List, Forms and the Procedure for the Preparation and Submission of the Reporting Forms of Credit Institutions to the Central Bank of the Russian Federation* dated 12 November 2009, and Instructive Regulation No. 3081-U of the Bank of Russia *On the Disclosure of Information about Business Activities by Credit Institutions* dated 25 October 2013.

The annual financial statements (hereinafter, "the annual financial statements") comprise the following reporting forms:

- ▶ 0409806 Balance sheet (published form);
- ▶ 0409807 Statement of income (published form);
- ▶ 0409808 Statement of capital adequacy to cover risks, provisions for doubtful loans and other assets (published form);
- ▶ 0409813 Information on prudential ratios (published form);
- ▶ 0409814 Statement of cash flows (published form);
- ▶ Explanatory notes to the annual financial statements of Joint Stock Company RN Bank for the 2015 reporting year.

## 1. General description of the Bank

### 1.1. Key details

Joint Stock Company RN Bank is a legal successor of Closed Joint Stock Company Bank Sibir, which was established in 1989. On 5 September 2013, Closed Joint Stock Company Bank Sibir was officially renamed Closed Joint Stock Company RN Bank (full corporate name), CJSC RN Bank (abbreviated corporate name).

On 31 October 2014, following the decision of the sole shareholder, CJSC RN Bank changed its name as follows:

Full corporate name: Joint Stock Company RN Bank.

Abbreviated corporate name: JSC RN Bank (hereinafter, "the Bank").

Location (legal address): 109028, Russian Federation, Moscow, Serebryanicheskaya nab., 29.

Contact telephone number: + 7 (495) 775-40-68.

Email address: [help@rn-bank.ru](mailto:help@rn-bank.ru)

Web-site: [www.rn-bank.ru](http://www.rn-bank.ru)

License No. 170 of the Bank of Russia, issued on 6 November 2013.

The Bank is a member of the deposit insurance system from 3 February 2005, certificate No. 551.

As of 1 January 2016, the Bank:

- ▶ has no ratings assigned by Russian or international rating agencies;
- ▶ is not a member of a banking group;
- ▶ is not a professional participant of the securities market;
- ▶ has no branches or representative offices in the Russian Federation;
- ▶ has no subsidiaries or associates.

As of 1 January 2016, the Bank employed 179 people (1 January 2015: 174 people).

### 1.2. Shareholders of the Bank

As of 1 January 2016 and 2015, Limited Liability Company BARN B.V. (the Netherlands) is the sole shareholder of the Bank. Its interest in the Bank's share capital is 100.00%.

In 2015, the shareholders' structure of the Bank remained unchanged.

### 1.3. Details of changes in the Bank's share capital

As of 1 January 2016 and 2015, the Bank's share capital amounted to kRUR 3,269,000 and comprised 2,335,000 authorized, placed and fully paid ordinary book-entry registered shares with a nominal value of 1,400 rubles per share.

### 1.4. Details of changes in the composition of the Board of Directors

In 2015, the following changes took place in the composition of the Board of Directors:

On 4 February 2015, the Bank's sole shareholder made a decision (No. 1) on the early termination of powers of Mr. Philippe Jean Claude Buros and Mr. Eric Jean Spielrein as members of the Board of Directors of the Bank and the appointment of Mr. Gianluca De Ficchy and Mr. Patrick Jean Michel Claude as members of the Board of Directors of the Bank from the date of the above decision.

On 18 August 2015, the Bank's sole shareholder made a decision (No. 3) on the early termination of powers of Mr. Mauro Maschio and the appointment of Mr. Graziano Cameli as the member of the Board of Directors of the Bank from the date of the above decision.

On 26 October 2015, the Bank's sole shareholder made a decision (No. 4) on the early termination of powers of Mr. Simon Marcucci and the appointment of Mr. Silvano Silvestri as the member of the Board of Directors of the Bank from the date of the above decision.

Accordingly, as of 1 January 2016, the Board of Directors of the Bank comprises eight (8) members:

- ▶ Mikhail Yurievich Alexeev – Chairman of the Board of Directors;
- ▶ Gianluca De Ficchy – member of the Board of Directors;
- ▶ Jett Harmon Jones – member of the Board of Directors;
- ▶ Graziano Cameli – member of the Board of Directors;
- ▶ Patrick Jean Michel Claude – member of the Board of Directors;
- ▶ Rakesh Kochhar – member of the Board of Directors;
- ▶ Silvano Silvestri – member of the Board of Directors;
- ▶ Dmitry Viktorovich Mokhnachev – member of the Board of Directors.

### 1.5. Details of changes in the composition of the Management Board of the Bank

In 2015, the following change took place in the composition of the Management Board of the Bank:

On 26 March 2015, the Board of Directors of the Bank made a decision (No. 5/2015) on the early termination of powers of Mr. Pavel Alexandrovich Sedov as the member of the Management Board of the Bank from 1 April 2015.

Accordingly, as of 1 January 2016, the Management Board of the Bank comprises four (4) members:

- ▶ Bruno Robert Louis Kintzinger – Chairman of the Management Board;
- ▶ Pierre-Yves Francois Guegan – Deputy Chairman of the Management Board;
- ▶ Olga Nikolaevna Bodnarchuk – member of the Management Board, Chief Risk Officer;
- ▶ Daria Alexandrovna Lvova – member of the Management Board, Chief Accountant.

## 2. Principal activities of the Bank

### 2.1. Principal activities and performance indicators

The Bank's principal activities include extending retail loans to purchase cars manufactured by the Renault-Nissan Alliance, providing financing to official dealers of the Alliance in Russia (factoring transactions), and rendering related financial services.

Key indicators of the Bank's financial and economic activities in 2015:

<b>Key indicators</b>	<b>1 January 2016</b>	<b>1 January 2015</b>
Equity (capital)	9,066,869	7,832,405
Financial result after tax: profit (loss)	1,123,675	220,119
Total assets, including:	53,328,997	39,308,788
- Cash and cash equivalents	244,968	1,156,100
- Net loans receivable	48,553,613	35,571,051
Total liabilities, including:	43,728,487	30,832,127
- Borrowings	41,974,881	29,011,233
- Other liabilities	1,753,606	1,480,972

## Translation of the original Russian version

<b>Key ratios (%)</b>	<b>1 January 2016</b>	<b>1 January 2015</b>
Equity (capital) adequacy ratio	17.9	22.7
Overdue debt / Loan portfolio	0.3	0.1
Provisions for potential losses / Loan portfolio	2.2	0.6

<b>Operating performance indicators</b>	<b>Change (%)</b>	<b>1 January 2016</b>	<b>1 January 2015</b>
Movements in equity (capital)	15.76	9,066,869	7,832,405
Movements in interbank loans	-49.01	4,700,000	9,216,854
Movements in corporate loans (factoring)	102.63	10,569,133	5,216,061
Movements in retail loans (car loans)	60.85	34,368,478	21,367,439
Movements in amounts due to customers (including balances on current accounts)	44.68	41,974,881	29,011,233

<b>Operating performance indicators</b>	<b>Change (%)</b>	<b>1 January 2016</b>	<b>1 January 2015</b>
Movements in net interest income	520.34	2,912,421	469,489
Movements in net fee and commission income	78.96	2,708,793	1,513,646
Movements in operating expenses	8.08	1,387,815	1,284,020

### **2.2. Decisions made following the review of the annual financial statements**

On 7 April 2015, the Bank's sole shareholder approved the 2014 annual financial statements and made a decision to distribute profits for 2014 in the amount of kRUR 220,119 as follows:

- ▶ Perform an annual contribution to the Bank's reserve fund in the amount of kRUR 11,006 (5% of the net profit).
- ▶ Retain the remaining part of the profit in the amount of kRUR 209,113.
- ▶ Not to pay dividends on the Bank's shares for 2014.

### **2.3. Operating environment of the Bank**

The Bank operates primarily in the Russian Federation. As a result, the Bank is exposed to economic and financial risks at the Russian markets that possess characteristics of emerging markets. The country's economy is particularly sensitive to changes in prices for energy resources. Legal, tax and regulatory systems continue to evolve and are subject to frequent changes.

During 2015, the Russian economy continued to decline. Since the beginning of 2015, the GDP level decreased by 3.7% as compared to the respective period of 2014. The GDP decrease was due to the decline in construction, retail and manufacturing sectors, as well as the fall in oil and gas export prices and reduction of investment activities. A decline in the manufacturing sector was driven by growing production costs (more expensive loans, component parts), deficit of investments, and low purchasing power. In 2015, the industrial production index decreased by 5.1% to be 96.6% (the same period last year: 101.7%).

As a result of inflation and devaluation, real household income in 2015 decreased by 3.3% as compared to the respective period of 2014. This, in turn, caused a decline in consumer demand.

Demand for labor started to decline in the late 2014, and this trend continued in 2015. The overall unemployment rate in 2015 was 5.6% (the same period last year: 5.2%).

In 2015, consumer inflation was 12.9% (the same period last year: 11.4%).

The fall in prices for energy resources, international sanctions imposed against Russian entities and individuals, warfare and political situation in the former eastern regions of Ukraine, social and political parameters (external payments position, capital outflow) have a significant impact on the weakening of the national currency. In 2015, the RUR/USD exchange rate dropped by 29.5% to reach 72.8827 rubles per 1 US dollar as of 1 January 2016 (the same period last year: 56.2584 rubles per 1 US dollar); the RUR/EUR exchange rate dropped by 16.6% to reach 79.6972 rubles per 1 euro as of 1 January 2016 (the same period last year: 68.3427 rubles per 1 euro).

Together, the above factors led to the decrease in real household income and the reduction in consumption and business activity, which may have a negative effect on the Bank's financial position and future economic prospects.

Despite the fact that the Bank's management is taking all appropriate measures to support the sustainability of business, economic and regulatory environment may have an adverse effect on the Bank's operating results.

The state program for subsidizing car loan interest rates that is effective from 1 April 2015 had a significant positive impact on the Bank's financial position.

### **3. Basis of preparation of the annual financial statements and summary of significant accounting policies of the Bank**

The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation, Regulation No. 385-P of the Bank of Russia *On the Rules for Maintaining Accounting Records in Credit Institutions of the Russian Federation* dated 16 July 2012 (hereinafter, "Regulation No. 385-P"), the Bank's accounting policies, and other regulations of the Bank of Russia governing the activities of credit institutions. The Bank's accounting policies for 2015 were adopted on 30 December 2014.

In 2015, the Bank prevented any instances whereby a particular accounting rule has not been followed, which would otherwise result in the misstatement of information on the Bank's assets and operating results.

#### **3.1. Reporting period, data comparability and measurement units in the reporting forms**

As of 1 January 2016, the annual financial statements were prepared for the period beginning on 1 January 2015 through to 31 December 2015.

Pursuant to Instructive Regulation No. 3468-U of the Bank of Russia dated 2 December 2014 (hereinafter, "Instructive Regulation No. 3468-U"), as of 1 January 2015, the period from 1 January 2014 through to 31 December 2014 is considered to be comparable for reporting forms 0409814 Statement of cash flows (published form) and 0409807 Statement of income (published form).

In accordance with Instructive Regulation No. 3468-U, the acceptable comparable period for reporting forms 0409806 Balance sheet (published form), 0409808 Statement of capital adequacy to cover risks, provisions for doubtful loans and other assets (published form) and 0409813 Information on prudential ratios (published form) is 1 January 2015.

Annual reporting forms are presented in thousands of Russian rubles, except for certain items of the Explanatory notes.

#### **3.2. Significant changes in the accounting policies in 2015**

In 2015, no changes were made in the accounting policies for 2015.

#### **3.3. Information on changes in the Bank's accounting policies for 2016**

Principal changes in the Bank's accounting policies for 2016 relate to the enactment of the following regulations of the Bank of Russia:

- ▶ Regulation No. 446-P *On the Procedure for Determining Income, Expenses and Other Comprehensive Income of Credit Institutions* dated 22 December 2014.
- ▶ Regulation No. 448-P *On the Procedure for Accounting by Credit Institutions for Fixed Assets, Intangible Assets, Assets Temporarily not Used in Core Activities, Long-term Assets Held for Sale, Inventories, Instruments and Subjects of Labor Received under Collateral and Compensation Agreements without Specified Purpose* dated 22 December 2014.
- ▶ Regulation No. 465-P *Sectoral Standard on Accounting for Employee Benefits by Credit Institutions* dated 15 April 2015.
- ▶ Regulation No. 525-P *Sectoral Standard on Accounting for Hedges by Credit Institutions* dated 28 December 2015.
- ▶ Instructive Regulation No. 3501-U dated 22 December 2014, Instructive Regulation No. 3503-U dated 22 December 2014, Instructive Regulation No. 3623-U dated 15 April 2015, Instructive Regulation No. 3659-U dated 4 June 2015, Instructive Regulation No. 3685-U dated 22 June 2015, Instructive Regulation No. 3863-U *On the Introduction of Amendments to the Regulation of the Bank of Russia* dated 30 November 2015, and Instructive Regulation No. 385-P *On the Rules for Maintaining Accounting Records in Credit Institutions of the Russian Federation* dated 16 July 2015.

#### **3.4. Principles and methods of evaluating and accounting for significant transactions and events**

The Bank maintains accounting records and prepares its annual financial statements on the basis of key principles of going concern, income and expense recognition on accrual basis, consistency and comparability of the applied accounting rules, prudence, timely recognition of transactions, separate recognition of assets and liabilities, continuity of the balance sheet, transparency, and substance over form.

##### **Income and expenses recognition**

Income and expenses are recognized using the accrual principle. It means that financial results of operations (income and expenses) are recorded when earned and incurred and not when cash (cash equivalents) is (are) received or paid. Income and expenses are recognized in the period to which they relate.

## Translation of the original Russian version

### Recognition of assets and liabilities

Assets are recognized at historical cost. The Bank's assets are subsequently measured (remeasured) at their current (fair) value or by provisioning for potential losses in accordance with Regulation No. 385-P. The results of the valuation (revaluation) of assets are recorded using auxiliary accounts adjusting the historical cost of an asset recorded on the master account or containing information on the valuation (revaluation) of assets recorded on the master account at their current (fair) value (hereinafter, "the contra account"). Contra accounts are used to record any changes in the historical cost of assets as a result of their re-measurement at the current (fair) value, create provisions when there are risks of potential losses, and charge depreciation during the use of assets.

Liabilities are recognized in accordance with contractual terms for the purposes of securing control over their completeness and timely fulfillment. Where required by Regulation No. 385-P and other regulations of the Bank of Russia, liabilities are also remeasured at their current (fair) value.

### Foreign currency translation

Assets and liabilities denominated in foreign currencies are recorded on the same subaccounts that are used to record RUR-denominated transactions, with the opening of separate personal accounts in respective foreign currencies. Analytical records in foreign currencies are translated into Russian rubles (foreign currency translation) by multiplying the amount in foreign currency by the official exchange rate of the foreign currency to Russian ruble set by the Bank of Russia. Assets and liabilities denominated in foreign currencies (other than advances issued and received and prepayments for goods supplied, work performed and services rendered that are recorded on balance sheet accounts used to account for settlements with non-resident organizations on business transactions) are remeasured to reflect changes in the exchange rate.

The official exchange rates of foreign currencies to Russian ruble effective at the end of the reporting period used by the Bank to prepare its annual financial statements are presented below:

	<i>Units</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
RUR/USD	1/1	72.8827	56.2584
RUR/EUR	1/1	79.6972	68.3427
RUR/JPY	1/100	60.5087	47.0644

### Cash and cash equivalents

Cash comprises cash on hand. Cash equivalents are recorded in the balance sheet separately in lines "Credit institutions' balances with the Bank of Russia (other than obligatory reserves)" and "Amounts due from credit institutions".

### Interbank settlements

Interbank settlements represent non-cash flows arising as a result of the Bank's own transactions and transactions performed on behalf of the customers. Transactions on Nostro accounts are reconciled with the statements of correspondent banks on a daily basis. Transactions reflected in the statements are to be included in the daily balance sheet of the Bank and dated when they were recorded on the Bank's correspondent accounts.

Interbank settlements comprise transactions with the following assets:

- ▶ Cash on correspondent accounts with the Bank of Russia, Russian credit institutions and banks of other countries.
- ▶ Outstanding cash settlements on cash amounts debited from the Bank's correspondent accounts.

Cash deposited with the Bank of Russia as obligatory reserves are credited to separate accounts. Cash deposited with the Bank of Russia cannot be used for financing the Bank's current transactions.

Interbank settlements comprise movements in the following liability accounts:

- ▶ Outstanding cash settlements on cash amounts credited to the Bank's correspondent accounts.

In accordance with the regulations of the Bank of Russia and interbank methodologies, the Bank accrues provisions for potential losses with regard to amounts due from other banks (other than the Bank of Russia).

### Interbank loans and deposits

Cash placed with other banks on conditions of fixed maturity, recoverability and serviceability comprises loans issued to the Bank of Russia, credit institutions and non-resident banks, including overnight loans, deposits and other placements.

Cash received from other banks on conditions of fixed maturity, recoverability and serviceability is recorded by the Bank within loans, including overnight loans, deposits and other borrowings from the Bank of Russia, credit institutions and non-resident banks.

Cash amounts placed and received are recorded from the date of their actual placement or receipt and broken down by contractual maturity.



## Translation of the original Russian version

Interest on cash amounts placed and received is accrued by the Bank:

- ▶ On the last working day of the month.
- ▶ At the date of derecognition.
- ▶ At the contractual maturity dates of assets (liabilities) arising from interest payments.

If there is any indication of impairment of amounts due from credit institutions, other than the Bank of Russia and non-resident banks, the Bank creates provisions on an individual basis for each asset.

### Transactions with customers

The Bank records transactions with customers – legal entities and individuals with the opening of bank accounts.

Pursuant to customer agreements, the Bank opens bank accounts, deposit accounts and accounts for other borrowings to record cash amounts taking into account organizational and legal forms and ownership forms, customer's residence, types of agreements and maturity terms.

Interest on deposits and other borrowings is accrued by the Bank:

- ▶ On the last working day of the month.
- ▶ At the date of derecognition.
- ▶ At the contractual date of origination of liabilities to pay interest.

Interest payments are made within the contractual terms.

The Bank recognizes loans and other placements with individual and corporate borrowers of different organizational and legal forms and ownership forms based on contractual maturities. Cash amounts provided by the Bank are recorded at the date of their actual provision.

Interest on loans and other placements is accrued by the Bank:

- ▶ On the last working day of the month.
- ▶ At the date of derecognition.
- ▶ At the contractual maturity date of assets arising from interest receipt.

In the event of failure to perform (or improper performance of) liabilities within the contractual terms, the amount of such liabilities is transferred to separate overdue debt accounts in accordance with the established procedure. Where the repayment of loans issued is delayed by way of signing an additional agreement that increases the duration of the underlying agreement, such receivables are transferred to accounts used to record placements, with the revision of their maturities.

The Bank records settlements with customers on factoring transactions, currency exchange transactions, and derivative financial instruments, under which settlements and delivery are made not earlier than the date following the date of entering into an agreement (transaction), on separate accounts.

According to the requirements of the Bank of Russia, cash amounts provided to customers are classified by the Bank into five quality and reliability categories. For loans classified by the Bank within I, II and III quality categories, the generation of income is considered to be definite (absolutely and (or) highly probable), and accrued interest receivable is taken to financial result for the current year. For loans classified within IV and V quality categories, the generation of income is considered to be indefinite (doubtful or uncollectible), and accrued interest receivable is taken to financial result only at the date of its actual receipt.

If there is any indication of impairment of loans issued and other placements, including investments in the acquired rights to claim, the Bank accrues provisions for potential losses in accordance with the requirements of the Bank of Russia and effective interbank methodologies. Provisions for potential losses are accrued taking into account accrued interest receivable under the respective cash provision agreement.

### Renegotiated loans

In managing overdue debts, the Bank can restructure loans receivable where, based on the analysis of the customer's financial position, it is highly probable that the debt will be repaid in full in accordance with the new payment schedule. A loan is no longer considered past due where the respective terms have been renegotiated and the customer prevents the occurrence of overdue payments. The Bank's management regularly monitors the renegotiated loan portfolio to ensure that all criteria are met and that future payments are likely to occur. Such loans continue to be subject to the impairment assessment.

### Securities transactions

The Bank performed transactions with securities and derivative financial instruments in accordance with the legislation of the Russian Federation and regulations of the Bank of Russia.

## Translation of the original Russian version

Depending on the purposes of purchase, securities purchased by the Bank are classified at the date of purchase into the following categories:

- ▶ Investments in securities at fair value through profit or loss.
- ▶ Investments in securities available for sale.
- ▶ Investments in securities held to maturity.

Investments in securities designated at fair value through profit or loss at initial recognition are carried at current (fair) value. The revaluation results are recorded within financial result for the current year.

Investments in securities available for sale are carried at current (fair) value. The revaluation results are recorded in additional paid-in capital within other comprehensive income. If the current (fair) value of securities classified within this category cannot be reliably measured, such securities are recorded at actual acquisition cost. If there is any indication of impairment of such investments, the Bank accrues a provision for potential losses.

Investments in securities that are intended to be held by the Bank until maturity (irrespective of the period between the purchase date and the maturity date) are carried at acquisition cost. Debt securities held to maturity are not revalued. Where necessary, such investments are covered by a provision for potential losses.

The Bank applies the following methods for determining the current (fair) value of securities:

For debt securities:

- ▶ The current fair value is determined using the market price (3) set by the trade organizer based on the results of daily trading in the respective financial instrument in accordance with Order No. 10-65/pz-n of the FFMS *On the Approval of the Procedure for the Determination of the Market Price of Securities, the Estimated Price of Securities, and the Limit for Fluctuations of the Market Price of Securities for the Purposes of Chapter 23 of the Tax Code of the Russian Federation* dated 9 November 2010.
- ▶ If the security has no market price (3), the current (fair) value is determined using the market price (2) set by the trade organizer based on the results of daily trading in the respective financial instrument in accordance with Order No. 06-155/pz-n of the FFMS *The Procedure for the Determination of the Market Value of Assets and the Value of Net Assets in which Pension Savings are Invested* dated 26 December 2006 and Order No. 07-29/pz-n of the FFMS *The Procedure for the Determination of the Market Value of Assets and the Value of Net Assets in which Savings of Housing Provision for Servicemen are Invested* dated 27 March 2007.
- ▶ If the security has no market price (2), the current (fair) value is determined using the weighted average price of the security for a trading day, set by the trade organizer based on the results of daily trading in the respective financial instrument.
- ▶ If the security has no weighted average price for a trading day, the current (fair) value is determined using the last weighted average price of such security for the previous 90 trading days.

The current (fair) value can be reliably estimated:

- ▶ If the security is included in the Lombard list of the Bank of Russia or A, B and C quotation lists, or traded on an established securities market and has the market price calculated by the trade organizer.
- ▶ If the Bank performs trading transactions with securities of the same issue on different stock markets, the current (fair) value is determined using the market price at the stock market with the largest volume of transactions with such securities during a trading day.

Interest income on investments in debt securities classified by the Bank within I, II and III quality categories are taken to financial result for the current year when accrued. Interest income on investments in debt securities classified by within IV and V quality categories are taken to financial result at the date of actual receipt.

The Bank recognizes and derecognizes securities when all the risks and rewards of ownership of the security, such as income payments on securities made by the issuer and the results of revaluation at the current (fair) value, are substantially transferred. The Bank applies the FIFO method to determine the value of disposed (sold) securities. Income and expenses from disposal (sale) of securities are taken to financial result for the current year at the date of transfer of ownership rights to disposed (sold) securities.

### Derivative financial instruments

The Bank performs transactions with derivative financial instruments defined as such in accordance with the law on the securities market and regulations of the Bank of Russia, as well as provisions of international law or business practice. All transactions with the term of more than two working days after the date of signing the agreement are classified by the Bank as derivative financial instruments.

Derivative financial instruments are recorded at the date of signing the agreement. Derivative financial instruments are derecognized upon derecognition of assets and liabilities in accordance with the agreement. The difference between the aggregate value of assets and liabilities under the agreement for derivative financial instruments is taken to financial result for the current year.

## Translation of the original Russian version

The fair value of derivative financial instruments is recorded by the Bank:

- ▶ At the date of initial recognition.
- ▶ On the last working day of the month.
- ▶ At the date of derecognition.
- ▶ At the contractual maturity dates of assets and (or) liabilities arising from interim payments performed during the term of the agreement in settlement of contractual obligations.

The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivative financial instruments are carried as assets when their fair value is positive and as liabilities when it is negative.

### **Assets and property (as related to settlements with debtors and creditors)**

Settlements with debtors and creditors comprise the amounts of assets and liabilities arising in the normal course of the Bank's business.

The Bank's accounts receivable comprise advances and prepayments, as well as claims to customers and clients to pay for the delivered property and other valuables, services rendered and work performed. Accounts receivable are written off on the basis of the relevant documents confirming the receipt of cash amounts, delivery of the asset, performance of work, rendering of services.

Accounts receivables are analyzed to determine the exposure to risk of potential losses. Pursuant to the interbank methodologies and Regulation No. 283-P, the Bank accrues provisions for potential losses.

The Bank's accounts payable comprise amounts to be paid to suppliers and contractors for the delivered property and other valuables, work and services accepted, advances and prepayments from the recipients (customers and clients). Accounts payable are written off when payments are made, property is delivered, work is performed, and services are rendered.

Accounts receivable and payable are recorded with the breakdown by agreements, suppliers, recipients (customers and clients). Accounts receivable and payable are subject to stocktaking in accordance with the generally accepted procedure.

### **Assets and property (as related to own fixed assets)**

Fixed assets are understood as a portion of the Bank's property with the useful life exceeding 12 months and the minimum cost of RUR 40,000 (net of VAT).

Fixed assets are recorded at cost (input VAT inclusive) that is determined based on actual costs of acquiring and bringing fixed assets to the condition suitable for use.

The carrying amount of fixed assets may be changed in the event of additional construction, further equipment, modernization, reconstruction, revaluation, partial liquidation of the assets in question in accordance with the regulations of the Bank of Russia. Fixed assets were not revalued by the Bank.

Accumulated capital expenditures on property assets may be recognized as fixed assets (without depreciation charge) in the event that such assets are put into use (partial use) before signing the act of their commissioning. Costs for construction and repair and special-purpose work incurred in subsequent periods are recorded as capital expenditures and transferred to the account of fixed assets after signing the act of commissioning.

Fixed assets are depreciated on a straight-line basis during the useful life of fixed assets which is determined at the date of commissioning.

The useful lives of fixed assets put into operation are determined by the Bank's authorized collective body in accordance with the classification of fixed assets included in depreciation groups established by Decree No. 1 of the Government of the Russian Federation *On the Classification of Fixed Assets Included Depreciation Groups* dated 1 January 2002.

### **Assets and property (as related to leased fixed assets)**

The transfer of property into the Bank's temporary possession and use or temporary use is documented in the form of a lease agreement. Fixed assets received under lease agreements are recorded by the Bank on the off-balance sheet account for leased assets at their cost stated in lease agreements. Where the information on the cost of leased assets is not available, the Bank takes measures to determine the market value of such assets.

Lease payments are recorded by the Bank within expenses not later than the date specified in the lease agreement. For lease agreements under which lease payments are made once in several months, expenses are accrued on a monthly basis on the last working day of the month in the amount proportionally attributable to the current month.

### **Assets and property (as related to disposal/ sale of assets)**

The Bank's assets are disposed of when they are not fit for further use (as a result of obsolescence or physical deterioration, or liquidation) and when the ownership right is transferred (including in the event of sale).

The carrying amount and accumulated depreciations of fixed assets are written off upon disposal. Gains from the sale of fixed assets are recorded within income (expenses) of the Bank.

### **Assets and property (as related to deferred income and expenses)**

The lump-sum amounts received by the Bank from credit or other claims, which relate to subsequent reporting periods, are recorded within deferred income at the date of receipt. These revenues are recorded on the financial result accounts not later than the last working day of the reporting period (month) in the amount proportionally attributable to the current month.

The lump-sum amounts paid by the Bank on credit or other liabilities, which relate to subsequent reporting periods, are recorded within deferred expenses at the date of transfer. These expenses are also recorded on the financial result accounts not later than the last working day of the reporting period (month) in the amount proportionally attributable to the current month.

### **Assets and property (as related to other assets and property)**

Tangible assets used for the provision of services, or for administrative, business, social needs and falling beyond the definition of fixed assets are classified as inventories. Tangible assets are recognized at the cost of acquisition.

Tangible assets are expensed when transferred for operation to responsible persons or based on a duly approved report of their utilization prepared by such responsible persons.

### **Equity and funds, profit (losses), profit distribution**

The Bank's share capital is formed out of the shareholders' equity according to the procedure stipulated by the effective legislation and regulations of the Bank of Russia. The General Shareholders' Meeting may decide to increase the share capital through additional placement of shares or to decrease the share capital by reducing the number of shares.

Additional paid-in capital includes revaluation results for property and securities held for sale and share premium.

Decisions on profit distribution are taken at the annual General Shareholders' Meeting once the financial results for the year are approved. At least 5% of profit after tax is allocated to the reserve fund (till the moment the reserve fund reaches 5% of the share capital). The reserve fund is utilized in accordance with the approved internal procedure of the Bank.

The General Shareholders' Meeting may decide to pay dividends out of profit. The amount of dividends on ordinary shares is determined at the end of the reporting year based on the Bank's performance results. Dividends are paid within the terms established by the General Shareholders' Meeting.

After the annual General Shareholders' Meeting approves financial results and distributes the profit within the terms established by the Bank of Russia, the remaining profit for the current year is taken to retained earnings or uncovered loss.

### **Provisions**

As of 1 January 2016, provisions for potential losses on loans and similar debt and provisions for potential losses on other assets were accrued in full in accordance with the regulatory requirements of the Bank of Russia.

The Bank accrues a provision for vacations and employee benefits at the year-end to ensure the even allocation of personnel expenses.

### **Off-balance sheet liabilities**

The Bank's off-balance sheet liabilities comprise balances of accounts for the collateral of placements, fixed and other assets, lease agreements, and liabilities on term transactions.

The Bank's liabilities on term transactions arise as a result of agreements (transactions) for the purchases or sales of financial instruments that are effected not earlier than the date following the date of signing the agreement (conclusion of the transaction). Liabilities to supply cash and derivative financial instruments are recorded from the date of signing the agreement (conclusion of the transaction) before the first date of settlements with the breakdown by remaining maturities. The liabilities are subject to revaluation due to the changes in official exchange rates of foreign currencies to Russian ruble, market prices (fair values) of securities, and other variables. The revaluation results, other than the results of changes in the value of derivative financial instruments, are not included in the financial result for the current year.

### **3.5. The nature of assumptions and key sources of estimation uncertainty at the end of the reporting period**

In the process of applying the Bank's accounting policies, management has used estimates and assumptions concerning carrying amounts of assets and liabilities that are not readily apparent from other source. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the change affects only the respective period, and in future periods if the change affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### **Provision for loans, overdue loans and equivalent debts**

The Bank accrues provisions for potential losses on loans, overdue loans and equivalent debt according to Regulation No. 254-P. The provision is accrued when the loan (loans) is impaired, i.e. when a loan is devalued due to a failure to perform or improper performance of obligations to the Bank by a borrower or if there is a real threat of a failure to perform or improper performance of obligations.

The provision is accrued for a certain loan or for a portfolio of homogeneous loans, i.e. for a group of loans with similar credit risk characteristics and separated for the purposes of provision accrual (hereinafter, homogeneous loan portfolio) due to credit risk related to activities of a certain borrower or a group of borrowers.

The amount of provision shall not exceed loan principal (loan carrying amount). The principal does not include payments provided for by the law, business practice or loan agreement, payments of loan interest, commission, forfeits and other payments under the loan agreement (hereinafter, loan interest).

The Bank assesses credit risk with regard to a loan and homogeneous loan portfolios on a continuous basis. Regulation No. 254-P establishes regularity of classification and assessment of a loan (homogeneous loan portfolio), as well as estimation (revision) of the provision for loans and homogeneous loan portfolios.

The amount of loan (homogeneous loan portfolio) provision shall be revised on a daily basis in response to changes in the level of credit risk, changes in the loan principal resulting, inter alia, from changes in the Bank of Russia official exchange rate of the loan currency against the ruble, and changes in the quality of the collateral.

A loan, which is classified individually, is assessed, and the amount of estimated provision is calculated based on professional judgment. Professional judgment is made following a complex analysis of the borrower's activity, taking into account its financial position, debt servicing quality and all available information on the borrower, including borrower's risks, information on external obligations of the borrower and operations in the borrower's market (markets).

Professional judgment is made and documented when a loan is issued. Further, it is made with respect to the following:

- ▶ separate loans issued to individuals – at least once a quarter as of the reporting date;
- ▶ separate loans issued to legal entities – at least within one month after the end of the reporting period (the period for submission of annual financial statements and corporate income tax declaration) to tax authorities as of the reporting date;
- ▶ separate loans issued to credit institutions – at least once a month as of the reporting date.

If legislation of the country, where non-resident borrower is located, does not require quarterly (monthly) reporting, then, in order to comply with regularity requirement for assessing the borrower's financial position stipulated by this paragraph (at least once a quarter/month), it is required to use the financial statements, which is submitted with regularity stipulated by legislation of the country, where the borrower is located, as well as all additional information concerning the borrower.

With respect to loans included in homogeneous loan portfolio, the provision is accrued based on professional judgment made on homogeneous loan portfolio without making a professional judgment with respect to the level of credit risk for each separate loan. Homogeneous loan portfolios include loans with similar credit risk characteristics. For each homogeneous loan portfolio, the Bank applies provisioning rate, which is required to cover expected portfolio losses no less than the rates set by Regulation No. 254-P. The Bank does not include in the homogeneous loan portfolio (excludes from the homogeneous loan portfolio) loans that have evidence of individual impairment.

At least once a quarter, the Bank documents and includes in homogeneous loan portfolio records the information on general analysis performed to check the borrowers' financial position and results thereof, including the Bank's professional judgment concerning the level of credit risk related to homogeneous loan portfolio and information on provision calculation.

#### **Provisions for potential losses**

The Bank accrues provision for potential losses in accordance with Regulation No. 283-P. In complying with the requirements of the regulator, the Bank's regulation provides for individual classification and criteria for inclusion in homogeneous claim portfolio/ portfolio of estimation base elements of provision for potential losses.

## Translation of the original Russian version

Individual classification of estimation base elements implies that an individual professional judgment should be made with respect to the level of risk based on assessment of credit risk exposure of a counterparty; the Bank performs this classification based on the risk factors identified following the analysis of the counterparty's financial statements, and other information on the counterparty's financial position and performance.

Estimation base elements of provision for potential losses are included in the homogeneous claim portfolio based on the principle of immateriality of the amount of estimation base element without making a professional judgment with respect to each individual element. The provision is accrued based on professional judgment made with respect to homogeneous claim portfolio.

The provision amount is determined based on one of five quality categories and provision rate, which are set within the range as per Regulation No. 283-P.

### **Fair value of financial instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the market price. The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. The fair value of financial instruments that are not quoted in an active market is determined using valuation methodologies. The Bank's Management uses all available market information in estimating the fair value of financial instruments.

### **Taxation**

A major part of the Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities.

Trends in application and interpretation of certain provisions of Russian tax legislation suggest that the tax authorities may take a more assertive position in their interpretation and application of the legislation, conducting tax audits and imposing additional tax requirements. Consequently, the tax authorities may challenge the transactions and methods of accounting, which have not been challenged before. As a result, significant additional taxes, penalties and fines may be assessed. Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year during which the tax audit decision was made. Under certain circumstances, tax reviews may cover longer periods.

The Russian transfer pricing tax legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional income tax and value added tax liabilities in respect of all controlled transactions if the transaction price differs from the market price and unless the Bank is able to demonstrate the use of market prices with respect to the controlled transactions. Due to the absence of law enforcement precedents based on the new rules, consequences of any disputes with tax authorities relating to prices cannot be estimated reliably, but may influence the Bank's financial results and performance. In 2015, the Bank determined its tax liabilities arising from these "controlled" transactions using actual transaction prices. Management believes that the Bank complies with the requirements of the Russian transfer pricing legislation with regard to controlled transactions, including proper preparation and presentation of notifications and, if necessary, transfer pricing documentation to the tax authorities, confirming that the Bank used market prices in performing controlled transactions.

Federal Law No. 376-FZ dated 24 November 2014 (better known as the "deoffshorization law" or the "law on controlled foreign companies") amended the Russian tax legislation to include the terms "tax resident" in respect of foreign legal entities, "actual recipient of income" and "controlled foreign company" that will be adopted starting from 2015. Overall, the adoption of the law should increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries. Currently, management believes that Law No. 376-FZ has no significant effect on the Bank's tax liabilities for 2015.

When determining the amount of deferred tax assets, which may be recognized in the financial statements, the Bank's management assesses the probability of use of the deferred tax asset in full. The use of the deferred tax asset depends on taxable profit obtained in periods when timing differences may be used against it. When conducting such an assessment the management takes into account the planned write-off of deferred tax liability, future expected taxable profit, as well as tax planning strategies.

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

### **3.6. Material errors in annual financial statements**

According to the Bank's accounting policy, an error is deemed material if such error, individually or in combination with other errors for the same reporting period, influences the Bank's financial result in the amount more than 5% of an item amount as of the reporting date.

In 2015, there were no material errors that would have required the adjustment of comparative data.

#### 4. Activities related to the end of the financial year and preparation of the annual financial statements

##### 4.1. Inventory count of balance sheet items, fixed assets, inventories and intangible assets not in use

In accordance with the financial year ending program, the Bank performed an inspection of cash and valuables in the depository of the Bank as of 1 January 2016, as well as an inventory count of account balances as of 1 December 2015.

The inventory count included settlements for assets and liabilities arising from banking operations and transactions and for assets and liabilities arising from term transactions, settlements with debtors and creditors on client accounts opened within the balance sheet accounts of Chapter A "Balance Sheet Accounts", C "Off-Balance Sheet Accounts", D "Term transactions" and E "Securities Accounts".

The Bank performed inventory count of balance sheet items, fixed assets, inventories and intangible assets not in use as of 1 December 2015.

There were no surpluses or deficiencies identified as a result of the inspection of cash and valuables.

The inventory count revealed no misstatements between the actual availability and amounts of property, assets and liabilities and accounting records.

The annual financial statements reflect the Bank's property, assets and liabilities.

##### 4.2. Events after the reporting date

Pursuant to Instructive Regulation No. 3054-U, an event after the reporting date is an event occurring in course of the Bank's activities during the period after the reporting date and the date of signing of the annual financial statements that has or may have an effect on its financial position as of the reporting date or its financial performance for the reporting year.

Information is considered material if its non-presentation or misstatement may influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size of an item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a qualitative characteristic which information must have to be useful.

Events after the reporting date shall include:

- ▶ Adjusting events ("EARD") confirming the presence, as of the reporting date, of conditions in which the Bank operated. EARD shall be recorded in the accounting records before the date the annual financial statements are prepared.
- ▶ Non-adjusting events attesting to the origination, after the reporting date, of new conditions in which the Bank operated. Non-adjusting events shall not be recorded in the accounting records and shall be disclosed in the explanatory notes to the annual financial statements.

##### Non-adjusting events

There were no non-adjusting events during the period after the reporting date and the date of signing of the annual financial statements.

##### Adjusting events

Adjusting events are recorded in the 2015 financial statements:

<b>1 January 2016</b>	<b>After EARD</b>	<b>Before EARD</b>	<b>Difference</b>
Interest income	5,143,117	5,129,672	13,445
Interest expenses	2,230,696	2,230,683	13
<b>Net interest income</b>	<b>2,912,421</b>	<b>2,898,989</b>	<b>13,432</b>
Fee and commission income	2,843,438	2,626,280	217,158
Fee and commission expenses	134,645	122,637	12,008
<b>Net fee and commission income</b>	<b>2,708,793</b>	<b>2,503,643</b>	<b>205,150</b>
Net income from financial assets	3,761,470	3,761,470	–
Net income from securities available for sale	(60)	(60)	–
Net income from foreign currency transactions	(545,337)	(545,337)	–
Net expense from foreign currency translation	(5,135,162)	(5,135,162)	–
Change in provision for potential losses	(885,040)	(885,041)	1
Other operating income	28,476	41,965	(13,489)
Operating expenses	(1,387,815)	(1,363,422)	(24,393)
<b>Profit before tax</b>	<b>1,457,746</b>	<b>1,277,045</b>	<b>180,701</b>
Tax benefit (expense)	(334,071)	(261,572)	(72,499)
<b>Financial result after tax (profit (+); loss (-))</b>	<b>1,123,675</b>	<b>1,015,473</b>	<b>108,202</b>

## 5. Accompanying information to the balance sheet items

### 5.1. Cash and cash equivalents

Cash and cash equivalents comprise:

	1 January 2016	1 January 2015
<b>Cash on hand, including:</b>	<b>10</b>	<b>10</b>
- Russian national currency	10	10
<b>Amounts due from the Bank of Russia (other than obligatory reserves), including:</b>	<b>191,917</b>	<b>1,138,061</b>
<b>Nostro accounts with credit institutions, including:</b>	<b>53,041</b>	<b>18,029</b>
- Russian credit institutions	11,305	18,016
- foreign credit institutions	41,736	13
<b>Total cash and amounts due from credit institutions</b>	<b>244,968</b>	<b>1,156,100</b>

In accordance with Regulation No. 342-P dated 7 August 2009, the Bank makes contributions to obligatory reserves with the Bank of Russia on a monthly basis. Obligatory reserves with the Bank of Russia are not included in cash and cash equivalents due to restrictions on their availability. As of 1 January 2016, obligatory reserves amounted to kRUR 11,646 (as of 1 January 2015: kRUR 115,696).

### 5.2. Net loans receivable

Net loans receivable comprise:

	1 January 2016	1 January 2015
<b>Deposits with the Bank of Russia</b>	<b>500,000</b>	<b>–</b>
<b>Loans to credit institutions, including:</b>	<b>4,200,000</b>	<b>9,216,854</b>
- Resident banks	4,200,000	9,216,854
<i>Provisions for potential losses*</i>	<i>(140,000)</i>	<i>(13,500)</i>
<b>Financing against monetary claim assignment (factoring), including:</b>	<b>10,569,133</b>	<b>5,216,061</b>
- Resident legal entities, total (including by types of business activity)	10,569,133	5,216,061
- Trade in automotive vehicles	10,568,719	5,211,730
- Financial intermediation	414	4,331
<i>Provisions for potential losses*</i>	<i>(324,886)</i>	<i>(72,184)</i>
<b>Loans to individuals, including:</b>	<b>34,368,478</b>	<b>21,367,439</b>
- Resident individuals (car loans)	34,368,478	21,367,439
<i>Provisions for potential losses*</i>	<i>(619,112)</i>	<i>(143,619)</i>
<b>Total loans receivable</b>	<b>49,637,611</b>	<b>35,800,354</b>
<i>Total provisions for potential losses on loans*</i>	<i>(1,083,998)</i>	<i>(229,303)</i>
<b>Total net loans receivable</b>	<b>48,553,613</b>	<b>35,571,051</b>

\* Amounts decreasing the item

Breakdown of net loans receivable by the term to maturity is presented below:

	1 January 2016	1 January 2015
<b>Deposits with the Bank of Russia, including:</b>	<b>500,000</b>	<b>–</b>
- up to 30 days	500,000	–
<b>Loans to credit institutions, including:</b>	<b>4,200,000</b>	<b>9,216,854</b>
- up to 30 days	4,200,000	9,216,854
<i>Provisions for potential losses*</i>	<i>(140,000)</i>	<i>(13,500)</i>
<b>Financing against monetary claim assignment (factoring), including:</b>	<b>10,569,133</b>	<b>5,216,061</b>
<i>Current (not past due) debt, including:</i>	<i>10,502,291</i>	<i>5,216,061</i>
- up to 30 days	918,791	149,472
- from 31 to 90 days	8,153,483	3,465,765
- from 91 to 180 days	1,430,017	1,544,559
- from 181 days to 1 year	–	56,265
<i>Past due debt, including:</i>	<i>66,842</i>	<i>–</i>
- with indefinite maturity	66,842	–
<i>Provisions for potential losses*</i>	<i>(324,886)</i>	<i>(72,184)</i>
<b>Loans to individuals, including:</b>	<b>34,368,478</b>	<b>21,367,439</b>
<i>Current (not past due) debt, including:</i>	<i>34,264,371</i>	<i>21,351,092</i>
- up to 30 days	1,364,291	676,033
- from 31 to 90 days	2,347,446	1,107,051
- from 91 to 180 days	2,948,853	1,656,434
- from 181 days to 1 year	5,959,107	3,375,962
- from 1 to 3 years	19,006,483	10,899,078
- from 3 to 5 years	2,587,819	3,592,815
- over 5 years	37,152	39,903
- with indefinite maturity	13,220	3,816



Translation of the original Russian version

	<u>1 January 2016</u>	<u>1 January 2015</u>
<i>Past due debt, including:</i>	104,107	16,347
- with indefinite maturity	104,107	16,347
<i>Provisions for potential losses*</i>	(619,112)	(143,619)
<b>Total loans receivable</b>	<b>49,637,611</b>	<b>35,800,354</b>
<i>Total provisions for potential losses on loans*</i>	(1,083,998)	(229,303)
<b>Total net loans receivable</b>	<b>48,553,613</b>	<b>35,571,051</b>

As of 1 January 2016, all loans issued were denominated in Russian rubles. As of 1 January 2015, the major portion of loans issued was denominated in Russian rubles. As of 1 January 2015, loans denominated in foreign currency issued to resident banks amounted to kRUR 1,366,854.

### 5.3. Net investments in securities available for sale

Net investments in securities available for sale comprise:

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Total debt obligations of resident banks, including:</b>	<b>200,321</b>	<b>–</b>
by the term to maturity		
- up to 30 days	24,843	–
- from 31 to 90 days	74,236	–
- over 5 years	101,242	–
<b>Total securities available for sale</b>	<b>200,321</b>	<b>–</b>

### 5.4. Fixed assets, intangible assets and inventories

Fixed assets, intangible assets and inventories comprise:

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Total fixed assets, intangible assets and inventories, including:</b>	<b>40,659</b>	<b>44,335</b>
Fixed assets	36,987	40,767
Intangible assets	3,411	3,085
Inventories	261	483
<i>Depreciation and amortization charges*</i>	(27,404)	(14,845)
<b>Total net carrying amount</b>	<b>13,255</b>	<b>29,490</b>

\* Amounts decreasing the item

Breakdown of fixed assets, intangible assets and inventories by the term to maturity is presented below:

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Total fixed assets, intangible assets and inventories, including:</b>	<b>40,659</b>	<b>44,335</b>
- from 31 to 90 days	261	325
- from 181 days to 1 year	–	158
- with indefinite maturity	40,398	43,852
<i>Depreciation and amortization charges*</i>	(27,404)	(14,845)
<b>Total net carrying amount</b>	<b>13,255</b>	<b>29,490</b>

As of 1 January 2016 and 2015, The Bank had no fixed assets that were temporarily not used in principal activities, as well as pledged as collateral for liabilities.

### 5.5. Other assets

Other assets comprise:

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Total financial assets, including:</b>	<b>508,931</b>	<b>242,049</b>
Interest receivable	182,768	117,089
Fee and commission receivable	196,476	124,563
Receivables under car loans subsidizing program	128,935	397
Other receivables	752	–
<b>Total non-financial assets, including:</b>	<b>743,322</b>	<b>965,344</b>
Taxes and payroll settlements	37,426	32,318
Settlements with suppliers (advance payments)	174,762	291,621
Prepaid expenses	531,134	641,405
<b>Other assets before provisions for potential losses, total</b>	<b>1,252,253</b>	<b>1,207,393</b>
<i>Provision for potential losses on other assets*</i>	(27,549)	(1,649)
<b>Other assets less provisions for potential losses</b>	<b>1,224,704</b>	<b>1,205,744</b>

\* Amounts decreasing the item

## Translation of the original Russian version

Breakdown of other assets by the term to maturity is presented below:

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Total financial assets, including:</b>	<b>508,931</b>	<b>242,049</b>
<i>Current (not past due) debt, including:</i>	501,261	240,384
- up to 30 days	500,509	240,384
- with indefinite maturity	752	-
<i>Past due debt, including:</i>	7,670	1,665
- with indefinite maturity	7,670	1,665
<b>Total non-financial assets, including:</b>	<b>743,322</b>	<b>965,344</b>
<i>Current (not past due) debt, including:</i>	723,891	965,326
- up to 30 days	107,112	4,867
- from 31 to 90 days	40,589	298,462
- from 91 to 180 days	22,821	211
- from 181 days to 1 year	18,971	12,142
- from 1 to 3 years	520,156	18,770
- from 3 to 5 years	14,242	630,874
<i>Past due debt, including:</i>	19,431	18
- with indefinite maturity	19,431	18
<b>Other assets before provisions for potential losses, total</b>	<b>1,252,253</b>	<b>1,207,393</b>
<i>Provision for potential losses on other assets*</i>	(27,549)	(1,649)
<b>Other assets less provisions for potential losses</b>	<b>1,224,704</b>	<b>1,205,744</b>

As of 1 January 2016, all other assets were denominated in Russian rubles. As of 1 January 2015, the major portion of other assets was denominated in Russian rubles. Other assets denominated in foreign currency amounted to kRUR 388.

As of 1 January 2016 and 2015, other assets included short-term accounts receivable with the expected settlement or payment period not exceeding 12 months after the reporting date.

### 5.6. Loans, deposits and other amounts due to the Bank of Russia

Loans, deposits and other amounts due to the Bank of Russia comprise:

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Total deposits received from the Bank of Russia, including:</b>	<b>2,000,000</b>	<b>1,000,000</b>
by the term to maturity		
- up to 30 days	-	1,000,000
- from 91 to 180 days	2,000,000	-

### 5.7. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Total deposits received from resident banks, including:</b>	<b>16,135,000</b>	<b>11,500,000</b>
by the term to maturity		
- up to 30 days	635,000	1,000,000
- from 31 to 90 days	2,500,000	2,000,000
- from 91 to 180 days	9,500,000	5,000,000
- from 181 days to 1 year	2,000,000	3,500,000
- from 1 to 3 years	1,500,000	-
<b>Total deposits received from non-resident banks, including:</b>	<b>10,360,636</b>	<b>7,100,562</b>
by the term to maturity		
- from 31 to 90 days	-	3,000,000
- from 1 to 3 years	10,360,636	4,100,562
<b>Total amounts due to credit institutions</b>	<b>26,495,636</b>	<b>18,600,562</b>

### 5.8. Amounts due to customers other than credit institutions

Amounts due to customers other than credit institutions comprise:

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Resident legal entities, including:</b>	<b>47,412</b>	<b>650,746</b>
by the term to maturity		
Settlements on factoring transactions, including:	9,212	746
- up to 30 days	9,212	746
Term deposits, including:	38,200	650,000
- from 31 to 90 days	-	500,000
- from 91 to 180 days	-	150,000
- from 181 days to 1 year	38,200	-
<b>Non-resident legal entities, including:</b>	<b>12,391,566</b>	<b>8,293,106</b>

Translation of the original Russian version

	<u>1 January 2016</u>	<u>1 January 2015</u>
- up to 30 days	–	2,588,542
- from 31 to 90 days	–	2,000,000
- from 181 days to 1 year	–	410,056
- from 1 to 3 years	12,391,566	3,294,508
<b>Resident individuals, including:</b>	<b>1,040,267</b>	<b>466,819</b>
Current accounts, including:	1,040,267	466,819
- with indefinite maturity	1,040,267	466,819
<b>Total amounts due to customers</b>	<b>13,479,245</b>	<b>9,410,671</b>

Amounts due to customers other than credit institutions (by sector)

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Resident legal entities, including:</b>	<b>47,412</b>	<b>650,746</b>
- Trade in automotive vehicles	47,412	746
- Financial intermediation	–	650,000
<b>Non-resident legal entities, including:</b>	<b>12,391,566</b>	<b>8,293,106</b>
- Financial intermediation	12,391,566	8,293,106
<b>Resident individuals, including:</b>	<b>1,040,267</b>	<b>466,819</b>
<b>Total amounts due to customers</b>	<b>13,479,245</b>	<b>9,410,671</b>

### 5.9. Other liabilities

Other liabilities comprise:

	<u>1 January 2016</u>	<u>1 January 2015</u>
Interest payable	833,192	673,805
Other accounts payable	13,930	11,618
<b>Total other financial liabilities</b>	<b>847,122</b>	<b>685,423</b>
Taxes and payroll payable	4,478	25,246
VAT payable	149,295	183,080
Trade payable	570,723	484,274
Deposit insurance agency fee payable	885	249
Provision for future expenses for vacation payments and annual bonuses	181,103	102,700
<b>Total other non-financial liabilities</b>	<b>906,484</b>	<b>795,549</b>
<b>Total other liabilities</b>	<b>1,753,606</b>	<b>1,480,972</b>

Breakdown of other liabilities by the term to maturity is presented below:

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Other financial liabilities, including:</b>	<b>847,122</b>	<b>685,423</b>
- up to 30 days	134,751	41,881
- from 31 to 90 days	58,495	490,286
- from 91 to 180 days	349,838	95,224
- from 181 days to 1 year	115,282	45,253
- from 1 to 3 years	187,789	12,007
- with indefinite maturity	967	772
<b>Other non-financial liabilities, including:</b>	<b>906,484</b>	<b>795,549</b>
- up to 30 days	6,455	55,090
- from 31 to 90 days	153,773	208,326
- from 1 to 3 years	163,492	–
- from 3 to 5 years	–	211,107
- with indefinite maturity	582,764	321,026
<b>Total other liabilities</b>	<b>1,753,606</b>	<b>1,480,972</b>

As of 1 January 2016, the major portion of other liabilities was denominated in Russian rubles. As of 1 January 2016, other liabilities denominated in foreign currency amounted to kRUR 138,641. As of 1 January 2015, the major portion of other liabilities was denominated in Russian rubles. As of 1 January 2015, other liabilities denominated in foreign currency amounted to kRUR 21,111.

### 5.10. Sources of equity

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Ordinary shares</b>		
Nominal value of cash paid for shares	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Reserve fund	11,006	–
Prior years profit	739,531	(373,139)

Translation of the original Russian version

**5.11. Off-balance sheet liabilities and derivative financial instruments**

The Bank enters into transactions with derivative financial instruments. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their nominal value. The nominal value reflects the volume of transactions outstanding at the year-end and do not indicate a credit risk.

	<i>Fair value</i>		<i>Nominal value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
<b>At 1 January 2016</b>				
<b>Total foreign exchange contracts, including:</b>	<b>412,836</b>	<b>–</b>	<b>3,094,140</b>	<b>2,915,862</b>
- foreign exchange swaps – foreign contracts by the term to maturity:				
- from 91 to 180 days	143,903	–	622,722	498,716
- from 181 days to 1 year	268,933	–	2,471,418	2,417,146
<b>Total interest rate contracts, including:</b>	<b>2,469,119</b>	<b>–</b>	<b>18,739,790</b>	<b>18,569,831</b>
- cross-currency interest rate swap – foreign contracts by the term to maturity:				
- from 181 days to 1 year	612,013	–	7,420,030	7,531,228
- from 1 to 3 years	1,857,106	–	11,319,760	11,038,603
<b>Total derivative assets/liabilities</b>	<b>2,881,955</b>	<b>–</b>	<b>21,833,930</b>	<b>21,485,693</b>

	<i>Fair value</i>		<i>Nominal value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
<b>At 1 January 2015</b>				
<b>Total foreign exchange contracts, including:</b>	<b>626,732</b>	<b>–</b>	<b>2,600,576</b>	<b>2,006,307</b>
- foreign exchange swaps – foreign contracts by the term to maturity:				
- up to 30 days	626,732	–	2,600,576	2,006,307
<b>Total interest rate contracts, including:</b>	<b>603,975</b>	<b>169,653</b>	<b>6,691,755</b>	<b>8,082,485</b>
- cross-currency interest rate swap – foreign contracts by the term to maturity:				
- from 1 to 3 years	603,975	169,653	6,691,755	8,082,485
<b>Total derivative assets/liabilities</b>	<b>1,230,707</b>	<b>169,653</b>	<b>9,292,331</b>	<b>10,088,792</b>

Foreign contracts in the tables above are contracts concluded with non-residents of the Russian Federation.

As of 1 January 2016 and 2015, the Bank had no positions in the foreign exchange swaps and cross-currency interest rate swaps, which are contractual agreements between two parties to exchange movements in foreign currency and interest rates.

As of 1 January 2016 and 2015, the Bank had no credit related or non-credit related liabilities.

**6. Accompanying information to the statement of income**

**6.1. Net interest income**

Net interest income comprises:

	<b>1 January 2016</b>	<b>1 January 2015</b>
Loans issued to legal entities	310,053	188,901
Loans issued to individuals	4,354,358	847,689
Loans issued to banks	470,147	266,780
Securities	8,559	–
<b>Total interest income</b>	<b>5,143,117</b>	<b>1,303,370</b>
<i>Deposits from legal entities*</i>	<i>(199,914)</i>	<i>(191,700)</i>
<i>Deposits from banks*</i>	<i>(2,030,782)</i>	<i>(642,181)</i>
<b>Total interest expenses*</b>	<b>(2,230,696)</b>	<b>(833,881)</b>
<b>Total net interest income</b>	<b>2,912,421</b>	<b>469,489</b>

\* Amounts decreasing the item

**6.2. Net fee and commission income**

Net fee and commission income comprises:

	<b>1 January 2016</b>	<b>1 January 2015</b>
Fee and commission on factoring transactions	1,043,556	650,586
Other transactions	1,799,882	895,678
<b>Total fee and commission income</b>	<b>2,843,438</b>	<b>1,546,264</b>
<i>Money transfer services*</i>	<i>(110,234)</i>	<i>(29,060)</i>
<i>Settlements and cash services*</i>	<i>(1,318)</i>	<i>(1,660)</i>
<i>Securities depository services</i>	<i>(45)</i>	<i>–</i>
<i>Other transactions*</i>	<i>(23,048)</i>	<i>(1,898)</i>
<b>Total fee and commission expenses*</b>	<b>(134,645)</b>	<b>(32,618)</b>
<b>Total net fee and commission income</b>	<b>2,708,793</b>	<b>1,513,646</b>

\* Amounts decreasing the item

**6.3. Net income from financial assets**

	<u>1 January 2016</u>	<u>1 January 2015</u>
Gain from derivatives	3,943,436	1,209,643
Losses from derivatives*	(181,966)	(131,983)
<b>Total net income from financial assets</b>	<b>3,761,470</b>	<b>1,077,660</b>

\* Amounts decreasing the item

**6.4. Net income from securities available for sale**

	<u>1 January 2016</u>	<u>1 January 2015</u>
Gain from securities transactions	38	-
Losses from securities transactions*	(98)	-
<b>Total net income from securities</b>	<b>(60)</b>	<b>-</b>

\* Amounts decreasing the item

**6.5. Net expenses arising from foreign currency transactions**

	<u>1 January 2016</u>	<u>1 January 2015</u>
Realized foreign exchange gain	4,648	7,846
Realized foreign exchange loss*	(549,985)	(1,156)
<b>Total net income from foreign currency transactions</b>	<b>(545,337)</b>	<b>6,690</b>

\* Amounts decreasing the item

**6.6. Net income from foreign currency translation**

	<u>1 January 2016</u>	<u>1 January 2015</u>
Revaluation of assets in foreign currency – positive differences	19,591,044	6,003,733
Revaluation of assets in foreign currency – negative differences*	(24,726,206)	(7,049,571)
<b>Net income from foreign currency translation</b>	<b>(5,135,162)</b>	<b>(1,045,838)</b>

\* Amounts decreasing the item

**6.7. Information on charge (reversal) of provisions for potential losses**

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Total charge of provisions for potential losses from loans receivable and similar debt, including:</b>	<b>(878,525)</b>	<b>(228,066)</b>
Income from reversal of provisions for potential losses	4,930,140	572,926
Charges to provisions for potential losses*	(5,808,665)	(800,992)
<b>Total charge of provisions for potential losses from interest income, including:</b>	<b>(6,515)</b>	<b>(1,646)</b>
Income from reversal of provisions for potential losses	34,067	6,772
Charges to provisions for potential losses*	(40,582)	(8,418)
<b>Total charge of provisions for potential losses</b>	<b>(885,040)</b>	<b>(229,712)</b>

\* Amounts decreasing the item

Movements in provisions for potential losses from loans, loan receivable and similar debt, and other assets in 2015:

<b>Balance at 1 January 2015, including:</b>	<b>230,952</b>
- Loans receivable and similar debt	229,303
- Interest income	1,649
- Other assets	-
<b>Total movement in provisions, including:</b>	<b>880,595</b>
- Charge of provisions, including the following:	5,829,235
1) Issue of new loans	3,751,193
2) Change in loan quality	1,889,349
3) Change in the official exchange rate of foreign currency to the ruble set by the Bank of Russia	981
4) Other reasons	187,712
- Reversal of provisions, including the following*:	(4,968,651)
1) Write-off of bad debts	(4,398)
2) Repayment of loans	(3,768,700)
3) Change in loan quality	(1,002,753)
4) Change in the official exchange rate of foreign currency to the ruble set by the Bank of Russia	(764)
5) Other reasons	(192,036)
<b>Balance at 1 January 2016, including:</b>	<b>1,111,547</b>
- Loans receivable and similar debt	1,083,998
- Interest income	7,538
- Other assets	20,011

\* Amounts decreasing the item

## 6.8. Other operating income

Other operating income includes the following:

	<b>1 January 2016</b>	<b>1 January 2015</b>
Property lease	696	4,408
Deductible VAT	27,226	–
Other income	554	11,037
<b>Total other operating income</b>	<b>28,476</b>	<b>15,445</b>

## 6.9. Operating expenses

Operating expenses comprise:

	<b>1 January 2016</b>	<b>1 January 2015</b>
Employee benefits, other personnel expenses	445,981	419,500
Payroll related taxes	80,417	66,436
Depreciation of fixed assets	14,060	12,721
Repair and maintenance	23,148	27,637
Inventory write-off	4,376	11,497
Disposal (sale) of property	3,784	–
Non-exclusive rights for software	150,106	139,140
Rent expenses	90,965	71,362
Communication	16,575	11,637
Security	1,703	1,537
Business travel expenses	16,309	15,362
Insurance	2,780	701
Audit	5,837	7,987
Advertising and marketing, entertainment	51,505	33,967
Training, participation in conferences	342	648
IT services	53,838	49,056
Agency fee	311,528	310,529
Information and advisory services	42,325	44,178
Legal services	5,387	11,467
Business development and professional services	23,859	26,510
Other	42,990	22,148
<b>Total operating expense</b>	<b>1,387,815</b>	<b>1,284,020</b>

## 6.10. Tax expense

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Total tax expense, including:</b>	<b>334,071</b>	<b>303,241</b>
Income tax	546,204	–
Increase in income tax by deferred income tax	84,707	170,269
<i>Decrease in income tax by deferred income tax</i>	<i>(421,066)</i>	–
VAT	122,771	132,318
Property tax	165	218
Transport tax	–	54
Other taxes	1,290	382

## 7. Accompanying information to the statement of cash flows

### 7.1. Information on cash flows

	<b>1 January 2016</b>	<b>1 January 2015</b>
<i>Net cash used in operating activities*</i>	<i>(665,344)</i>	<i>(1,348,087)</i>
<i>Net cash used in investing activities*</i>	<i>(185,626)</i>	<i>(12,056)</i>
Net cash from financing activities	–	2,000,000
Effect of changes in the official exchange rates of foreign currencies to the Russian ruble set by the Bank of Russia on cash and cash equivalents	(60,166)	422,407
Increase in cash and cash equivalents:	(911,132)	1,062,264
Cash and cash equivalents, at the beginning of the period	1,156,100	93,836
<b>Cash and cash equivalents, at the end of the period</b>	<b>244,968</b>	<b>1,156,100</b>

\* Amounts decreasing the item

In 2015 and 2014, the Bank had no cash unavailable for use except for the amounts deposited with the Bank of Russia (obligatory reserves fund).

## 8. Accompanying information to the statement of capital adequacy to cover the risks

### 8.1. Equity (capital) structure

The structure of the Bank's capital calculated in accordance with Regulation No. 395-P of the Bank of Russia *On the Methodology for Determining the Amount of Equity (Capital) of Credit Institutions (Basel III)* dated 28 December 2012, is as follows:

	<b>1 January 2016</b>	<b>1 January 2015</b>
Share capital (ordinary shares)	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Reserve fund	11,006	–
Prior years profit	1,123,675	220,119
Current year loss*	(530,961)	(641,405)
Prior years losses*	(384,144)	(593,258)
Intangible assets*	(2,507)	(2,843)
Negative additional paid-in capital (accounts receivable overdue more than 30 days)*	–	(8)
<b>Core capital</b>	<b>9,066,869</b>	<b>7,832,405</b>
<b>Additional paid-in capital</b>	<b>–</b>	<b>–</b>
<b>Main capital</b>	<b>9,066,869</b>	<b>7,832,405</b>
Current year profit	–	–
<b>Additional capital</b>	<b>–</b>	<b>–</b>
<b>Equity (capital)</b>	<b>9,066,869</b>	<b>7,832,405</b>

\* Amounts decreasing the item

### 8.2. Information on capital requirements

The capital adequacy management is aimed at ensuring the Bank's ability to reach its goals on strategic growth of assets with obligatory compliance with capital adequacy in the normal course of its business and during crisis events, as well as its ability to continue as a going concern.

The Bank manages its capital to ensure that it will be able to continue its operations in the foreseeable future through the optimization of debt and equity balances.

In the course of planning its activities, the Bank regularly evaluates the capital adequacy taking into account all existing risks that arise in the course of the its business. The capital requirements are aligned with the development forecast for the reported period and are analyzed for compliance with regulatory requirements during this period. Capital adequacy is evaluated on a daily basis in order to take timely actions in response to changes in external and internal factors affecting the financial position of the Bank.

As of 1 January 2016 and 2015, the Bank complied with the capital adequacy ratio set by the Bank of Russia with regard to core capital, main capital and total equity (capital).

#### Information on risk weighted assets

	<b>1 January 2016</b>	<b>1 January 2015</b>
Credit risk related to balance sheet assets (standard)	46,821,445	31,409,592
Transactions with an increased risk factor	166,048	–
Credit risk related to off-balance liabilities	–	–
Risk arising from related party transactions	210,719	–
Risk related to derivative financial instruments	904,533	1,857,155
Market risk	640,910	695,902
Operational risk	2,012,288	508,175
<b>Total risk weighted assets (the risk needs to be covered by capital)</b>	<b>50,755,943</b>	<b>34,470,824</b>
<b>Core capital</b>	<b>9,066,869</b>	<b>7,832,405</b>
<b>Main capital</b>	<b>9,066,869</b>	<b>7,832,405</b>
<b>Equity (capital)</b>	<b>9,066,869</b>	<b>7,832,405</b>
<b>Core capital adequacy ratio, % (N1.1)</b> (standard value $\geq 5\%$ )	<b>17.9%</b>	<b>22.7%</b>
<b>Main capital adequacy ratio, % (N1.2)</b> (standard value $\geq 5.5\%$ )	<b>17.9%</b>	<b>22.7%</b>
<b>Equity (capital) adequacy ratio, % (N1.0)</b> (standard value $\geq 10\%$ )	<b>17.9%</b>	<b>22.7%</b>

## Translation of the original Russian version

The risk-weighted assets in the above table are represented by the denominator used to calculate the capital adequacy ratio.

The indicator comprises:

- ▶ credit risk related to assets recorded on balance sheet accounts;
- ▶ transactions with increased risk factors (deferred tax asset not recorded to decrease core capital) multiplied by 2.5;
- ▶ risk arising from related party transactions multiplied by 1.3;
- ▶ operational risk multiplied by 12.5;
- ▶ market risk comprising currency and interest rate risk multiplied by 12.5.

Below is the classification of assets recorded on balance sheet accounts broken down by credit risk group in accordance with clause 2.3 of the Bank of Russia's Instruction No. 139-I *On Prudential Ratios* dated 3 December 2012 (Instruction No. 139-I).

### Classification of assets by risk group

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Credit risk related to assets recorded on balance sheet accounts, total, including:</b>	<b>46,821,445</b>	<b>31,409,592</b>
<b>Risk weighted assets (risk ratio 0%), group 1</b>	<b>-</b>	<b>-</b>
- Value of assets	703,573	1,253,767
- Assets less provision	703,573	1,253,767
<b>Risk weighted assets (risk ratio 20%), group 2</b>	<b>486,122</b>	<b>1,192,679</b>
- Value of assets	2,513,298	5,973,664
- Assets less provision	2,430,609	5,963,395
<b>Risk weighted assets (risk ratio 100%), group 4</b>	<b>46,335,323</b>	<b>30,216,913</b>
- Value of assets	47,364,176	30,437,596
- Assets less provision	46,335,323	30,216,913

### Information on leverage ratio

	<u>1 January 2016</u>	<u>1 January 2015</u>
Main capital, kRUR	9,066,869	7,832,405
Balance sheet assets and off-balance sheet claims under the risk used to calculate the leverage ratio, kRUR	53,167,260	38,771,255
<b>Basel III leverage ratio</b>	<b>17.05%</b>	<b>20.2%</b>

The Bank calculated the financial leverage ratio in accordance with the Bank of Russia's letter No. 142-T *On Financial Leverage Calculation* dated 30 July 2013 and recognized it as of 1 January 2016 in accordance with the Bank of Russia's Instructive Regulation No. 3468-U dated 2 December 2014.

## 9. Accompanying information on prudential ratios

### Information on prudential values

	<i>Prudential value</i>	<u>1 January 2016</u>	<u>1 January 2015</u>	<i>Percent</i>
Core capital adequacy ratio (N1.1)	≥ 5%	17.9%	22.7%	
Main capital adequacy ratio (N1.2)	≥ 5.5%	17.9%	22.7%	
Equity (capital) adequacy ratio (N1.0)	≥ 10%	17.9%	22.7%	
Instant liquidity ratio (N2)	≥ 15%	91.7%	152.1%	
Current liquidity ratio (N3)	≥ 50%	291.8%	195.6%	
Long-term liquidity ratio (N4)	≤ 120%	60.1%	95.7%	
Maximum risk per borrower or a group of related borrowers (N6)	≤ 25%	11.2%	23.6%	
Maximum large credit risk (N7)	≤ 800%	68.8%	97.6%	
Maximum amount of loans, bank guarantees and sureties provided by the Bank to its participants (Shareholders) (N9.1)	≤ 50%	-	-	
Aggregate insider risk of the Bank (N10.1)	≤ 3%	-	-	
Share of equity (Capital) used by the bank to purchase shares of (interests in) other legal entities (N12)	≤ 25%	-	-	

Prudential ratios are calculated and controlled in accordance with Instruction No. 139-I.



## 10. Internal control system

The Bank's internal control system corresponds to the types and scope of transactions, level and combination of assumed risks.

The objectives of the internal control in particular include the following:

- ▶ to ensure appropriate comprehensive assessment and management of risks, effective financial and business performance, asset and liability management;
- ▶ to ensure the appropriate level of reliability, safety and stability of the Bank in line with the types and scope of the Bank's transactions, protection of rights of the Bank's shareholders, clients and creditors;
- ▶ to ensure the accuracy, completeness, credibility and timeliness of preparing and presenting financial, accounting, statistical and other reports, and to ensure information security;
- ▶ to ensure compliance with regulatory legal acts, constituent documents and by-laws of the Bank;
- ▶ to ensure that neither Bank nor its employees are involved in illegal activities, including money laundering and terrorism financing, and to provide timely reports to the state agencies and the Bank of Russia.

The Bank's internal control system is composed as follows:

- ▶ General Shareholders' Meeting.
- ▶ Board of Directors.
- ▶ Management Board.
- ▶ Chairman of the Management Board.
- ▶ Audit Commission (Auditor).
- ▶ Chief Accountant / Deputy Chief Accountant.
- ▶ Internal Control, Operational Risks and Compliance Committee.
- ▶ Internal Audit Function.
- ▶ Internal Control Function.
- ▶ Department of Financial Monitoring.
- ▶ Risk Management Department.
- ▶ Other personnel or divisions responsible for internal control within their scope of activities.

The Bank's internal control system includes the following areas of focus:

- ▶ Control over organization of Bank operations performed by the management bodies.
- ▶ Control over functioning of the banking risk management system and banking risk assessment.
- ▶ Control over distribution of powers with respect to banking operations and other transactions.
- ▶ Control over data flow management (information provision and communication) and information security assurance.
- ▶ Control over anti-money laundering and counter-terrorism financing.
- ▶ Ongoing monitoring of internal control system to assess its compliance with the Bank's operating objectives, detection of deficiencies, proposal development, and control over enhancement of the Bank's internal control system ("monitoring of internal control system").

Control and monitoring over the system of banking risk management and internal control are performed by the Bank on a regular basis as provided in its internal regulations.

The Bank takes appropriate measures to enhance internal control aimed at ensuring its effectiveness, including changing internal and external factors that affect the Bank's activities.

Monitoring of the internal control system is performed by the management and personnel of various business units, including departments responsible for banking operations and other transactions and their recognition in accounting and reporting as well as the Internal Audit Function, Internal Control Function and auditors engaged by the Bank's shareholders.

Frequency of monitoring of various types of banking activities is defined taking into account associated banking risks, frequency and nature of changes in the areas of the Bank's activities. Audit plans of the Internal Audit Function are annually approved by the Bank's Board of Directors.

The results of the review are documented and communicated to the respective managers of the Bank and its departments.

## Translation of the original Russian version

The Bank's Internal Audit Function is formed to perform the audit and assist the Bank's management bodies in ensuring the Bank's effective operation, protecting interests of the Bank's shareholders and customers and continuous monitoring and assessing the effectiveness and adequacy of internal controls, including:

- ▶ The effectiveness of financial and operating activities.
- ▶ The fairness of accounting records, accuracy, completeness and objectivity of financial statements.
- ▶ The effectiveness of the risk management system.
- ▶ Compliance with Russian statutory regulations, Bank's founding and internal documents.
- ▶ The effectiveness of asset and liability management, including physical asset security.

The Bank has ensured consistency, independence and objectivity of the Internal Audit Function, professional qualification of its head and personnel. Also, environment has been established for the Internal Audit Function to comply with its duties efficiently and smoothly. The Internal Audit Function operates under direct control of the Board of Directors.

The Bank has established the procedures of:

- ▶ Control (including additional audits) over measures taken to eliminate violations identified by the Internal Audit Function.
- ▶ Reporting of Internal Audit Function at least semiannually on the measures taken to follow the recommendations and to eliminate the identified violations to the Board of Directors.

## 11. Risk management system

### General

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

In accordance with its internal risk management regulations, the most significant risks to which the Bank is exposed are the following: credit risk, liquidity risk and market risk which is in its turn classified into currency risk and interest rate risk. The Bank is also exposed to operational, legal, reputational and strategic risks.

The sources of the risk comprise the following:

- ▶ for credit risk – a debtor discharges its contractual financial obligations to the Bank in an untimely fashion or not in full;
- ▶ for liquidity risk – improper balance between the Bank's financial assets and liabilities or unforeseen need of immediate and simultaneous discharge of its financial obligations;
- ▶ for market risk – adverse changes in the market value of the financial instruments in the trading portfolio and derivative financial instruments of the Bank as well as foreign exchange rates;
- ▶ for currency risk – changes in exchange rates with respect to the Bank's open positions in foreign currencies;
- ▶ for interest rate risk – adverse changes in the market interest rates affecting the Bank's assets, liabilities and off-balance sheet instruments.
- ▶ for operational risk – inconsistency with the nature and scope of the Bank's business and/or non-compliance with applicable legislation of internal practices and procedures of banking and other transactions, their breach by the employees of the Bank and/or other persons, inappropriate (insufficient) functionalities (specifications) of IT and other systems applied by the Bank and/or their failures (malfunctions), or ensuing from the effect of external events.
- ▶ for legal risk – non-compliance with laws, regulatory requirements and signed agreements, and legal errors committed in carrying out its operations.
- ▶ for reputation risk – deterioration of the public opinion related to the Bank's financial stability, quality of its services and nature of its business in general.
- ▶ for strategic risk – mistakes in making decisions determining the Bank's operational and development strategy.

This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

## **Risk management structure**

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

### *Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. Credit policy and other policies relating to lending and funding operations are also approved by the Board of Directors, as well as the procedures for significant risk management, banking risk management methods and models for qualitative risk assessment.

### *Management Board*

The Management Board implements risk management system, approves powers of the Risk, Financial, Internal Control, Operating Risks and Compliance Committees, decides whether to accept certain risk types.

### *Risk Committee*

The Bank's Risk Committee executes control over elements of risk management system, approves acceptable risk level as part of the approved development strategy, controls compliance of operations performed by the Bank's management with principle of the credit policy and policies relating to other lending operations, develops and bears responsibility for optimization of credit risks in the context of balance between risk and profitability and performs control over risk at portfolio level in general.

### *Credit Committee*

The Bank's Credit Committee makes decisions regarding corporate and dealer financing, which includes approval of limits of financing and change of credit risk within the scope of their authority. In addition, while making decisions the Credit Committee of the Bank bears the responsibility for appropriate balance between risk and profitability including cases when the approval from a higher-level management is needed.

### *Financial Committee*

The Finance Committee reviews and approves key macroeconomic indicators, core financial operations and changes in relations between the Bank and other banks, fulfills and forecasts financing plan, performs financial risk monitoring (rates, liquidity, currency exchange rates, counterparties) and projections of refinancing rate. The Committee controls market, interest rate and currency risk and stress-testing.

### *Treasury*

The Bank's Treasury is responsible for managing the Bank's assets and liabilities. It is also primarily responsible for the liquidity risk and funding risk of the Bank.

### *Internal Control, Operational Risks and Compliance Committee*

Internal Control, Operational Risks and Compliance Committee reviews the information on the activities of the Internal Audit Function and Internal Control Function, the results of internal audits and first level control. The Committee also deals with the issues related to operational risk, development of internal control rules on anti-money laundering and counter-terrorism financing, results of business continuity and/or disaster recovery plans ('BC/DR plans') and other issues.

### *Risk Management Officer*

Risk Management Officer executes overall credit risk management and on a regular basis ensures the implementation of common principles and methods for identifying, measuring, managing and reporting credit risk data. Risk Management Officer develops the methodology for risk measurement and performs independent risk analysis of products and programs submitted for approval and limits on specific clients/operations, performs portfolio analysis on credit risk and exercises credit risk control function: applies limits and exercises control over them, provides reports on the level of credit risk which are presented to the Board of Directors, the Management Board and the Risk Committee on a regular basis.

### *Internal Audit Function*

Risk management processes throughout the Bank are reviewed by the Internal Audit Function that examines both the adequacy of the procedures and the Bank's compliance with the procedures.

## Translation of the original Russian version

The Internal Audit Function reports the examination results and suggests remedies for identified violations to the Board of Directors, Chairman of the Board and the Management Board and during the meeting of the Internal Control, Operational Risks and Compliance Committee. The Internal Audit Function performs an ongoing monitoring (follow-up control) over the performance of recommendations put forward by the Function based on the previous audits and over the compliance with the Action Plan to remove identified violations by the Bank's employees.

### *Internal Control Function*

Internal Control Function is responsible for ensuring the compliance of the Bank's activities with the current legislation of the Russian Federation, the Bank's internal regulations and standards for self-regulating organizations. The Internal Control Function also reviews the Bank's documentation, performs assessment of regulatory risks, provides recommendations on risk mitigation and ensures the Bank's compliance with the Russian legislation and standards and taking measures aimed at protection of the Bank's business reputation.

The Internal Control Function reports on the work performed to the Chairman of the Management Board and to the Management Board at least once a year and communicates the performance results during the meeting of the Internal Control, Operational Risks and Compliance Committee.

### **Risk management system**

The Bank's risk management system is based on the following components:

- ▶ strategy;
- ▶ methodology;
- ▶ procedures;
- ▶ control;
- ▶ updating.

The goal of risk management system is to maintain the overall risk accepted by the Bank at the level defined by the Bank subject to its strategic objectives. The priority is to ensure the maximum safety of assets and equity by mitigation of risk exposures which might lead to unexpected losses.

The goal of the risk management system is achieved through the use of a systemic and complex approach that focuses on the following:

- ▶ Risk identification and analysis of all risks arising in the course of the Bank's activities.
- ▶ Interpretation of approach to various risk types.
- ▶ Quantitative and qualitative assessment (measurement) of specific risk types.
- ▶ Establishing correlation between individual risks in order to assess the impact of the actions planned to be taken to limit a particular type of risk on the increase or decrease in the level of other risks.
- ▶ Performing full risk level analysis concerning operations planned and completed by the Bank to determine the total amount of risk level.
- ▶ Assessment of whether the total amount of risk level is acceptable and reasonable.
- ▶ Establishing a subsystem of risk monitoring at the origination phase of negative tendency and a subsystem of swift and adequate response aimed at preventing or mitigating the risk.

Each risk faced by the Bank must be indicated and recognized. The risks are classified into internal and external as well as controlled or not controlled by the Bank. Risks are regularly identified due to the fast-evolving internal and external environment.

The management of the Bank determines its approach towards all indicated risks. A part of the risks which the Bank is not ready to assume must be totally excluded, while the Bank terminates activities related to the indicated risks. With regard to the risks assumed, the Bank defines the maximum acceptable risk exposure. The Bank's strategy governs its risk approach.

The Bank's management strategy is based on the break-even principle and focuses on achieving optimum correlation between profitability of the Bank's business activities and level of assumed risks.

The Bank's risk management strategy involves:

- ▶ Compliance with the Bank's strategic goals set by the Board of Directors.
- ▶ Development of priority lending schemes.
- ▶ Effective capital management with the aim to maintain its adequate level.

Risk management strategy implies using the whole range of risk mitigation instruments and choosing each particular instrument depending on the risk type.

Evaluation of various risk types involves various methodologies which are set out in the Bank's internal documents.

The Bank complies with the requirements set by the Bank of Russia to risk and capital management systems and internal controls.

Risk Management Officer, Head of the Internal Audit Function, Head of the Internal Control Function comply with qualification criteria established by the Bank of Russia Instructive Regulation No. 3223-U *On Requirements for Leaders of a Risk Management Function, Internal Audit Function, Internal Control Function in a Credit Institution* dated 1 April 2014 and business reputation requirements set forth in accordance with the Federal Law No. 395-1.

### **Risk reporting**

Information on various risks relevant to the Bank is analyzed with the aim of control and early identification of risks, and subsequent communication to the Bank's management.

Risk reporting with diverse level of detail and different time intervals is performed by the Bank's departments, including the Risk Management Department and Treasury in order to provide the personnel and management of the Bank with the up-to-date and necessary information on the level of risks relevant to the Bank.

Daily reports include information on the Bank's open currency position, gap analysis of the assets and liabilities maturity gap to assess the liquidity risk, calculation of statutory liquidity ratios, calculation of the maximum risk attributable to one borrower or a group of borrowers, calculation of the Bank's capital adequacy ratios.

Monthly report on interest rate risk testing is reviewed during the Financial Committee of the Bank's Management Board and includes gap analysis of the assets and liabilities maturity gap and the results of the basic scenario testing (change in the interest rate by 100 b.p.), results of the stress testing (change in the interest rate by 300-500 b.p.), analysis of changes in the external conditions of the Bank's activities in terms of macroeconomic trends and financial markets analysis.

Monthly report on credit risk testing is reviewed during the Risk Committee of the Bank's management Board and provides information on the quality of the Bank's loan portfolio in aggregate and broken down by interbank loans, financing to car dealers (factoring), retail lending (car loans), state and changes in major quality indicators, overdue debts, their amount, dynamics, structure and timing, the amount of created provisions, collateral quality and credit risk concentration.

Internal Control Function and Department of Financial Monitoring on the quarterly basis provide to the Internal Control, Operational Risks and Compliance Committee information on operating and/or regulatory risks identified.

#### **11.1. Credit risk**

Credit risk is the risk that the Bank will incur a loss because its borrowers or counterparties failed to discharge their contractual obligations.

The Bank has developed credit policies and procedures for the financing of individuals (including employees), banks and dealers which provide guidelines on evaluation of the borrower's financial performance, procedure for risk level decision-making, approval of limits, control over timely repayment of loans, procedure for debt collecting, procedure for accruing provisions and their classification.

Credit risk management is performed through:

- ▶ monitoring;
- ▶ setting limitation;
- ▶ diversification;
- ▶ analysis.

In accordance with the requirements of the Bank of Russia, the Bank limits risk concentrations per borrower or group of related borrowers, maximum large credit risk exposure, aggregate risk on Bank's insiders, maximum amount of loans, bank guarantees and sureties provided by the Bank to its participants (shareholders).

The Bank monitors compliance with limits on accepted exposure levels on a daily basis.

#### **Collateral used as a credit risk enhancement**

The main purpose of collateral agreements is to reduce possible loan losses when settling obligations under credit agreements. Collateral motivates borrowers to timely fulfill their obligations and strengthens the Bank's position. The Bank's policy regarding collateral is as follows: the higher is probability of default, the more valuable collateral should be provided. At the same time collateral is not the key factor to approve a loan request. The Bank considers collateral as a secondary source to discharge the borrower's obligations in case the latter is unable to do it in cash.

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

**Translation of the original Russian version**

The main types of collateral obtained are as follows:

- ▶ For corporate lending: charges over vehicles and spare parts, bank guarantees, guarantees and warranties from legal entities and individuals, the rights of claim under deposits of legal entities.
- ▶ For retail lending: warranties from individuals, charges over vehicles.

	<b>1 January 2016</b>		<b>1 January 2015</b>	
	<b>Fair value of collateral</b>	<b>Carrying amount of loans</b>	<b>Fair value of collateral</b>	<b>Carrying amount of loans</b>
<b>Loans to legal entities</b>				
- Vehicles	10,075,346	–	4,891,488	–
- Guarantees of credit institutions	206,165	–	169,160	–
- Pledge of deposit receivables from legal entities	38,200	–	–	–
- Warranties from legal entities	41,446,339	–	27,953,499	–
- Warranties from individuals	10,570,900	–	–	–
<b>Total loans to legal entities</b>	<b>62,336,950</b>	<b>10,569,133</b>	<b>33,014,147</b>	<b>5,216,061</b>
<b>Loans to individuals</b>				
- Vehicles	63,638,032	–	38,489,810	–
- Warranties from individuals	108,644	–	55,915	–
<b>Total loans to individuals</b>	<b>63,746,676</b>	<b>34,368,478</b>	<b>38,545,725</b>	<b>21,367,439</b>
<b>Total loans to customers</b>	<b>126,083,626</b>	<b>44,937,611</b>	<b>71,559,872</b>	<b>26,583,500</b>

**Collateral to eliminate estimated provision**

<b>At 1 January 2016</b>	<b>Claim value</b>	<b>Estimated provision</b>	<b>Estimated provision including collateral</b>	<b>Actual provision</b>	<b>Collateral to eliminate estimated provision</b>
Loans to credit institutions	4,200,000	140,000	140,000	140,000	–
Financing against monetary claim assignment (factoring)	10,569,133	486,527	324,886	324,886	161,641
Loans to individuals (car loans)	34,368,478	659,329	619,111	619,112	40,218
Interest receivable from claims on credit institutions	3,781	151	151	151	–
Fee and commission receivable from factoring	196,476	2,333	2,333	2,333	–
Receivables under car loans subsidizing program	128,935	–	–	–	–
Interest receivable from claims on individuals	178,987	5,124	5,039	5,054	85
Other claims to legal entities	19,840	19,431	19,431	19,431	–
Other claims to individuals	580	580	580	580	–
<b>Total</b>	<b>49,666,210</b>	<b>1,313,475</b>	<b>1,111,531</b>	<b>1,111,547</b>	<b>201,944</b>

<b>At 1 January 2015</b>	<b>Claim value</b>	<b>Estimated provision</b>	<b>Estimated provision including collateral</b>	<b>Actual provision</b>	<b>Collateral to eliminate estimated provision</b>
Loans to credit institutions	9,216,854	13,500	13,500	13,500	–
Financing against monetary claim assignment (factoring)	5,216,061	140,323	72,184	72,184	68,139
Loans to individuals (car loans)	21,367,439	145,809	143,619	143,619	2,190
Interest receivable from claims on credit institutions	8,160	12	12	12	–
Fee and commission receivable from factoring	124,563	757	757	757	–
Receivables under car loans subsidizing program	397	–	–	–	–
Interest receivable from claims on individuals	108,930	903	880	880	23
<b>Total</b>	<b>36,042,404</b>	<b>301,304</b>	<b>230,952</b>	<b>230,952</b>	<b>70,352</b>

The Banks assesses the quality of loans receivable and similar debt in accordance with Regulation No. 254-P and Regulation No. 283-P.

As of 1 January 2016 and 2015, loss provisions for loans and similar debt were formed in the full amount in accordance with the established quality categories and provisioning rates.

Quality of assets, estimated and actual provisions

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Deposits with the Bank of Russia</b>	<b>500,000</b>	<b>–</b>
<b>Total loans to credit institutions, including</b>	<b>4,200,000</b>	<b>9,216,854</b>
- Quality category I	700,000	7,866,854
- Quality category II	3,500,000	1,350,000
<b>Financing against monetary claim assignment (factoring), including:</b>	<b>10,569,133</b>	<b>5,216,061</b>
- Quality category I	6,478,273	1,109,662
- Quality category II	1,930,318	4,095,366
- Quality category III	2,151,536	–
- Quality category V	9,006	11,033
<b>Loans to individuals (car loans), including</b>	<b>34,368,478</b>	<b>21,367,439</b>
- Quality category II	33,358,443	21,312,800
- Quality category III	449,105	29,944
- Quality category IV	154,675	4,894
- Quality category V	406,255	19,801
<b>Total loans receivable</b>	<b>49,637,611</b>	<b>35,800,354</b>
<b>Total fees and commissions receivable, including</b>	<b>508,179</b>	<b>242,050</b>
- Quality category I	309,137	123,379
- Quality category II	179,615	117,354
- Quality category III	14,206	547
- Quality category IV	1,440	104
- Quality category V	3,781	666
<b>Other assets</b>	<b>20,592</b>	<b>4,198</b>
- Quality category I	581	4,198
- Quality category V	20,011	–
<b>Other receivables, total</b>	<b>528,771</b>	<b>246,248</b>
<b>Total actual provision for potential losses on loans, including*</b>	<b>(1,083,998)</b>	<b>(229,303)</b>
- Quality category II	(340,595)	(201,387)
- Quality category III	(341,112)	(2,998)
- Quality category IV	(49,583)	(1,906)
- Quality category V	(352,708)	(23,012)
<b>Total actual provision for potential losses on other receivables, including*</b>	<b>(27,549)</b>	<b>(1,649)</b>
- Quality category II	(1,177)	(906)
- Quality category III	(2,369)	(61)
- Quality category IV	(451)	(39)
- Quality category V	(23,552)	(643)
<b>Loans receivable less provisions for potential losses</b>	<b>48,553,613</b>	<b>35,571,051</b>
<b>Other receivables less provisions for potential losses</b>	<b>501,222</b>	<b>244,599</b>

\* Amounts decreasing the item

Loans and other receivables assessed individually or on portfolio basis

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Total loans receivable and similar debt including:</b>	<b>50,166,382</b>	<b>36,046,205</b>
<b>Total loans and other receivables assessed individually for provision including:</b>	<b>15,786,152</b>	<b>14,585,626</b>
- deposits with the Bank of Russia	500,000	–
- loans to credit institutions	4,200,000	9,216,854
- financing against monetary claim assignment (factoring)	10,569,133	5,216,061
- loans to individuals	294,738	19,801
- interest income receivable	202,098	132,910
- other receivables	20,183	–
<i>Provision for potential losses from loans and other receivables assessed individually</i>	<i>(686,447)</i>	<i>(104,229)</i>
<b>Total debt grouped into portfolios of homogeneous loans and other receivables including:</b>	<b>34,380,230</b>	<b>21,460,579</b>
- other receivables from legal entities	409	4,198
- loans to individuals	34,073,740	21,347,636
- interest income receivable	306,081	108,745
<i>Provision for potential losses from loans and other receivables assessed on portfolio basis</i>	<i>(425,100)</i>	<i>(126,723)</i>
<b>Total provisions for potential losses</b>	<b>(1,111,547)</b>	<b>(230,952)</b>

Translation of the original Russian version

Amount and quality of loans receivable and loans with delayed payments broken down by delay period

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Total loans receivable, including</b>	<b>49,637,611</b>	<b>35,800,354</b>
- Quality category I	7,678,273	8,976,516
- Quality category II	38,788,761	26,758,166
- Quality category III	2,600,641	29,944
- Quality category IV	154,675	4,894
- Quality category V	415,261	30,834
<b>Loans with delayed payments, total</b>	<b>867,516</b>	<b>156,597</b>
<i>Percentage of total loans</i>	<i>1,75%</i>	<i>0,44%</i>
- up to 30 days	489,178	121,520
- from 31 to 90 days overdue	158,204	23,245
- from 91 to 180 days overdue	87,459	7,032
- over 180 days	132,675	4,800
<b>Actual provision for potential losses from loans</b>	<b>1,083,998</b>	<b>229,303</b>

In October 2015, the Bank wrote-off loss of kRUR 4,398 from 7 uncollectible loans and related interests of kRUR 46 accrued as of the write-off date against the provision for potential losses.

**Restructured loans**

As of 1 January 2016, the amount of the restructured loans to individuals totaled kRUR 15,401, which is 0.04% of the total loans to individuals.

As of 1 January 2015, the amount of the restructured loans to individuals totaled kRUR 1,066, which is 0.01% of the total loans to individuals.

**Foreclosure on property pledged as collateral**

In 2015, the Bank filed 80 legal suits against individuals (borrowers) for foreclosure on property pledged as collateral. As of 1 January 2016, the amount of the Bank's claims against individual borrowers totaled kRUR 47,457.

**Major credit risks and maximum risk exposure per borrower or a group of related borrowers**

<b>Item (designation)</b>	<b>1 January 2016</b>	<b>1 January 2015</b>
Total credit claims to a borrower or a group of related borrowers (Crb)	1,015,873	1,848,847
Total major credit risks (Ctcr)	6,235,127	7,641,936
Equity (capital)	9,066,869	7,832,405
<b>Maximum risk exposure per borrower, (N6) (standard value &lt;=25%)</b>	<b>11.20%</b>	<b>23.61%</b>
<b>Maximum major credit risk, % (N7) (standard value &lt;=800%)</b>	<b>68.77%</b>	<b>97.57%</b>

**Major credit risk concentration (loans per borrower (a group of related borrowers) exceeding 5% of the Bank's equity (capital))**

	<b>1 January 2015</b>			<b>1 January 2015</b>		
	<b>Total</b>	<b>Balance sheet assets</b>	<b>Receivables under letters of credit</b>	<b>Total</b>	<b>Balance sheet assets</b>	<b>Receivables under letters of credit</b>
<b>Borrowers other than credit institutions, total, including:</b>	<b>4,157,623</b>	<b>3,752,198</b>	<b>405,425</b>	<b>3,194,866</b>	<b>1,346,019</b>	<b>1,848,847</b>
- financing against monetary claim assignment (factoring)	3,752,198	3,752,198	-	1,346,019	1,346,019	-
- foreign exchange swaps	195,169	-	195,169	848,559	-	848,559
- cross currency interest rate swaps	210,256	-	210,256	1,000,288	-	1,000,288
<b>Borrowers – credit institutions, total, including</b>	<b>2,077,504</b>	<b>1,774,080</b>	<b>303,424</b>	<b>4,447,070</b>	<b>4,438,762</b>	<b>8,308</b>
- interbank loans	1,774,080	1,774,080	-	4,438,762	4,438,762	-
- foreign exchange swaps	-	-	-	-	-	-
- cross currency interest rate swaps	303,424	-	303,424	8,308	-	8,308
<b>Total major credit risks (Ctcr)</b>	<b>6,235,127</b>	<b>5,526,278</b>	<b>708,849</b>	<b>7,641,936</b>	<b>5,784,781</b>	<b>1,857,155</b>

Ten major related borrowers of the Bank comprise resident and non-resident credit institutions and legal entities.

Actual exposures against limits are monitored daily.

The Bank limits major risk concentrations for individual clients and groups of related clients through regular analysis and control of limits, and by changing these lending limits where appropriate.



## 11.2. Market risk

The Bank takes on exposure to market risk, which is defined as a risk of potential losses under balance sheet and off-balance sheet positions due to unfavorable movements in market prices: as a result of interest rate risks related to financial instruments and currency and equity risks of the Bank. Market risk arises both from trade operations – risk of the trading portfolio, and from assets and liabilities management – risk of balance sheet structure.

The Bank's exposure to market risk arises from dealing in derivative financial instruments, attracting and placing funds at floating and fixed rates and open currency position.

The objective of market risk management is to control the risk accepted by the Bank at the appropriate level defined by the current business strategy keeping the optimum level of income generation. Market risk is calculated and controlled in accordance with the Bank of Russia's Regulation No. 387-P *On the Procedure for Market Risk Calculation by Credit Institutions* dated 28 September 2013 ("Regulation No. 387-P").

The market risk management system is based on a system of limits ensuring compliance of the accepted risks with the established value and equity.

The decisions on market risk management strategy are taken by the Bank's Finance Committee and implemented by the structural units of the Bank within their functional duties. The Treasury regularly monitors currency risk. Interest rate risk is monitored by the Financial Planning and Analysis Department.

In 2015 and earlier, the Bank did not trade in equity securities, therefore as of 1 January 2016 and 2015, the Bank did not calculate equity risk.

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Market risk, total, including:</b>	<b>640,910</b>	<b>695,902</b>
Interest risk, including:	11,752	34,830
- specific interest rate risk	1,809	–
- general interest rate risk	9,943	34,830
Equity risk, including:	–	–
- general equity risk	–	–
- specific equity risk	–	–
Currency risk	494,010	260,527

## Currency risk

Currency risk is the risk that the Bank may incur losses due to adverse changes in foreign exchange rates and cross rates. The Bank is exposed to currency risk which arises from mismatching assets and liabilities denominated in particular currency.

The Bank controls and limits the currency risk exposure by monitoring volatility of foreign exchange rates and by establishing limits on open positions in each foreign currency and on overall amount of open positions.

The Bank controls and limits total balance sheet and off-balance sheet positions in each currency and overall amount of open positions using the methodology established by the Bank of Russia in its Instruction No. 124-I *On Establishing Amounts (Limits) of Open Currency Positions, Calculation Methodologies and Specific Controls over their Compliance by Credit Institutions* dated 15 July 2005.

The Bank takes a conservative position to limit the accepted currency risk by maintaining minimum possible amount of open positions. The Bank has no significant currency positions opened to obtained speculative gains. Open currency positions are monitored on a daily basis.

<u>1 January 2016</u>	<u>RUR</u>	<u>USD</u>	<u>EUR</u>	<u>JPY</u>	<u>Total</u>
<b>Assets</b>					
Cash	10	–	–	–	10
Due to credit institutions from the Bank of Russia	203,563	–	–	–	203,563
Due from credit institutions	2,118	4,846	13,010	33,067	53,041
Financial assets at fair value through profit or loss	2,881,955	–	–	–	2,881,955
Net loans receivable	48,553,613	–	–	–	48,553,613
Net investments in securities available for sale	200,321	–	–	–	200,321
Current income tax assets	32,487	–	–	–	32,487
Deferred income tax asset	166,048	–	–	–	166,048
Fixed assets, intangible assets and inventories	13,255	–	–	–	13,255
Other assets	1,224,704	–	–	–	1,224,704
<b>Total assets</b>	<b>53,278,074</b>	<b>4,846</b>	<b>13,010</b>	<b>33,067</b>	<b>53,328,997</b>
<b>Liabilities</b>					
Loans, deposits and other amounts due to the Bank of Russia	2,000,000	–	–	–	2,000,000

Translation of the original Russian version

<b>1 January 2016</b>	<b>RUR</b>	<b>USD</b>	<b>EUR</b>	<b>JPY</b>	<b>Total</b>
Due to credit institutions	16,135,000	–	10,360,636	–	26,495,636
Due to customers other than credit institutions	2,587,679	–	–	10,891,566	13,479,245
Other liabilities	1,614,965	–	15,163	123,478	1,753,606
<b>Total liabilities</b>	<b>22,337,644</b>	<b>–</b>	<b>10,375,799</b>	<b>11,015,044</b>	<b>43,728,487</b>
<b>Off-balance sheet assets</b>	<b>–</b>	<b>–</b>	<b>10,609,400</b>	<b>11,224,530</b>	<b>21,833,930</b>
<b>Off-balance sheet liabilities</b>	<b>21,485,693</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,485,693</b>
Net balance sheet position	30,940,430	4,846	(10,362,789)	(10,981,977)	9,600,510
Net short position	(21,485,693)	–	10,609,400	11,224,530	348,237
Total balance sheet position		4,846	(10,362,789)	(10,981,977)	–
Total off-balance sheet position		–	10,609,400	11,224,530	–
<b>Open currency position</b>		<b>4 846</b>	<b>246,611</b>	<b>242,553</b>	<b>–</b>
Open currency position, share of capital		0.0534	2.7199	2.6752	–
<b>Total open currency positions</b>					<b>494,010</b>
<b>Open currency positions, share of capital</b>					<b>5.4485</b>
<b>1 January 2015</b>	<b>RUR</b>	<b>USD</b>	<b>EUR</b>	<b>JPY</b>	<b>Total</b>
<b>Assets</b>					
Cash	10	–	–	–	10
Due to credit institutions from the Bank of Russia	1,253,757	–	–	–	1,253,757
Due from credit institutions	2,295	7,028	8,693	13	18,029
Financial assets at fair value through profit or loss	1,230,707	–	–	–	1,230,707
Net loans receivable	34,204,197	–	1,366,854	–	35,571,051
Fixed assets, intangible assets and inventories	29,490	–	–	–	29,490
Other assets	1,205,356	–	388	–	1,205,744
<b>Total assets</b>	<b>37,925,812</b>	<b>7,028</b>	<b>1,375,935</b>	<b>13</b>	<b>39,308,788</b>
<b>Liabilities</b>					
Loans, deposits and other amounts due to the Bank of Russia	1,000,000	–	–	–	1,000,000
Due to credit institutions	14,500,000	–	4,100,562	–	18,600,562
Due to customers other than credit institutions	3,117,565	–	410,056	5,883,050	9,410,671
Financial liabilities at fair value through profit or loss	169,653	–	–	–	169,653
Deferred tax liability	170,269	–	–	–	170,269
Other liabilities	1,459,861	–	3,547	17,564	1,480,972
<b>Total liabilities</b>	<b>20,417,348</b>	<b>–</b>	<b>4,514,165</b>	<b>5,900,614</b>	<b>30,832,127</b>
<b>Off-balance sheet assets</b>	<b>–</b>	<b>–</b>	<b>3,246,804</b>	<b>6,045,527</b>	<b>9,292,331</b>
<b>Off-balance sheet liabilities</b>	<b>10,088,792</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,088,792</b>
Net balance sheet position	17,508,464	7,028	(3,138,230)	(5,900,601)	8,476,661
Net short position	(10,088,792)	–	3,246,804	6,045,527	(796,461)
Total balance sheet position		7,028	(3,138,230)	(5,900,601)	–
Total off-balance sheet position		–	3 246 804	6 045 527	–
<b>Open currency position</b>		<b>7,028</b>	<b>108,574</b>	<b>144,926</b>	<b>–</b>
Open currency position, share of capital		0.0897	1.3862	1.8503	–
<b>Total open currency positions</b>					<b>260,527</b>
<b>Open currency positions, share of capital</b>					<b>3.3263</b>

The tables below summarize the effect on the statement of income of the assumed upward and downward changes in foreign exchange interest rates. The effect on equity does not differ from the effect on the statement of income. A negative amount in the table reflects a potential net reduction in the statement of financial results or equity, while a positive amount reflects net potential increase.

<b>Currency</b>	<b>Open currency position amount 2015</b>	<b>Increase of exchange rate 2015</b>	<b>Effect on profit before tax 2015</b>	<b>Open currency position amount 2014</b>	<b>Increase of exchange rate 2014</b>	<b>Effect on profit before tax 2014</b>
USD	4,846	40%	1,938	7,028	10%	703
EUR	246,611	43%	106,043	108,574	10%	10,857
JPY	242,553	47%	114,000	144,926	10%	14,493
<b>Total</b>	<b>494,010</b>		<b>221,981</b>	<b>260,528</b>		<b>26,053</b>

Translation of the original Russian version

<b>Currency</b>	<b>Open currency position amount 2015</b>	<b>Decrease of exchange rate (%) 2015</b>	<b>Effect on profit before tax 2015</b>	<b>Open currency position amount 2014</b>	<b>Decrease of exchange rate 2014</b>	<b>Effect on profit before tax 2014</b>
USD	4,846	13%	(630)	7,028	10%	(703)
EUR	246,611	15%	(36,992)	108,574	10%	(10,857)
JPY	242,553	11%	(26,681)	144,926	10%	(14,493)
<b>Total</b>	<b>494,010</b>		<b>(64,303)</b>	<b>260,528</b>		<b>(26,053)</b>

**Debt investment risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The limit on the acceptable level of mismatch for interest rate revision is established at 400 basis points (4%). Sensitivity of fair value includes effect of expected movements in risk-free rates within a year. This parameter is assessed by reference to fair value of similar fixed rate instruments held as of 1 January 2016 and 2015. The assessment is performed based on the assumption that there are parallel shifts in the yield curve.

<b>Currency</b>	<b>Increase in basis points</b>	<b>Change in net interest income 2015</b>	<b>Change in equity 2015</b>	<b>Change in net interest income 2014</b>	<b>Change in equity 2014</b>
RUR	400	-	(8,013)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(8,013)</b>	<b>-</b>	<b>-</b>

<b>Currency</b>	<b>Decrease in basis points</b>	<b>Change in net interest income 2015</b>	<b>Change in equity 2015</b>	<b>Change in net interest income 2014</b>	<b>Change in equity 2014</b>
RUR	400	-	8 013	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>8 013</b>	<b>-</b>	<b>-</b>

**Interest rate risk**

Interest rate risk is the risk of financial losses due to unfavorable changes in interest rates. The Bank's net interest income and the market value of assets and liabilities that are sensitive to changes in interest rates may be subject to interest rate risk.

The Bank applies the method of interest rate assessment in accordance with the Procedure for Preparation and Submission of Reporting Form 0409127 *Information on Interest Rate Risk* provided for by the Bank of Russia's Instructive Regulation No. 2332-U dated 12 November 2009. The Bank includes all balance and off-balance sheet financial instruments sensitive to the changes in interest rate risk except for the off-balance sheet instruments which are subject to total interest rate risk assessment in accordance with Regulation No. 387-P. Such off-balance sheet financial instruments include currency-interest rate swaps.

<b>1 January 2016</b>	<b>Less than 30 days</b>	<b>31 to 90 days</b>	<b>91 to 180 days</b>	<b>181 days to 1 year</b>	<b>More than 1 year</b>	<b>Not sensitive to changes in interest rate</b>	<b>Total</b>
<b>Balance sheet assets</b>							
Cash and cash equivalents	-	-	-	-	-	10	10
Due from the Bank of Russia (other than obligatory reserves)	-	-	-	-	-	191,917	191,917
Obligatory reserves	-	-	-	-	-	11,646	11,646
Due from credit institutions	-	-	-	-	-	53,041	53,041
Financial assets at fair value through profit or loss	633,837	1,047,615	143,903	268,933	787,667	-	2,881,955
Net loans receivable and similar debt	6,769,090	9,780,855	4,251,176	5,959,952	21,465,459	125,223	48,351,755
Net investments in securities and other financial assets available for sale	-	-	-	-	-	200,321	200,321
Current income tax assets	-	-	-	-	-	32,487	32,487
Deferred income tax asset	-	-	-	-	-	166,048	166,048
Fixed and intangible assets	-	-	-	-	-	13,255	13,255
Other assets	824,960	1,149,675	1,042,129	1,768,069	3,527,482	846,949	9,159,264
<b>Off-balance sheet assets</b>							
Currency swap – foreign	-	-	622,722	2,471,417	-	-	3,094,139
<b>Total balance sheet assets and balance sheet liabilities</b>	<b>8,227,887</b>	<b>11,978,145</b>	<b>6,059,930</b>	<b>10,468,371</b>	<b>25,780,608</b>	<b>1,640,897</b>	<b>64,155,838</b>
<b>Assets, cumulative total</b>	<b>8,227,887</b>	<b>20,206,032</b>	<b>26,265,962</b>	<b>36,734,333</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Balance sheet liabilities</b>							
Loans, deposits and other amounts due to the Bank of Russia	-	-	2,000,000	-	-	-	2,000,000
Due to credit institutions	6,025,916	10,469,720	19,860,636	12,360,636	17,439,440	-	66,156,348
Amounts in course of settlement	-	-	-	-	-	9,212	9,212

Translation of the original Russian version

<b>1 January 2016</b>	<b>Less than 30 days</b>	<b>31 to 90 days</b>	<b>91 to 180 days</b>	<b>181 days to 1 year</b>	<b>More than 1 year</b>	<b>Not sensitive to changes in interest rate</b>	<b>Total</b>
Deposits from legal entities	–	1,500,000	1,500,000	1,538,200	13,891,566	–	18,429,766
Current accounts of individuals	–	–	–	–	–	1,040,267	1,040,267
Other liabilities	15,849	147,299	28,022	759,930	1,828,492	920,414	3,700,006
Equity (capital) sources	–	–	–	–	–	9,600,510	9,600,510
<b>Off-balance sheet liabilities</b>							
Currency swap – foreign	–	–	498,716	2,417,146	–	–	2,915,862
<b>Total balance sheet and off-balance sheet liabilities</b>	<b>6,041,765</b>	<b>12,117,019</b>	<b>23,887,374</b>	<b>17,075,912</b>	<b>33,159,498</b>	<b>11,570,403</b>	<b>103,851,971</b>
<b>Liabilities, cumulative total</b>	<b>6,041,765</b>	<b>18,158,784</b>	<b>42,046,158</b>	<b>59,122,070</b>	<b>x</b>	<b>x</b>	<b>x</b>
Accumulated gap	2,186,122	(138,874)	(17,827,444)	(6,607,541)	(7,378,890)	x	x
Gap ratio (accumulated relative gap, cumulative total)	1.36	1.11	0.62	0.62	x	x	x
<b>Change in net interest income</b>							
<b>+400 basis points</b>	<b>83,798</b>	<b>(4,629)</b>	<b>(445,686)</b>	<b>(66,075)</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>-400 basis points</b>	<b>(83,798)</b>	<b>4,629</b>	<b>445,686</b>	<b>66,075</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Term ratio</b>	<b>0.9583</b>	<b>0.8333</b>	<b>0.6250</b>	<b>0.2500</b>	<b>x</b>	<b>x</b>	<b>x</b>

<b>1 January 2015</b>	<b>Less than 30 days</b>	<b>31 to 90 days</b>	<b>91 to 180 days</b>	<b>181 days to 1 year</b>	<b>More than 1 year</b>	<b>Not sensitive to changes in interest rate</b>	<b>Total</b>
<b>Balance sheet assets</b>							
Cash and cash equivalents	–	–	–	–	–	10	10
Due from the Bank of Russia (other than obligatory reserves)	–	–	–	–	–	1,138,061	1,138,061
Obligatory reserves	–	–	–	–	–	115,696	115,696
Due from credit institutions	–	–	–	–	–	18,029	18,029
Financial assets at fair value through profit or loss	626,732	–	–	–	603,975	–	1,230,707
Net loans receivable and similar debt	9,841,119	4,363,454	3,215,415	3,507,558	14,543,242	29,934	35,500,722
Fixed and intangible assets	–	–	–	–	–	29,490	29,490
Other assets	238,998	–	–	–	–	966,746	1,205,744
<b>Off-balance sheet assets</b>							
Currency swap – foreign	2,600,576	–	–	–	–	–	2,600,576
<b>Total balance sheet assets and balance sheet liabilities</b>	<b>13,307,425</b>	<b>4,363,454</b>	<b>3,215,415</b>	<b>3,507,558</b>	<b>15,147,217</b>	<b>2,297,966</b>	<b>41,839,035</b>
<b>Assets, cumulative total</b>	<b>13,307,425</b>	<b>17,670,879</b>	<b>20,886,294</b>	<b>24,393,852</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Balance sheet liabilities</b>							
Loans, deposits and other amounts due to the Bank of Russia	1,000,000	–	–	–	–	–	1,000,000
Due to credit institutions	1,000,000	5,000,000	5,000,000	3,500,000	4,100,562	–	18,600,562
Amounts in course of settlement	–	–	–	–	–	746	746
Deposits of legal entities	2,588,542	2,500,000	150,000	410,056	3,294,508	–	8,943,106
Current accounts of individuals	–	–	–	–	–	466,819	466,819
Financial liabilities at fair value through profit or loss	–	–	–	–	169,653	–	169,653
Deferred tax liability	–	–	–	–	–	170,269	170,269
Other liabilities	30,461	490,286	95,224	45,254	12,580	807,167	1,480,972
Equity (capital) sources	–	–	–	–	–	8,476,661	8,476,661
<b>Off-balance sheet liabilities</b>							
Currency swap – foreign	2,006,307	–	–	–	–	–	2,006,307
<b>Total balance sheet and off-balance sheet liabilities</b>	<b>6,625,310</b>	<b>7,990,286</b>	<b>5,245,224</b>	<b>3,955,310</b>	<b>7,577,303</b>	<b>9,921,662</b>	<b>41,315,095</b>
<b>Liabilities, cumulative total</b>	<b>6,625,310</b>	<b>14,615,596</b>	<b>19,860,820</b>	<b>23,816,130</b>	<b>x</b>	<b>x</b>	<b>x</b>
Accumulated gap	6,682,115	(3,626,832)	(2,029,809)	(447,752)	7,569,914	x	x
Gap ratio (accumulated relative gap, cumulative total)	2.01	1.21	1.05	1.02	x	x	x
<b>Change in net interest income</b>							
<b>+400 basis points</b>	<b>256,139</b>	<b>(120,890)</b>	<b>(50,745)</b>	<b>(4,478)</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>-400 basis points</b>	<b>(256,139)</b>	<b>120,890</b>	<b>50,745</b>	<b>4,478</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Term ratio</b>	<b>0.9583</b>	<b>0.8333</b>	<b>0.625</b>	<b>0.25</b>	<b>x</b>	<b>x</b>	<b>x</b>

The tables below summarize the impact on the statement of income and equity of stress-testing scenarios of upward and downward changes in interest rates by 400 basis points. A negative amount in the table reflects a potential net reduction in the statement of financial results or equity, while a positive amount reflects net potential increase.

<b>1 January 2016</b>	<b>Effect on profit before tax</b>	<b>Effect on equity</b>
Increase in basis points (+400)	(432,592)	(432,592)
Decrease in basis points (-400)	432,592	432,592

<b>1 January 2015</b>	<b>Effect on profit before tax</b>	<b>Effect on equity</b>
Increase in basis points (+400)	80,026	80,026
Decrease in basis points (-400)	(80,026)	(80,026)

### 11.3. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal or stress circumstances. Liquidity risk results from improper balance between the Bank's financial assets and financial liabilities by period.

Liquidity risk is managed by the Treasury and is an integral part of the asset and liability management system comprising two components:

- ▶ instant (short-term) liquidity management on real-time basis;
- ▶ mid- and long-term liquidity management as part of the asset and liability management process to achieve the optimal profitability/risk level.

Risk liquidity appetites are regulated by the liquidity management policy approved by the Chairman of the Bank's Management Board.

The Bank uses prudential ratios to assess liquidity. To minimize liquidity risk, the Bank is committed to maintain the quality of its assets by continuous monitoring.

The Bank manages its liquidity risks using both conservative approach, i.e. maintaining a sufficient liquidity level to meet its obligations timely, and dynamic approach, i.e. raising funds at the capital markets due to open limits.

The Bank manages its liquidity risk using the below methods:

- ▶ analysis of actual values and dynamics of mandatory liquidity ratios;
- ▶ projecting the effect of performed operations on prudential ratios;
- ▶ limiting active operations by investment work stream depending on funding sources;
- ▶ gap analysis of maturities of assets and liabilities based on the most probable deadlines of their collections/repayment.

The Bank measures and controls its liquidity risk using the Bank of Russia's Reporting Form 0409125 *The Information Relating to the Maturity of Assets and Liabilities by Maturity Dates* approved by Instructive Regulation No. 2332-U dated 12 November 2009, according to which liquid assets comprise assets of I and II quality categories less related loss provision determined in accordance with Regulation No. 254-P and Regulation No. 283-P. Assets and liabilities are also recognized including interest income (expense) accrued before expiry of the agreement. The above amount of interest income (expense) is adjusted for loss provision similar to the provision for potential loss concerning the corresponding asset.

Assets and liabilities concentrations by remaining maturities:

<b>1 January 2016</b>	<b>On demand and up to 1 month</b>	<b>From 1 month to 1 year</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Assets</b>						
Cash	10	–	–	–	–	10
Due from the Bank of Russia (other than obligatory reserves)	191,917	–	–	–	–	191,917
Obligatory reserves	–	–	–	–	11,646	11,646
Due from credit institutions	53,041	–	–	–	–	53,041
Financial assets at fair value through profit or loss	633,837	1,460,451	787,667	–	–	2,881,955
Net loans receivable and similar debt	6,072,020	18,577,131	18,918,758	2,546,701	–	46,114,610
Net investments in securities available for sale	–	99,079	–	101,242	–	200,321
Current income tax assets	32,487	–	–	–	–	32,487
Deferred income tax asset	–	–	–	–	166,048	166,048
Fixed and intangible assets	–	–	–	–	13,255	13,255
Other assets	726,350	3,580,634	3,237,433	314,209	846,949	8,705,575
<b>Total balance sheet assets</b>	<b>7,709,662</b>	<b>23,717,295</b>	<b>22,943,858</b>	<b>2,962,152</b>	<b>1,037,898</b>	<b>58,370,865</b>
<b>Off-balance sheet assets</b>						
Foreign exchange contracts (SWAP)	–	10,514,170	11,319,760	–	–	21,833,930
<b>Total balance sheet assets and balance sheet liabilities</b>	<b>7,709,662</b>	<b>34,231,465</b>	<b>34,263,618</b>	<b>2,962,152</b>	<b>1,037,898</b>	<b>80,204,795</b>
<b>Liabilities</b>						
Loans, deposits and other amounts due to the Bank of Russia	–	2,000,000	–	–	–	2,000,000
Due to credit institutions	635,000	14,000,000	11,860,636	–	–	26,495,636
Amounts in course of settlement	9,212	–	–	–	–	9,212
Deposits of legal entities	–	38,200	12,391,566	–	–	12,429,766
Current accounts of individuals	1,040,267	–	–	–	–	1,040,267
Other liabilities	15,849	935,251	1,828,492	–	920,414	3,700,006
<b>Total balance sheet liabilities</b>	<b>1,700,328</b>	<b>16,973,451</b>	<b>26,080,694</b>	<b>–</b>	<b>920,414</b>	<b>45,674,887</b>
<b>Off-balance sheet liabilities</b>						
Foreign exchange contracts (SWAP)	–	10,447,090	11,038,603	–	–	21,485,693
<b>Total balance sheet and off-balance sheet liabilities</b>	<b>1,700,328</b>	<b>27,420,541</b>	<b>37,119,297</b>	<b>–</b>	<b>920,414</b>	<b>67,160,580</b>
<b>Net liquidity gap</b>	<b>6,009,334</b>	<b>6,810,924</b>	<b>(2,855,679)</b>	<b>2,962,152</b>	<b>117,484</b>	
<b>Cumulative liquidity gap</b>	<b>6,009,334</b>	<b>12,820,258</b>	<b>9,964,579</b>	<b>12,926,731</b>	<b>13,044,215</b>	

Translation of the original Russian version

<b>1 January 2015</b>	<b>On demand and up to 1 month</b>	<b>From 1 month to 1 year</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Assets</b>						
Cash	10	–	–	–	–	10
Due from the Bank of Russia (other than obligatory reserves)	1,138,061	–	–	–	–	1,138,061
Obligatory reserves	–	–	–	–	115,696	115,696
Due from credit institutions	18,029	–	–	–	–	18,029
Financial assets at fair value through profit or loss	626,732	–	603,975	–	–	1,230,707
Net loans receivable and similar debt	9,816,859	11,108,750	10,930,712	3,612,527	1,937	35,470,785
Fixed and intangible assets	–	–	–	–	29,490	29,490
Other assets	243,602	2,856,896	2,890,961	1,200,256	1,683	7,193,398
<b>Total assets</b>	<b>11,843,293</b>	<b>13,965,646</b>	<b>14,425,648</b>	<b>4,812,783</b>	<b>148,806</b>	<b>45,196,176</b>
<b>Liabilities</b>						
Loans, deposits and other amounts due to the Bank of Russia	1,000,000	–	–	–	–	1,000,000
Due to credit institutions	1,000,000	13,500,000	4,100,562	–	–	18,600,562
Amounts in course of settlement	746	–	–	–	–	746
Deposits of legal entities	2,588,542	3,060,056	3,294,508	–	–	8,943,106
Current accounts of individuals	466,819	–	–	–	–	466,819
Financial liabilities at fair value through profit or loss	–	–	169,653	–	–	169,653
Deferred tax liability	–	–	–	–	170,269	170,269
Other liabilities	95,411	1,426,816	350,024	211,107	332,644	2,416,002
<b>Total liabilities</b>	<b>5,151,518</b>	<b>17,986,872</b>	<b>7,914,747</b>	<b>211,107</b>	<b>502,913</b>	<b>31,767,157</b>
<b>Net liquidity gap</b>	<b>6,691,775</b>	<b>(4,021,226)</b>	<b>6,510,901</b>	<b>4,601,676</b>	<b>(354,107)</b>	
<b>Cumulative liquidity gap</b>	<b>6,691,775</b>	<b>2,670,549</b>	<b>9,181,450</b>	<b>13,783,126</b>	<b>13,429,019</b>	

**Liquidity ratios used by the Bank**

<b>Item (designation)</b>	<b>1 January 2016</b>	<b>1 January 2015</b>
Highly liquid assets (maturing within 1 calendar day) (Lam)	1,444,958	1,306,100
Liquid assets (maturing within 30 calendar days) (Lat)	7,001,104	11,255,645
Assets receivable in more than 365 or 366 calendar days (Crd)	20,012,729	14,567,827
Liabilities payable on demand (OVM)	1,576,152	858,523
Liabilities payable on demand and during next 30 days (Ovt)	2,399,160	5,754,379
Liabilities payable in more than 365 or 366 calendar days (OD)	24,252,202	7,395,070
Equity (capital)	9,066,869	7,832,405
<b>Instant liquidity ratio, % (N2)</b> (standard value $\geq 15\%$ )	<b>91.7%</b>	<b>152.1%</b>
<b>Current liquidity ratio, % (N3)</b> (standard value $\geq 50\%$ )	<b>291.8%</b>	<b>195.6%</b>
<b>Long-term liquidity ratio, % (N4)</b> (standard value $\geq 120\%$ )	<b>60.1%</b>	<b>95.7%</b>

The Bank measures and controls the liquidity ratios on a daily basis.

**11.4. Operational risk**

Operational risk results from insufficiency or inefficiency of internal processes, staff, management systems, which, coupled with external factors, may cause operating loss. Operational risk in particular includes risk of loss caused by fraud, errors in calculations and catastrophic events.

The Bank manages its operational risk in accordance with the Bank of Russia's Letter No. 76-T *On organizing management of operational risks in credit institutions* dated 24 May 2005 and in accordance with the Bank's internal documents.

The Bank assesses operational risk in accordance with the Bank of Russia's Regulation No. 346-P *Concerning the procedure for calculating operational risk exposure* dated 3 November 2009.

The operational risk management policy comprises definition and identification of operational risks on various stages of the Bank's operations, and development of measures to minimize and prevent their emergence.

The Internal Control, Operational Risks and Compliance Committee considers various issues on a quarterly basis, including operational risk management reviews, first level control results, identified instances of the operational risk, results of the BC/DR plan testing, an action plan developed based on the results of the BC/DR plan testing, incidents in the Bank's information systems, and other issues.

Information on the identified instances of external fraud, respective measures taken, a number of fraud instances prevented by the Bank, statistics on the customer requests, their reasons and respective measures taken are considered at the meetings of the Operating Committee of the Bank's Management Board on a monthly basis.

The operational risk management strategy selected by the Bank determines that the Internal Control, Operational Risks and Compliance Committee and the Operating Committee of the Management Board should take primary responsibility for the operating management of operational risks.

Translation of the original Russian version

The amount of income used for calculating capital requirements to cover operational risk is presented below:

<i>Item</i>	<b>1 January 2016</b>	<b>1 January 2015</b>
Total income used for calculating capital requirements to cover operational risk, including:		
- net interest income	3,219,659	813,072
- net income from financial assets at fair value through profit or loss	601,769	250,012
- net income from dealing in foreign currencies	1,079,119	902
- net income from foreign currency translation	6,692	21,203
- net fee and commission income	231	231
- other operating income	1,518,229	18,993
Number of years preceding the date of operational risk calculation	13,619	521,731
<b>Average income</b>	<b>3</b>	<b>3</b>
<b>Operational risk, total (15%)</b>	<b>1,073,220</b>	<b>271,024</b>
	<b>160,983</b>	<b>40,654</b>

**11.5. Geographical concentration**

The geographical concentration of the Bank's assets and liabilities is set out below: The Bank is a resident of the Russian Federation, operates within the territory of the Russian Federation and, as of 1 January 2016, major part of its assets and liabilities is located in the Russian Federation, except for amounts due from/to credit institutions, deposits of legal entities, assets and liabilities under derivative financial instruments.

**Concentration of assets and liabilities by location**

<b>1 January 2016</b>	<i>Russian Federation</i>	<i>Developed countries (OECD), total</i>	<i>Including France</i>	<i>Including Japan</i>	<i>Including UK</i>	<i>Including Netherlands</i>	<i>Including Switzerland</i>	<i>Including USA</i>	<b>Total</b>
<b>Assets</b>									
Cash	10	-	-	-	-	-	-	-	10
Due from the Bank of Russia (other than obligatory reserves)	191,917	-	-	-	-	-	-	-	191,917
Obligatory reserves	11,646	-	-	-	-	-	-	-	11,646
Due from credit institutions	11,305	41,736	8,669	33,067	-	-	-	-	53,041
Financial assets at fair value through profit or loss	691,346	2,190,609	1,259,040	-	-	-	931,569	-	2,881,955
Net loans receivable and similar debt	48,553,613	-	-	-	-	-	-	-	48,553,613
Net investments in securities available for sale	200,321	-	-	-	-	-	-	-	200,321
Current income tax assets	32,487	-	-	-	-	-	-	-	32,487
Deferred income tax asset	166,048	-	-	-	-	-	-	-	166,048
Fixed and intangible assets	13,255	-	-	-	-	-	-	-	13,255
Other assets	1,201,476	23,228	20,223	-	3,005	-	-	-	1,224,704
<b>Total assets</b>	<b>51,073,424</b>	<b>2,255,573</b>	<b>1,287,932</b>	<b>33,067</b>	<b>3,005</b>	<b>-</b>	<b>931,569</b>	<b>-</b>	<b>53,328,997</b>
<b>Liabilities</b>									
Loans, deposits and other amounts due to the Bank of Russia	2,000,000	-	-	-	-	-	-	-	2,000,000
Due to credit institutions	16,135,000	10,360,636	10,360,636	-	-	-	-	-	26,495,636
Amounts in course of settlement	9,212	-	-	-	-	-	-	-	9,212
Deposits of legal entities	38,200	12,391,566	-	10,891,566	-	-	-	1,500,000	12,429,766
Current accounts of individuals	1,040,267	-	-	-	-	-	-	-	1,040,267
Other liabilities	1,614,965	138,641	15,163	123,478	-	-	-	20,032	1,753,606
<b>Total liabilities</b>	<b>20,837,644</b>	<b>22,890,843</b>	<b>10,375,799</b>	<b>11,015,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,520,032</b>	<b>43,728,487</b>
Equity (capital)	-	9,066,869	-	-	-	9,066,869	-	-	9,066,869
Off-balance sheet assets	6,172,781	15,661,149	10,609,399	-	-	-	5,051,750	-	21,833,930
Off-balance sheet liabilities	6,055,766	15,429,927	10,638,404	-	-	-	4,791,523	-	21,485,693

## Translation of the original Russian version

<b>1 January 2015</b>	<i>Russian Federation</i>	<i>Developed countries (OECD), total</i>	<i>Including France</i>	<i>Including Japan</i>	<i>Including UK</i>	<i>Including Netherlands</i>	<i>Including Switzerland</i>	<b>Total</b>
<b>Assets</b>								
Cash	10	–	–	–	–	–	–	10
Due from the Bank of Russia (other than obligatory reserves)	1,138,061	–	–	–	–	–	–	1,138,061
Obligatory reserves	115,696	–	–	–	–	–	–	115,696
Due from credit institutions	18,016	13	–	13	–	–	–	18,029
Financial assets at fair value through profit or loss	–	1,230,707	–	–	–	–	1,230,707	1,230,707
Net loans receivable and similar debt	35,571,051	–	–	–	–	–	–	35,571,051
Fixed and intangible assets	29,490	–	–	–	–	–	–	29,490
Other assets	1,205,666	78	–	–	78	–	–	1,205,744
<b>Total assets</b>	<b>38,077,990</b>	<b>1,230,798</b>	<b>–</b>	<b>13</b>	<b>78</b>	<b>–</b>	<b>1,230,707</b>	<b>39,308,788</b>
<b>Liabilities</b>								
Loans, deposits and other amounts due to the Bank of Russia	1,000,000	–	–	–	–	–	–	1,000,000
Due to credit institutions	11,500,000	7,100,562	7,100,562	–	–	–	–	18,600,562
Amounts in course of settlement	746	–	–	–	–	–	–	746
Deposits of legal entities	650,000	8,293,106	–	7,883,050	–	410,056	–	8,943,106
Current accounts of individuals	466,819	–	–	–	–	–	–	466,819
Financial liabilities at fair value through profit or loss	–	169,653	169,653	–	–	–	–	169,653
Deferred tax liability	170,269	–	–	–	–	–	–	170,269
Other liabilities	1,047,974	432,998	254,915	175,343	–	–	2,740	1,480,972
<b>Total liabilities</b>	<b>14,835,808</b>	<b>15,996,319</b>	<b>7,525,130</b>	<b>8,058,393</b>	<b>–</b>	<b>410,056</b>	<b>2,740</b>	<b>30,832,127</b>
Equity (capital)	–	7,832,405	–	–	–	7,832,405	–	7,832,405
Off-balance sheet assets	–	9,292,331	3,246,804	–	–	–	6,045,527	9,292,331
Off-balance sheet liabilities	–	10,088,792	4,454,114	–	–	–	5,634,678	10,088,792

### 11.6. Legal risk

Legal risks inherent to the Bank's activities are as follows:

- ▶ Risks to perform transactions that are considered invalid in accordance with the applicable legislation of the Russian Federation.
- ▶ Risks to conclude agreements that may cause significant impairment of assets or increasing liabilities of the Bank.
- ▶ Risks of unfavorable outcome of litigations involving the Bank.
- ▶ Risks arising from changes in applicable legislation and judicial practice pertaining to key business issues of the Bank.

To manage the legal risk, the Bank applies internal rules for the approval and sign-off of legally significant documents. As regards its core activities, the Bank develops and uses standard contract templates as well as regularly monitors the effective legislation and promptly communicates key changes that are significant to the Bank to its management and personnel of the business units involved. The Bank has internal rules for the approval and sign-off of the Bank's responses to certain claims (complaints) made by its customers and requests submitted by state agencies. Moreover, the Bank has a process in place ensuring that new contracts that are significant to the Bank comply with effective legislation and may check whether the counterparties that are legal entities have appropriate legal capacity. The overall law enforcement practice applicable to the Bank's operations is being established.

### Current and potential risk exposure of the Bank

As of 31 December 2016, the Bank had no uncovered risks relating to court proceedings that might significantly impact the Bank's future financial and business performance.

### 11.7. Strategic risk

Strategic risk is a risk of losses which the Bank may incur as result of mistakes (deficiencies) in making decisions defining the Bank's business and development strategy (strategic management) and manifesting through ignoring potential threats to the Bank's operations.



## Translation of the original Russian version

The process of determining benchmarks and goals for the Bank's development implies regular revision and, if necessary, amendment of the strategy and financial objectives due to the current state of the national economy and industry where the Bank operates.

Analysis of deviations from the Bank's development strategy, business plan and budget indicators is performed on a monthly basis and provided for the Management Board's consideration. Management Board, in its turn, provides the results of the above analysis to the Board of Directors.

### 11.8. Reputational risk

The Bank regularly monitors reputational risk both for the Bank and for its shareholders, major customers and counterparties.

Measures to manage reputational risk include the following:

- ▶ control of compliance with the current legislation of the Russian Federation;
- ▶ control over anti-money laundering and counter-terrorism financing;
- ▶ adequate fulfillment of obligations by counterparties;
- ▶ quality control of services rendered to the customers;
- ▶ ongoing monitoring of negative references in mass media.

The Bank has consistent corporate reputation, promotes positive image of the Bank, quality of its services and nature of its business based on the actual operating results. The risk that the Bank may incur losses as a result of business reputation deterioration is assessed by the Management as minimal.

## 12. Operating segments

For the purposes of this disclosure, operating segments are determined by the Bank based on the definition specified in IFRS 8 *Operating segments*.

For the management purposes, the Bank's activities are divided into three business segments:

*Corporate banking* – provision of financing to car dealers, maintenance of term deposits placed by corporate customers.

*Retail banking* – provision of loans to retail customers (car loans) and rendering related financial services

*In-house transactions* – debt capital market operations, trading with securities, foreign currencies and derivative financial instruments, and other transactions.

Information on each segment is reviewed using the methods similar to those applied in making decisions on the resource allocation between segments and performance assessment and prepared according to the same procedure as financial statements.

Transactions between the operating segments are based on regular commercial terms. Funds are reallocated between segments resulting in transfers of financing costs recognized in segment revenue. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

Assets and liabilities breakdown by the Bank's operating segments are presented in the table below:

	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Assets</b>		
Corporate banking	10,438,799	5,268,087
Retail banking	34,052,234	21,331,871
In-house transactions	8,837,964	12,708,830
<b>Total assets</b>	<b>53,328,997</b>	<b>39,308,788</b>
	<u>1 January 2016</u>	<u>1 January 2015</u>
<b>Liabilities</b>		
Corporate banking	47,413	746
Retail banking	1,054,197	478,437
In-house transactions	42,626,877	30,352,944
<b>Total liabilities</b>	<b>43,728,487</b>	<b>30,832,127</b>

## Translation of the original Russian version

Income and expenses by the Bank's operating segments for the year ended 31 December 2015 are presented in the table below:

<b>1 January 2016</b>	<b>Corporate transactions</b>	<b>Retail transactions</b>	<b>In-house transactions</b>	<b>Total</b>
Total interest income, including:	304,959	4,359,452	478,706	5,143,117
Total interest expense, including:	(513,060)	(1,717,636)	–	(2,230,696)
Net interest income / (negative interest margin)	(208,101)	2,641,816	478,706	2,912,421
Fee and commission income on transactions of external customers	1,093,793	1,749,645	–	2,843,438
Fee and commission expense on transactions of external customers	–	(111,631)	(23,014)	(134,645)
Net income from financial assets at fair value through profit or loss	865,138	2,896,332	–	3,761,470
Net income from securities available for sale	–	–	(60)	(60)
Net income from dealing in foreign currency	(30,409)	(124,889)	(390,039)	(545,337)
Net income from foreign currency translation	(1,236,087)	(3,899,075)	–	(5,135,162)
Provision for loan impairment	(249,908)	(593,132)	(42,000)	(885,040)
Operating income	–	–	28,476	28,476
Operating expense	(186,061)	(1,149,685)	(52,069)	(1,387,815)
<b>Income before tax</b>	<b>48,365</b>	<b>1,409,381</b>	<b>–</b>	<b>1,457,746</b>

Income and expenses by the Bank's operating segments for the year ended 31 December 2014 are presented in the table below:

<b>1 January 2015</b>	<b>Corporate transactions</b>	<b>Retail transactions</b>	<b>In-house transactions</b>	<b>Total</b>
Total interest income, including:	188,482	848,108	266,780	1,303,370
Total interest expense, including:	(278,159)	(280,319)	(275,403)	(833,881)
Net interest income / (negative interest margin)	(89,677)	567,789	(8,623)	469,489
Fee and commission income on transactions of external customers	708,575	837,689	–	1,546,264
Fee and commission expense on transactions of external customers	–	(32,618)	–	(32,618)
Net income from financial assets at fair value through profit or loss	359,220	718,440	–	1,077,660
Net income from securities available for sale	–	–	–	–
Net income from dealing in foreign currency	–	–	6,690	6,690
Net income from foreign currency translation	(348,613)	(697,225)	–	(1,045,838)
Provision for loan impairment	(83,881)	(132,319)	(13,512)	(229,712)
Operating income	–	–	15,445	15,445
Operating expense	(490,566)	(793,454)	–	(1,284,020)
<b>Income before tax</b>	<b>55,058</b>	<b>468,302</b>	<b>–</b>	<b>523,360</b>

### 13. Related party transactions

For the purpose of this disclosure, related parties are determined by the Bank as defined by IAS 24 *Related Party Disclosures* adopted in the Russian Federation by Order No. 160n of the ministry of Finance of the Russian Federation dated 25 November 2011. According to this standard the parties are considered related when one party is able to control the other party, or significantly influence the financial and operating decisions of the other party. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

The Bank entered into transactions with related parties as part of its normal business. There is no increased risk of overdue debts or other unfavorable events resulting from such transactions.

The Bank's related parties are as follows:

- ▶ shareholders;
- ▶ other related parties;
- ▶ key management personnel including 4 individuals (members of the Bank's Management Board);
- ▶ insiders.

	<b>1 January 2016</b>	<b>1 January 2015</b>
<b>Shareholders</b>	BARN B.V.	BARN B.V.
<b>Other related parties</b>	JSC UniCredit Bank	JSC UniCredit Bank
	LLC RN Finance RUS	LLC RN Finance RUS
	RNGM S.A.	Representative office of RCI Banque S.A.
	RCI Banque S.A.	RNGM S.A.
	Nissan Financial Services Co, Ltd.	RCI Banque S.A.
	Renault Finance S.A.	Nissan Financial Services Co, Ltd.
	LLC Nissan Manufacturing RUS	Renault Finance S.A.
	CJSC Renault Russia	LLC Nissan Manufacturing RUS
	DIAC	CJSC Renault Russia
	NISSAN MOTOR ACCEPTANCE Corporation	SOGESMA S.A.R.L.

Translation of the original Russian version

**Balances on balance sheet accounts, income and expenses accounts resulting from transactions with related parties**

<b>1 January 2016</b>	<b>Share-holders</b>	<b>Other related parties</b>	<b>Key management personnel (*)</b>	<b>Insiders</b>	<b>Total</b>
<b>Balances on balance sheet accounts</b>					
<b>Assets</b>					
Amounts due from credit institutions		19,974			19,974
Financial assets at fair value through profit or loss		2,881,955			2,881,955
Net loans receivable and similar debt		–		947	947
Other assets		177,371		5	177,376
<b>Total assets</b>		<b>3,079,300</b>		<b>952</b>	<b>3,080,252</b>
<b>Liabilities</b>					
Amounts due to credit institutions		22,360,636			22,360,636
Amounts in settlements		1,845			1,845
Amounts due to customers (other than credit institutions)		12,391,566			12,391,566
Current accounts of individuals		–		44	44
Other liabilities		761,086			761,086
<b>Total liabilities</b>		<b>35,515,133</b>		<b>44</b>	<b>35,515,177</b>
<b>Balances on off-balance sheet accounts</b>					
Off-balance sheet receivables		21,833,930			21,833,930
Off-balance sheet liabilities		21,485,693			21,485,693
<b>Amounts of income and expenses</b>					
Net interest income (negative interest margin)	(392)	(1,327,101)		38	(1,327,455)
Net income from financial assets at fair value		3,761,470			3,761,470
Net income from securities available for sale		(60)			(60)
Net income (expense) from dealing in foreign currency		3,479			3,479
Net fee and commission income		1,091,318			1,091,318
Other operating income		1,497			1,497
Operating expense		(33,292)	(89,543)		(122,835)
Tax expense		(18)			(18)

<b>1 January 2015</b>	<b>Share-holders</b>	<b>Other related parties</b>	<b>Key management personnel (*)</b>	<b>Total</b>
<b>Balances on balance sheet accounts</b>				
<b>Assets</b>				
Amounts due from credit institutions		18,016		18,016
Financial assets at fair value through profit or loss		1,230,707		1,230,707
Net loans receivable		1,950,000		1,950,000
Other assets		127,553		127,553
<b>Total assets</b>		<b>3,326,276</b>		<b>3,326,276</b>
<b>Liabilities</b>				
Amounts due to credit institutions		17,600,562		17,600,562
Amounts due to customers (other than credit institutions)	410,056	8,533,050		8,943,106
Financial liabilities at fair value		169,653		169,653
Other liabilities	34	690,751		690,785
<b>Total liabilities</b>	<b>410,090</b>	<b>26,994,016</b>		<b>27,404,106</b>
<b>Off-balance sheet liabilities</b>				
Irrevocable liabilities of a credit institution		10,088,792		10,088,792
<b>Amounts of income and expenses</b>				
Net interest income (negative interest margin)	(919)	(676,509)		(677,428)
Net income from financial assets at fair value		1,077,660		1,077,660
Net income (expense) from dealing in foreign currency		(169)		(169)
Net fee and commission income		736,989		736,989
Other operating income		9,408		9,408
Operating expense		(26,954)	(43,708)	(70,662)
Tax expense		(3,436)		(3,436)

(\*) Information on benefits to key management personnel:

Information on benefits to key management personnel includes short-term benefit payable to the members of the Bank's Management Board during the reporting period and one year after the end of the reporting period when the employees rendered the respective services. Short-term benefit includes salary and year-end bonuses.

Settlement procedure and terms of payment of benefits to key management personnel of the Bank are established in the Regulation *On Compensation and Incentives in JSC RN Bank*.

The Bank is in compliance with applicable rules and procedures stipulated by the Bank's internal regulations governing compensation procedures.

## 14. Information on compensation system

The Bank's compensation and benefit system is a key factor for motivating employees to be involved in achieving corporate objectives. The Bank's approach to compensation is focused on performance, compliance with the business strategy, securing competitiveness and efficiency of the incentive system.

Therefore, the Bank implements an action plan to develop the system of applied indicators, amend regulations governing authority and issues related to compensations to employees, including employees accepting risk and employees of controlling departments. Departments that monitor compensation, internal control and risk management systems, as well as finance and legal departments of the Bank are directly involved in this process.

Compensation system and procedures are governed by the Regulation *On Compensation to Employees*. This regulation is developed in accordance with the Labor Code of the Russian Federation, Russian law, the Bank's regulations and the Bank's local regulations. The regulation establishes procedure and system of compensations and incentives in order to increase the Bank's employees' material interest in high performance, higher efficiency and quality of work, responsibility for performance of work, as well as in order to comply with the principle of correlation between salary and personal contribution of employees to operating performance of the Bank.

The Regulation is applicable to all the Bank's employees, including:

- ▶ members of the sole executive body, members of the collective executive body and members of committees of executive body;
- ▶ employees making decisions to perform operations or enter into other transactions / accepting risks that may impact compliance with prudential ratios. The list of these employees is approved by the order of the Chairman of the Management Board;
- ▶ employees performing internal control functions;
- ▶ employees performing risk management functions.

The regulation governs the procedure of calculation and payment of fixed and variable parts of compensation to employees.

Fixed part of compensation includes the amounts of the base salary, reimbursements, incentives and social payments not based on performance.

Variable part of compensation includes reimbursements, incentives and social payments based on performance. Variable part of compensation is not guaranteed and depends on meeting target performance indicators (quantitative and qualitative) established for an employee to the extent of risks accepted by the Bank and profitability. The variable part of compensation to the Bank's employees is approved by the Board of Directors.

Compensation to employees of internal control and risk management departments is arranged in such a way that the fixed part comprises at least 50% in the total amount of compensation to employees of these departments. The compensation to employees of these departments is not linked to the financial performance of departments that make decisions to perform banking and other operations.

Total base salary, reimbursements, incentives and social payments are approved annually by the Bank's Board of Directors as part of annual approval of the budget and business plans.

Employees' compensation is annually aligned with the market level based on labor market review provided by an independent research company. When necessary, the compensation system, is upgraded based on recommendations.

In 2015, the Board of Directors did not revise the Bank's compensation system.

Based on the requirements of Instruction No. 154-I of the Bank of Russia *On the Rules for Assessing the Compensation System of a Credit Institution and Issuing Instructions to the Credit Institution to Eliminate Irregularities in the Compensation System* dated 17 June 2014, on 1 January 2015, the Bank's Board of Directors charged the Chairman of the Board of Directors with functions to make decisions on issues related to arrangement, monitoring and control of the compensation system, assessment of its compliance with the Bank's strategy, types and scope of transactions, level and combination of assumed risks.

The Bank has an approved list of positions accepting risks and employees that perform control and risk management functions. As of 1 January 2016, the number of employees accepting risk was 9 (4 of them are members of the Management Board).

### Information on the Bank's structure of payments in 2015

Total amount of payments including bonuses and compensations	445,981
Fixed part of compensation to employees accepting risks	98,667
Variable short-term part of compensation to employees accepting risks	28,291
Variable long-term part of compensation to employees accepting risks	30,851
Severance pay to employees accepting risks	4,469

In 2015, no adjustments were made to compensation and major payments to employees accepting risks.

**15. Information on the body that approved the annual financial statements for issue**

On 29 March 2016, the executive body as represented by the Chairman of the Management Board of JSC RN Bank approved the 2015 annual financial statements for issue. These financial statements must be placed on the official website of JSC RN Bank – [www.rn-bank.ru](http://www.rn-bank.ru).

Chairman of the Management Board

Kintzinger Bruno



Chief Accountant

Lvova Daria Alexandrovna

Seal

29 March 2016