VTB BANK

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

CONTENTS

Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Independent auditor's report

To the Supervisory Council and Shareholders of VTB Bank

We have audited the accompanying consolidated financial statements of VTB Bank and its subsidiaries (together "the Group"), which comprise the consolidated statements of financial position as at 31 December 2015 and 2014, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of principal accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

17 March 2016

Moscow, Russia

VTB BANK CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2015	2014	Change
Interest income	4	1,100.9	844.1	30.4%
Interest expense	4	(803.1)	(489.8)	64.0%
Payments to deposit insurance system	4	(8.7)	(7.0)	24.3%
Net interest income	4	**289.1**	**347.3**	- 16.8%
Provision charge for impairment of debt financial assets	22, 23, 24	(167.5)	(255.4)	- 34.4%
Net interest income after provision for impairment		**121.6**	**91.9**	32.3%
Net fee and commission income	5	**76.2**	**63.1**	20.8%
Gains less losses / (Losses net of gains) arising from financial instruments at fair value through profit or loss	6	34.2	(3.0)	1,240.0%
Losses net of gains from investment financial assets available-for-sale	24	(16.7)	–	100%
Gains net of losses / (losses net of gains) arising from foreign currencies	7	32.3	(3.2)	1,109.4%
Government grant from Deposit Insurance Agency	32	–	99.2	-100.0%
Gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers	8	1.4	3.5	-60.0%
Share in profit of associates and joint ventures		5.8	0.3	1,833.3%
Gain from disposal of subsidiaries and associates	29, 46, 47	3.3	15.1	-78.1%
(Losses net of gains) / gains net of losses arising from extinguishment of liabilities	9	(1.5)	0.8	-287.5%
Provision charge for impairment of other assets, credit related commitments and legal claims	28, 50	(10.6)	(20.0)	-47.0%
Excess of fair value of acquired net asset over cost	45	–	0.3	-100.0%
Other operating income	10	23.2	18.5	25.4%
Non-interest gains		**71.4**	**111.5**	-36.0%
Net insurance premiums earned	13	84.1	43.9	91.6%
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs	14	(80.5)	(31.8)	153.1%
Revenues less expenses from insurance activity		**3.6**	**12.1**	-70.2%
Revenue from other non-banking activities	11	24.0	34.5	-30.4%
Cost of sales and other expenses from other non-banking activities	12	(35.2)	(43.1)	-18.3%
Impairment of land, premises and intangible assets other than goodwill used in non-banking activities	25,27	(6.2)	(2.8)	121.4%
Net (loss)/gain from change in fair value of investment property recognised on revaluation		(3.1)	3.6	-186.1%
Revenues less expenses from other non-banking operations		**(20.5)**	**(7.8)**	162.8%
Impairment of land, premises and intangible assets other than goodwill	25,27	(5.3)	(0.9)	488.9%
Impairment of goodwill	27	(0.3)	(5.7)	-94.7%
Other operating expense	15	(12.5)	(8.8)	42.0%
Staff costs and administrative expenses	16	(221.9)	(222.6)	-0.3%
Non-interest expenses		**(240.0)**	**(238.0)**	0.8%
Profit before tax		**12.3**	**32.8**	-62.5%
Income tax expense	17	(6.9)	(31.5)	-78.1%
Net profit after tax		**5.4**	**1.3**	315.4%
Loss after tax from subsidiaries acquired exclusively with a view to resale		(3.7)	(0.5)	640.0%
Net profit		**1.7**	**0.8**	112.5%
Net profit/(loss) attributable to:				
Shareholders of the parent		10.7	4.1	161.0%
Non-controlling interests		(9.0)	(3.3)	172.7%
Basic and diluted earnings per share (expressed in Russian roubles per share)	55	0.00010	(0.00023)	143.5%
Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	55	0.00039	(0.00019)	305.3%

The notes № 1-60 form an integral part of these consolidated financial statements.

FOR THE YEARS ENDED 31 DECEMBER (IN BILLIONS OF RUSSIAN ROUBLES)

	2015	2014
Net profit	**1.7**	**0.8**
Other comprehensive income/(loss):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Net result on financial assets available-for-sale, net of tax	13.7	(20.7)
Cash flow hedges, net of tax	(0.1)	(0.4)
Share of other comprehensive income of associates and joint ventures	4.6	2.0
Effect of translation, net of tax	6.4	37.2
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	**24.6**	**18.1**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains net of losses / (losses net of gains) arising from difference between pension plan assets and obligations	0.3	(1.2)
Land and premises revaluation, net of tax	6.1	(0.4)
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**6.4**	**(1.6)**
Other comprehensive income, net of tax	**31.0**	**16.5**
Total comprehensive income	**32.7**	**17.3**
Total comprehensive income/(loss) attributable to:		
Shareholders of the parent	41.5	17.6
Non-controlling interests	(8.8)	(0.3)

The notes № 1-60 form an integral part of these consolidated financial statements.

VTB BANK CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2015	2014	Change
ASSETS				
Cash and short-term funds	18	570.7	695.2	-17.9%
Mandatory cash balances with central banks		70.8	85.5	-17.2%
Non-derivative financial assets at fair value through profit or loss	19	237.1	275.0	-13.8%
Derivative financial assets	20	304.8	407.0	-25.1%
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	21	165.0	184.0	-10.3%
Due from other banks, including pledged under repurchase agreements	22	1,358.2	814.5	66.8%
- Due from other banks		1,353.2	740.3	82.8%
- Due from other banks, pledged under repurchase agreements		5.0	74.2	-93.3%
Loans and advances to customers, including pledged under repurchase agreements	23	9,437.5	8,537.3	10.5%
- Loans and advances to customers		8,827.7	8,074.7	9.3%
- Loans and advances to customers, pledged under repurchase agreements		609.8	462.6	31.8%
Investment financial assets	24	259.3	132.2	96.1%
Investments in associates and joint ventures	47	104.3	96.3	8.3%
Assets of disposal groups held for sale	29	15.8	11.1	42.3%
Land, premises and equipment	25	310.3	246.9	25.7%
Investment property	26	245.0	192.3	27.4%
Goodwill and other intangible assets	27	162.0	161.8	0.1%
Deferred income tax asset	17	76.6	66.9	14.5%
Other assets	28	324.5	284.8	13.9%
Total assets		**13,641.9**	**12,190.8**	11.9%
LIABILITIES				
Due to other banks	30	1,224.0	733.2	66.9%
Customer deposits	31	7,267.0	5,669.4	28.2%
Derivative financial liabilities	20	284.1	397.8	-28.6%
Other borrowed funds	32	2,121.5	2,729.2	-22.3%
Debt securities issued	33	623.5	921.4	-32.3%
Liabilities of disposal groups held for sale	29	13.0	4.7	176.6%
Deferred income tax liability	17	30.2	26.6	13.5%
Other liabilities	35	361.7	312.3	15.8%
Total liabilities before subordinated debt		**11,925.0**	**10,794.6**	10.5%
Subordinated debt	34	262.8	265.2	-0.9%
Total liabilities		**12,187.8**	**11,059.8**	10.2%
EQUITY				
Share capital	36	659.5	352.1	87.3%
Share premium		433.8	433.8	0.0%
Perpetual loan participation notes	37	164.0	126.6	29.5%
Treasury shares and bought back perpetual loan participation notes	39	(2.9)	(6.7)	-56.7%
Other reserves	38	72.2	42.8	68.7%
Retained earnings		127.6	169.3	-24.6%
Equity attributable to shareholders of the parent		**1,454.2**	**1,117.9**	30.1%
Non-controlling interests		**(0.1)**	**13.1**	-100.8%
Total equity		**1,454.1**	**1,131.0**	28.6%
Total liabilities and equity		**13,641.9**	**12,190.8**	11.9%

Approved for issue and signed on 17 March 2016

A.L. Kostin
President – Chairman of the Management Board

Herbert Moos
Chief Financial Officer – Deputy Chairman of the Management Board

The notes № 1-60 form an integral part of these consolidated financial statements.

FOR THE YEARS ENDED 31 DECEMBER (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2015	2014
Cash flows from operating activities			
Interest received		1,043.7	813.7
Interest paid		(785.2)	(442.4)
Payments to deposit insurance system		(8.7)	(7.0)
Gains received on operations with financial assets at fair value through profit or loss		27.1	68.3
Gains received from extinguishment of liability		-	1.0
Gains received on dealing in foreign currency		18.8	80.7
Fees and commissions received		97.6	83.4
Fees and commissions paid		(22.7)	(18.6)
Other operating income received		22.9	12.3
Other operating expenses paid		(5.3)	(6.0)
Staff costs, administrative expenses paid		(213.5)	(182.7)
Income received from non-banking activities		39.4	50.7
Expenses paid in non-banking activities		(35.3)	(38.7)
Net insurance premiums received		92.1	43.9
Net insurance claims paid		(37.4)	(35.1)
Income tax paid		(15.1)	(20.6)
Cash flows from operating activities before changes in operating assets and liabilities		**218.4**	**402.9**
Net decrease/(increase) in operating assets			
Net decrease/(increase) in mandatory cash balances with central banks		15.2	(27.0)
Net increase in restricted cash		(0.8)	(0.3)
Net increase in correspondent accounts in precious metals		(0.9)	(1.6)
Net decrease/(increase) in financial assets at fair value through profit or loss		63.1	(40.0)
Net increase in due from other banks		(558.5)	(239.2)
Net increase in loans and advances to customers		(466.7)	(2,159.5)
Net increase in other assets		(37.4)	(25.0)
Net (decrease)/increase in operating liabilities			
Net increase in due to other banks		499.5	116.0
Net increase in customer deposits		1,368.7	1,120.0
Net increase/(decrease) in debt securities issued other than bonds issued		0.4	(3.5)
Net (decrease)/increase in other liabilities		(39.5)	19.6
Net cash from/(used in) operating activities		**1,061.5**	**(837.6)**
Cash flows used in investing activities			
Dividends and other distributions received		1.0	1.8
Proceeds from sales or maturities of investment financial assets available-for-sale		225.2	190.7
Purchase of investment financial assets available-for-sale		(232.0)	(324.9)
Purchase of subsidiaries, net of cash	45	-	2.5
Disposal of subsidiaries, net of cash		2.8	17.2
Purchase of and contributions to associates		(0.6)	(0.7)
Proceeds from sale of share in associates		-	4.0
Proceeds from distribution to shareholders of associates		-	1.6
Purchase of investment financial assets held-to-maturity		(63.9)	(1.6)
Proceeds from redemption of investment financial assets held-to-maturity		3.0	1.9
Purchase of land, premises and equipment		(51.1)	(49.6)
Proceeds from sale of land, premises and equipment		4.3	6.4
Purchase or construction of investment property		(17.3)	(20.8)
Proceeds from sale of investment property		4.6	3.5
Purchase of intangible assets		(5.8)	(6.1)
Proceeds from sale of intangible assets		0.6	0.4
Net cash used in investing activities		**(129.2)**	**(173.7)**

FOR THE YEARS ENDED 31 DECEMBER (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2015	2014
Cash flows from financing activities			
Dividends paid	39	(18.0)	(16.3)
Proceeds from issuance of local bonds		-	101.5
Repayment of local bonds		(76.2)	(48.0)
Buy-back of local bonds		(13.0)	(84.3)
Proceeds from sale of previously bought-back local bonds		24.3	15.3
Proceeds from issuance of Eurobonds		-	7.5
Repayment of Eurobonds		(319.7)	(41.2)
Buy-back of Eurobonds		(40.7)	(30.6)
Proceeds from sale of previously bought-back Eurobonds		26.5	17.3
Proceeds from syndicated loans		15.7	2.5
Repayment of syndicated loans		(28.7)	(108.0)
Proceeds from other borrowings and funds from local central banks		10,731.0	9,353.7
Repayment of other borrowings and funds from local central banks		(11,369.2)	(8,045.5)
Proceeds from subordinated debt		-	113.5
Repayment of subordinated debt		(53.9)	(218.8)
Buy-back of subordinated debt		(4.3)	(2.0)
Proceeds from sale of previously bought-back subordinated debt		8.5	1.2
Proceeds from share issue, less transaction costs	36	-	214.0
Cash received from sale of treasury shares		13.6	15.1
Cash paid for treasury shares		(6.5)	(18.1)
Cash paid for purchase of non-controlling interests in subsidiaries and non-parent interests in consolidated funds	45	-	(21.6)
Buy-back of perpetual loan participation notes		(0.9)	(2.5)
Proceeds from sale of previously bought-back perpetual loan participation notes		0.5	2.4
Amounts paid on perpetual loan participation notes	39	(13.1)	(9.4)
Net cash (used in)/ from financing activities		**(1,124.1)**	**1,197.7**
Effect of exchange rate changes on cash and cash equivalents		65.7	153.2
Effect of hyperinflation		-	(0.5)
Net (decrease)/increase in cash and cash equivalents		**(126.1)**	**339.1**
At the beginning of period	18	**687.7**	**348.6**
At the end of period	18	**561.6**	**687.7**

The notes № 1-60 form an integral part of these consolidated financial statements.

FOR THE YEARS ENDED 31 DECEMBER (IN BILLIONS OF RUSSIAN ROUBLES)

	Attributable to shareholders of the parent								
	Share capital	Share premium	Perpetual loan participation notes (Note 37)	Treasury shares and bought back perpetual loan participation loan notes	Other reserves (Note 38)	Retained earnings	Total	Non-controlling interests (Note 48)	Total equity
Balance at 1 January 2014	**138.1**	**433.8**	**73.6**	**(3.6)**	**35.6**	**262.0**	**939.5**	**7.6**	**947.1**
Net result from treasury shares transactions	–	–	–	(3.1)	–	(0.1)	**(3.2)**	–	**(3.2)**
Profit for the period	–	–	–	–	–	4.1	**4.1**	(3.3)	**0.8**
Other comprehensive income	–	–	–	–	14.2	(0.7)	**13.5**	3.0	**16.5**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**14.2**	**3.4**	**17.6**	**(0.3)**	**17.3**
Preference share issue (Note 36)	214.0	–	–	–	–	(12.3)	**201.7**	–	**201.7**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(2.3)	2.3	**–**	–	**–**
Share-based payments (Note 54)	–	–	–	–	–	0.4	**0.4**	–	**0.4**
Increase in share capital of subsidiaries	–	–	–	–	–	–	**–**	0.1	**0.1**
Acquisition of subsidiaries	–	–	–	–	–	–	**–**	0.5	**0.5**
Disposal of subsidiaries	–	–	–	–	(4.9)	0.9	**(4.0)**	(7.2)	**(11.2)**
Acquisition of non-controlling interests	–	–	–	–	0.2	(23.4)	**(23.2)**	13.7	**(9.5)**
Amounts paid on perpetual loan participation notes (Note 39)	–	–	–	–	–	(7.5)	**(7.5)**	–	**(7.5)**
Foreign exchange translation of perpetual loan participation notes	–	–	53.0	–	–	(53.0)	**–**	–	**–**
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	11.6	**11.6**	–	**11.6**
Dividends declared (Note 39)	–	–	–	–	–	(15.0)	**(15.0)**	(1.3)	**(16.3)**
Balance at 31 December 2014	**352.1**	**433.8**	**126.6**	**(6.7)**	**42.8**	**169.3**	**1,117.9**	**13.1**	**1,131.0**
Net result from treasury shares transactions	–	–	–	4.2	–	2.3	**6.5**	–	**6.5**
Net result from treasury perpetual loan participation notes transactions	–	–	–	(0.4)	–	0.2	**(0.2)**	–	**(0.2)**
Profit for the period	–	–	–	–		10.7	**10.7**	(9.0)	**1.7**
Other comprehensive income	–	–	–	–	30.5	0.3	**30.8**	0.2	**31.0**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**30.5**	**11.0**	**41.5**	**(8.8)**	**32.7**
Preference share issue (Note36)	307.4	–	–	–	–	–	**307.4**	–	**307.4**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(1.2)	1.2	**–**	–	**–**
Share-based payments (Note 54)	–	–	–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Acquisition of subsidiaries	–	–	–	–	–	–	**–**	1.8	**1.8**
Disposal of subsidiaries	–	–	–	–	–	–	**–**	0.1	**0.1**
Acquisition of non-controlling interests (Note 45)	–	–	–	–	0.1	1.1	**1.2**	(6.3)	**(5.1)**
Amounts paid on perpetual loan participation notes (Note 39)	–	–	–	–	–	(11.7)	**(11.7)**	–	**(11.7)**
Foreign exchange translation of perpetual loan participation notes	–	–	37.4	–	–	(37.4)	**–**	–	**–**
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	9.8	**9.8**	–	**9.8**
Dividends declared (Note 39)	–	–	–	–	–	(18.0)	**(18.0)**	–	**(18.0)**
Balance at 31 December 2015	**659.5**	**433.8**	**164.0**	**(2.9)**	**72.2**	**127.6**	**1,454.2**	**(0.1)**	**1,454.1**

DEEPING INTO NUMBERS

1. PRINCIPAL ACTIVITIES

VTB Bank and its subsidiaries (the "Group") comprise Russian and foreign commercial banks, insurance, leasing and other companies and entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganizations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company). In June 2015 "VTB Bank" (open joint-stock company) was renamed into VTB Bank (Public Joint-Stock Company) in accordance with the legislative requirements

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation ("CBR"). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depositary services. VTB and other Russian Group banks are regulated and supervised by the CBR. Foreign Group banks operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency" ("DIA"). The Group subsidiary banks in Russia: "Bank VTB 24", PJSC, "Bank of Moscow", OJSC and "Leto Bank", PJSC are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA guarantees repayment of individual deposits up to the maximum total amount of guaranteed payment of RUR 1.4 million with a 100% compensation of deposited amount from 29 December 2014.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB's Head Office is located in Moscow.

The Group operates in the corporate and investment banking, retail, real estate and other sectors. Corporate and investment banking include deposit taking and commercial lending in freely convertible currencies and in Russian roubles, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks with its network of 41 full service branches, including 23 branches of VTB, 8 branches of "Bank VTB 24", PJSC, 10 branches of "Bank of Moscow", OJSC located in major Russian regions.

The Group operates outside Russia through 13 bank subsidiaries, located in Austria, Germany, France, Great Britain, Serbia, Armenia, Belarus, Kazakhstan, Azerbaijan, Ukraine (2 banks), Georgia and Angola; through 3 representative offices located in Italy, China and Kyrgyzskaya Republic; through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai. The Group investment banking division also performs broker/dealer operations in the United States of America, securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 60.9% of VTB's issued and outstanding ordinary shares at 31 December 2015 (31 December 2014: 60.9%).

Unless otherwise noted herein, all amounts are expressed in billions of Russian roubles rounded off to one decimal.

2. BASIS OF PREPARATION

These consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IFRS.

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, by the revaluation of land, premises and investment properties, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss, and by assets of disposal groups held for sale and property intended for sale in the ordinary course of business measured at fair value less costs to sell.

The summary of principal accounting policies applied in the preparation of these financial statements is set out below in Note 57. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements are presented in Russian roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled.

3. ANALYSIS BY SEGMENT

In accordance with IFRS 8, *Operating Segments*, the Group has defined five reportable segments.

- Corporate-Investment banking (CIB)
- Mid-Corporate banking (MCB)
- Retail business (RB)
- Treasury
- Other business

The Group has also separately disclosed Corporate Centre.

The composition of reportable segments is approved by resolutions of VTB Group's Management Committee, the body that on a regular basis assesses performance of reportable segments and allocates resources to them.

(a) Factors that management used in order to identify the reportable segments

The Group's segments are strategic business lines that are managed separately, focus on different clients and have product specialisation.

The majority of the Group's activities and resources are allocated and managed, and their performance is assessed via the respective segment information.

(b) Segments' business activities

The CIB, MCB and RB segments are global business lines that focus on servicing different customer segments.

The Treasury and Other Business segments, as well as Corporate Centre do not constitute separate global business lines.

The criteria used to identify client segments for each global business line are set by the Group Management Committee. They include principles for allocating customers between large, medium and small business customer segments.

CIB and MCB

CIB global business line encompasses operations with corporate customers that are 'large business' customers and banking financial institutions, as well as operations on the securities market, excluding operations with securities for liquidity management purposes.

MCB global business line encompasses operations with 'medium business' corporate customers.

To provide additional information, the Group also discloses the following product lines as part of the CIB and MCB reportable segments:

- Investment banking
- Loans and Deposits
- Transaction banking

Investment Banking

The Investment banking product line in the CIB reportable segment comprises:

- operations with prevailing market risk including loans with exposure to market risks;
- corporate finance operations;
- asset management, brokerage services and financial consulting;
- operations with precious metals;
- profit-taking operations on the financial and currency markets, including interbank market;
- other products and services with prevailing market risk.

The Investment banking product line also includes term funding from certain clients (including promissory notes issued), based on the decision of VTB Group's Management Committee.

The investment banking product line in the MCB reportable segment comprises currency exchange operations with 'medium business' corporate customers.

Loans and Deposits

The Loans and deposits product line covers:

- operations with prevailing credit risk, such as lending to corporate customers (large and medium businesses segments), including overdrafts on customers' current accounts;
- trade and export financing;
- customer term deposits (including agreements on minimum account balance).

Transaction Banking

The Transaction banking product line consists of fee-based services and products with prevailing operational risks. It includes:

- operations with corporate customers, such as raising customer funds in the form of current and settlement accounts;
- documentary operations, including letters of credit and guarantees;
- depositary operations;
- fee-based services of all kinds not related to operations on the financial markets and currency valuables: settlement and cash services, collection, storage box, remote banking services, payment processing centre service.

3. ANALYSIS BY SEGMENT (CONTINUED)

Retail business

RB global business line encompasses operations with individuals and 'small business' corporate customers.

The retail business reportable segment covers:

- Retail banking product line which includes operations with individuals and are 'small business' corporate customers;
- Insurance product line which includes all types of insurance products and services.

The Retail banking product line comprises operations with individuals and corporate customers that are 'small business' customers, and also internet and mobile POS-acquiring operations with major retail chains, operations of individuals with plastic cards, payroll related services, financial consulting, repurchase transactions and asset management, investment and other operations with individuals and 'small business' customers.

Treasury

The Treasury comprises:

- operations to manage liquidity (including those with securities portfolios maintained for liquidity management purposes);
- operations on financial and interbank markets as a part of management of payment and currency positions, as well as interest rate risk management;
- cash flow management within the Head office or subsidiary and between VTB Group members;
- debt financing operations;
- reallocation of resources between segments both within the Head office or subsidiary and between VTB Group members.

The net financial results of the Treasury reportable segment are allocated to other reportable segments in accordance with established methodology.

Corporate Centre

The Corporate Centre represents unallocated staff and administrative expenses related to VTB Group's management, as well as expenses on strategic programmes connected with VTB Group's brand development and positioning on the local and international markets, etc. Corporate Center also includes investments in associates not allocated to reportable segments.

Other Business

The other business includes two lines of business: Construction and development and Other.

The Construction and development business line is non-banking operations undertaken by Group members operating in the construction and development industry.

The Other line of business includes non-banking business, other than insurance and construction and development.

(c) Managing operating segments' profit or loss, assets or liabilities

The performance of a segment and its profit or loss are measured in accordance with IFRS, as adjusted by to intersegment reallocations and decisions of VTB Group's Management Committee regarding the allocation of operations between segments.

The Head office and the Group members prepare segment reporting using unified rules.

Intersegment transactions within a single entity of the Group are settled using the internal transfer prices, which are designed to reflect the cost of resources. Transfer prices are set and reviewed on a regular basis in each of the Group's entities.

VTB Group's Management Committee evaluates segments' performance based on their net profit after tax, as well as other qualitative and quantitative information.

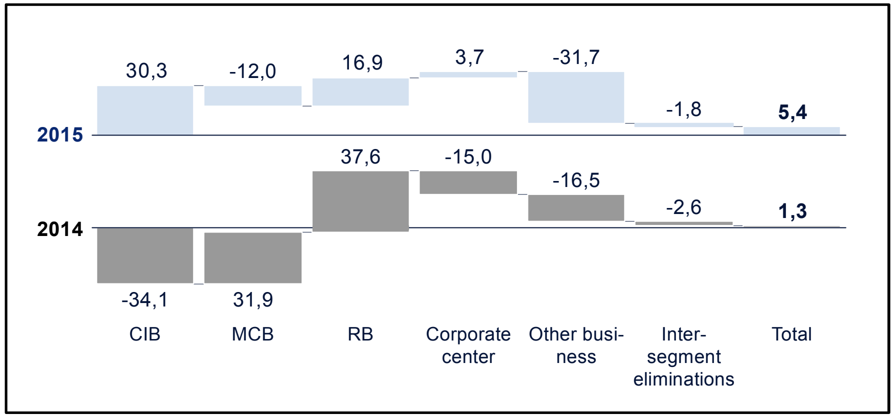
Intersegment transactions are predominantly conducted in the normal course of business.

3. ANALYSIS BY SEGMENT (CONTINUED)

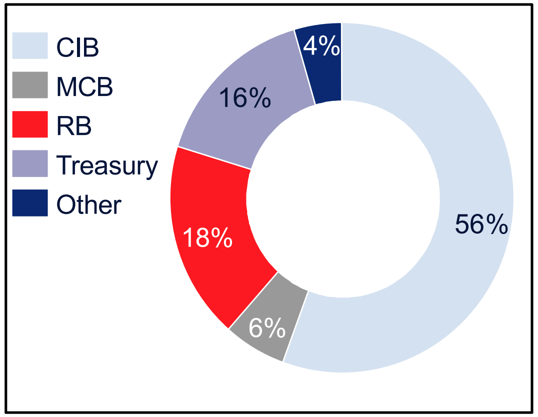
	Corporate-Investme banking (CIB)		Mid-Corporate banking (MCB)		Retail business (RB)		Treasury		Corporate centre		Other business		Inter-segment eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from:																
External customers	711.5	445.0	115.9	108.5	448.4	413.7	88.9	147.3	0.9	-	83.1	49.9	-	-	1,448.7	1,164.4
Other segments	230.9	125.4	55.0	31.8	82.3	54.4	607.3	430.0	-	-	11.0	7.8	(986.5)	(649.4)	-	-
Total revenues	**942.4**	**570.4**	**170.9**	**140.3**	**530.7**	**468.1**	**696.2**	**577.3**	**0.9**	**-**	**94.1**	**57.7**	**(986.5)**	**(649.4)**	**1,448.7**	**1,164.4**
Segment income and expense:											-	-				
Interest income	818.6	528.1	155.2	123.6	406.7	356.0	683.5	472.5	-	-	13.8	3.1	(976.9)	(639.2)	1,100.9	844.1
Interest expense	(653.7)	(411.9)	(121.5)	(94.3)	(248.1)	(164.3)	(731.6)	(438.5)	-	-	(22.8)	(19.2)	974.6	638.4	(803.1)	(489.8)
Payments to deposit insurance system	-	-	-	-	(8.7)	(7.0)	-	-	-	-	-	-	-	-	(8.7)	(7.0)
Treasury result allocation	(88.9)	(7.1)	(4.6)	92.3	4.4	3.0	77.1	(113.7)	19.4	19.2	(7.4)	6.3	-	-	-	0.0
Net interest income	**76.0**	**109.1**	**29.1**	**121.6**	**154.3**	**187.7**	**29.0**	**(79.7)**	**19.4**	**19.2**	**(16.4)**	**(9.8)**	**(2.3)**	**(0.8)**	**289.1**	**347.3**
(Provision charge)/reversal of provision for impairment of debt financial assets	(61.3)	(114.7)	(28.8)	(50.3)	(80.4)	(90.7)	3.1	0.4	-	-	(0.1)	(0.1)	-	-	(167.5)	(255.4)
Net interest income after provision for impairment	**14.7**	**(5.6)**	**0.3**	**71.3**	**73.9**	**97.0**	**32.1**	**(79.3)**	**19.4**	**19.2**	**(16.5)**	**(9.9)**	**(2.3)**	**(0.8)**	**121.6**	**91.9**
Net fee and commissionincome/(expense)	17.5	13.1	11.4	12.1	42.7	35.5	4.2	1.2	-	-	0.6	1.0	(0.2)	0.2	76.2	63.1
Other gains less losses arising from financial instruments and foreign currencies	65.9	6.8	1.1	1.1	8.2	9.8	(31.2)	(19.3)	-	-	4.6	2.1	1.1	(2.4)	49.7	(1.9)
Government Grant from DIA	-	-	-	-	-	-	-	99.2	-	-	-	-	-	-	-	99.2
Share in income of associates and joint ventures	4.4	0.7	0.1	0.1	-	-	0.4	0.1	0.9	(0.6)	-	-	-	-	5.8	0.3
(Loss)/Profit from disposal of subsidiaries and associates	-	9.2	-	0.5	0.3	(2.2)	-	4.5	-	-	3.0	3.1	-	-	3.3	15.1
(Provision charge)/reversal of provision for impairment of other assets. contingencies and credit related commitments	(7.4)	(5.1)	(1.5)	(13.4)	(1.6)	(1.4)	(0.1)	-	-	-	-	(0.1)	-	-	(10.6)	(20.0)
Other	6.5	5.1	(0.4)	(0.5)	12.7	18.9	(1.0)	(1.0)	(0.1)	-	(23.5)	(8.4)	(6.0)	(6.4)	(11.8)	7.7
Net operating (loss)/income	**101.6**	**24.2**	**11.0**	**71.2**	**136.2**	**157.6**	**4.4**	**5.4**	**20.2**	**18.6**	**(31.8)**	**(12.2)**	**(7.4)**	**(9.4)**	**234.2**	**255.4**
Staff costs and administrative expenses	(60.5)	(48.1)	(25.9)	(28.4)	(115.7)	(108.7)	(4.4)	(5.4)	(15.9)	(33.4)	(5.0)	(4.9)	5.5	6.3	(221.9)	(222.6)
Segment results: (loss)/profit before taxation	**41.1**	**(23.9)**	**(14.9)**	**42.8**	**20.5**	**48.9**	-	-	**4.3**	**(14.8)**	**(36.8)**	**(17.1)**	**(1.9)**	**(3.1)**	**12.3**	**32.8**
Income tax expense	(10.8)	(10.2)	2.9	(10.9)	(3.6)	(11.3)	-	-	(0.6)	(0.2)	5.1	0.6	0.1	0.5	(6.9)	(31.5)
Net (loss)/Profit after tax	**30.3**	**(34.1)**	**(12.0)**	**31.9**	**16.9**	**37.6**	-	-	**3.7**	**(15.0)**	**(31.7)**	**(16.5)**	**(1.8)**	**(2.6)**	**5.4**	**1.3**
(Loss)/Profit after tax from subsidiaries acquired exclusively with a view to resale	(0.4)	(0.1)	-	-	-	-	-	-	-	-	(4.2)	(0.9)	0.9	0.5	(3.7)	(0.5)
Net Profit/(Loss)	**29.9**	**(34.2)**	**(12.0)**	**31.9**	**16.9**	**37.6**	-	-	**3.7**	**(15.0)**	**(35.9)**	**(17.4)**	**(0.9)**	**(2.1)**	**1.7**	**0.8**
Capital expenditure	**63.0**	**50.2**	**1.2**	**4.6**	**10.9**	**15.0**	**0.5**	**0.8**	**-**	**-**	**8.5**	**10.3**		**-**	**84.1**	**80.9**
Depreciation	**7.8**	**4.8**	**4.9**	**5.1**	**9.2**	**9.5**	**0.2**	**0.3**	**0.3**	**0.3**	**4.8**	**5.3**		**-**	**27.2**	**25.3**

3. ANALYSIS BY SEGMENT (CONTINUED)

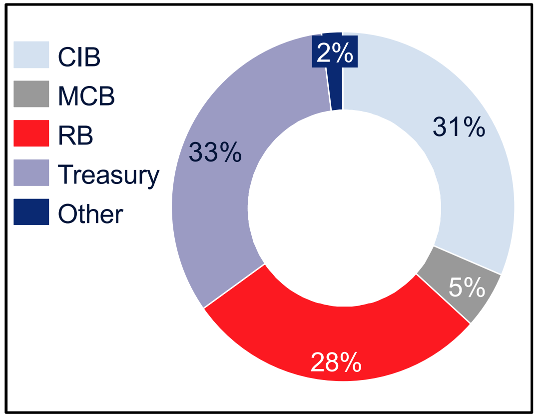
Net (loss)/profit after tax by segment



Segment assets



Segment liabilities

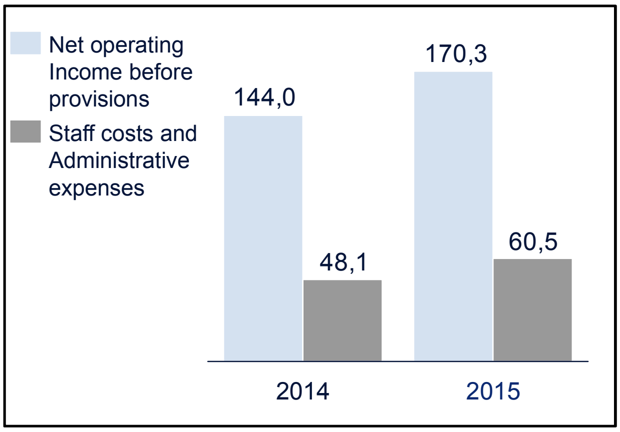


	Corporate-Investment banking (CIB)		Mid-Corporate banking (MCB)		Retail business (RB)		Treasury		Corporate centre		Other business		Inter-segment eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash and short-term funds	39.9	84.2	1.1	1.6	153.8	247.7	375.4	360.3	-	-	0.5	1.4	-	-	570.7	695.2
Mandatory cash balances with central banks	-	-	-	-	16.6	19.9	54.2	65.6	-	-	-	-	-	-	70.8	85.5
Due from other banks. including pledged under repurchase agreements	312.8	359.4	-	-	122.6	82.9	901.2	361.3	-	-	21.6	10.9	-	-	1,358.2	814.5
Loans and advances to customers. including pledged under repurchase agreements	6,139.5	5,186.6	711.5	936.6	1,971.5	2,027.9	606.0	384.8	-	-	9.0	1.4	-	-	9,437.5	8,537.3
Other financial instruments	587.6	686.7	2.6	7.1	55.1	45.1	216.6	182.2	-	-	104.3	77.1	-	-	966.2	998.2
Investments in associates and joint ventures	70.2	74.3	0.3	0.3	-	-	8.8	7.0	24.2	14.2	0.8	0.5	-	-	104.3	96.3
Other assets items	431.9	301.9	83.9	157.2	181.2	138.1	11.3	10.7	-	-	425.9	355.9	-	-	1,134.2	963.8
Net amount of intersegment settlements	-	-	-	-	1,288.4	758.1	2,244.2	2,822.8	-	-	-	-	(3,532.6)	(3,580.9)	-	-
Segment assets	**7,581.9**	**6,693.1**	**799.4**	**1,102.8**	**3,789.2**	**3,319.7**	**4,417.7**	**4,194.7**	**24.2**	**14.2**	**562.1**	**447.2**	**(3,532.6)**	**(3,580.9)**	**13,641.9**	**12,190.8**
Due to other banks	79.4	286.5	0.5	1.1	26.4	64.4	1,117.6	380.9	-	-	0.1	0.3	-	-	1,224.0	733.2
Customer deposits	3,212.3	2,152.3	589.7	577.3	3,280.3	2,604.3	178.0	330.3	-	-	6.7	5.2	-	-	7,267.0	5,669.4
Other borrowed funds	120.3	117.0	-	-	20.2	245.5	1,971.8	2,359.7	-	-	9.2	7.0	-	-	2,121.5	2,729.2
Debt securities issued	29.2	86.4	34.4	33.1	50.8	48.0	507.5	752.0	-	-	1.6	1.9	-	-	623.5	921.4
Subordinated debt	-	-	-	-	2.1	2.1	260.7	263.1	-	-	-	-	-	-	262.8	265.2
Other liabilities items	386.1	480.7	7.8	18.8	82.2	65.4	11.9	39.6	-	-	201.0	136.9	-	-	689.0	741.4
Net amount of intersegment settlements	3,082.5	3,046.5	69.9	227.2	-	-	-	-	-	-	380.2	307.2	(3,532.6)	(3,580.9)	-	-
Segment liabilities	**6,909.8**	**6,169.4**	**702.3**	**857.5**	**3,462.0**	**3,029.7**	**4,047.5**	**4,125.6**	**-**	**-**	**598.8**	**458.5**	**(3,532.6)**	**(3,580.9)**	**12,187.8**	**11,059.8**

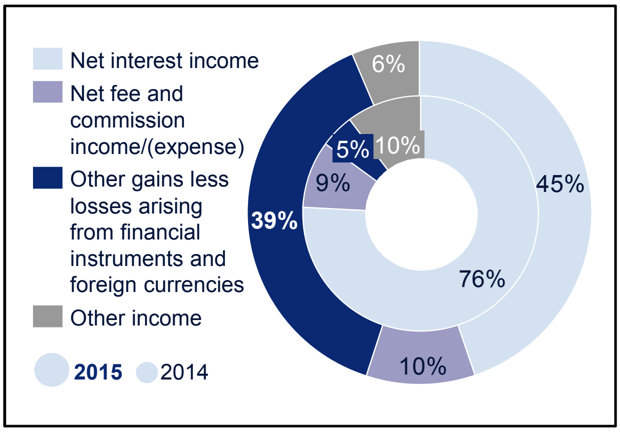
3. ANALYSIS BY SEGMENT (CONTINUED)

	Corporate-Investment banking (CIB) by product lines									
	Investment banking		Loans and deposits		Transaction banking		Inter-CIB eliminations		Total CIB	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from:										
External customers	230.8	121.1	467.6	314.9	13.1	9.0	-	-	711.5	445.0
Other segments	140.6	79.6	54.4	33.3	36.3	13.4	(0.4)	(0.9)	230.9	125.4
Total revenues	**371.4**	**200.7**	**522.0**	**348.2**	**49.4**	**22.4**	**(0.4)**	**(0.9)**	**942.4**	**570.4**
Segment income and expense										
Interest income	298.6	179.2	484.4	336.1	35.8	13.0	(0.2)	(0.2)	818.6	528.1
Interest expense	(239.5)	(139.6)	(402.5)	(270.4)	(11.9)	(2.2)	0.2	0.3	(653.7)	(411.9)
Treasury result allocation	(4.9)	0.2	(84.0)	(7.3)	-	-	-	-	(88.9)	(7.1)
Net interest income	**54.2**	**39.8**	**(2.1)**	**58.4**	**23.9**	**10.8**	**-**	**0.1**	**76.0**	**109.1**
(Provision charge)/reversal of provision for impairment of debt financial assets	(3.4)	(2.7)	(57.9)	(112.0)	-	-	-	-	(61.3)	(114.7)
Net interest income after provision for impairment	**50.8**	**37.1**	**(60.0)**	**(53.6)**	**23.9**	**10.8**	**-**	**0.1**	**14.7**	**(5.6)**
Net fee and commission income/(expense)	3.9	4.0	0.9	0.5	12.7	8.8	-	(0.2)	17.5	13.1
Other gains less losses arising from financial instruments and foreign currencies	47.1	7.0	18.8	(0.2)	-	-	-	-	65.9	6.8
Share in income of associates and joint ventures	3.7	0.2	0.7	0.5	-	-	-	-	4.4	0.7
Profit from disposal of subsidiaries and associates	-	7.8	-	1.4	-	-	-	-	-	9.2
(Provision charge)/reversal of provision for impairment of other assets. contingencies and credit related commitments	(1.7)	(0.4)	1.8	1.6	(7.5)	(6.3)	-	-	(7.4)	(5.1)
Other	0.1	0.7	6.4	4.3	-	0.1	-	-	6.5	5.1
Net operating income/(expense)	**103.9**	**56.4**	**(31.4)**	**(45.5)**	**29.1**	**13.4**	**-**	**(0.1)**	**101.6**	**24.2**
Staff costs and administrative expenses	(31.8)	(23.5)	(19.8)	(17.1)	(8.9)	(7.6)	-	0.1	(60.5)	(48.1)
Segment results: (loss)/profit before taxation	**72.1**	**32.9**	**(51.2)**	**(62.6)**	**20.2**	**5.8**	**-**	**-**	**41.1**	**(23.9)**
Income tax expense	(14.2)	(6.0)	7.4	(2.7)	(4.0)	(1.5)	-	-	(10.8)	(10.2)
Net profit/(loss) after tax	**57.9**	**26.9**	**(43.8)**	**(65.3)**	**16.2**	**4.3**	**-**	**-**	**30.3**	**(34.1)**
(Loss)/Profit after tax from subsidiaries acquired exclusively with a view to resale	-	-	(0.4)	(0.1)	-	-	-	-	(0.4)	(0.1)
Net Profit/(Loss)	**57.9**	**26.9**	**(44.2)**	**(65.4)**	**16.2**	**4.3**	**-**	**-**	**29.9**	**(34.2)**
Capital expenditure	**1.1**	**1.6**	**61.4**	**46.8**	**0.5**	**1.8**	**-**	**-**	**63.0**	**50.2**
Depreciation	**0.7**	**0.7**	**6.5**	**3.6**	**0.6**	**0.5**	**-**	**-**	**7.8**	**4.8**

Net operating income and administrative expenses dynamics (CIB)



Net operating income before provisions: structure (CIB)



3. ANALYSIS BY SEGMENT (CONTINUED)

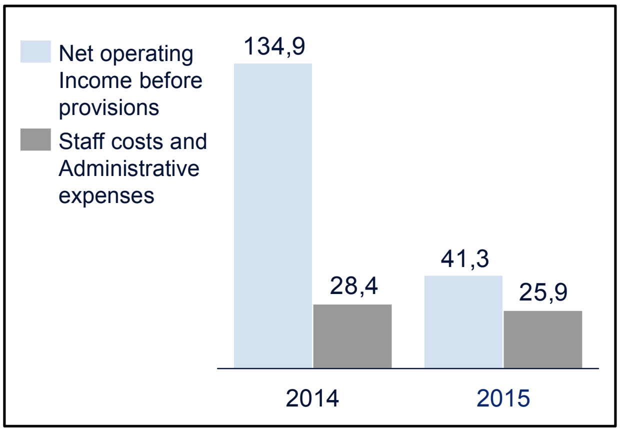
	Corporate-Investment banking (CIB) by product lines									
	Investment banking		Loans and deposits		Transaction banking		Inter-CIB eliminations		Total CIB	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash and short-term funds	39.6	83.6	0.3	0.6	-	-	-	-	39.9	84.2
Due from other banks. including pledged under repurchase agreements	167.8	222.2	145.0	137.2	-	-	-	-	312.8	359.4
Loans and advances to customers. including pledged under repurchase agreements	1,921.2	1,330.4	4,218.3	3,856.2	-	-	-	-	6,139.5	5,186.6
Other financial instruments	576.8	685.5	10.8	1.2	-	-	-	-	587.6	686.7
Investments in associates and joint ventures	70.2	68.5	-	5.8	-	-	-	-	70.2	74.3
Other assets items	99.3	115.5	309.2	162.4	23.4	24.0	-	-	431.9	301.9
Net amount of intersegment settlements	48.9	-	-	-	674.0	492.5	(722.9)	(492.5)	-	-
Segment assets	**2,923.8**	**2,505.7**	**4,683.6**	**4,163.4**	**697.4**	**516.5**	**(722.9)**	**(492.5)**	**7,581.9**	**6,693.1**
Due to other banks	67.4	64.3	12.0	183.6	-	38.6	-	-	79.4	286.5
Customer deposits	2,204.8	1,595.9	371.1	134.1	636.4	422.3	-	-	3,212.3	2,152.3
Other borrowed funds	3.1	4.7	117.2	112.3	-	-	-	-	120.3	117.0
Debt securities issued	24.4	41.1	4.8	45.3	-	-	-	-	29.2	86.4
Other liabilities items	353.8	457.5	19.9	13.8	12.4	9.4	-	-	386.1	480.7
Net amount of intersegment settlements	-	165.6	3,805.4	3,373.4	-	-	(722.9)	(492.5)	3,082.5	3,046.5
Segment liabilities	**2,653.5**	**2,329.1**	**4,330.4**	**3,862.5**	**648.8**	**470.3**	**(722.9)**	**(492.5)**	**6,909.8**	**6,169.4**

	Mid-Corporate banking (MCB) by product lines							
	Investment banking		Loans and deposits		Transaction banking		Total MCB	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from:								
External customers	1.3	1.6	101.0	92.5	13.6	14.4	115.9	108.5
Other segments	0.1	-	40.6	20.7	14.3	11.1	55.0	31.8
Total revenues	**1.4**	**1.6**	**141.6**	**113.2**	**27.9**	**25.5**	**170.9**	**140.3**
Segment income and expense								
Interest income	0.4	0.3	140.5	112.3	14.3	11.0	155.2	123.6
Interest expense	(0.3)	(0.3)	(119.7)	(92.7)	(1.5)	(1.3)	(121.5)	(94.3)
Treasury result allocation	-	-	(4.5)	70.9	(0.1)	21.4	(4.6)	92.3
Net interest income	**0.1**	**(0.0)**	**16.3**	**90.5**	**12.7**	**31.1**	**29.1**	**121.6**
(Provision charge)/reversal of provision for impairment of debt financial assets	-	-	(28.8)	(50.3)	-	-	(28.8)	(50.3)
Net interest income after provision for impairment	**0.1**	**(0.0)**	**(12.5)**	**40.2**	**12.7**	**31.1**	**0.3**	**71.3**
Net fee and commission income/(expense)	-	-	0.2	0.3	11.2	11.8	11.4	12.1
Other gains less losses arising from financial instruments and foreign currencies	1.0	1.4	0.1	(0.3)	-	-	1.1	1.1
Share in income of associates and joint ventures	-	-	0.1	0.1	-	-	0.1	0.1
Profit from disposal of subsidiaries and associates	-	-	-	0.5	-	-	-	0.5
(Provision charge)/reversal of provision for impairment of other assets. contingencies and credit related commitments	-	-	(0.3)	(0.1)	(1.2)	(13.3)	(1.5)	(13.4)
Other	-	-	(0.4)	(0.5)	-	-	(0.4)	(0.5)
Net operating income/(expense)	**1.1**	**1.4**	**(12.8)**	**40.2**	**22.7**	**29.6**	**11.0**	**71.2**
Staff costs and administrative expenses	(0.1)	(0.1)	(14.9)	(15.9)	(10.9)	(12.4)	(25.9)	(28.4)
Segment results: (loss)/profit before taxation	**1.0**	**1.3**	**(27.7)**	**24.3**	**11.8**	**17.2**	**(14.9)**	**42.8**
Income tax expense	(0.1)	(0.2)	5.4	(7.2)	(2.4)	(3.5)	2.9	(10.9)
Net (Loss)/Profit after tax	**0.9**	**1.1**	**(22.3)**	**17.1**	**9.4**	**13.7**	**(12.0)**	**31.9**
Net (Loss)/Profit	**0.9**	**1.1**	**(22.3)**	**17.1**	**9.4**	**13.7**	**(12.0)**	**31.9**
Capital expenditure	**-**	**-**	**0.6**	**2.3**	**0.6**	**2.3**	**1.2**	**4.6**
Depreciation	**-**	**-**	**3.9**	**3.2**	**1.0**	**1.9**	**4.9**	**5.1**

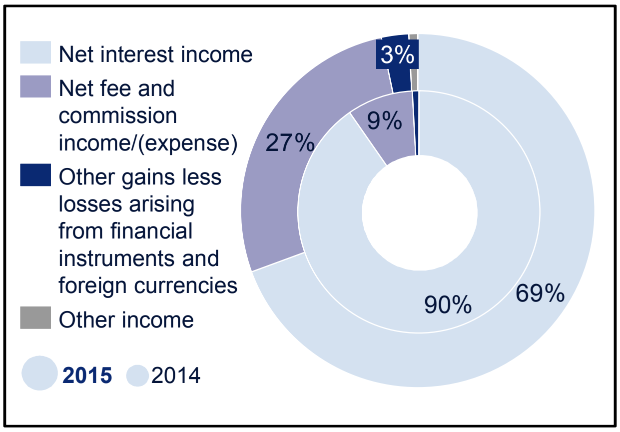
3. ANALYSIS BY SEGMENT (CONTINUED)

During the year ended 2015 there has been a decrease by 24% of the total amount of outstanding loans issued to medium sized corporate customers in comparison to the year ended 2014. This is mainly connected with the approval of new unified criteria for client segmentation in the 2-nd quarter of 2015 and following resegmentation of MCB clients to CIB reporting segment.

Net operating income and administrative expenses dynamics (MCB)



Net operating income before provisions: structure (MCB)



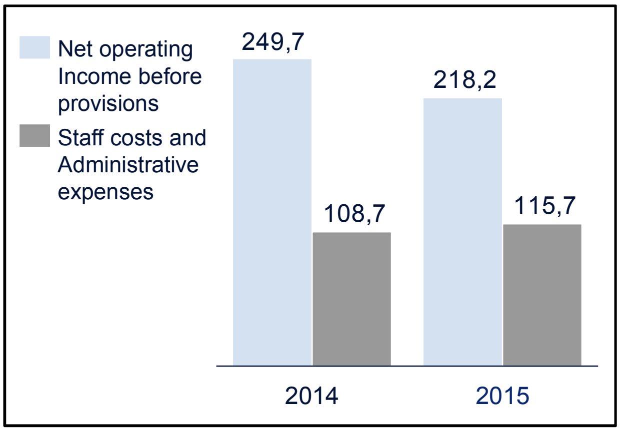
Mid-Corporate banking (MCB) by product lines

	Investment banking		Loans and deposits		Transaction banking		Inter-MCB eliminations		Total MCB	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash and short-term funds	-	-	-	-	1.1	1.6	-	-	1.1	1.6
Loans and advances to customers. including pledged under repurchase agreements	0.5	0.4	711.0	936.2	-	-	-	-	711.5	936.6
Other financial instruments	2.4	3.0	0.2	4.1	-	-	-	-	2.6	7.1
Investments in associates and joint ventures	-	-	0.3	0.3	-	-	-	-	0.3	0.3
Other assets items	0.1	-	58.4	124.3	25.4	32.9	-	-	83.9	157.2
Net amount of intersegment settlements	-	-	-	-	212.2	273.8	(212.2)	(273.8)	-	-
Segment assets	**3.0**	**3.4**	**769.9**	**1,064.9**	**238.7**	**308.3**	**(212.2)**	**(273.8)**	**799.4**	**1,102.8**
Due to other banks	-	-	0.5	1.1	-	-	-	-	0.5	1.1
Customer deposits	0.2	0.4	371.6	331.6	217.9	245.3	-	-	589.7	577.3
Debt securities issued	-	-	34.4	33.1	-	-	-	-	34.4	33.1
Other liabilities items	-	0.4	2.3	2.2	5.5	16.2	-	-	7.8	18.8
Net amount of intersegment settlements	2.1	2.2	280.0	498.8	-	-	(212.2)	(273.8)	69.9	227.2
Segment liabilities	**2.3**	**3.0**	**688.8**	**866.8**	**223.4**	**261.5**	**(212.2)**	**(273.8)**	**702.3**	**857.5**

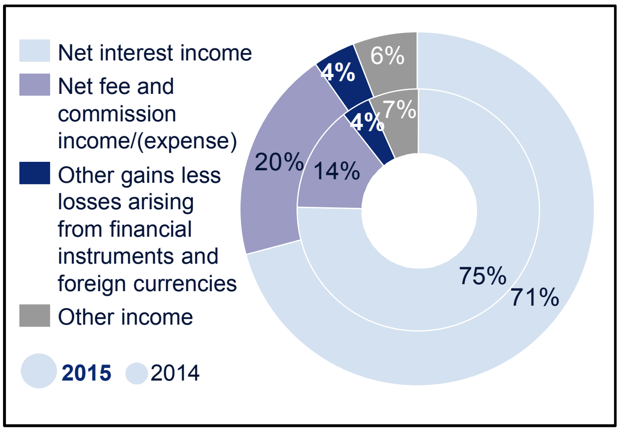
3. ANALYSIS BY SEGMENT (CONTINUED)

	Retail business (RB) by product lines							
	Retail banking		Insurance		Inter-RB eliminations		Total RB	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from:								
External customers	397.8	366.3	50.6	47.4	-	-	448.4	413.7
Other segments	81.8	52.8	4.6	3.2	(4.1)	(1.6)	82.3	54.4
Total revenues	**479.6**	**419.1**	**55.2**	**50.6**	**(4.1)**	**(1.6)**	**530.7**	**468.1**
Segment income and expense								
Interest income	403.7	354.4	4.3	2.5	(1.3)	(0.9)	406.7	356.0
Interest expense	(248.8)	(164.5)	(0.1)	(0.3)	0.8	0.5	(248.1)	(164.3)
Payments to deposit insurance system	(8.7)	(7.0)	-	-	-	-	(8.7)	(7.0)
Treasury result allocation	4.4	3.0	-	-	-	-	4.4	3.0
Net interest income	**150.6**	**185.9**	**4.2**	**2.2**	**(0.5)**	**(0.4)**	**154.3**	**187.7**
(Provision charge)/reversal of provision for impairment of debt financial assets	(79.8)	(90.1)	-	-	(0.6)	(0.6)	(80.4)	(90.7)
Net interest income after provision for impairment	**70.8**	**95.8**	**4.2**	**2.2**	**(1.1)**	**(1.0)**	**73.9**	**97.0**
Net fee and commission income/(expense)	44.9	35.7	(0.4)	(0.1)	(1.8)	(0.1)	42.7	35.5
Other gains less losses arising from financial instruments and foreign currencies	6.5	10.6	1.7	(0.8)	-	-	8.2	9.8
Profit from disposal of subsidiaries and associates	-	-	0.3	(2.2)	-	-	0.3	(2.2)
Provision charge for impairment of other assets, contingencies and credit related commitments	(0.6)	(1.3)	(1.0)	(0.1)	-	-	(1.6)	(1.4)
Other	(1.3)	2.2	13.4	15.4	0.6	1.3	12.7	18.9
Net operating income/(expense)	**120.3**	**143.0**	**18.2**	**14.4**	**(2.3)**	**0.2**	**136.2**	**157.6**
Staff costs and administrative expenses	(109.1)	(102.0)	(6.9)	(7.0)	0.3	0.3	(115.7)	(108.7)
Segment results: (loss)/profit before taxation	**11.2**	**41.0**	**11.3**	**7.4**	**(2.0)**	**0.5**	**20.5**	**48.9**
Income tax expense	(2.4)	(9.3)	(1.5)	(2.0)	0.3	-	(3.6)	(11.3)
Net Profit/(Loss) after tax	**8.8**	**31.7**	**9.8**	**5.4**	**(1.7)**	**0.5**	**16.9**	**37.6**
Net Profit/(Loss)	**8.8**	**31.7**	**9.8**	**5.4**	**(1.7)**	**0.5**	**16.9**	**37.6**
Capital expenditure	**10.6**	**14.5**	**0.3**	**0.5**	**-**	**-**	**10.9**	**15.0**
Depreciation	**8.9**	**9.2**	**0.3**	**0.3**	**-**	**-**	**9.2**	**9.5**

Net operating income and administrative expenses dynamics (RB)



Net operating income before provisions: structure (RB)



3. ANALYSIS BY SEGMENT (CONTINUED)

	Retail business (RB) by product lines							
	Retail banking		Insurance		Inter-RB eliminations		Total RB	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash and short-term funds	153.2	247.4	0.6	0.3	-	-	153.8	247.7
Mandatory cash balances with central banks	16.6	19.9	-	-	-	-	16.6	19.9
Due from other banks. including pledged under repurchase agreements	98.2	79.9	24.4	3.0	-	-	122.6	82.9
Loans and advances to customers. including pledged under repurchase agreements	1,971.5	2,027.9	-	-	-	-	1,971.5	2,027.9
Other financial instruments	43.7	38.1	11.4	7.0	-	-	55.1	45.1
Other assets items	159.4	118.6	21.8	19.5	-	-	181.2	138.1
Net amount of intersegment settlements	1,275.9	737.2	12.5	20.9	-	-	1,288.4	758.1
Segment assets	**3,718.5**	**3,269.0**	**70.7**	**50.7**	**-**	**-**	**3,789.2**	**3,319.7**
Due to other banks	26.4	64.4	-	-	-	-	26.4	64.4
Customer deposits	3,280.3	2,604.3	-	-	-	-	3,280.3	2,604.3
Other borrowed funds	20.2	242.6	-	2.9	-	-	20.2	245.5
Debt securities issued	50.8	48.0	-	-	-	-	50.8	48.0
Subordinated debt	2.1	2.1	-	-	-	-	2.1	2.1
Other liabilities items	28.8	29.0	53.4	36.4	-	-	82.2	65.4
Segment liabilities	**3,408.6**	**2,990.4**	**53.4**	**39.3**	**-**	**-**	**3,462.0**	**3,029.7**

	Other business							
	Construction and development		Other		Inter-Other eliminations		Total Other business	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from:								
External customers	7.5	23.8	75.6	26.1	-	-	83.1	49.9
Other segments	3.1	1.4	8.2	6.7	(0.3)	(0.3)	11.0	7.8
Total revenues	**10.6**	**25.2**	**83.8**	**32.8**	**(0.3)**	**(0.3)**	**94.1**	**57.7**
Segment income and expense								
Interest income	2.9	1.5	11.2	1.9	(0.3)	(0.3)	13.8	3.1
Interest expense	(15.5)	(11.9)	(7.6)	(7.6)	0.3	0.3	(22.8)	(19.2)
Treasury result allocation	-	-	(7.4)	6.3	-	-	(7.4)	6.3
Net interest income	**(12.6)**	**(10.4)**	**(3.8)**	**0.6**	**-**	**-**	**(16.4)**	**(9.8)**
(Provision charge)/reversal of provision for impairment of debt financial assets	-	(0.1)	(0.1)	-	-	-	(0.1)	(0.1)
Net interest income after provision for impairment	**(12.6)**	**(10.5)**	**(3.9)**	**0.6**	**-**	**-**	**(16.5)**	**(9.9)**
Net fee and commission income/(expense)	(0.1)	(0.1)	0.7	1.1	-	-	0.6	1.0
Other gains less losses arising from financial instruments and foreign currencies	(5.4)	(5.2)	10.0	7.3	-	-	4.6	2.1
Profit from disposal of subsidiaries and associates	2.5	2.5	0.5	0.6	-	-	3.0	3.1
Provision charge for impairment of other assets, contingencies and credit related commitments	-	(0.1)	-	-	-	-	-	(0.1)
Other operating income/(expense) items	(11.6)	(2.0)	(11.9)	(6.4)	-	-	(23.5)	(8.4)
Net operating income/(expense)	**(27.2)**	**(15.4)**	**(4.6)**	**3.2**	**-**	**-**	**(31.8)**	**(12.2)**
Staff costs and administrative expenses	(0.6)	(0.2)	(4.4)	(4.7)	-	-	(5.0)	(4.9)
Segment results: (Loss)/Profit before taxation	**(27.8)**	**(15.6)**	**(9.0)**	**(1.5)**	**-**	**-**	**(36.8)**	**(17.1)**
Income tax expense	3.3	0.9	1.8	(0.3)	-	-	5.1	0.6
Net (Loss)/Profit after tax	**(24.5)**	**(14.7)**	**(7.2)**	**(1.8)**	**-**	**-**	**(31.7)**	**(16.5)**
(Loss)/Profit after tax from subsidiaries acquired exclusively with a view to resale	-	-	(4.2)	(0.9)	-	-	(4.2)	(0.9)
Net (Loss)	**(24.5)**	**(14.7)**	**(11.4)**	**(2.7)**	**-**	**-**	**(35.9)**	**(17.4)**
Capital expenditure	**7.1**	**7.2**	**1.4**	**3.1**	**-**	**-**	**8.5**	**10.3**
Depreciation	**0.3**	**0.3**	**4.5**	**5.0**	**-**	**-**	**4.8**	**5.3**

3. ANALYSIS BY SEGMENT (CONTINUED)

	Other business							
	Construction and development		Other		Inter-Other eliminations		Total Other business	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash and short-term funds	0.2	0.9	0.3	0.5	-	-	0.5	1.4
Due from other banks. including pledged under repurchase agreements	-	-	21.6	10.9	-	-	21.6	10.9
Loans and advances to customers. including pledged under repurchase agreements	0.6	0.6	8.4	0.8	-	-	9.0	1.4
Other financial instruments	-	8.2	104.3	68.9	-	-	104.3	77.1
Investments in associates and joint ventures	-	-	0.8	0.5			0.8	0.5
Other assets items	316.4	260.5	109.5	95.4	-	-	425.9	355.9
Segment assets	**317.2**	**270.2**	**244.9**	**177.0**	**-**	**-**	**562.1**	**447.2**
Due to other banks	-	-	0.1	0.3	-	-	0.1	0.3
Customer deposits	-	-	6.7	5.2	-	-	6.7	5.2
Other borrowed funds	3.2	2.4	6.0	4.6	-	-	9.2	7.0
Debt securities issued	-	-	1.6	1.9	-	-	1.6	1.9
Other liabilities items	68.9	51.7	132.1	85.2	-	-	201.0	136.9
Net amount of intersegment settlements	277.5	223.7	102.7	83.5			380.2	307.2
Segment liabilities	**349.6**	**277.8**	**249.2**	**180.7**	**-**	**-**	**598.8**	**458.5**

Geographical segment information based on geographical location of entities within the Group:

	2015			2014		
	Russia	Other	Total	Russia	Other	Total
Revenues from external customers for the year	1,268.8	143.0	**1,411.8**	1,059.8	85.2	**1,145.0**
Non-current assets as at end of period	657.5	164.1	**821.6**	617.6	79.7	**697.3**

4. INTEREST INCOME AND EXPENSE

	2015	2014
Interest income		
Loans and advances to customers	1,011.7	792.8
Due from other banks	51.5	12.5
Other financial assets, including securities	16.6	7.7
Financial assets not at fair value through profit or loss	**1,079.8**	**813.0**
Financial assets at fair value through profit or loss	**21.1**	**31.1**
Total interest income	**1,100.9**	**844.1**
Interest expense		
Customer deposits	(441.6)	(263.1)
Due to other banks and other borrowed funds	(287.5)	(156.5)
Debt securities issued	(49.9)	(50.9)
Subordinated debt	(24.1)	(19.3)
Total interest expense	**(803.1)**	**(489.8)**
Payments to deposit insurance system	**(8.7)**	**(7.0)**
Net interest income	**289.1**	**347.3**

During 2015 interest income on impaired loans, recognized by the Group amounted to RUR 52.2 billion (2014: RUR 43.4 billion).

5. NET FEE AND COMMISSION INCOME

	2015	2014
Commission on settlement transactions	55.0	49.9
Commission on guarantees issued and trade finance	14.8	12.8
Commission on operations with securities and capital markets	10.2	5.5
Agents' fee received for insurance products distribution	8.3	4.3
Commission on cash transactions	5.2	5.4
Other	5.1	3.6
Total fee and commission income	**98.6**	**81.5**
Commission on settlement transactions	(14.0)	(11.7)
Commission on cash transactions	(2.9)	(2.8)
Other	(5.5)	(3.9)
Total fee and commission expense	**(22.4)**	**(18.4)**
Net fee and commission income	**76.2**	**63.1**

6. GAINS LESS LOSSES / (LOSSES NET OF GAINS) ARISING FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Gains less losses / (losses net of gains) arising from trading financial instruments	31.7	(1.9)
(Losses net of gains) arising from financial instruments designated as at fair value through profit or loss	(0.3)	(13.2)
Gains less losses arising from associates and joint-ventures designated as at fair value through profit or loss (Note 47)	2.8	4.8
Gains from puttable financial instruments arising from non-parent interests in consolidated funds	–	7.3
Total gains less losses / (losses net of gains) arising from financial instruments at fair value through profit or loss	**34.2**	**(3.0)**

7. GAINS NET OF LOSSES / (LOSSES NET OF GAINS) ARISING FROM FOREIGN CURRENCIES

	2015	2014
Gains less losses arising from dealing in foreign currencies	23.9	70.1
Foreign exchange translation gains net of losses / (losses net of gains)	8.4	(73.3)
Total gains net of losses / (losses net of gains) arising from foreign currencies	**32.3**	**(3.2)**

8. GAINS ON INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS, RESTRUCTURING AND OTHER GAINS ON LOANS AND ADVANCES TO CUSTOMERS

	2015	2014
Financial assets		
Loans and advances to customers	(1.4)	(0.2)
Financial liabilities		
Customer deposits	0.3	–
Other borrower funds	0.2	–
Debt securities issued	–	1.0
Restructuring and other gains on loans and advances to customers	2.3	2.7
Total gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers	**1.4**	**3.5**

9. (LOSSES NET OF GAINS) / GAINS NET OF LOSSES FROM EXTINGUISHMENT OF LIABILITIES

	2015	2014
Own issued debt securities (non-subordinated)	(1.8)	(1.4)
Other borrowed funds	(1.3)	(1.1)
Subordinated debts	1.2	0.6
Customer deposits	0.4	2.7
Total (losses net of gains) / gains net of losses from extinguishment of liabilities	**(1.5)**	**0.8**

10. OTHER OPERATING INCOME

	2015	2014
Operating lease of equipment	13.6	7.9
Marketing support of payment systems	1.9	–
Income arising from disposal of property	1.8	2.5
Fines and penalties received	1.0	0.7
Income arising from state insurance medical programme	0.8	0.7
Dividends received	0.8	0.4
Reimbursements received and reversal of impairment of other non-financial assets	0.8	1.3
Write-off liabilities upon expiration	0.4	1.5
Other	2.1	3.5
Total other operating income	**23.2**	**18.5**

11. REVENUE FROM OTHER NON-BANKING ACTIVITIES

Revenues from other non-banking activities were as follows:

	2015	2014
Construction, development and other real estate operations		
Rental income from investment property	5.7	4.8
Revenue from sale of property intended for sale in the ordinary course of business	2.8	13.0
Net (loss) / gain from change in fair value of investment property recognised on the disposal	(0.5)	0.2
Revenue recognised in relation to non-completed construction contracts	–	2.1
Other income from real estate operations	4.5	3.8
Total revenue from construction, development and other real estate operations	**12.5**	**23.9**
Other non-banking business	11.5	10.6
Total revenue from other non-banking activities	**24.0**	**34.5**

12. COST OF SALES AND OTHER EXPENSES FROM OTHER NON-BANKING ACTIVITIES

Cost of sales and other expenses from other non-banking activities were as follows:

	2015	2014
Construction, development and other real estate operations		
Cost of sales		
Cost of sales – property intended for sale in the ordinary course of business	(1.8)	(7.5)
Cost of sales – construction contracts	–	(0.4)
Expenses from write-down of property held for sale and impairment / (reversal of impairment) of other non-financial assets	(4.9)	(0.7)
Staff cost and administrative expenses	(10.3)	(10.8)
Total cost of sales and other expenses from construction, development and other real estate operations	**(17.0)**	**(19.4)**
Other non-banking business		
Cost of sales	(5.1)	(4.9)
Expenses from write-down of property held for sale and impairment / (reversal of impairment) of other non-financial assets	(0.2)	(4.1)
Staff cost and administrative expenses	(12.9)	(14.7)
Total cost of sales and other expenses from other non-banking business	**(18.2)**	**(23.7)**
Total cost of sales and other expenses from other non-banking activities	**(35.2)**	**(43.1)**

13. NET INSURANCE PREMIUMS EARNED

	2015	2014
Gross premiums written	57.1	45.4
Premiums inward	1.5	2.0
Change in provision for unearned premiums, gross	(8.5)	(0.1)
Premiums ceded to reinsurers	(4.8)	(3.4)
Change in reinsurers' share of provision for unearned premiums	0.5	(0.2)
Pension contributions accounted under IFRS 4	38.3	0.2
Net insurance premiums earned	**84.1**	**43.9**

The movements in provision for unearned premiums were as follows:

	Provision for unearned premiums, gross	Reinsurers' share of provision for unearned premiums	Provision for unearned premiums, net
2013	**17.6**	**(1.9)**	**15.7**
Change in provision, gross	0.1	–	0.1
Change in reinsurers' share of provision	–	0.2	0.2
2014	**17.7**	**(1.7)**	**16.0**
Change in provision, gross	8.5	–	8.5
Change in reinsurers' share of provision	–	(0.5)	(0.5)
2015	**26.2**	**(2.2)**	**24.0**

14. NET INSURANCE CLAIMS INCURRED, MOVEMENT IN LIABILITIES TO POLICYHOLDERS AND ACQUISITION COSTS

	2015	2014
Gross claims paid	(20.7)	(24.5)
Claims paid inward	(1.4)	(1.4)
Change in loss provisions, gross	(4.9)	0.6
Claims ceded to reinsurers	1.2	1.1
Change in reinsurers' share of loss provisions	(0.6)	1.1
Pension benefits accounted under IFRS 4	(8.0)	(0.1)
Change in pension liabilities accounted under IFRS 4	(39.5)	(2.4)
Acquisition costs paid net of related commission income from reinsurance ceded	(6.6)	(6.2)
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs	**(80.5)**	**(31.8)**

The movements in loss provisions were as follows:

	Loss provisions, gross	Reinsurers' share of loss provisions	Loss provisions, net
2013	**13.3**	**(0.5)**	**12.8**
Provision created during the period	14.9	–	14.9
Insurance claims settled	(15.5)	–	(15.5)
Change in reinsurers' share of provision	–	(1.1)	(1.1)
2014	**12.7**	**(1.6)**	**11.1**
Provision created during the period	9.6	–	9.6
Insurance claims settled	(4.7)	–	(4.7)
Change in reinsurers' share of provision	–	0.6	0.6
2015	**17.6**	**(1.0)**	**16.6**

The movements in pension liabilities accounted under IFRS 4 were as follows:

	Pension liabilities accounted under IFRS 4
2013	**–**
Change in pension liabilities accounted under IFRS 4	2.4
Acquisition through business combination	67.5
2014	**69.9**
Change in pension liabilities accounted under IFRS 4	39.5
2015	**109.4**

15. OTHER OPERATING EXPENSE

	2015	2014
Depreciation and other expenses related to equipment leased out	7.4	4.4
Collection of indebtedness	1.7	1.0
Expenses related to plastic cards' emission and services	0.7	0.4
Expenses under customer loyalty programmes	0.6	0.1
Losses under claims and frauds	0.3	0.3
Impairment loss related to other non-financial assets accounted at cost	0.1	1.0
Other	1.7	1.6
Total other operating expense	**12.5**	**8.8**

16. STAFF COSTS AND ADMINISTRATIVE EXPENSES

	2015	2014
Staff costs	125.2	112.7
Defined contribution pension expense	12.7	11.8
Depreciation and other expenses related to premises and equipment	21.8	21.7
Leasing and rent expenses	12.6	11.7
Advertising expenses	8.2	8.8
Amortization and other expenses related to intangibles, except for amortization of core deposit and customer loan	7.0	5.8
Professional services	6.8	6.9
Taxes other than on income	6.2	6.4
Amortization of core deposit and customer loan	5.4	5.0
Post and telecommunication expenses	5.1	4.6
Security expenses	3.9	3.6
Charity	3.6	17.5
Transport expenses	1.2	3.5
Insurance costs	0.5	0.2
Other	1.7	2.4
Total staff costs and administrative expenses	**221.9**	**222.6**

The number of employees of the Group at 31 December 2015 was 92,882 (31 December 2014: 101,072) including non-banking operations employees (Note 12). The average number of employees of the Group for the year ended 31 December 2015 was 96,167 (for the year ended 31 December 2014: 103,262), including non-banking operations employees (Note 12).

17. INCOME TAX

Income tax expense comprises the following:

	2015	2014
Current tax expense	16.5	20.7
Deferred income tax (benefit)/expense due to the origination and reversal of temporary differences	(9.6)	10.8
Income tax expense for the year	**6.9**	**31.5**

The income tax rate applicable to the majority of the Group's income in 2015 is 20% (2014: 20%). The income tax rate applicable to subsidiaries' income ranges from 0% to 35% in 2015 (2014: 0% to 35%).

	2015	2014
IFRS profit before tax	12.3	32.8
Theoretical tax expense at the applicable statutory rate of each Group entity	1.2	6.5
Tax effect of items, which are not deductible or assessable for tax purposes:		
- Change in unrecognized deferred taxes	7.4	14.6
- Non-deductible expenses	6.0	10.2
- Income, which is exempt from taxation	(6.5)	(4.4)
- Income taxed at different rates	(3.0)	(1.3)
- Other	1.8	5.9
Income tax expense for the year	**6.9**	**31.5**

The difference between the theoretical and actual income tax expense for 2015 was mainly due to unrecognised deferred income tax assets of Group's leasing subsidiary and differences associated with income, which is exempt from taxation. The difference between the theoretical and actual income tax expense for 2014 was mainly due to unrecognised deferred income tax assets of Ukrainian subsidiaries and non-deductible expenses.

Differences between IFRS and taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at rates from 0% to 35% (2014: from 0% to 35%). The Bank and its subsidiaries have no right to set off current tax assets and tax liabilities between legal entities, so deferred income tax assets and deferred income tax liabilities are separately assessed for each entity.

17. INCOME TAX (CONTINUED)

Origination and reversal of temporary differences	2013	Origination and reversal of temporary differences: Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Credited/ (charged) to retained earnings	Currency translation difference	Reclassification to assets of disposal group held for sale	Business combination	2014	Origination and reversal of temporary differences: Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Credited/ (charged) to retained earnings	Currency translation difference	Business combination	2015
Tax effect of deductible temporary differences:														
Fair value of loans acquired through business combinations	**22.3**	6.4	–	–	(0.1)	–	–	**28.6**	0.2	-	-	-	-	**28.8**
Allowances for impairment and provisions for other losses	**11.4**	15.2	–	–	1.2	–	(0.3)	**27.5**	(1.2)	-	-	(2.2)	-	**24.1**
Tax losses carried forward	**31.1**	47.8	–	11.5	1.2	–	(1.6)	**90.0**	12.0	-	9.8	0.5	-	**112.3**
Fair value of derivatives	**1.8**	5.3	–	–	–	–	–	**7.1**	(3.5)	-	-	-	-	**3.6**
Accruals	**18.8**	(7.3)	0.2	3.1	0.2	–	–	**15.0**	14.3	-	-	0.2	-	**29.5**
Fair value of securities	**(0.5)**	5.8	(0.2)	0.5	0.1	–	–	**5.7**	1.3	(0.4)	(0.5)	0.3	-	**6.4**
Fair value of investment property	**1.8**	0.1	–	–	0.1	–	–	**2.0**	0.3	-	-	(0.1)	(0.3)	**1.9**
Loans to customers	**3.0**	(2.5)	–	–	(0.4)	–	–	**0.1**	3.1	-	-	0.2	-	**3.4**
Other	**10.8**	3.5	–	0.1	0.7	(0.1)	(0.1)	**14.9**	(3.0)	-	-	0.3	0.1	**12.3**
Gross deferred income tax assets	**100.5**	**74.3**	**–**	**15.2**	**3.0**	**(0.1)**	**(2.0)**	**190.9**	**23.5**	**(0.4)**	**9.3**	**(0.8)**	**(0.2)**	**222.3**
Unrecognized deferred income tax assets	**(6.2)**	(14.6)	–	–	(1.4)	–	2.0	**(20.2)**	(7.4)	-	-	1.9	-	**(25.7)**
Deferred income tax asset	**94.3**	**59.7**	**–**	**15.2**	**1.6**	**(0.1)**	**–**	**170.7**	**16.1**	**(0.4)**	**9.3**	**1.1**	**(0.2)**	**196.6**
Tax effect of taxable temporary differences:														
Fair value measurement of securities	**(2.0)**	(17.5)	4.9	–	(0.9)	–	–	**(15.5)**	1.2	(2.9)	0.5	(0.5)	-	**(17.2)**
Property and equipment	**(12.0)**	(2.0)	–	(0.3)	–	–	(0.5)	**(14.8)**	1.3	(1.4)	(0.4)	(0.1)	-	**(15.4)**
Intangible assets	**(4.6)**	1.2	–	–	–	–	–	**(3.4)**	0.8	-	-	-	-	**(2.6)**
Net investment in lease	**(3.4)**	1.6	–	–	–	–	0.8	**(1.0)**	0.6	-	-	-	-	**(0.4)**
Fair value of investment property	**(8.7)**	0.2	–	–	0.1	–	–	**(8.4)**	3.8	-	-	-	(5.2)	**(9.8)**
Allowances for impairment and provisions for other losses	**(3.0)**	(1.8)	–	–	–	–	–	**(4.8)**	(19.5)	-	-	0.1	-	**(24.2)**
Fair value of derivatives	**(4.1)**	(34.2)	(0.2)	–	–	–	–	**(38.5)**	11.9	-	-	-	-	**(26.6)**
Other borrowed funds	**(22.8)**	(16.7)	–	–	–	–	–	**(39.5)**	3.4	-	-	(0.1)	-	**(36.2)**
Effect of currency translation	**-**	-	-	-	-	-	-	**-**	2.3	(3.9)	-	0.1	-	**(1.5)**
Other	**(3.2)**	(1.3)	–	0.1	(0.1)	–	–	**(4.5)**	(12.3)	-	-	0.5	-	**(16.3)**
Deferred income tax liability	**(63.8)**	**(70.5)**	**4.7**	**(0.2)**	**(0.9)**	**–**	**0.3**	**(130.4)**	**(6.5)**	**(8.2)**	**0.1**	**-**	**(5.2)**	**(150.2)**
Deferred income tax asset, net	**45.5**	**5.2**	**0.1**	**14.9**	**0.9**	**(0.1)**	**0.4**	**66.9**	**3.3**	**(4.1)**	**9.4**	**1.3**	**(0.2)**	**76.6**
Deferred income tax liability, net	**(15.0)**	**(16.0)**	**4.6**	**0.1**	**(0.2)**	**–**	**(0.1)**	**(26.6)**	**6.3**	**(4.5)**	**-**	**(0.2)**	**(5.2)**	**(30.2)**

17. INCOME TAX (CONTINUED)

As at 31 December 2015, recognised deferred income tax assets included RUR 97.1 billion resulting from tax losses carried forward (31 December 2014: RUR 84.6 billion), primarily related to the Group members located in the Russian Federation. The existing tax losses eligible for carry forward are expected to be fully utilised by 2026.

Group determined that deferred income tax asset could be utilised, taking into account the level of predicted profitability and assumptions that in the years after 2016 (given planned reorganizations), the predicted profitability would not be lower than that in 2016. The decline in predicted comprehensive income by more than 40% could lead to partial impairment of the deferred income tax asset depending on the recovery period of deductible temporary differences.

As at 31 December 2015 the Group had unrecognised deferred income tax asset of RUR 15.2 billion (2014: RUR 5.4 billion) in respect of unused tax loss expiring as presented below:

	2015	2014
Unused tax loss carried forward expiring by the end of:		
31 December 2015	-	3.2
31 December 2016	1.7	1.0
31 December 2017	1.9	2.3
31 December 2018	1.6	1.9
31 December 2019	3.3	3.4
After 31 December 2019	49.6	12.2
With no expiry date	28.9	3.4
Total tax loss carry forwards	**87.0**	**27.4**

In 2015, loss after tax from subsidiaries acquired exclusively with a view to resale was presented net of income tax expense in the amount of RUR 3.7 billion (2014: net of income tax expense of RUR 0.5 billion).

As at 31 December 2015, the aggregate amount of temporary differences associated with investments in subsidiaries, associates and joint ventures for which deferred income tax liability has not been recognized amounted to RUR 124.8 billion (31 December 2014: RUR 115.3 billion).

The following table provides disclosure of income tax effects relating to each component of other comprehensive income:

	2015			2014		
	Before tax	Tax expense/ (recovery)	Net of tax	Before tax	Tax expense/ (recovery)	Net of tax
Net result on financial assets available-for-sale	17.0	(3.3)	13.7	(25.4)	4.7	(20.7)
Cash flow hedges	(0.1)	-	(0.1)	(0.2)	(0.2)	(0.4)
Share of other comprehensive income of associates and joint ventures	4.6	-	4.6	2.0	–	2.0
Effect of translation	10.3	(3.9)	6.4	37.2	–	37.2
Actuarial losses net of gains arising from difference between pension plan assets and obligations	0.3	-	0.3	(1.4)	0.2	(1.2)
Land and premises revaluation	7.5	(1.4)	6.1	(0.4)	–	(0.4)
Other comprehensive income	**39.6**	**(8.6)**	**31.0**	**11.8**	**4.7**	**16.5**

18. CASH AND SHORT-TERM FUNDS

	2015	2014
Cash on hand	145.5	254.8
Cash balances (other than mandatory) with central banks	297.8	189.2
Correspondent accounts with other banks		
- Russia	51.8	75.6
- OECD	60.9	133.6
- Other countries	14.7	42.0
Total Correspondent accounts with other banks	127.4	251.2
Total cash and short-term funds	**570.7**	**695.2**
Less: correspondent accounts in precious metals	(6.2)	(5.4)
Less: restricted cash	(2.9)	(2.1)
Total cash and cash equivalents	**561.6**	**687.7**

19. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Financial assets held for trading	196.5	235.9
Financial assets designated as at fair value through profit or loss	40.6	39.1
Total non-derivative financial assets at fair value through profit or loss	**237.1**	**275.0**

Financial assets held for trading

	2015	2014
Debt securities		
- Bonds and eurobonds of Russian companies and banks	77.3	111.9
- Bonds and eurobonds of foreign companies and banks	37.5	43.9
- Bonds and eurobonds of foreign governments	35.9	32.8
- Bonds and eurobonds of the Russian Federation	22.3	2.3
- Russian municipal bonds	11.5	14.4
- Promissory notes of Russian companies and banks	-	1.3
Total debt securities	184.5	206.6
Trading credit products	6.5	22.2
Equity securities	5.5	7.1
Total financial assets held for trading	**196.5**	**235.9**

At 31 December 2015, bonds and eurobonds of Russian companies and banks are represented mostly by debt securities issued by banks, finance, metal industry companies and railway transportation companies; equity securities are represented mostly by securities issued by foreign oil and insurance companies.

Reclassifications

During the year ended 31 December 2015, the Group reclassified certain financial assets that met the definition of loans and receivables out of financial assets at fair value through profit or loss category to loans and receivables. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 5.10% to 18.13%. As at the reclassification date the Group expected to recover the estimated cash flows of RUR 98.9 billion. In May and October 2015 the Group exercised an investor put option and sold back the bonds of Russian company and banks for the nominal value of RUR 17.0 billion and RUR 29.9 billion, respectively. Estimated undiscounted cash flows at the date of reclassification, excluding the redeemed financial assets above, amounted to RUR 30.7 billion.

During the year ended 31 December 2014, the Group reclassified certain financial assets that met the definition of loans and receivables from the financial assets at fair value through profit or loss to loans and advances to customers and due from other banks. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 3.35% to 11.79%. The present value of the estimated cash flows the Group expects to recover equals to the fair value of the reclassified financial assets at the date of reclassification.

19. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The following table shows fair values of the reclassified debt securities as at the reclassification dates:

	Due from other banks	Loans and advances to customers	Investment securities held-to-maturity
Reclassifications in 2013	–	30.3	–
Reclassifications in 2014	2.9	89.8	1.7
- of which redeemed in 2015	(0.7)	(4.9)	(0.5)
Reclassifications in 2015	35.0	34.3	–
- of which redeemed in 2015	(30.0)	(18.1)	–
Total financial assets reclassified	**7.2**	**131.4**	**1.2**

The following table show carrying values and fair values of the reclassified debt securities:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Due from other banks	7.6	7.9	2.9	2.4
Loans and advances to customers	133.1	131.8	118.1	107.8
Investment financial assets held-to-maturity	1.2	1.2	1.7	1.7
Total financial assets reclassified	**141.9**	**140.9**	**122.7**	**111.9**

The fair value gain or loss on financial assets reclassified in 2015, which are not disposed as at 31 December 2015, recognized in profit or loss up to the date of reclassification, income or loss recognized after reclassification, and fair value gain or loss that would have been recognized if the assets had not been reclassified, were as follows:

	Fair value loss recognized up to the date of reclassification		Interest income recognized after reclassification	Provision charge recognized after reclassification	Loss, that would have been recognized if the assets had not been reclassified
	2015	2014			
Loans and advances to customers	–	–	0.5	(0.2)	(0.5)
Total financial assets reclassified	**–**	**–**	**0.5**	**(0.2)**	**(0.5)**

The fair value gain or loss on financial assets reclassified in 2014, which are not disposed as at 31 December 2014, recognized in profit or loss up to the date of reclassification, income or loss recognized after reclassification, and fair value gain or loss that would have been recognized if the assets had not been reclassified, were as follows:

	Fair value loss recognized up to the date of reclassification		Interest income recognized after reclassification	Provision charge recognized after reclassification	Loss, that would have been recognized if the assets had not been reclassified
	2014	2013			
Due from other banks	–	–	0.1	–	(0.4)
Loans and advances to customers	(3.4)	(1.3)	3.3	(0.3)	(7.9)
Investment financial assets held-to-maturity	(0.1)	–	–	–	(0.1)
Total financial assets reclassified	**(3.5)**	**(1.3)**	**3.4**	**(0.3)**	**(8.4)**

19. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Fair value gain or loss that would have been recognized for the year ended 31 December 2015 if the assets had not been reclassified and income or loss recognized for 2015, were as follows:

	Interest income	Provision charge	Gain, that would have been recognized if the assets had not been reclassified
Due from other banks	1.0	–	0.4
Loans and advances to customers	9.9	(0.4)	8.5
Investment financial assets held-to-maturity	0.2	–	0.1
Total financial assets reclassified	**11.1**	**(0.4)**	**9.0**

Fair value gain or loss that would have been recognized for the year ended 31 December 2014 if the assets had not been reclassified and income or loss recognized for 2014, were as follows:

	Interest income	Provision charge	Loss, that would have been recognized if the assets had not been reclassified
Loans and advances to customers	2.4	(0.1)	(5.8)
Total financial assets reclassified	**2.4**	**(0.1)**	**(5.8)**

Financial assets designated as at fair value through profit or loss

	2015	2014
Equity securities	16.4	17.3
Reverse sale and repurchase agreements to maturity	24.2	19.2
Debt securities		
- Bonds and eurobonds of foreign companies and banks	-	2.6
Total debt securities	-	2.6
Total financial assets designated as at fair value through profit or loss	**40.6**	**39.1**

At 31 December 2015 equity securities are represented mostly by securities issued by Russian retail and finance companies.

Included in financial assets designated as at fair value through profit or loss is a 30% ownership interest in an entity which, in turn, holds a blocking share in a publicly traded media company operating primarily in Russia held by the Group at 31 December 2015 (31 December 2014: nil). The Group determined it does not have significant influence over this entity as defined in IAS 28 Investments in Associates and Joint Ventures, because the Group does not have currently and cannot unilaterally secure representation on the board of directors of the entity or in its investee company, and does not have significant influence over the earnings distribution and other key decisions of the investee company. Accordingly, the Group classified its ownership interest as a financial asset designated as at fair value through profit or loss similar to other financial assets managed and evaluated on a fair value basis.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The table below includes derivative contracts outstanding at 31 December 2015 and 31 December 2014:

	2015		2014	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivative financial assets and liabilities at fair value through profit or loss held for trading				
Foreign exchange and precious metals contracts				
forwards	4.9	(5.1)	37.6	(14.9)
futures	1.3	(7.2)	3.3	(3.8)
swaps	6.2	(12.4)	35.8	(67.1)
options	11.3	(14.2)	46.7	(50.0)
Contracts with securities				
forward sale of equity securities	19.4	–	13.2	–
forward sale of debt securities	–	–	0.1	(1.7)
options	9.2	(7.0)	6.6	(5.6)
swaps	1.7	–	–	–
Interest Rate contracts				
single currency interest rate swaps	28.3	(24.8)	28.6	(26.3)
cross currency interest rate swaps	197.9	(196.2)	197.7	(209.8)
swaptions	–	–	–	(0.1)
cap/floor	–	(0.4)	0.4	(1.7)
forward rate agreement	–	–	0.1	–
Contracts with other basic variables				
CDS protection sold	2.5	(2.0)	4.0	(2.2)
CDS protection purchased	1.3	(1.4)	1.6	(1.2)
futures on indexes	–	(0.3)	0.2	(0.4)
options on indexes	2.0	(1.9)	7.5	(5.2)
commodity swaps	0.1	(0.1)	–	(0.4)
commodity futures	0.1	(0.1)	2.6	(2.4)
commodity options	7.0	(6.8)	7.0	(1.4)
forward sale of commodities	–	–	0.3	–
Embedded derivatives on structured instruments				
embedded derivatives on foreign exchange instruments	11.4	(4.0)	12.4	(1.9)
embedded derivatives on credit risk	0.2	–	0.8	–
embedded derivatives on interest rate instruments	–	–	0.2	–
embedded derivatives on indexes	–	–	–	(0.5)
embedded derivatives on securities instruments	–	–	–	(0.3)
Total derivative financial assets and liabilities at fair value through profit or loss held for trading	**304.8**	**(283.9)**	**406.7**	**(396.9)**
Derivative financial assets and liabilities designated as hedging instruments				
Derivatives held as cash flow hedges				
interest rate swaps	–	–	–	(0.9)
foreign exchange swaps	–	(0.1)	0.3	–
foreign exchange forwards	–	(0.1)	–	–
Total derivative financial assets and liabilities designated as hedging instruments	**–**	**0.2**	**0.3**	**(0.9)**
Total derivative financial assets and liabilities	**304.8**	**(284.1)**	**407.0**	**(397.8)**

21. FINANCIAL ASSETS, OTHER THAN LOANS AND ADVANCES TO CUSTOMERS AND DUE FROM OTHER BANKS, PLEDGED UNDER REPURCHASE AGREEMENTS

	2015	2014
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt securities		
- Bonds and eurobonds of Russian companies and banks	49.5	81.2
- Bonds and eurobonds of the Russian Federation	19.9	5.7
- Bonds and eurobonds of foreign companies and banks	-	0.8
- Russian municipal bonds	-	0.2
- Bonds and eurobonds of foreign governments	-	0.2
Total debt securities	69.4	88.1
Equity securities	1.6	12.3
Total financial assets at fair value through profit or loss	**71.0**	**100.4**
Investment financial assets available-for-sale		
Debt securities		
- Bonds and eurobonds of the Russian Federation	12.5	25.0
- Bonds and eurobonds of Russian companies and banks	5.2	35.7
- Bonds and eurobonds of foreign governments	2.6	17.5
- Bonds and eurobonds of foreign companies and banks	0.3	0.2
- Russian municipal bonds	-	1.9
Total debt securities	20.6	80.3
Total investments financial assets available-for-sale	**20.6**	**80.3**
Investment financial assets held-to-maturity		
- Bonds and eurobonds of the Russian Federation	64.9	–
- Bonds and eurobonds of Russian companies and banks	8.5	3.3
Total gross investment financial assets held-to-maturity	**73.4**	**3.3**
Total net investment financial assets held-to-maturity	**73.4**	**3.3**
Total financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	**165.0**	**184.0**

As at 31 December 2015, bonds and eurobonds of Russian companies and banks included in financial assets pledged under repurchase agreements are mostly represented by debt securities issued by banks and oil companies.

22. DUE FROM OTHER BANKS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS

	2015	2014
Due from other banks		
- Russia	428.6	173.6
- OECD	196.2	198.0
- Other countries	731.5	372.9
Total gross due from other banks	**1,356.3**	**744.5**
Less: Allowance for impairment	(3.1)	(4.2)
Total net due from other banks	**1,353.2**	**740.3**
Due from other banks pledged under repurchase agreements		
- Russia	5.0	71.7
- OECD	–	2.5
Total gross due from other banks, pledged under repurchase agreements	**5.0**	**74.2**
Total due from other banks, including pledged under repurchase agreements	**1,358.2**	**814.5**

As at 31 December 2015, reverse sale and repurchase agreements with other banks amounted to RUR 22.2 billion (31 December 2014: RUR 26.0 billion). These reverse sale and repurchase agreements with other banks were collateralized by securities with fair value of RUR 26.8 billion (31 December 2014: RUR 49.0 billion).

As at 31 December 2015, amount included in due from other banks of RUR 1.0 billion is pledged against issued local mortgage-backed bonds (31 December 2014: RUR 1.4 billion).

22. DUE FROM OTHER BANKS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)

The movements in allowances for impairment of due from other banks, including pledged under repurchase agreements, by classes were as follows:

	Russia	OECD	Other	Total
2013	**1.4**	**0.1**	**1.3**	**2.8**
Provision for impairment / (reversal of provision) during the period	–	(0.2)	0.4	**0.2**
Effect of translation	0.1	0.2	0.9	**1.2**
2014	**1.5**	**0.1**	**2.6**	**4.2**
Provision for impairment / (reversal of provision) during the period	0.3	–	(2.3)	**(2.0)**
Effect of translation	–	–	0.9	**0.9**
2015	**1.8**	**0.1**	**1.2**	**3.1**

23. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS

	2015	2014
Loans to legal entities		
- Current activity financing	5,339.3	4,449.0
- Project finance and other	1,629.9	1,704.7
- Reverse sale and repurchase agreements	309.5	284.5
- Finance leases	261.0	304.0
Total gross loans to legal entities	**7,539.7**	**6,742.2**
Less: Allowance for loans to legal entities impairment	(478.8)	(456.5)
Net loans to legal entities	**7,060.9**	**6,285.7**
Loans to individuals		
- Mortgages	875.1	795.3
- Consumer loans and other	857.3	903.5
- Credit cards	124.1	113.8
- Car loans	100.2	129.7
- Reverse sale and repurchase agreements	3.3	2.8
Total gross loans to individuals	**1,960.0**	**1,945.1**
Less: Allowance for loans to individuals impairment	(193.2)	(156.1)
Net loans to individuals	**1,766.8**	**1,789.0**
Loans and advances to customers pledged under repurchase agreements		
- Current activity financing	610.3	439.3
- Project finance and other	–	23.8
Total gross loans and advances to customers pledged under repurchase agreements	**610.3**	**463.1**
Less: Allowance for loans pledged under REPO impairment	(0.5)	(0.5)
Net loans and advances pledged under repurchase agreements	**609.8**	**462.6**
Total loans and advances to customers, including pledged under repurchase agreements	**9,437.5**	**8,537.3**

As at 31 December 2015, loans and advances to customers, including pledged under repurchase agreements, with the carrying amount of RUR 265.7 billion (31 December 2014: RUR 265.6 billion) represented by federal loan bonds with debt amortization (OFZ-AD) purchased in September 2011 by "Bank of Moscow", OJSC are included in loans to government bodies for the purpose of economic sector risk concentrations disclosure.

As at 31 December 2015, loans and advances to customers pledged under repurchase agreements are represented mostly by federal loan bonds (OFZ) with the carrying amount of RUR 405.7 billion (31 December 2014: RUR 265.6 billion).

23. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)

As at 31 December 2015, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 2,439.1 billion, or 24.1% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2014: RUR 1,775.2 billion or 19.4%).

As at 31 December 2015, the Group received collateral of securities under reverse sale and repurchase agreements with customers with a fair value of RUR 348.3 billion (31 December 2014: RUR 280.0 billion), including other collateral with a fair value of RUR 105.5 billion.

As at 31 December 2015, the total amount of pledged loans to corporate customers is RUR 1,819.2 billion (31 December 2014: RUR 1,572.0 billion). The loans are pledged against the funds accounted within other borrowed funds (Note 32) and due to other banks (Note 30). Included in the above amount of pledged loans are car loans of RUR 10.3 billion (31 December 2014: RUR 10.4 billion) (Note 56).

As at 31 December 2015, the carrying value of mortgage loans pledged against debt securities issued amounted to RUR 27.1 billion (31 December 2014: RUR 38.1 billion) (Note 56).

As at 31 December 2015, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 635.4 billion or 6.3% of the aggregate of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2014: RUR 533.9 billion, or 5.8%).

Economic sector risk concentrations within the customer loan portfolio are as follows:

	2015		2014	
	Amount	%	Amount	%
Individuals	1,960.0	19.4	1,945.1	21.3
Metals	1,217.6	12.0	782.1	8.5
Building construction	1,007.8	10.0	1,041.6	11.4
Oil and gas	900.5	8.9	781.4	8.5
Manufacturing	888.5	8.8	922.3	10.1
Government bodies	884.3	8.7	620.1	6.8
Chemical	634.9	6.3	520.4	5.7
Trade and commerce	540.4	5.3	603.6	6.6
Finance	509.9	5.0	486.2	5.3
Transport	402.5	4.0	415.1	4.5
Energy	387.9	3.8	414.2	4.5
Telecommunications and media	243.0	2.4	157.0	1.7
Food and agriculture	200.1	2.0	141.8	1.5
Coal mining	187.1	1.9	149.2	1.6
Aircraft	12.3	0.1	24.8	0.3
Other	133.2	1.4	145.5	1.7
Total gross loans and advances to customers, including pledged under repurchase agreements	**10,110.0**	**100.0**	**9,150.4**	**100.0**

Finance industry includes loans issued to holding companies of industrial groups, mergers and acquisitions financing, and loans to leasing, insurance and other non-bank financial companies.

Finance leases represent loans to leasing companies and net investment in leases.

Finance lease receivables

	2015	2014
Gross investment in leases	224.4	263.4
Less: unearned finance lease income	(45.9)	(62.2)
Net investment in leases before allowance	**178.5**	**201.2**
Less: allowance for impairment	(31.1)	(19.3)
Net investment in leases	**147.4**	**181.9**

23. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)

Future minimum lease payments receivable

	2015	2014
Within 1 year	58.4	59.1
From 1 to 5 years	134.9	183.7
More than 5 years	31.1	20.6
Minimum lease payments receivable	**224.4**	**263.4**

Net investments in leases

	2015	2014
Within 1 year	52.7	52.4
From 1 to 5 years	100.2	134.6
More than 5 years	25.6	14.2
Net investment in leases	**178.5**	**201.2**

The movements in allowances for impairment of loans and advances to legal entities, including pledged under repurchase agreements, by class were as follows:

	Current activity financing	Project finance and other	Reverse sale and repurchase agreements with legal entities	Finance leases	Loans and advances under repurchase agreements	Total
2013	**163.5**	**100.0**	**0.1**	**14.6**	**–**	**278.2**
Provision / (reversal of provision) for impairment during the period	133.0	43.3	(0.1)	3.6	0.5	**180.3**
Write-offs	(54.4)	(6.9)	–	(2.0)	–	**(63.3)**
Recoveries of amounts written-off in previous period	0.1	0.1	–	–	–	**0.2**
Effect of translation	42.1	14.1	–	5.7	–	**61.9**
Disposal of subsidiaries	(0.8)	(1.0)	–	(0.6)	–	**(2.4)**
Reclassification from assets of disposal groups held for sale	3.1	(1.0)	–	–	–	**2.1**
2014	**286.6**	**148.6**	**–**	**21.3**	**0.5**	**457.0**
Provision / (reversal of provision) for impairment during the period	65.2	18.9	0.1	18.2	(0.1)	**102.3**
Write-offs	(88.0)	(25.4)	–	(11.9)	–	**(125.3)**
Recoveries of amounts written-off in previous period	2.0	0.3	–	0.5	–	**2.8**
Effect of translation	20.1	16.0	–	6.3	0.1	**42.5**
Reclassification from/to allowance due to reclassification of items from/to this category	0.2	(0.2)	–	–	–	**–**
2015	**286.1**	**158.2**	**0.1**	**34.4**	**0.5**	**479.3**

Allowance for finance leases represents allowances for loans to leasing companies and net investment in leases.

23. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)

The movements in allowances for impairment of loans and advances to individuals by class were as follows:

	Mortgages	Consumer loans and other	Credit cards	Car loans	Total
2013	**7.1**	**61.9**	**8.3**	**5.6**	**82.9**
Provision for impairment during the period	4.9	60.3	7.2	2.6	**75.0**
Write-offs	(1.1)	(8.0)	(0.5)	(0.2)	**(9.8)**
Recoveries of amounts written-off in previous period	0.1	0.1	0.4	–	**0.6**
Effect of translation	4.6	1.4	0.1	0.7	**6.8**
Disposal of subsidiaries	–	(0.1)	–	–	**(0.1)**
Reclassification from assets of disposal groups held for sale	–	0.7	–	–	**0.7**
2014	**15.6**	**116.3**	**15.5**	**8.7**	**156.1**
Provision for impairment during the period	3.4	52.0	8.7	3.0	**67.1**
Write-offs	(5.1)	(23.7)	(3.3)	(2.3)	**(34.4)**
Recoveries of amounts written-off in previous period	0.1	1.0	0.2	0.1	**1.4**
Effect of translation	3.2	(0.2)	–	–	**3.0**
2015	**17.2**	**145.4**	**21.1**	**9.5**	**193.2**

24. INVESTMENT FINANCIAL ASSETS

	2015	2014
Investment financial assets available-for-sale		
Debt securities		
- Bonds and eurobonds of foreign governments	81.3	61.4
- Bonds and eurobonds of the Russian Federation	25.8	13.6
- Bonds and eurobonds of Russian companies and banks	20.3	5.6
- Bonds and eurobonds of foreign companies and banks	16.6	10.3
- Russian municipal bonds	2.2	0.5
- Promissory notes of Russian companies and banks	0.2	1.1
Total debt securities	146.4	92.5
Equity securities	43.7	38.5
Total investment financial assets available-for-sale	**190.1**	**131.0**
Investment financial assets held-to-maturity		
- Bonds and eurobonds of Russian companies and banks	52.7	1.0
- Bonds and eurobonds of the Russian Federation	16.0	–
- Bonds and eurobonds of foreign governments	0.4	–
- Bonds and eurobonds of foreign companies and banks	0.2	0.2
Total gross investment financial assets held-to-maturity	**69.3**	**1.2**
Less: Allowance for impairment	**(0.1)**	–
Total net investment financial assets held-to-maturity	**69.2**	**1.2**
Total investment financial assets	**259.3**	**132.2**

As at 31 December 2015, bonds and Eurobonds of foreign governments are represented mostly by bonds issued by German and USA government and municipal bodies. As at 31 December 2015, bonds and eurobonds of Russian companies and banks are represented mostly by bonds issued by oil and gas industry companies; equity securities are represented mostly by shares of Russian metal, energy and finance companies.

In connection with a business combination (Note 46), the Group remeasured its pre-existing ownership interest in the acquiree entity, held as an available-for-sale equity security, and recorded RUR 1.7 billion loss from investment financial assets available-for-sale.

During 2015, the Group recognized an impairment loss of RUR 13.2 billion before tax, and realised portion of negative revaluation of financial assets available-for-sale transferred to income statement due to the sale of financial assets available-for-sale at loss of RUR 1.8 billion before tax (2014: RUR 0.8 billion of impairment and RUR 0.8 billion of positive revaluation respectively).

24. INVESTMENT FINANCIAL ASSETS (CONTINUED)

The movements in allowances for impairment of investment securities held-to-maturity, including those pledged under repurchase agreements, were as follow:

2013	–
Reversal of provision for impairment during the period	(0.1)
Recoveries of amounts written-off in previous period	0.1
2014	–
Provision for impairment during the period	0.1
2015	**0.1**

Reclassifications

During the year ended 31 December 2015, the Group reclassified certain financial assets out of investment financial assets available-for-sale to investment financial assets held-to-maturity. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 5.29% to 5.45%. As at the reclassification date the Group expected to recover the estimated cash flows of RUR 9.3 billion.

During the year ended 31 December 2014, the Group reclassified certain financial assets that met the definition of loans and receivables from the investment financial assets available-for-sale to loans and advances to customers and due from other banks. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 0.17% to 11.79%. The present value of the estimated cash flows the Group expects to recover equals to the fair value of the reclassified financial assets at the date of reclassification.

The following table shows fair values of the reclassified debt securities as at the reclassification dates:

	Due from other banks	Loans and advances to customers	Investment securities held-to-maturity
Reclassifications in 2013	–	22.0	–
Reclassifications in 2014	62.8	118.8	2.4
- of which redeemed in 2015	(2.0)	(2.1)	(2.4)
Reclassifications in 2015	–	–	7.6
- of which redeemed in 2015	–	–	–
Total financial assets reclassified	**60.8**	**138.7**	**7.6**

The following table show carrying values and fair values of the reclassified debt securities:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Due from other banks	89.2	92.5	73.8	73.3
Loans and advances to customers	153.3	150.6	139.1	122.5
Investment financial assets held-to-maturity	8.1	8.1	2.4	2.4
Total financial assets reclassified	**250.6**	**251.2**	**215.3**	**198.2**

The fair value gain or loss on financial assets reclassified in 2015, which are not disposed as at 31 December 2015, recognized in profit or loss up to the date of reclassification, income or loss recognized after reclassification, and fair value gain or loss that would have been recognized if the assets had not been reclassified, were as follows:

	Fair value gain recognized up to the date of reclassification		Interest income recognized after reclassification	Provision charge recognized after reclassification	Gain, that would have been recognized if the assets had not been reclassified
	2015	2014			
Investment financial assets held-to-maturity	–	–	0.3	–	–
Total financial assets reclassified	**–**	**–**	**0.3**	–	–

24. INVESTMENT FINANCIAL ASSETS (CONTINUED)

The fair value gain or loss on financial assets reclassified in 2014, which are not disposed as at 31 December 2014, recognized in profit or loss up to the date of reclassification, income or loss recognized after reclassification, and fair value gain or loss that would have been recognized if the assets had not been reclassified, were as follows:

	Fair value gain / (loss) recognized up to the date of reclassification		Interest income recognized after reclassification	Provision charge recognized after reclassification	Gain /(loss), that would have been recognized if the assets had not been reclassified
	2014	2013			
Due from other banks	(4.5)	–	0.5	–	0.7
Loans and advances to customers	(1.0)	0.2	4.7	(0.3)	(18.1)
Investment financial assets held-to-maturity	(0.1)	–	–	–	(0.1)
Total financial assets reclassified	**(5.6)**	**0.2**	**5.2**	**(0.3)**	**(17.5)**

Fair value gain or loss for financial assets reclassified before 2015 that would have been recognized for the year ended 31 December 2015 if the assets had not been reclassified and income or loss recognized for 2015, were as follows:

	Interest income	Provision charge	Gain, that would have been recognized if the assets had not been reclassified
Due from other banks	4.5	–	3.7
Loans and advances to customers	10.4	(0.8)	11.5
Total financial assets reclassified	**14.9**	**(0.8)**	**15.2**

Fair value gain or loss that would have been recognized for the year ended 31 December 2014 if the assets had not been reclassified and income or loss recognized for 2014, were as follows:

	Interest income	Provision charge	Loss, that would have been recognized if the assets had not been reclassified
Loans and advances to customers	1.8	–	(2.8)
Total financial assets reclassified	**1.8**	–	**(2.8)**

25. LAND, PREMISES AND EQUIPMENT

	Land and premises	Equipment	Construction in progress	Equipment in operating lease	Total
Net book amount at 31 December 2014	**133.5**	**27.8**	**15.2**	**70.4**	**246.9**
Cost or revalued amount					
Opening balance at 1 January 2015	139.4	62.6	15.2	77.7	294.9
Disposal of subsidiaries	(4.5)	(0.1)	(0.3)	–	(4.9)
Additions	2.7	6.7	8.6	60.5	78.5
Transfers and reclassifications	(4.9)	1.7	(3.2)	1.0	(5.4)
Disposals	(2.4)	(7.3)	(0.1)	(0.5)	(10.3)
Revaluation	7.5	–	–	–	7.5
Impairment	(4.7)	–	(7.3)	–	(12.0)
Reversal of impairment	0.6	–	–	–	0.6
Elimination of accumulated depreciation of revalued fixed assets	(10.0)	–	–	–	(10.0)
Effect of translation	0.7	0.7	–	21.1	22.5
Closing balance at 31 December 2015	**124.4**	**64.3**	**12.9**	**159.8**	**361.4**
Accumulated depreciation					
Opening balance at 1 January 2015	5.9	34.8	–	7.3	48.0
Depreciation charge	4.1	7.6	–	5.3	17.0
Disposals	–	(5.0)	–	(0.1)	(5.1)
Transfers and reclassifications	(0.2)	(0.1)	–	0.1	(0.2)
Elimination of accumulated depreciation of revalued fixed assets	(10.0)	–	–	–	(10.0)
Effect of translation	0.2	0.2	–	1.0	1.4
Closing balance at 31 December 2015	**–**	**37.5**	**–**	**13.6**	**51.1**
Net book amount at 31 December 2015	**124.4**	**26.8**	**12.9**	**146.2**	**310.3**

	Land and premises	Equipment	Construction in progress	Equipment in operating lease	Total
Net book amount at 31 December 2013	**106.2**	**27.5**	**14.2**	**22.4**	**170.3**
Cost or revalued amount					
Opening balance at 1 January 2014	108.9	56.0	14.2	26.4	205.5
Effect of hyperinflation	0.4	0.2	–	–	0.6
Acquisitions of subsidiaries	23.4	0.4	0.7	–	24.5
Disposal of subsidiaries	(2.4)	(5.4)	(0.1)	–	(7.9)
Additions	5.8	10.0	14.0	40.7	70.5
Transfers and reclassifications	10.6	2.2	(13.4)	4.9	4.3
Disposals	(5.4)	(3.5)	(0.4)	–	(9.3)
Impairment	(4.2)	–	–	–	(4.2)
Effect of translation	2.3	2.7	0.2	5.7	10.9
Closing balance at 31 December 2014	**139.4**	**62.6**	**15.2**	**77.7**	**294.9**
Accumulated depreciation					
Opening balance at 1 January 2014	2.7	28.5	–	4.0	35.2
Effect of hyperinflation	–	0.1	–	–	0.1
Depreciation charge	3.9	8.6	–	2.7	15.2
Disposals	(0.5)	(2.6)	–	(0.1)	(3.2)
Disposal of subsidiaries	(0.2)	(1.7)	–	–	(1.9)
Transfers and reclassifications	–	0.1	–	–	0.1
Effect of translation	–	1.8	–	0.7	2.5
Closing balance at 31 December 2014	**5.9**	**34.8**	**–**	**7.3**	**48.0**
Net book amount at 31 December 2014	**133.5**	**27.8**	**15.2**	**70.4**	**246.9**

Transfers and reclassifications include both transfers between the categories of the land, premises and equipment, and reclassifications to/from investment property and property intended for sale in the ordinary course of business in other assets.

Land and premises were revalued at fair value at 31 December 2015. The valuation was carried out by an independent firm of appraisers, who hold a recognized and relevant professional qualification and who had experience in the valuation of assets in similar locations and in a similar category. Fair value was determined by reference to market-based evidence.

25. LAND, PREMISES AND EQUIPMENT (CONTINUED)

If the premises were measured using the cost model, the carrying amounts would be as follows:

	2015	2014
Cost	148.9	158.0
Less: accumulated depreciation and impairment	(19.7)	(15.8)
Net carrying amount	**129.2**	**142.2**

26. INVESTMENT PROPERTY

	2015	2014
Investment property at 1 January	192.3	160.7
Acquisitions of subsidiaries (Note 4645)	28.5	5.9
Disposal of subsidiaries	(1.8)	(8.7)
Additions	25.0	21.5
Disposals	(5.0)	(3.5)
Reclassified to premises	(1.7)	(4.8)
Reclassified from premises	5.3	2.7
Reclassified to property held for sale	(2.8)	(1.1)
Net (loss) / gain from change in fair value recognised on the disposal or revaluation	(3.6)	3.8
- of which unrealised gains or (losses)	(3.1)	3.6
Capitalization of expenses	9.0	11.3
Effect of translation	(0.2)	0.1
Reclassified from assets of disposal groups held for sale	–	4.4
Investment property at 31 December	**245.0**	**192.3**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2015	2014
Not later than 1 year	7.3	5.2
Later than 1 year and not later than 5 years	23.7	6.2
Later than 5 years	3.6	0.2
Total operating lease payments receivable	**34.6**	**11.6**

In 2015 the Group recognized rental income as part of income arising from non-banking activities of RUR 5.7 billion (2014: RUR 4.8 billion) and direct operating expenses of RUR 1.0 billion (2014: RUR 0.9 billion) in relation to investment property that generated rental income.

In 2015, the Group's investment property increased in the total amount of 28.5 RUR billion due to acquisition of "City Land Group Company" LLC (CLG). In 2014, the Group's investment property increased in the total amount of 5.9 RUR billion due to acquisition of "Aviapark", Ltd, "Velozavodsky Market", OJSC and "Kuntsevsky Market", OJSC.

In 2015, the Group's investment property decreased due loss of control of "Metropolitan Insurance Group (SSG)" LLC in the total amount of RUR 1.8 billion. In 2014, the Group's investment property decreased due to disposal of "Office-Hotel complex" and LLC "Aviapark", Ltd in the total amount of RUR 8.7 billion.

In 2015 the Group received directly a property title for land plots, commercial and residential properties valued at RUR 15.8 billion (2014: RUR 12.7 billion) in exchange for settlement of the outstanding loans granted by the Group. The property of RUR 0.3 billion (2014: RUR 0.3 billion) was obtained through foreclosure of collateral under mortgage loans. The acquired investment properties were valued by an independent, professionally qualified appraiser at fair value at the acquisition date.

In 2015 the Group acquired a 2,692 hectare land plot investment property from a third party. The acquisition had characteristics of a distressed sale transaction as part of the relationship between the Group and the beneficiary of the selling entity. Accordingly, the estimated fair value of the acquired investment property determined by Group management with assistance of an independent professional appraiser was higher than the acquisition transaction price specified in the purchase and sale agreement. This difference in the amount of 6.6 billion RUR was recognised on revaluation in net (loss)/gain from change in fair value of investment property in the accompanying consolidated income statement. The fair value of the investment property was estimated using the income approach based on the multifamily housing construction project. Actually used key valuation assumptions and fair value sensitivity to their changes are disclosed in Note 43.

In 2014 the Group purchased commercial properties and land plots in the amount of RUR 8.6 billion with a view of construction and development and future use as investment property.

As at 31 December 2015 investment property in the amount of RUR 24.1 billion was under construction in progress or development (31 December 2014: RUR 46.5 billion).

27. GOODWILL AND OTHER INTANGIBLE ASSETS

The movements in goodwill and other intangible assets were as follows:

	Core deposit and customer loan intangible	Computer software	Relations with the major lessee	Other rights	Brands and trademarks	Goodwill	Total
Net book amount at 31 December 2014	**13.5**	**9.3**	**17.6**	**3.9**	**1.2**	**116.3**	**161.8**
Cost less impairment							
Opening balance at 1 January 2015	30.2	15.7	17.7	8.7	2.0	116.3	190.6
Additions	–	4.9	–	0.7	–	–	5.6
Acquisition through business combinations	–	–	–	–	–	0.5	0.5
Disposals	–	(1.1)	–	(2.7)	(0.2)	–	(4.0)
Disposals of subsidiaries	–	–	–	(0.1)	–	–	(0.1)
Write-offs through impairment	–	(0.1)	–	–	–	(0.3)	(0.4)
Effect of translation	–	0.5	5.2	–	0.1	(0.4)	5.4
Transfer	–	–	–	0.7	(0.3)	–	0.4
Closing balance at 31 December 2015	**30.2**	**19.9**	**22.9**	**7.3**	**1.6**	**116.1**	**198.0**
Accumulated amortization							
Opening balance at 1 January 2015	16.7	6.4	0.1	4.8	0.8	–	28.8
Amortization charge	5.0	2.8	0.4	1.8	0.2	–	10.2
Disposals	–	(0.8)	–	(2.6)	(0.1)	–	(3.5)
Transfers	–	(0.1)	–	–	–	–	(0.1)
Effect of translation	–	0.5	0.2	(0.1)	–	–	0.6
Closing balance at 31 December 2015	**21.7**	**8.8**	**0.7**	**3.9**	**0.9**	**–**	**36.0**
Net book amount at 31 December 2015	**8.5**	**11.1**	**22.2**	**3.4**	**0.7**	**116.1**	**162.0**

27. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

	Core deposit and customer loan intangible	Computer software	Relations with the major lessee	Other rights	Brands and trademarks	Goodwill	Total
Net book amount at 31 December 2013	**18.5**	**7.0**	**10.4**	**4.7**	**1.5**	**120.4**	**162.5**
Cost less impairment							
Opening balance at 1 January 2014	30.8	10.6	10.4	9.2	1.9	120.4	183.3
Additions	–	4.2	–	1.7	–	–	5.9
Acquisition through business combinations	–	–	–	–	–	1.4	1.4
Disposals	(0.6)	(0.7)	–	(2.2)	–	–	(3.5)
Write-offs through impairment	–	(0.1)	–	–	–	(5.7)	(5.8)
Effect of translation	–	1.6	7.3	0.1	0.1	0.2	9.3
Transfer	–	0.1	–	(0.1)	–	–	–
Closing balance at 31 December 2014	**30.2**	**15.7**	**17.7**	**8.7**	**2.0**	**116.3**	**190.6**
Accumulated amortization							
Opening balance at 1 January 2014	12.3	3.6	–	4.5	0.4	–	20.8
Amortization charge	5.1	2.1	0.1	2.5	0.3	–	10.1
Disposals	(0.4)	(0.5)	–	(2.3)	–	–	(3.2)
Write-offs through impairment	–	(0.1)	–	–	–	–	(0.1)
Effect of translation	(0.3)	1.3	–	0.1	0.1	–	1.2
Closing balance at 31 December 2014	**16.7**	**6.4**	**0.1**	**4.8**	**0.8**	**–**	**28.8**
Net book amount at 31 December 2014	**13.5**	**9.3**	**17.6**	**3.9**	**1.2**	**116.3**	**161.8**

The table below presents the carrying amount of core deposit and customer loan intangible, and relations with the major lessee intangible allocated to relevant cash-generating units (CGU) of the following entities:

2015					2014				
CGU	Carrying amount of goodwill	Carrying amount of core deposit and customer loan intangible	Relations with the major lessee intangible	Total	CGU	Carrying amount of goodwill	Carrying amount of core deposit and customer loan intangible	Relations with the major lessee intangible	Total
"VTB Bank", OJSC and "Bank of Moscow", OJSC					"Bank of Moscow", OJSC				
- IB-CIB	5.4	-	–	5.4	- IB-CIB	6.5	–	–	6.5
- MCB	25.5	1.9	–	27.4	- MCB	86.7	10.9	–	97.6
- RB	8.5	1.2	–	9.7	- RB	8.6	1.0	–	9.6
- CB-CIB	71.2	4.7	–	75.9	"VTB Bank", OJSC				
					- CB-CIB	8.8	–	–	8.8
"Avia Capital Management" Ltd.	–	–	22.2	22.2	"Avia Capital Management" Ltd.	–	–	17.6	17.6
"Bank VTB 24", PJSC	3.4	0.7	–	4.1	"Bank VTB 24", PJSC	3.4	1.6	–	5.0
Other subsidiaries	2.1	–	–	2.1	Other subsidiaries	2.3	–	–	2.3
Net book amount	**116.1**	**8.5**	**22.2**	**146.8**	**Net book amount**	**116.3**	**13.5**	**17.6**	**147.4**

27. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Avia Capital Management Ltd.

Group recognized an intangible asset (relations with the major lessee) that arose following the acquisition of a subsidiary in 2013. It was allocated to the Avia Capital Management Ltd cash flow generating unit (further "CGU") and tested for impairment as a part of this CGU in accordance with IAS 36 "Impairment of Assets".

As at 31 December 2015, the calculated recoverable amount was designated as value in use of the CGU. The key assumptions in determining the value in use were the discount rate in USD, which represents the cost of equity and was calculated under CAPM (the Capital Asset Pricing Model) at 12.8%, as well as the effective funding rate in USD, gradually increasing in the forecasted period (2016 - 2030) from 3.49% to 5.98%. The funding rate was calculated under the Ruble funding strategy with a further swap into USD via the use of derivative financial instruments ("DFIs") (loans and DFIs were concluded with related parties). The discount rate (cost of equity) used is pre-tax, and reflects the specific risks related to the given CGU.

As at 31 December 2015, the recoverable amount of the Avia Capital Management Ltd. CGU exceeded its carrying amount by RUB 1.1 billion. The CGU's carrying amount would be equal to the recoverable amount either at a discount rate of 13.35% in USD or with the use of an effective funding rate in USD gradually increasing in the forecasted period (2016 - 2030) from 3.73% to 6.22% (all other inputs held constant).

As at 31 December 2014, the calculated recoverable amount was designated as the fair value of the CGU. The key assumption in determining the fair value of the CGU was the discount rate, defined as the weighted average cost of capital in USD, set at 7.18%. The discount rate (weighted average cost of capital) used is pre-tax, and reflects the specific risks related to the given CGU.

As at 31 December 2014, the recoverable amount of the Avia Capital Management Ltd. CGU exceeded its carrying amount by RUB 0.9 billion. The CGU's carrying amount would be equal to the recoverable amount at a discount rate of 7.27% in USD.

"Bank of Moscow", OJSC

In 2015 the Group management approved and committed to a business reorganization of "Bank of Moscow", OJSC. This reorganization is expected to be completed in May 2016 and will result in a transfer to VTB of substantially all of the assets which underlie the goodwill. Upon transfer, these assets will be commingled with the similar CGU assets at VTB, and their cash flows will not be separately identifiable. The remaining assets in "Bank of Moscow", OJSC, represent mostly loans subject to the CBR and DIA plan of support and other legacy assets, and had no goodwill assigned to them.

Due to the committed business reorganization, the Group defined the CGUs on the basis of a combined assets of VTB and merging "Bank of Moscow", OJSC as at 31 December 2015 split as follows:

- Investment banking of CIB ("IB-CIB")
- Corporate Business of CIB ("CB-CIB")
- Mid-corporate banking ("MCB")
- Retail banking ("RB")

For the purposes of goodwill impairment test, the recoverable amount of the individual CGUs listed above was determined based on the expected cash flows of the combined assets of VTB and merging assets of "Bank of Moscow", OJSC and compared to their recoverable amount.

In 2014, the goodwill related to "Bank of Moscow", OJSC, was tested on the CGUs within its legal entity structure, and accordingly, the goodwill impairment test models and underlying data in 2015 and 2014 differ significantly.

Carrying amount of CGU

At 31 December 2015 the carrying amount of the relevant CGUs was determined through initial allocation of capital and subsequent allocation of goodwill and intangible assets.

The initial capital allocation uses relevant equity of VTB and "Bank of Moscow", OJSC adjusted for investment in subsidiaries and other deductions related to Group Treasury functions. Subsequently the adjusted capital was allocated to IB-CIB through economic capital model and the remaining adjusted capital was allocated on a total assets base for other CGUs. The capital allocated to relevant CGU of "Bank of Moscow", OJSC was additionally adjusted for the capital related to remaining in the existing legal entity.

The model calculates the present value of the estimated cash flows that are expected to flow from CGUs while complying with regulatory capital and other statutory requirements.

The goodwill recognised on the acquisition of former "TransCreditBank", JSC and former "Bank VTB North-West", OJSC of RUR 8.8 billion was allocated to CB-CIB and included in to the test

The goodwill recognized on the acquisition of "Bank of Moscow", OJSC of RUR 101.7 billion was initially allocated to IB-CIB, MCB and RB CGUs. In April 2015 Bank of Moscow", OJSC, following the Group Managing Committee's decision to reassign certain clients between the global business lines [as part of reorganization procedures], attributed goodwill to relevant client and client managers from MCB to CB-CIB in the amount of RUR 61.2 billion and from IB-CIB to CB-CIB in the amount of RUR 1.2 billion.

27. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2015 goodwill and intangible assets of core deposit and customer loan intangible were allocated to the relevant CGUs as follows:

	Goodwill	Intangible assets	Total
IB-CIB	5.4	-	**5.4**
CB-CIB	71.2	4.7	**75.9**
MCB	25.5	1.9	**27.4**
RB	8.5	1.2	**9.7**
Total	**110.6**	**7.8**	**118.4**

DCF Model

The Group determines the recoverable amounts of its CGUs on the basis of value in use calculated using a DCF model, which reflects the specifics of the relevant CGU. Future cash flows were discounted at a rate that reflected a relevant level of risk for CGUs. Cash flows beyond 2019 period were extrapolated using the estimated growth rate of 4.5% p.a.

Estimates of future cash flows were based on the most recent financial statements, as well as figures, forecasts and budgets for the relevant CGUs, in addition to the economic and market forecasts that chief decision makers approve for internal management purposes. IB-CIB, CB-CIB, MCB and RB growth rate targets are based on growth rates implied by the Group's strategy, its long-term growth plan and the goal to sustain market share in lending to corporate and retail clients.
The following assumptions were used in the DCF model in respect of expected cash flows and the discount rate.

COR: The Cost of Risk, representing the loan impairment provision to loans ratio for each CGU, was projected on the basis of each CGU's key strategic targets and historical data.

NIM: The Net Interest Margin was projected on the basis of a CGU's key strategic targets, expected business profitability and the historical level for each CGU.

CIR: The Cost to Income ratio was projected on the basis of a CGU's key strategic targets, expected cost reduction, efficiencies following the legal merger and the historical levels for each CGU.

Discount rate: The CAPM-based discount rate was determined on the basis of RUB and foreign currency risk-free interest rates, a market risk premium and beta as a measure of systematic market risk. The market risk premium and beta were derived from public sources of information, while the risk-free interest rates for the terminal period were derived both from public and internal sources of information.

The Group applied different discount rate for different future periods based on its expectation of a decline in the risk free rate.

Variations in all of these components might impact the calculation of expected cash flows might have a material effect on the recoverable amounts of respective CGUs.

Hereunder, we show the key assumptions for the relevant CGUs for the projection period (2016-19):

CGU	COR, b.p.	NIM, % p.a.	CIR, % p.a.	Discount rate, % p.a.
IB-CIB	6-32	2.0%-2.9%	33.2%-33.9%	16.1%-17.3 %
CB-CIB	112 -103	2.0%-2.9%	24.3%-24.4%	15.9%-17.1 %
MCB	142-132	4.1%-5.0%	38.9% -58.5%	16.0%-17.3 %
RB	436-456	10.4%-11.6%	40.4%-45.1%	15.9%-17.2 %

Sensitivity of possible changes in key assumptions

This table shows the impact that possible changes in our key assumptions might have on the recoverable amount of CGUs in terms of the goodwill impairment recognition as at 31 December 2015:

CGU	Key assumption	Change	Change in key assumptions resulting in recoverable amount to equal carrying amount	Goodwill impairment, RUR billion	Recoverable amount exceeds carrying amount, RUR billion
CB-CIB	NIM	-0.30%	-0.01%	(71.2)	3.73
	COR	20 b.p.	1.5 b.p.	(71.2)	
	CIR	2.00%	0.50%	(11.5)	
	CIR	4.00%	0.50%	(26.7)	
	Discount rate	0.50%	0.12%	(11.5)	
	Discount rate	1.00%	0.12%	(25.3)	
IB-CIB	NIM	-0.30%	-0.08%	(5.4)	5.89
	COR	20 b.p.	10.5 b.p.	(5.4)	
	CIR	4.00%	2.07%	(5.4)	
	Discount rate	0.50%	0.35%	(2.4)	
	Discount rate	1.00%	0.35%	(5.4)	

27. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

The following table summarises uncertainties of key assumptions used in the DCF model:

Input	Assumptions	Uncertainties of Assumptions
	IB-CIB	
CIR	Cost savings from recent cost optimization initiatives	Cost savings and expected benefits from cost optimization initiatives are not realized as anticipated
NIM	▪ Level of interest rates; and ▪ Recovery of Russian markets over the forecast period	Slower recovery of the Russian economy and its impact on trade volumes, interest rates and foreign exchange rates
COR	COR is based on anticipated dynamic of the IB – related loans	Unexpected market conditions that will increase the loan loss risks
Discount rate	Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business	Major industry threats , i.e. market volatility, sovereign debt burden, increasing costs from possible regulatory changes
	CB-CIB	
CIR	▪ Development of synergies and cost efficiencies following the VTB and BoM legal merger in the Corporate and Investment Banking segment ▪ Continued focus on operating efficiency	Cost savings and expected benefits from BoM and VTB legal merger are not realized as anticipated
NIM	▪ Recovery of Russian markets over the forecast period ▪ Expected level of the market interest rates and likely decrease in the key rate ▪ Decreasing cost of liabilities in VTB, resulting from implementation of the Group's plans to optimize the funding structure	Unfavourable margin development and adverse competition levels in key products beyond expected levels Significant share of large corporates in VTB's loan book limits the Group's pricing power to re-price loans if the key rate is increased
COR	COR is based on anticipated dynamics of the CB loans	Unexpected market conditions that will increase loan loss risks
Discount rate	Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business	Major industry threats , i.e. market volatility, sovereign debt burden, increasing costs from possible regulatory changes
	MCB	
CIR	▪ Development of synergies and cost efficiencies following the VTB and BoM legal merger in the MCB ▪ Strict discipline applied to operating expenses	Cost savings and expected benefits from BoM and VTB legal merger are not realized as anticipated
NIM	▪ Recovery of Russian markets over the forecast period ▪ Expected level of the market interest rates and likely decrease in the key rate	Unfavourable margin development and adverse competition levels in key products beyond expected levels
COR	Strict discipline applied to cost of risk	Significant economic decline to increase credit loss provisions
Discount rate	Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business.	Major industry threats , i.e. market volatility, sovereign debt burden, increasing costs from possible regulatory changes
	RB	
CIR	Development of synergies and cost efficiencies following the VTB and BoM legal merger in the Retail segment	Synergies related to VTB and BoM legal merger are not realized or are realized later than foreseen
NIM	General economic conditions improve, which would result in the Group reassessing its risk appetite and help to increase the share of high margin banking products	Unfavorable margin development and adverse competition levels in key products beyond expected levels
COR	Solid management of cost of risk despite growth in share of higher margin but more risky products	Significant economic decline potentially resulting in higher unemployment rates, increasing credit loss provisions
Discount rate	Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business	Major industry threats , i.e. market volatility, sovereign debt burden, increasing costs from possible regulatory changes

Current economic and industry risks such as the CBR key interest rate, oil prices, exchange rates might negatively impact actual cash flows as compared to forecasted cash flows and result in goodwill impairment of certain CGU.

28. OTHER ASSETS

	2015	2014
Other financial assets accounted at amortised cost:		
Amounts in course of settlement	63.0	37.4
Accrued income on operating leases	6.8	2.5
Reinsurance and insurance receivables	6.7	5.6
Initial margin and other performance collateral	5.9	22.8
Trade receivables and prepayments	5.5	5.9
Accrued commission income	5.4	4.6
Advances issued to leasing equipment suppliers	2.5	3.5
Other	4.1	3.8
Total other financial assets accounted at amortised cost before allowance for impairment	**99.9**	**86.1**
Less: allowance for impairment of other financial assets accounted at amortised cost	(4.8)	(3.6)
Total other financial assets accounted at amortised cost	**95.1**	**82.5**
Other financial assets accounted at fair value:		
Amounts in course of settlement related to regular way transactions with financial instruments	0.1	0.3
Other	0.1	–
Total other financial assets accounted at fair value	**0.2**	**0.3**
Total other financial assets	**95.3**	**82.8**
Insurance assets:		
Reinsurers' share of provision for unearned premiums	2.2	1.7
Deferred acquisition costs	1.8	1.6
Reinsurers' share of loss provisions	1.0	1.6
Total insurance assets	**5.0**	**4.9**
Other non-financial assets accounted at cost less impairment:		
Property intended for sale in the ordinary course of business	72.0	59.8
Other assets related to non-banking activities	32.4	35.8
Prepayments	30.5	31.7
Tax prepayments	9.8	12.9
Inventories	8.2	6.0
Deferred expenses	6.9	5.2
Equipment purchased for subsequent leasing	2.3	2.8
Other	7.9	3.8
Total other non-financial assets accounted at cost less impairment	**170.0**	**158.0**
Other non-financial assets accounted at fair value:		
Precious metals	54.2	39.1
Total other non-financial assets accounted at fair value	**54.2**	**39.1**
Total other non-financial assets	**224.2**	**197.1**
Total other assets	**324.5**	**284.8**

As at 31 December 2015 amounts in course of settlement includes settlements with Deposit Insurance Agency for the reimbursement of bankrupt banks' deposits in the amount of RUR 54.6 billion (31 December 2014: RUR 13.2 billion).

As at 31 December 2015 and 2014, property intended for sale in the ordinary course of business mainly represented operations of "Hals-Development", OJSC, "Upravlyayuschaya kompaniya Dynamo", CJSC and "M", CJSC.

As at 31 December 2015 and 2014, other assets related to non-banking activities were predominantly related to real estate and construction.

As at 31 December 2015, property intended for sale in the ordinary course of business under construction in progress or development amounted to RUR 46.4 billion (31 December 2014: RUR 34.9 billion) and property intended for sale in the ordinary course of business ready for use by buyer amounted to RUR 25.6 billion (31 December 2014: RUR 24.8 billion).

28. OTHER ASSETS (CONTINUED)

As at December 2015, inventories include the amount of RUR 7.8 billion (31 December 2014: RUR 5.5 billion) representing foreclosed collateral (goods, equipment, etc.) under default loans before further decision). Refer to Note 42.

The movements in allowances for impairment of other financial assets accounted at amortised cost were as follows:

2013	**3.3**
Provision for impairment during the period	2.3
Write-offs	(1.7)
Recoveries of amounts written-off in previous period	0.1
Disposal of subsidiaries	(0.9)
Reclassification to allowance due to reclassification of items to this category	0.2
Effect of translation	0.3
2014	**3.6**
Provision for impairment during the period	2.6
Write-offs	(1.5)
Recoveries of amounts written-off in previous period	0.1
2015	**4.8**

29. DISPOSAL GROUPS HELD FOR SALE

The Group has investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these investments in the near future, within one year from the initial classification as a disposal group.

		2015	2014
Assets of disposal groups held for sale:			
Mariisky NPZ, CJSC	99.3% owned subsidiary	13.3	10.0
Hotel complex Orehovo, JSC	100.0% owned subsidiary	1.7	n/a
Tower B of Skylight Business Centre	non-current asset held for sale	-	0.6
Other	100.0% owned subsidiary	0.8	0.5
Total assets of disposal groups held for sale		**15.8**	**11.1**
Liabilities of disposal groups held for sale:			
Mariisky NPZ, CJSC	99.3% owned subsidiary	12.4	4.4
Hotel complex Orehovo, JSC	100.0% owned subsidiary	0.3	n/a
Other	100.0% owned subsidiary	0.3	0.3
Total liabilities of disposal groups held for sale		**13.0**	**4.7**

In February 2015, the Group disposed of non-current asset held for sale “Tower B of Skylight Business Centre” for RUR 0.9 billion and recognised RUR 0.2 billion gain on disposal in revenue from other non-banking activities.

In April 2014, when acquiring “Hotel Company”, OJSC the Group received controlling interest in Hotel complex Orehovo, JSC. In June 2015, the Management concluded that this subsidiary met the definition of the disposal group held for sale. In June 2015 the Group reassessed the fair value less costs to sell of this shareholding and recognised the respective loss in the amount of RUR 0.5 billion. As of 31 December 2015 the Group accounted for these investments as a disposal group held for sale under IFRS 5.

In August 2015, the Group sold VRB Moscow Bank, Ltd (reported in “Other” category) for RUR 0.5 billion.

As at 31 December 2015, the Group remains committed to the plans to sell Mariisky NPZ, CJSC and considers that sale is highly probable.

In connection with negative tendencies in the Russian economy the Group analysed fair value for each items of its disposal groups held for sale and concluded that the fair value of disposal groups held for sale was not materially different from their carrying value.

29. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

Major classes of non-current assets classified as held for sale and assets of disposal groups held for sale are as follows:

	2015	2014
Assets of a disposal group held for sale:		
Cash and cash equivalents	–	0.1
Deferred income tax asset	1.9	1.4
Intangible assets and goodwill	–	0.1
Premises and equipment	1.8	0.6
Other assets	12.1	8.3
Non-current assets held for sale:		
Investment property	–	0.6
Total non-current assets and assets of disposal groups held for sale	**15.8**	**11.1**

Major classes of liabilities directly associated with disposal groups held for sale are as follows:

	2015	2014
Due to other banks	–	0.1
Trade creditors and prepayments received	8.0	1.6
Debt securities issued	4.3	2.3
Deferred income tax liability	0.3	–
Other liabilities	0.4	0.7
Total liabilities directly associated with disposal groups held for sale	**13.0**	**4.7**

30. DUE TO OTHER BANKS

	2015	2014
Term loans and deposits	1,046.4	448.7
Correspondent accounts and overnight deposits of other banks	145.1	204.6
Sale and repurchase agreements with other banks	32.5	79.9
Total due to other banks	**1,224.0**	**733.2**

The table below shows the amounts of pledged assets and carrying amount of associated liabilities as at 31 December 2015 and 31 December 2014.

	2015			2014		
	Amount of the assets pledged	Carrying amount of the associated liabilities	Net position	Amount of the assets pledged	Carrying amount of the associated liabilities	Net position
Term loans and deposits						
- loans and advances to customers (Note 23).	3.1	2.6	**0.5**	2.8	2.4	**0.4**
Sale and repurchase agreements with other banks						
- non-derivative financial assets at fair value through profit or loss (Note19)	13.4	12.4	**1.0**	28.3	20.4	**7.9**
- financial assets available-for-sale (Note 21)	0.1	0.1	**-**	14.1	13.0	**1.1**
- financial assets classified as loans and advances to customers(Note 23)	9.4	8.7	**0.7**	27.0	16.9	**10.1**
- financial assets classified as due from other banks (Note 22)	-	-	**-**	2.5	2.0	**0.5**
- financial assets received under reverse sale and repurchase agreements	12.9	11.3	**1.6**	35.0	27.6	**7.4**
Total Sale and repurchase agreements with other banks	**35.8**	**32.5**	**3.3**	**106.9**	**79.9**	**27.0**
Total	**38.9**	**35.1**	**3.8**	**109.7**	**82.3**	**27.4**

31. CUSTOMER DEPOSITS

	2015	2014
Government bodies		
Current / settlement deposits	102.4	157.1
Term deposits	443.2	565.2
Other legal entities		
Current / settlement deposits	905.9	712.0
Term deposits	2,926.1	2,085.6
Individuals		
Current / settlement deposits	465.7	390.4
Term deposits	2,417.7	1,758.7
Sale and repurchase agreements	6.0	0.4
Total customer deposits	**7,267.0**	**5,669.4**

As at 31 December 2015, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 2,071.3 billion or 28.5% of total customer deposits (31 December 2014: RUR 1,748.5 billion or 30.8%).

As at 31 December 2015, deposits of RUR 4.8 billion (31 December 2014: RUR 23.5 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees (Note 50).

Economic sector risk concentrations within customer deposits are as follows:

	2015		2014	
	Amount	%	Amount	%
Individuals	2,883.4	39.7	2,149.1	37.9
Oil and Gas	1,453.6	20.0	1,009.0	17.8
Government bodies	545.6	7.5	722.3	12.7
Finance	450.0	6.2	327.2	5.8
Manufacturing	414.1	5.7	265.6	4.7
Building construction	348.9	4.8	314.7	5.6
Trade and commerce	252.6	3.5	223.8	3.9
Transport	222.3	3.1	125.1	1.8
Telecommunications and media	114.4	1.6	89.3	1.6
Metals	108.6	1.5	104.2	2.2
Energy	108.0	1.5	26.2	0.5
Aircraft	60.5	1.5	27.0	0.5
Food and agriculture	51.4	0.7	31.1	0.5
Chemical	40.3	0.6	51.2	0.9
Coal mining	2.3	0.0	11.2	0.2
Other	211.0	2.8	192.4	3.4
Total customer deposits	**7,267.0**	**100.0**	**5,669.4**	**100.0**

As at 31 December 2015 financial assets pledged against sale and repurchase agreements represent financial assets at fair value through profit or loss with fair value of RUR 4.7 billion (31 December 2014: RUR 0.1 billion) (Note19) and securities received under reverse sale and repurchase agreements with fair value of RUR 2.2 billion (31 December 2014: RUR 1.1 billion).

32. OTHER BORROWED FUNDS

	2015	2014
Funds from local central banks:	1,751.6	2,388.9
- Term deposits from local central banks	946.6	1,617.0
- Sale and Repurchase Agreements	805.0	771.9
Syndicated loans	156.8	131.5
Other borrowings	213.1	208.8
Total other borrowed funds	**2,121.5**	**2,729.2**

The table below shows the amounts of pledged assets and carrying amount of associated liabilities as at 31 December 2015 and 31 December 2014.

	2015			2014		
	Amount of the assets pledged	Carrying amount of the associated liabilities	Net position	Amount of the assets pledged	Carrying amount of the associated liabilities	Net position
Funds from local central banks:						
Term deposits from local central banks						
- loans and advances to customers(Note 23)	1,070.9	929.0	141.9	1,086.3	701.4	384.9
- financial assets available-for-sale (Note24)	7.6	7.1	0.5	5.7	5.7	-
- financial assets classified as due from other banks (Note 22)	4.0	3.7	0.3	6.3	6.3	-
Total Term deposits from local central banks	1,082.5	939.8	142.7	1,098.3	713.4	384.9
Sale and Repurchase Agreements with local central banks						
- financial assets classified as loans and advances to customers(Note 23).	600.4	596.2	4.2	436.1	437.5	(1.4)
- financial assets held to maturity (Note 21)	73.3	75.3	(2.0)	3.3	3.6	(0.3)
- financial assets at fair value through profit or loss (Note21)	52.9	44.4	8.5	72.0	83.0	(11.0)
- financial assets available-for-sale (Note 21)	20.5	21.3	(0.8)	66.2	105.0	(38.8)
- financial assets classified as due from other banks (Note 22)	5.0	4.8	0.2	71.7	58.5	13.2
- securities received under reverse sale and repurchase agreements	107.7	63.0	44.7	25.0	84.3	(59.3)
Total Sale and Repurchase Agreements with local central banks	859.8	805.0	54.8	674.3	771.9	(97.6)
Other borrowings						
- financial assets classified as loans to customers (Note 23).	135.4	93.3	42.1	19.8	20.1	(0.3)
Total	**2,077.7**	**1,838.1**	**239.6**	**1,792.4**	**1,505.4**	**287.0**

32. OTHER BORROWED FUNDS (CONTINUED)

In March 2013, the Group received a syndicated loan of USD 2.0 billion maturing in March 2016 with a floating rate of LIBOR plus 1.5% p.a. As at 31 December 2015 the carrying amount of the syndicated loan was RUR 146.2 billion (31 December 2014: RUR 111.9 billion).

In September 2011, "Bank of Moscow", OJSC received a RUR 294.8 billion deposit from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support (the "Plan") of "Bank of Moscow", OJSC approved by the CBR and the DIA. During the fourth quarter 2014, the DIA agreed to the deposit extension due to adverse effects of the current political and macro-economic environment on "Bank of Moscow", OJSC and its clients, which in turn influenced the execution of the Plan. In December 2014, the CBR and the DIA approved the extension of the deposit until September 2026 at 0.51% p.a.

As at 31 December 2015, the carrying amount of the deposit amounted to RUR 73.7 billion (31 December 2014: RUR 67.7 billion) and was included in Other Borrowings. The contractual amount of the deposit was RUR 269.4 billion at 31 December 2015 (31 December 2014: RUR 272.8 billion). The deposit was collateralized by loans and advances to customers with the carrying amount of RUR 119.2 billion at 31 December 2015 (31 December 2014: RUR 134.0 billion) (Note23).

Under the terms of the deposit agreement, if certain reference distressed assets perform better than originally anticipated, the Group is required to repay a corresponding part of the deposit. For the year ended 31 December 2015, the Group recognized losses from early repayment of deposit in the amount of RUR 1.5 billion (for the year ended 31 December 2014: RUR 1.1 billion) included in (Losses net of gains)/gains net of losses arising from extinguishment of liability in the accompanying consolidated income statement.

33. DEBT SECURITIES ISSUED

	2015	2014
Bonds	479.5	780.7
Promissory notes	126.4	123.4
Deposit certificates	17.6	17.3
Total debt securities issued	**623.5**	**921.4**

The bonds represent eurobonds issued mostly under EMTN and ECP programs and local bonds issued by VTB and other Group members with the carrying amounts at the end of the reporting periods as follows:

	Rates, p.a.	Maturity	2015	2014
USD Eurobonds (EMTN)	6.00% to 6.88%	2017 - 2035	307.8	402.2
Local bonds	3.00% to 27.00%	2016 - 2046	98.9	164.5
Other Eurobonds	2.25% to 11.00%	2016 - 2017	38.6	134.8
CHF Eurobonds (EMTN)	2.90% to 3.15%	2016 - 2018	34.2	68.3
ECP	n/a	n/a	–	10.9
Total bonds			**479.5**	**780.7**

Promissory notes represent notes primarily issued by VTB in the local market as an alternative to customer/bank deposits. As at 31 December 2015 promissory notes issued included both discount and interest bearing promissory notes denominated mainly in RUR with maturity ranging from demand to December 2044 (31 December 2014: from demand to December 2044).

34. SUBORDINATED DEBT

	Rates, p.a.	Maturity	2015	2014
VTB:				
USD 1.5 billion subordinated Eurobonds	6.95%	2022	104.4	85.2
CHF 350 million subordinated Eurobonds	5.00%	2024	18.8	19.3
RUR 100 billion subordinated deposit	from 10.00% to 12.40%.	2044	102.9	100
USD 400 million subordinated Eurobonds	n/a	n/a	–	19.4
"Bank of Moscow", OJSC:				
USD 400 million subordinated Eurobonds	6.02%	2017	28.0	22.3
USD 100 million subordinated loans	6M USD LIBOR + 2.65%	2016	6.6	0.3
USD 300 million subordinated Eurobonds	n/a	n/a	–	16.6
"Bank VTB 24", PJSC:				
RUR 2.0 billion subordinated loans	10.00%	2020	2.1	2.1
Total subordinated debt			**262.8**	**265.2**

35. OTHER LIABILITIES

	2015	2014
Other financial liabilities accounted at amortised cost:		
Amounts in course of settlement	8.8	25.8
Accrued expenses	4.2	18.1
Reinsurance and insurance payables	2.9	1.6
Deferred income	2.4	1.0
Trade creditors and prepayments received	2.3	1.2
Advances received from lessees	1.6	2.0
Other	4.4	6.5
Total other financial liabilities accounted at amortised cost	**26.6**	**56.2**
Other financial liabilities accounted at fair value:		
Obligation to deliver securities	37.2	25.8
Non-controlling interests in consolidated mutual funds	2.7	2.6
Amounts in course of settlement related to regular way transactions with financial instruments	0.3	0.4
Other financial liabilities accounted at fair value	4.3	3.3
Total other financial liabilities accounted at fair value	**44.5**	**32.1**
Total other financial liabilities	**71.1**	**88.3**
Insurance liabilities:		
Pension liabilities accounted under IFRS 4	109.4	69.9
Provision for unearned premiums	26.2	17.7
Loss provisions	17.6	12.7
Total insurance liabilities	**153.2**	**100.3**
Other non-financial liabilities accounted at cost:		
Other liabilities related to non-banking activities	51.8	43.1
Payable to employees	38.4	30.0
Provisions for credit related commitments and legal claims (Note 50)	14.7	21.3
Liabilities to pay taxes	11.4	10.2
Liabilities on pension plans	4.2	4.1
Deferred income	1.2	1.8
Other	15.7	13.2
Total other non-financial liabilities accounted at cost	**137.4**	**123.7**
Total other liabilities	**361.7**	**312.3**

As at 31 December 2015 and 2014, other liabilities related to non-banking activities are predominantly related to real estate and other non-banking activity.

36. SHARE CAPITAL

Authorized, issued and fully paid share capital of the Bank comprises:

	2015		2014	
	Number of shares	Nominal amount	Number of shares	Nominal amount
Ordinary shares	12,960,541,337,338	138.1	12,960,541,337,338	138.1
Preference shares	21,403,797,025,000	214.0	21,403,797,025,000	214.0
Type A preference shares	3,073,905,000,000	307.4	–	–

Contributions to the Bank's share capital were originally made in RUR, foreign currency and gold bullion. All ordinary shares have nominal value of RUR 0.01, rank equally and carry one vote.

As at 31 December 2015 the total authorised ordinary share capital comprised 14,000,000,000,000 shares (2014: 14,000,000,000,000) with a par value of RUR 0.01 each.

In July 2015, VTB completed a private placement of 3,073,905 million type A non-cumulative preference shares with nominal value of RUR 0.1 per share. The State Corporation "Deposit Insurance Agency" ("DIA") acquired all of these preference shares at their nominal value for RUR 307.4 billion. As a payment for the preference shares, the DIA provided VTB Bank with state bonds (OFZ) which were previously issued to the DIA by the Government of the Russian Federation based on the Federal Law of the Russian Federation No. 448-FZ approved on 26 December 2014 and related regulations. The newly issued preference shares are included in Tier I capital of VTB Bank. The terms of the preference shares do not include any fixed dividend. The Annual General Meeting of VTB shareholders will approve the size of the dividends on preference shares, if any. The preference shares are not included in determining a quorum at the Annual General Meeting of VTB shareholders and do not change the total number of votes attributable to VTB's common shareholders.

During 2015 the net change in Group members' balances of the Bank's ordinary shares decreased by 113,769,761,102 and the number of treasury shares decreased to 41,292,481,242. As a result, the number of the outstanding ordinary shares at 31 December 2015 amounted to 12,919,248,856,096.

During 2014 the net change in Group members' balances of the Bank's ordinary shares increased by 95,864,890,679 and the number of treasury shares increased to 155,062,242,344. As a result, the number of the outstanding ordinary shares at 31 December 2014 amounted to 12,805,479,094,994.

37. PERPETUAL LOAN PARTICIPATION NOTES

In August 2012 and November 2012, VTB issued Perpetual Loan Participation Notes for the amount of USD 1.0 billion (RUR 32.5 billion) and USD 1,250 million (RUR 39.2 billion) respectively. The transaction included the issuance of Perpetual Loan Participation Notes by VTB Eurasia Limited (Ireland), a consolidated structured entity, which used the proceeds to provide a subordinated loan to VTB. The Perpetual loan participation notes have an unlimited term and are redeemable at VTB's option starting from December 2022 at their principal amount. Coupon rate is fixed at 9.5% p.a. and will be reset in 10.5 years and then every 10 years as 10 year US Treasury yield increased by 806.7 b.p. Coupon payments are paid semi-annually from December 2012 and may be cancelled or deferred in accordance with the terms of the notes. Such cancellation or deferral might be mandatory or at the discretion of VTB.

Due to the undefined maturity and optional non-cumulative cancellation of coupon payments, the Group accounts for the Perpetual loan participation notes as an equity instrument and as a Tier I eligible instrument for the purpose of Basel Capital Adequacy Ratio calculation. Further, the CBR approved the inclusion of the subordinated loan in the statutory capital ratio calculation of VTB Bank.

The Group accounts for the USD-denominated Perpetual loan participation notes in the amount of RUR equivalent amount using the foreign exchange rate at the reporting date with foreign exchange translation effects recorded in retained earnings. Issuance costs were also recorded in retained earnings. As at 31 December 2015, the carrying amount of the Perpetual Loan Participation Notes is RUR 164.0 billion (31 December 2014: RUR 126.6 billion).

While coupon payments are optional at the discretion of VTB, certain terms in the Perpetual loan participation notes may cause such payments to become mandatory, one of such events being declaration or payment of dividends on ordinary shares within six months prior to the coupon payment date (Note 39).

In their capacity as market-makers, VTB Group subsidiaries buy and sell Perpetual loan participation notes in the market, usually with a short holding period. During the holding period, Perpetual loan participation notes are included in Treasury shares and bought back perpetual loan participation notes in equity.

38. OTHER RESERVES

Movements in other reserves were as follows:

	Unrealised gain on financial assets available-for-sale and cash flow hedge	Land and premises revaluation reserve	Currency translation difference	Total
2013	**3.0**	**20.1**	**12.5**	**35.6**
Total comprehensive income for the period	(21.4)	(0.4)	36.0	**14.2**
Transfer of premises revaluation reserve upon disposal or depreciation	–	(2.3)	–	**(2.3)**
Disposal of subsidiaries	(0.3)	(0.3)	(4.3)	**(4.9)**
Acquisition of non-controlling interests	–	0.1	0.1	**0.2**
2014	**(18.7)**	**17.2**	**44.3**	**42.8**
Total comprehensive income for the period	13.4	6.1	11.0	**30.5**
Transfer of premises revaluation reserve upon disposal or depreciation	–	(1.2)	–	**(1.2)**
Acquisition of non-controlling interests	–	0.1	–	0.1
2015	**(5.3)**	**22.2**	**55.3**	**72.2**

39. DIVIDENDS AND AMOUNTS DUE AND PAID UNDER PERPETUAL LOAN PARTICIPATION NOTES

In accordance with the VTB dividend policy as approved by the Supervisory Council 29 January 2016 dividends are distributed on an annual IFRS net profit. The Supervisory Council proposes the amount of dividends for the approval by the Annual General Meeting of VTB. The approved dividend amounts are paid out to eligible shareholders within 25 working days.

In June 2015, Annual General Meeting of VTB shareholders declared dividends for ordinary shares in the total amount of RUR 15.2 billion for 2014 (RUR 0.00117 per ordinary share) and for preference shares in the total amount of RUR 2.8 billion (RUR 0.00013 per preference share). Dividends declared were paid in July-August 2015.

In June 2014, the Annual General Meeting of VTB shareholders declared dividends of RUR 15.0 billion for 2013 (RUR 0.00116 per share) which were paid in July-August 2014.

In June 2015 VTB accrued amounts due under Perpetual Loan Participation Notes in the amount of USD 213.8 (RUR 11.7 billion) for the coupon periods ending June and December 2015. VTB paid the amounts in June and December 2015 respectively.

In June 2014 VTB accrued amounts due under Perpetual Loan Participation Notes in the amount of USD 213.8 (RUR 7.5 billion) for the coupon periods ending June and December 2014. VTB paid the amounts in June and December 2014 respectively.

In May 2014, the Annual General Meeting of VTB Africa S.A. shareholders approved dividends of RUR 0.1 billion (AOA 0.3 billion) for 2013 (RUR 26.9 or AOA 78.1 per share) including dividends payable to non-controlling shareholders in amount RUR 0.1 billion.

In May 2014, the Annual General Meeting of VTB Capital AD shareholders approved dividends of RUR 0.3 billion (BGN 44,180 per B-class share without voting right) including dividends payable to non-controlling shareholders in amount RUR 0.3 billion that were fully paid in June 2014.

In June 2014, the Annual General Meeting of “Bank of Moscow”, OJSC shareholders approved dividends of RUR 25.8 billion (RUR 95.68 per share) including dividends payable to non-controlling shareholders in amount RUR 0.9 billion that were fully paid in June-August 2014.

RISK

40. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Allowance for impairment of loans, receivables and provision for commitments to provide loans

The Group reviews its loans and receivables and loan commitments for impairment on a regular basis. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and sufficient historical data relating to similar borrowers is not available. Similarly, the Group estimates changes in future cash flows based on observable data to obtain indication of any adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

For the purposes of calculation of allowances and provisions for impairment of loans and commitments to provide loans at 31 December 2015 and 2014, the Group applied the internally approved formalized provisioning methodology for loans and commitments to provide loans with signs of individual impairment and collectively assessed loans on portfolio basis with no signs of individual impairment and similar credit risk characteristics.

During the year ended 31 December 2015, the Group modified certain aspects of the loan loss provision estimation process in respect of allowances for loans granted to legal entities and individuals which resulted in the cumulative positive effect on the provision for loan losses of RUR 8.5 billion in the consolidated income statement (Note 23). The changes in methodology relate to the more detailed clients and product segmentation and to improvements in migration models.

Impairment of financial assets

The Group determines whether financial assets are impaired whenever there is an indication that the financial assets may be impaired. The primary factors that the Group considers in determining whether a financial asset is impaired include its overdue status and realizability of related collateral, if any. Refer to note 24.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units, to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RUR 116.1 billion (31 December 2014: RUR 116.3 billion) (Note 27).

Impairment of intangible assets with finite useful lives

The Group assesses whether intangible assets with finite lives are impaired whenever there is an indication that the intangible asset may be impaired. This requires an estimation of the value in use or fair value less cost to sell of the corresponding intangible asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the intangible asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Refer to note 27.

Transfer of assets

The Group enters into transactions where financial assets are transferred to other parties on the terms which might not lead to their derecognition. The Group exercises its judgment in determining whether substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities. Information on such assets is disclosed in Note 56.

Land, premises and equipment

The fair value of land, premises and equipment is determined by using valuation techniques. Further details of the judgements and assumptions made, see note 43.

Premises useful life

If the Group did not reassess useful life of its premises the annual expected amortization expenses for the 2016 and subsequent years would have been RUR 0.6 billion higher.

Lack of control over entities in which the Group holds more than half of voting right

The Group considers that it does not have control over certain investees although it owns more than 50% of their voting rights. Factors considered by the Group include placement of the company under external administration and other factors leading to inability to exercise effective control over the investee's operations.

40. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Existence of significant influence in other entities

The Group may have voting rights in other entities approaching to, but lower than 20%. In assessing whether the Group has significant influence over such entities, judgment is exercised to determine whether the Group has the power to participate in the financial and operating policy decisions of the investee including the ability to block certain changes which are unfavorable to the Group but without control or joint control in those entities. The Group's investments in those entities where the Group has significant influence are detailed in Note 47.

The Group may have voting rights in other entities exceeding than 20%. In assessing whether the Group has significant influence over such entities, judgment is exercised to determine whether the Group has the power to participate in the financial and operating policy decisions of the investee including the ability to block certain changes which are unfavourable to the Group but without control or joint control in those entities. The Group's investments in those entities where the Group does nothave significant influence are detailed in Note 24

Deferred income tax asset recognition

Income tax expense in respect of the current tax assets and liabilities is recognized based on the income tax rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group is presented. Income tax expense in respect of the deferred income tax assets and liabilities is measured at the income tax rates that are expected to be applied to the period when deferred assets are realized or liability are settled based on the income tax rates officially enacted by the end of the reporting period.

The recognised deferred income tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are forecasted probable in the future are based on a medium term business plan prepared by management. The Group considers consolidating tax profitable entities with tax loss making entities for tax purposes. Refer to Note 17.

Structured entities

Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgment is also required to determine whether the substance of the relationship between the Group and a structured entity indicates that the structured entity is controlled by the Group.

The Group does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Group does control a structured entity, management makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity is in question. In many instances, elements that are presented, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the structured entity is consolidated. Refer to Note 3 for further information about the Group's exposure to structured entities.

Fair value estimation of financial instruments where significant unobservable inputs have been used

Details of fair value estimation of unquoted shares classified as financial assets at fair value through profit or loss and financial assets available-for-sale are provided in Note 43. Assessment of significance of particular fair value measurement input requires management judgment and is disclosed in Note 43.

Investment property

The fair value of investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made, see note 43.

Net investment in a foreign operation

Starting from January 2015 the Group classified the amounts due from a foreign subsidiary and a subordinated loan issued to it as part of the Group's net investment in that foreign operation as the settlement for them is neither planned nor likely to occur in the foreseeable future. Losses arising from the foreign exchange differences of these assets in the amount of RUR 10.7 billion were classified as a part of the Group's currency translation difference.

Litigations

The Group is involved in a number of litigations. The Group uses its judgement to evaluate their expected outcome, and to estimate the necessary provision. Note 50 discloses information on claims where outflow of economic benefits was deemed to be possible, and provides information on the provision created on those claims where the outflow of economic benefits was deemed to be probable.

41. OPERATING ENVIRONMENT OF THE GROUP

The Russian Federation

The majority of the Group's operations are conducted in the Russian Federation (Russia). The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. During the year ended 31 December 2015, the following were the key changes in select macro-economic indicators:

- the CBR exchange rate increased from RUR 56.2584 to RUR 72.8827 per USD;
- the CBR key interest rate decreased from 17.0% p.a. to 11.0% p.a.;
- the RTS stock exchange index decreased from 790.7 to 757.0.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Also, factors including increased unemployment in Russia, reduced corporate liquidity and profitability and increased corporate and personal insolvencies may affect the Group's borrowers' ability to repay the amounts due to the Group. In addition, adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

Ukraine

In 2014, the economic and political situation in Ukraine deteriorated significantly. As a result, Ukraine has experienced a fall in gross domestic product, a significant negative balance of payments and a sharp reduction in foreign currency reserves. Furthermore, during the year ended 31 December 2014 and 31 December 2015, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 34% and 34% respectively, and the National Bank of Ukraine imposed certain restrictions on foreign currency operations. Restrictions have also been introduced for certain cross-border settlements, including payments of dividends. International rating agencies have downgraded sovereign debt ratings for Ukraine.

At 31 December 2015 and 2014, the Group's investments in Ukrainian sovereign and municipal securities as well as loans to Ukrainian government fully or majority owned enterprises amounted to less than 0.1% of the Group's total assets. The Group continues to monitor the situation in Ukraine and take appropriate actions in order to minimize the effects of these risks. The risk assessment is reviewed constantly to reflect the current situation.

In March 2015, National Bank of Ukraine raised its key interest rate from 19.5% to 30.0%. In August 2015 the NBU key interest rate decreased from 30.0% p.a. to 27.0% p.a. In September 2015 the NBU key interest rate decreased from 27.0% p.a. to 22.0% p.a. The combination of the above events has resulted in a tighter credit conditions and deterioration of asset quality. Further significant negative developments in Ukraine could adversely impact the results and financial position of the Group and of the Group's Ukrainian subsidiaries in a manner not currently determinable.

Other jurisdictions

In addition to Russia, the Group conducts operations in Belarus, Kazakhstan, Azerbaijan, Armenia and Georgia, certain European countries (Austria, Germany, France, Great Britain and Serbia) and several other countries. Difficult economic and financial market situation in certain of these jurisdictions led to a decrease or negative growth of GDP, currency devaluation, reduced consumption, as well as a decline in investment activities. In August 2015 the National Bank and the Government of the Republic of Kazakhstan decided to implement a new monetary policy based on inflation targeting and a free floating exchange rate of the national currency. In January, the National Bank of the Republic of Kazakhstan resumed standing facility operations, increasing its base rate to 17.0% p.a. from 16.0% p.a. and setting the policy rate corridor at ±2%. This helped to unlock stretched situation with liquidity and to bring money market rates down to 30% p.a. from 70-80% p.a. In response to the slump at the oil market, the Central Bank of the Republic of Azerbaijan adjusted national currency to 1.55 AZN for 1 USD in December 2015, introducing a 20% surcharge on foreign exchange transfers abroad and starting to sell hard currency on the open market. In addition, the Central Bank of the Republic of Azerbaijan lowered capital adequacy ratio to 10% and hiked refinancing rate to 5.0% p.a.

Approximate devaluation of certain national currencies to major foreign currencies during the year ended 31 December 2015 is presented in the table below:

Currency	Devaluation (%)
Azerbaijan's manat	50
Kazakhstan's tenge	46
Belarussian rouble	36
Georgian lari	22

During 2015 the Group operated under limited sectorial sanctions imposed by several countries on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and its financial performance.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT

The Group is exposed to financial risks, including credit, liquidity and market risks.

The Management Board of VTB has overall responsibility for risk management at VTB. In each subsidiary bank of VTB risks are managed by the appropriate authorities, predominantly Supervisory Council (Board of Directors) and Management Board. The standard organizational structure of subsidiary banks includes a Chief Risk Officer and Risk division responsible for risk management. In the subsidiary financial companies whose activity implies assumption of financial risks (such as "VTB Leasing", JSC, "VTB Factoring" Ltd, "VTB Capital", JSC and "VTB Capital Holding", CJSC) the general principles of risk management organization are the same as in the subsidiary banks.

In addition to that, on the Group level and within the Group members (including VTB, its subsidiary banks and above-mentioned subsidiary companies) a number of the collective bodies and units are established to co-ordinate day-to-day consolidated risk management activities. On a Group level risk management is overseen by the Group Management Committee ("GMC").

Being a high-level Group's management co-ordination body, GMC considers the regular consolidated risk reports of the Group and takes decisions in the area of the Group's risk management policies and procedures based on powers delegated to it, in particular it approves Group-wide risk management standards and approaches. Decisions and recommendations of the GMC taken in a co-ordinated and consolidated way serve as a basis for respective managerial decisions in the entities of the Group.

As part of the Group-wide risk management reorganization, the Group Risk Committee ("GRC") was created under the GMC (replacing the former Risk Management Sub-Committee ("RMC"), which was abolished). The principal tasks of the GRC include elaboration of the principles procedures and the basic documents on risk management of VTB Group, methodological support of "risk appetite" evaluation process in VTB Group and of implementing the economic capital conception, participation in developing aggregated limitations, checkpoints and portfolio limits with regard to the risk management in VTB Group, regular reviewing (monitoring, analysis) the current profile and the level of risks assumed by the Group, elaboration of the necessary measures to be taken in the context of the current and perspective risk management in VTB Group.

GRC is chaired by the acting Head of VTB Risk Department (the Senior Vice-President of VTB who is responsible for the Group-wide risk management) and includes chief risk officers of some large subsidiaries (VTB24, Bank of Moscow, VTB Capital), representatives of VTB's units involved in consolidated risk control (Risk Department, Credit Department associated with Corporate Investment Business Global line) and representative of VTB24 Retail Business Development Division related to Retail Business Global line.

Concurrent with the creation of the GRC, the Commission on the Implementation of Risk Management Methods was established under the GRC. Its responsibility includes unifying within VTB Group principles, standards of the risk management systems and methods, coordinating practical work on implementing above standards in Group companies, as well as monitoring the realization of practical measures. This commission will also ensure the escalation of information to the GRC, implementation of measures aimed at increasing efficiency of decision making and feedback within the GRC and initiating proposals on the establishment of a general information and methodological platform for risk management operating processes within the Group.

The composition of the Commission on the Implementation of Risk Management Methods includes chief risk officers of the principal subsidiary banks and companies, as well as representatives of those of VTB's units involved in risk control.

In addition to that, in the area of balance sheet risks (which are taken into account within the Group Asset and Liability Management system) the key role is played by Asset and Liabilities Management Commission ("ALMC") under the GMC. It is chaired by Head of VTB Treasury. The various issues with regard to Group liquidity, interest rate risks and foreign exchange risks are discussed and elaborated by ALMC.

Within the process of the realization of the Group's policies for credit risk management, the VTB Group Credit Committee continued working in this area during 2015.

The Risk Department ("RD") of VTB is responsible for independent financial risks management in VTB and Group (in respect of liquidity risk – jointly with Treasury of VTB). As at the end of 2015 RD consisted of the following divisions:

- Credit risk division;
- Market risk division;
- Credit applications analysis service;
- Operational risk division;
- Risks strategy, methodology and consolidated analysis division.

The RD proposes risk limits on various banking operations and prepares recommendations regarding market risk and liquidity risk management for the Asset and Liability Management Committee of VTB ("ALCO"). The RD reports to the ALCO, the VTB's Credit Committee ("CC") and the Management Board.

The ALCO establishes major target parameters for VTB's statement of financial position for the purposes of asset and liability management and monitors VTB's compliance with these targets with the assistance of VTB's RD. The ALCO, the CC, the RD and the Treasury carry out risk management functions in respect of credit, market (interest rate, currency and price) and liquidity risks.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Credit risk means the risk of financial loss (reduction of revenue, extra costs) arising from non-performance or improper performance of obligations by borrower / transaction counterparty / security issuer.

VTB Group's exposures to credit risk arise principally from banking activities such as granting loans to corporate and retail customers, interbank lending, issuance of letters of credit and guarantees, securities and derivative financial instruments business and leasing business.

Credit risk management within the VTB Group is based on a combination of the following approaches:

- local credit risk management at the level of individual Group members;
- consolidated credit risk management at the Group level.

Within the frame of the local credit risk management system, the Group members assume and manage credit risks independently (including insurance, hedging, etc.) in the scope of the established powers and limits with regard to risk indicators, in accordance with the national regulations and the standards of the Group. The Group members are responsible for the results of their lending activity, for the quality of their loan portfolios and for monitoring and control of credit risk level in their portfolios.

As per the "VTB Group Consolidated Risk Management Concept", adopted by the GMC, the consolidated credit risk management comprises the following functions:

- consideration and approval of the Group-wide strategy, policies, unified basic principles and approaches related to the lending / investment activities and credit risk management;
- control of the current credit risk level (concentration) on a consolidated basis and elaboration of the necessary measures to mitigate risks (potential losses).

Consolidated credit risk management covers the main types of assets and off-balance sheet exposures of the Group members, which bear credit risk and require control of their concentration at the Group level. In the context of consolidated control and reporting the scope and parameters of such operations are defined by the co-coordinating bodies of the Group.

The key elements of consolidated credit risk management in the VTB Group are as follows:

- periodic review of the credit risk policies of the VTB Group, harmonizing and streamlining of credit policies of the subsidiaries with the Group's credit policy;
- setting of consolidated limits, portfolio limits (including limits on common counterparties / groups of related counterparties, countries, industry sectors), internal indicative limitations of large credit exposure;
- unifying credit procedures and methods of credit risk assessment (credit rating systems – for corporate customers and financial institutions, scoring systems – for retail customers);
- assessment of economic capital (Capital-at-Risk) sufficient to cover Group credit risks;
- consolidated analytical reporting on credit risks;
- stress-testing;
- making / monitoring loss impairment provisions according to IFRS.

"The basic principles and provisions of VTB Group credit policies", which are periodically revised by the GMC, outline the main approaches and standards of risk management and organization of credit operations in the Group. These principles should be complied with by each subsidiary bank and separate financial companies of the Group. The Group's credit policy covers, particularly, the following areas:

- roles and responsibilities of different committees, departments of VTB in the area of Group lending and credit risk management;
- regulations related to the approval and revision of credit policies in VTB subsidiary banks;
- Group-wide uniform basic methods, models, approaches to credit risk assessment and management;
- principles of pricing policy (interest rates and commissions), security policy and others.

Subsidiary banks should implement credit risk management system as well as credit policies and procedures in compliance with the Group's standards.

Credit risk policies are adopted by each subsidiary bank and are subject to a regular review, usually once in one or two years

The general (typical) procedure for adopting credit policies is as follows:

- the draft credit policies or significant amendments are subject to the preliminary consideration and agreement by VTB and by VTB 24, PJSC (in respect of retail credit risks);
- the credit policies and amendments should be approved by the Supervisory Council (Board of Directors) of the subsidiary bank;
- VTB may propose amendments to the credit policies of a subsidiary bank as part of centralized regulation and credit risk control for the Group, provided that such amendments are in line with local regulations.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

The authorities of management and executive bodies of the Group members in relation to decision making and lending transactions are determined by their constituent documents and applicable statutory legislation.
On a Group-wide basis credit risk management is overseen and co-ordinated by the following bodies:

- the GMC;
- the GRC and its Commission on the Implementation of Risk Management Methods;
- VTB Group Credit Committee (“GCC”).

GCC is a permanent collective decision-making committee under the GMC. GCC is chaired by the acting Head of VTB Risk Department (the Senior Vice-President of VTB who is responsible for the group-wide risk management) and includes representatives of VTB departments / divisions (Risk, Legal, Corporate Business Support, Investment Banking, Treasury etc.). The key tasks of this committee are as follows:

- putting in place efficient mechanisms of consolidated credit risk management at VTB Group;
- setting consolidated limits for the credit risk;
- consideration of some individual operations and large-scale transactions of Group members.

VTB Group is set to reduce the risk factors related to loan concentration per separate large corporate customers / group of related customers and to ensure credit risk diversification. For this purpose the benchmark for the share of VTB Group largest borrowers in Group’s corporate loan portfolio is set. VTB Group Companies are recommended to determine reasonable local levels of similar benchmarks within their local credit policies/ risk strategies, based on the Group's acceptable credit risk concentration target. For the analytical purposes it is also recommended to regularly evaluate risk concentration based on Herfindahl-Hirschman Index (HHI).

In VTB the RD is responsible for credit risk management on a Group-wide basis including development of credit risk management system, relevant Group data consolidation and consolidated limits monitoring.
The Risk analysis department of VTB24 co-ordinates retail credit risk management across the Group and is responsible for:

- developing systems of retail credit risk limits;
- developing standards of monitoring and reporting of retail credit risks (methodology and formats);
- consolidating reports on retail lending of the Group;
- monitoring performance and management of retail loan portfolios across the Group.

The VTB subsidiary banks, which engage in retail credit granting, apply the “Basic statements of retail credit risk management in the VTB Group” and Credit policies applicable to VTB Group retail lending, approved by the GMC.

Credit risk monitoring at the Group level is supported by regular reporting from subsidiaries to the RD for assessing of credit risk exposures on a consolidated basis. The RD reports to the GMC.

Credit quality by class of due from other banks, including pledged under repurchase agreements

Credit quality of due from other banks, including pledged under repurchase agreements (gross), which are neither past due not impaired at 31 December 2015 and 31 December 2014 is presented in the table below:

	31 December 2015		31 December 2014	
	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed
Due from other banks	1,042.2	310.8	250.9	490.8
Russia	251.5	175.8	95.9	76.4
OECD	85.7	110.4	120.2	77.8
Other countries	705.0	24.6	34.8	336.6
Due from other banks pledged under repurchase agreements	–	5.0	–	74.2
Russia	–	5.0	–	71.7
OECD			–	2.5
Total due from other banks, including pledged under repurchase agreements (gross) neither past due nor impaired	**1,042.2**	**315.8**	**250.9**	**565.0**

Not impaired individually assessed amounts due from other banks, including pledged under repurchase agreements, are subsequently included in the pools of collectively assessed loans.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Credit quality by class of debt securities

Credit quality of debt securities pledged under repurchase agreements which are neither past due nor impaired is presented in accordance with the long-term credit rating as presented below:

A rated			B (I) rated			B(II) rated			C rated		
Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA
AAA	Aaa	AAA	BBB+	Baa1	BBB+	BB+	Ba1	BB+	CCC+	Caa1	CCC+
AA+	Aa1	AA+	BBB	Baa2	BBB	BB	Ba2	BB	CCC	Caa2	CCC
AA	Aa2	AA	BBB-	Baa3	BBB-	BB-	Ba3	BB-	CCC-	Caa3	CCC-
AA-	Aa3	AA-				B+	B1	B+	CC	Ca	CC
A+	A1	A+				B	B2	B	C	C	C
A	A2	A				B-	B3	B-	D		D
A-	A3	A-									

Credit quality of debt securities pledged under repurchase agreements which are neither past due nor impaired at 31 December 2015 is presented in the tables below:

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
Financial assets held for trading						
- Bonds and eurobonds of Russian companies and banks	–	1.3	48.2	–	–	**49.5**
- Bonds and eurobonds of the Russian Federation	–	5.4	14.5	–	–	**19.9**
Financial assets available-for-sale						
- Bonds and eurobonds of the Russian Federation	–	12.5	–	–	–	**12.5**
- Bonds and eurobonds of Russian companies and banks	–	–	2.1	–	3.1	**5.2**
- Bonds and eurobonds of foreign governments	–	–	2.1	–	0.5	**2.6**
- Bonds and eurobonds of foreign companies and banks	–	–	–	–	0.3	**0.3**
Investment securities held-to-maturity						
- Bonds and eurobonds of the Russian Federation	–	–	64.9	–	–	**64.9**
- Bonds and eurobonds of Russian companies and banks	–	–	8.5	–	–	**8.5**
Total neither past due nor impaired debt securities pledged under repurchase agreements	**–**	**19.2**	**140.3**	**–**	**3.9**	**163.4**

Credit quality of debt securities pledged under repurchase agreements which are neither past due nor impaired at 31 December 2014 is presented in the table below:

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
Financial assets held for trading						
- Bonds and eurobonds of Russian companies and banks	–	33.1	48.1	–	–	**81.2**
- Bonds and eurobonds of the Russian Federation	–	5.7	–	–	–	**5.7**
- Bonds and eurobonds of foreign companies and banks	–	0.4	0.2	0.2	–	**0.8**
- Bonds and eurobonds of foreign governments	–	–	0.1	–	0.1	**0.2**
- Russian municipal bonds	–	–	0.2	–	–	**0.2**
Financial assets available-for-sale						
- Bonds and eurobonds of Russian companies and banks	–	15.4	17.2	–	3.1	**35.7**
- Bonds and eurobonds of the Russian Federation	–	25.0	–	–	–	**25.0**
- Bonds and eurobonds of foreign governments	14.1	–	–	0.9	2.5	**17.5**
- Russian municipal bonds	–	–	1.9	–	–	**1.9**
- Bonds and eurobonds of foreign companies and banks	–	–	–	–	0.2	**0.2**
Investment securities held-to-maturity						
- Bonds and eurobonds of Russian companies and banks	–	–	0.9	–	2.4	**3.3**
Total neither past due nor impaired debt securities pledged under repurchase agreements	**14.1**	**79.6**	**68.6**	**1.1**	**8.3**	**171.7**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Credit quality of debt securities at fair value through profit or loss which are neither past due nor impaired is presented in accordance with the long-term credit rating as presented below:

A rated			B (I) rated			B(II) rated			C rated		
Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA
AAA	Aaa	AAA	BBB+	Baa1	BBB+	BB+	Ba1	BB+	CCC+	Caa1	CCC+
AA+	Aa1	AA+	BBB	Baa2	BBB	BB	Ba2	BB	CCC	Caa2	CCC
AA	Aa2	AA	BBB-	Baa3	BBB-	BB-	Ba3	BB-	CCC-	Caa3	CCC-
AA-	Aa3	AA-				B+	B1	B+	CC	Ca	CC
A+	A1	A+				B	B2	B	C	C	C
A	A2	A				B-	B3	B-	D		D
A-	A3	A-									

Credit quality of debt securities at fair value through profit or loss which are neither past due nor impaired at 31 December 2015 is presented in the tables below:

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
Debt securities held for trading						
- Bonds and eurobonds of Russian companies and banks	–	16.3	56.9	0.7	3.4	**77.3**
- Bonds and eurobonds of foreign companies and banks	20.8	11.2	2.1	0.6	2.8	**37.5**
- Bonds and eurobonds of foreign governments	28.8	–	6.5	–	0.6	**35.9**
- Bonds and eurobonds of the Russian Federation	–	10.0	12.3	–	–	**22.3**
- Russian municipal bonds	–	0.9	9.9	–	0.7	**11.5**
Total neither past due nor impaired debt securities held for trading	**49.6**	**38.4**	**87.7**	**1.3**	**7.5**	**184.5**

Credit quality of debt securities held for trading which are neither past due nor impaired at 31 December 2014 is presented in the table below:

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
Debt securities held for trading						
- Bonds and eurobonds of Russian companies and banks	0.3	28.8	75.3	0.1	7.4	**111.9**
- Bonds and eurobonds of foreign companies and banks	24.2	5.0	3.7	1.7	9.3	**43.9**
- Bonds and eurobonds of foreign governments	26.2	–	0.1	0.8	5.7	**32.8**
- Russian municipal bonds	–	0.9	13.3	–	0.2	**14.4**
- Bonds and eurobonds of the Russian Federation	–	2.3	–	–	–	**2.3**
- Promissory notes of Russian companies and banks	–	–	0.5	–	0.8	**1.3**
Total neither past due nor impaired debt securities held for trading	**50.7**	**37.0**	**92.9**	**2.6**	**23.4**	**206.6**
Debt securities designated as at fair value through profit or loss						
- Bonds and eurobonds of foreign companies and banks	–	–	0.3	–	2.3	**2.6**
Total neither past due nor impaired debt securities designated as at fair value through profit or loss neither past due nor impaired	**–**	**–**	**0.3**	**–**	**2.3**	**2.6**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Credit quality of investment debt securities which are neither past due nor impaired is presented in accordance with the long-term credit rating as presented below:

A rated			B (I) rated			B(II) rated			C rated		
Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA	Standard & Poor's	Moody's	Fitch IBCA
AAA	Aaa	AAA	BBB+	Baa1	BBB+	BB+	Ba1	BB+	CCC+	Caa1	CCC+
AA+	Aa1	AA+	BBB	Baa2	BBB	BB	Ba2	BB	CCC	Caa2	CCC
AA	Aa2	AA	BBB-	Baa3	BBB-	BB-	Ba3	BB-	CCC-	Caa3	CCC-
AA-	Aa3	AA-				B+	B1	B+	CC	Ca	CC
A+	A1	A+				B	B2	B	C	C	C
A	A2	A				B-	B3	B-	D		D
A-	A3	A-									

Credit quality of investment debt securities which are neither past due nor impaired at 31 December 2015 is presented in the tables below:

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
Investment debt securities available-for-sale						
- Bonds and eurobonds of foreign governments	70.1	1.4	1.7	1.6	6.6	**81.3**
- Bonds and eurobonds of the Russian Federation	–	25.2	0.6	–	–	**25.8**
- Bonds and eurobonds of Russian companies and banks	–	1.1	15.8	–	3.3	**20.2**
- Bonds and eurobonds of foreign companies and banks	1.5	–	0.9	5.1	–	**7.5**
- Russian municipal bonds	–	–	1.7	–	0.5	**2.2**
- Promissory notes of Russian companies and banks	–	–	0.2	–	–	**0.2**
Total neither past due nor impaired investment debt securities available-for-sale	**71.6**	**27.7**	**20.9**	**6.7**	**10.3**	**137.3**
Investment securities held-to-maturity						
- Bonds and eurobonds of Russian companies and banks	–	7.6	45.1	–	–	**52.7**
- Bonds and eurobonds of the Russian Federation	–	15.9	–	–	–	**15.9**
- Bonds and eurobonds of foreign governments	–	–	0.4	–	–	**0.4**
- Bonds and eurobonds of foreign companies and banks	–	–	0.2	–	–	**0.2**
Total neither past due nor impaired investment securities held-to-maturity	–	**23.5**	**45.7**	–	–	**69.2**

Credit quality of investment debt securities which are neither past due nor impaired at 31 December 2014 is presented in the table below:

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
Investment debt securities available-for-sale						
- Bonds and eurobonds of foreign governments	55.6	–	2.3	1.5	2.0	**61.4**
- Bonds and eurobonds of the Russian Federation	–	13.6	–	–	–	**13.6**
- Bonds and eurobonds of foreign companies and banks	–	–	–	7.6	2.7	**10.3**
- Bonds and eurobonds of Russian companies and banks	–	1.5	2.3	1.8	–	**5.6**
- Promissory notes of Russian companies and banks	–	–	1.1	–	–	**1.1**
- Russian municipal bonds	–	–	0.5	–	–	**0.5**
Total neither past due nor impaired investment debt securities available-for-sale	**55.6**	**15.1**	**6.2**	**10.9**	**4.7**	**92.5**
Investment securities held-to-maturity						
- Bonds and eurobonds of Russian companies and banks	–	–	1.0	–	–	**1.0**
- Bonds and eurobonds of foreign companies and banks	–	–	0.2	–	–	**0.2**
Total neither past due nor impaired investment securities held-to-maturity	**–**	**–**	**1.2**	**–**	**–**	**1.2**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

The following table discloses the Group's maximum credit risk exposure:

	2015	2014
Balance sheet exposure:		
Cash and short-term funds (excluding cash on hand)	425.2	440.4
Trading credit products at fair value through profit or loss	6.5	22.2
Debt securities	587.7	498.4
Financial assets held for trading	184.5	211.2
- debt securities of Russian companies and banks	77.3	113.2
- debt securities of foreign companies and banks	37.5	48.5
- debt securities of foreign government and municipal authorities	35.9	32.8
- debt securities of Russian Federal and municipal authorities	33.8	16.7
Financial assets designated as at fair value through profit or loss	24.2	21.8
- reverse sale and repurchase agreements to maturity	24.2	19.2
- debt securities of foreign companies and banks	–	2.6
Financial assets pledged under repurchase agreements – held for trading	69.4	88.1
- debt securities of Russian companies and banks	49.5	81.2
- debt securities of Russian Federal and municipal authorities	19.9	5.9
- debt securities of foreign companies and banks	–	0.8
- debt securities of foreign government and municipal authorities	–	0.2
Financial assets pledged under repurchase agreements – available-for-sale	20.6	80.3
- debt securities of Russian Federal and municipal authorities	12.5	26.9
- debt securities of Russian companies and banks	5.2	35.7
- debt securities of foreign government and municipal authorities	2.6	17.5
- debt securities of foreign companies and banks	0.3	0.2
Financial assets pledged under repurchase agreements – held-to-maturity	73.4	3.3
- debt securities of Russian Federal and municipal authorities	64.9	–
- debt securities of Russian companies and banks	8.5	3.3
Investment financial assets available-for-sale	146.4	92.5
- debt securities of foreign government and municipal authorities	81.3	61.4
- debt securities of Russian Federal and municipal authorities	28.0	14.1
- debt securities of Russian companies and banks	20.5	6.7
- debt securities of foreign companies and banks	16.6	10.3
Investment financial assets held-to-maturity	69.2	1.2
- debt securities of Russian companies and banks	52.6	1.0
- debt securities of Russian government and municipal authorities	16.0	–
- debt securities of foreign government and municipal authorities	0.4	–
- debt securities of foreign companies and banks	0.2	0.2

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

	2015	2014
Due from other banks, including pledged under repurchase agreements	1,358.2	814.5
Due from other banks	1,353.2	740.3
- Other countries	730.3	370.3
- Russia	426.8	172.1
- OECD	196.1	197.9
Due to other banks pledged under repurchase agreements	5.0	74.2
- Russia	5.0	71.7
- OECD	–	2.5
Loans and advances to customers, including pledged under repurchase agreements	9,437.5	8,537.3
Loans to legal entities	7,060.9	6,285.7
- Current activity financing	5,053.2	4,162.4
- Project finance and other	1,471.7	1,556.1
- Reverse sale and repurchase agreements	309.4	284.5
- Finance leases	226.6	282.7
Loans to individuals	1,766.8	1,789.0
- Mortgages	857.9	779.7
- Consumer loans and other	711.9	787.2
- Credit cards	103.0	98.3
- Car loans	90.7	121.0
- Reverse sale and repurchase agreements	3.3	2.8
Loans and advances to customers pledged under repurchase agreements	609.8	462.6
- Current activity financing	609.8	438.8
- Project finance and other	–	23.8
Exposure arising from credit default swaps	3.8	5.6
- CDS protection sold	2.5	4.0
- CDS protection purchased	1.3	1.6
Other financial assets	95.1	82.5
Total balance sheet exposure	**11,914.0**	**10,400.9**
Off-balance sheet exposure:		
Guarantees issued	957.5	1,368.3
Import letters of credit	110.4	58.1
Undrawn credit lines	25.4	22.5
Commitments to extend credit	4.8	4.2
Total off-balance sheet exposure	**1,098.1**	**1,453.1**
Total maximum exposure to credit risk	**13,012.1**	**11,854.0**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Credit quality by class of loans and advances to customers, including pledged under repurchase agreements

The credit quality of loans and advances to customers is presented according to five categories:

- Pass – provision rate from 0% to 2%;
- Watch – provision rate from 2% to 5%;
- Substandard – provision rate from 5% to 20%;
- Doubtful – provision rate from 20% to 50%;
- Loss – provision rate from 50% to 100%.

Provision rate represents the weighted ratio of allowance for impairment to gross loans under each pool of loans with similar credit risk or individually impaired loan.

The table below shows credit quality by class of loans and advances to customers, including pledged under repurchase agreements (gross) at 31 December 2015, individually assessed. For individually assessed loans, which were not qualified as impaired, allowance was subsequently calculated on a collective basis.

	Not impaired			Impaired		
	Pass	Watch	Sub-standard	Doubtful	Loss	Total
Loans to legal entities	1,094.3	187.7	133.4	217.6	348.3	1,981.3
Current activity financing	609.6	71.6	114.9	124.6	224.1	1,144.8
Project finance and other	330.6	116.1	6.2	66.4	100.5	619.8
Reverse sale and repurchase agreements	142.7	–	–	–	–	142.7
Finance leases	11.4	–	12.3	26.6	23.7	74.0
Loans and advances to customers pledged under repurchase agreements	134.9	–	–	–	–	134.9
Current activity financing	134.9	–	–	–	–	134.9
Loans to individuals	0.6	–	–	0.7	11.3	12.6
Mortgages	0.3	–	–	0.4	9.5	10.2
Consumer loans and other	0.3	–	–	0.2	1.6	2.1
Credit cards	–	–	–	0.1	0.1	0.2
Car loans	–	–	–	–	0.1	0.1
Total loans and advances to customers individually assessed, including pledged under repurchase agreements	**1,229.8**	**187.7**	**133.4**	**218.3**	**359.6**	**2,128.8**

The table below shows credit quality by class of loans and advances to customers, including pledged under repurchase agreements (gross) at 31 December 2015, collectively assessed.

	Not impaired			Impaired		
	Pass	Watch	Sub-standard	Doubtful	Loss	Total
Loans to legal entities	4,620.1	659.1	247.6	6.1	25.5	5,558.4
Current activity financing	3,799.3	273.9	90.8	5.2	25.3	4,194.5
Project finance and other	474.5	382.2	153.3	–	0.1	1,010.1
Reverse sale and repurchase agreements	166.8	–	–	–	–	166.8
Finance leases	179.5	3.0	3.5	0.9	0.1	187.0
Loans and advances to customers pledged under repurchase agreements	475.4	–	–	–	–	475.4
Current activity financing	475.4	–	–	–	–	475.4
Loans to individuals	1,691.3	10.7	29.6	24.9	190.9	1,947.4
Mortgages	844.3	2.4	7.7	3.9	6.6	864.9
Consumer loans and other	668.1	4.0	15.1	16.3	151.7	855.2
Credit cards	91.4	2.9	4.6	2.6	22.4	123.9
Car loans	84.2	1.4	2.2	2.1	10.2	100.1
Reverse sale and repurchase agreements	3.3	–	–	–	–	3.3
Total loans and advances to customers collectively assessed, including pledged under repurchase agreements	**6,786.8**	**669.8**	**277.2**	**31.0**	**216.4**	**7,981.2**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

The table below shows credit quality by class of loans and advances to customers, including pledged under repurchase agreements (gross) at 31 December 2014, individually assessed. For individually assessed loans, which were not qualified as impaired, allowance was subsequently calculated on a collective basis.

	Not impaired			Impaired		
	Pass	Watch	Sub-standard	Doubtful	Loss	Total
Loans to legal entities	1,312.9	10.1	187.2	171.3	343.4	2,024.9
Current activity financing	154.9	10.1	145.9	88.6	202.1	601.6
Project finance and other	917.7	–	2.5	59.6	133.8	1,113.6
Reverse sale and repurchase agreements	233.9	–	–	–	–	233.9
Finance leases	6.4	–	38.8	23.1	7.5	75.8
Loans and advances to customers pledged under repurchase agreements	276.1	–	–	–	–	276.1
Current activity financing	276.1	–	–	–	–	**276.1**
Loans to individuals	0.1	–	–	1.2	12.4	13.7
Mortgages	0.1	–	–	0.7	9.2	10.0
Consumer loans and other	–	–	–	0.4	2.3	2.7
Credit cards	–	–	–	0.1	0.2	0.3
Car loans	–	–	–	–	0.7	0.7
Total loans and advances to customers individually assessed, including pledged under repurchase agreements	**1,589.1**	**10.1**	**187.2**	**172.5**	**355.8**	**2,314.7**

The table below shows credit quality by class of loans and advances to customers, including pledged under repurchase agreements (gross) at 31 December 2014, collectively assessed.

	Not impaired			Impaired		
	Pass	Watch	Sub-standard	Doubtful	Loss	Total
Loans to legal entities	4,082.2	411.9	185.6	8.3	29.3	4,717.3
Current activity financing	3,464.9	325.4	21.1	7.7	28.3	3,847.4
Project finance and other	346.5	84.2	159.1	0.4	0.9	591.1
Reverse sale and repurchase agreements	50.6	–	–	–	–	50.6
Finance leases	220.2	2.3	5.4	0.2	0.1	228.2
Loans and advances to customers pledged under repurchase agreements	187.0	–	–	–	–	187.0
Current activity financing	163.1	–	–	–	–	163.1
Project finance and other	23.9	–	–	–	–	23.9
Loans to individuals	1,689.4	17.6	49.4	24.6	150.4	1,931.4
Mortgages	767.3	2.6	9.6	3.7	2.1	785.3
Consumer loans and other	720.3	8.6	32.1	18.1	121.7	900.8
Credit cards	86.6	2.4	5.8	2.6	16.1	113.5
Car loans	112.4	4.0	1.9	0.2	10.5	129.0
Reverse sale and repurchase agreements	2.8	–	–	–	–	2.8
Total loans and advances to customers collectively assessed, including pledged under repurchase agreements	**5,958.6**	**429.5**	**235.0**	**32.9**	**179.7**	**6,835.7**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

The table below shows credit quality by class of loans and advances to customers, including pledged under repurchase agreements (gross) at 31 December 2015, neither past due nor impaired.

	Pass	Watch	Sub-standard	Total
Loans to legal entities	5,651.0	709.0	278.0	6,638.0
Current activity financing	4,369.1	320.3	118.0	4,807.4
Project finance and other	798.4	386.3	154.8	1,339.5
Reverse sale and repurchase agreements	309.5	–	–	309.5
Finance leases	174.0	2.4	5.2	181.6
Loans and advances to customers pledged under repurchase agreements	610.3	–	–	610.3
Current activity financing	610.3	–	–	610.3
Loans to individuals	1,656.1	5.4	7.5	1,669.0
Mortgages	829.8	0.1	0.3	830.2
Consumer loans and other	650.5	2.2	5.8	658.5
Credit cards	90.5	2.2	1.1	93.8
Car loans	82.0	0.9	0.3	83.2
Reverse sale and repurchase agreements	3.3	–	–	3.3
Total loans and advances to customers, including pledged under repurchase agreements	**7,917.4**	**714.4**	**285.5**	**8,917.3**

The table below shows credit quality by class of loans and advances to customers, including pledged under repurchase agreements (gross) at 31 December 2014, neither past due nor impaired.

	Pass	Watch	Sub-standard	Total
Loans to legal entities	5,286.4	412.4	218.4	5,917.2
Current activity financing	3,537.2	326.7	56.2	3,920.1
Project finance and other	1,257.4	84.0	156.6	1,498.0
Reverse sale and repurchase agreements	284.5	–	–	284.5
Finance leases	207.3	1.7	5.6	214.6
Loans and advances to customers pledged under repurchase agreements	463.1	–	–	463.1
Current activity financing	439.3	–	–	439.3
Project finance and other	23.8	–	–	23.8
Loans to individuals	1,678.6	7.6	8.3	1,694.5
Mortgages	757.0	–	0.7	757.7
Consumer loans and other	719.9	5.6	6.8	732.3
Credit cards	86.6	2.0	0.8	89.4
Car loans	112.3	–	–	112.3
Reverse sale and repurchase agreements	2.8	–	–	2.8
Total loans and advances to customers, including pledged under repurchase agreements	**7,428.1**	**420.0**	**226.7**	**8,074.8**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Analysis of loans and advances to customers (gross) individually impaired by economic sector at 31 December 2015 and 2014 is presented in the table below.

	2015	2014
Building construction	128.8	110.4
Energy	102.0	107.7
Transport	55.0	31.1
Trade and commerce	52.4	55.0
Finance	51.3	19.3
Manufacturing	45.5	60.9
Metals	41.2	30.7
Oil and gas	35.1	38.6
Telecommunications and media	18.7	16.5
Chemical	16.2	12.7
Food and agriculture	13.5	22.4
Individuals	12.0	13.6
Coal mining	–	2.0
Other	6.2	7.4
Total loans and advances to customers individually impaired	**577.9**	**528.3**

As at 31 December 2015 the Group has a pool of collectively assessed impaired loans and advances in the amount of RUR 247.4 billion (31 December 2014: RUR 212.6 billion).

Ageing analysis (by days of delay in repayment) of past due, but not impaired loans and advances to customers (gross) by class at 31 December 2015 is presented in the table below.

	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 days to 1 year	More than 1 year	Total
Loans to legal entities	41.3	8.9	6.9	105.8	107.0	34.3	304.2
Current activity financing	31.9	4.8	1.8	14.2	74.3	25.7	152.7
Project finance and other	2.3	0.1	0.2	88.4	23.8	8.6	123.4
Finance leases	7.1	4.0	4.9	3.2	8.9	–	28.1
Loans to individuals	42.8	8.0	3.3	3.8	3.0	2.3	63.2
Mortgages	12.6	2.4	1.6	2.8	2.9	2.2	24.5
Consumer loans and other	22.8	4.3	1.1	0.6	0.1	0.1	29.0
Credit cards	4.4	0.5	0.1	0.1	–	–	5.1
Car loans	3.0	0.8	0.5	0.3	–	–	4.6
Total loans and advances to customers past due but not impaired	**84.1**	**16.9**	**10.2**	**109.6**	**110.0**	**36.6**	**367.4**

Ageing analysis (by days of delay in repayment) of past due, but not impaired loans and advances to customers (gross) by class at 31 December 2014 is presented in the table below.

	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 days to 1 year	More than 1 year	Total
Loans to legal entities	147.2	21.1	3.5	36.2	53.9	10.8	272.7
Current activity financing	117.1	19.8	0.8	9.4	53.4	1.7	202.2
Project finance and other	3.1	–	0.1	0.1	0.5	8.2	12.0
Finance leases	27.0	1.3	2.6	26.7	–	0.9	58.5
Loans to individuals	48.6	3.2	2.0	1.4	1.2	5.6	62.0
Mortgages	11.2	1.8	1.0	1.3	1.1	5.5	21.9
Consumer loans and other	27.9	0.3	0.2	0.1	0.1	0.1	28.7
Credit cards	5.1	0.2	0.1	–	–	–	5.4
Car loans	4.4	0.9	0.7	–	–	–	6.0
Total loans and advances to customers past due but not impaired	**195.8**	**24.3**	**5.5**	**37.6**	**55.1**	**16.4**	**334.7**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Collateral

The financial effect of collateral is presented below by disclosing the gross carrying value of the customer loan portfolio values separately for "over-collateralized " and "under-collateralized ".

The Group treated “over-collateralized” loans as loans for which a credit risk is minimized as at the reporting date. As to “under-collateralized” loans the Group estimates a percentage of credit risk mitigated by obtaining a credit support in range from 0% to 75% of carrying value of the loan.

The effect of collateral at 31 December 2015 and 2014 by class is presented below:

	2015		2014	
	Over-collateralized	Under-collateralized	Over-collateralized	Under-collateralized
Loans to legal entities	3,677.4	3,862.3	3,340.7	3,401.5
Current activity financing	2,138.5	3,200.8	1,707.7	2,741.3
Project finance and other	1,009.7	620.2	1,083.1	621.6
Reverse sale and repurchase agreements	291.9	17.6	280.8	3.7
Financial lease	237.3	23.7	269.1	34.9
Loans and advances to customers pledged under repurchase agreements	19.4	590.9	18.3	444.8
Current activity financing	19.4	590.9	–	439.3
Project finance and other	–	–	18.3	5.5
Loans to individuals	894.5	1,065.5	854.8	1,090.3
Mortgage	777.5	97.6	704.8	90.5
Consumer loans and other	19.9	837.4	20.6	882.9
Credit cards	2.6	121.5	2.5	111.3
Car loans	91.2	9.0	124.1	5.6
Reverse sale and repurchase agreements	3.3	–	2.8	–
Total loans and advances to customers, including pledged under repurchase agreements	**4,591.3**	**5,518.7**	**4,213.8**	**4,936.6**

Collateral and other credit enhancements

Exposure to credit risk is managed, in part, by obtaining collateral and guarantees issued by state authorities, entities and individuals.

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

Collateral received by the Group from borrowers as a result of loan settlement is usually represented by real estate, financial instruments and other assets.

Securities and guarantees are also obtained from counterparties for all types of lending.

The list of acceptable forms of credit support is subject to periodical review. Different forms of credit support may be used in combination. In cases when a loan is secured by guarantees received, the Group performs an analysis of the guarantor’s financial performance, except for the state authorities.

The Group has a set of requirements applicable to each form of credit support. The value of the pledged property is determined by reference to its market value taking into account a liquidity margin. The value of the assets determined for these purposes must be sufficient to recover principal, interest, commissions and expenses related to the enforcement of the pledge. A liquidity margin related to different types of pledges varies from 15% to 70%.

The valuation and acceptance of each type and item of collateral may vary depending on individual circumstances. Generally, the Group takes collateral with a view to ensure that an adequate margin is obtained and maintained throughout the term of the facility, where applicable. The appropriate department responsible for collateral assessment establishes parameters for each individual facility.

In cases where a loan is secured by a pledge, the borrower is required to insure such assets and name the Group as the beneficiary of the insurance policy. The Group takes a complex approach to pledged assets insured. It depends on the level of risk involved in the loan operation, the borrower's financial condition and the risk of loss of the pledged property.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Collateral is taken to enhance an acceptable credit proposal, rather than being used as the sole rationale for any credit approval. Where facilities are approved against security, full details, including the type, value, and the frequency of review of the security should be detailed in the Application for Credit Facility Form. Where practical, a bank officer conducts inspection the physical existence of collateral offered.

The Group reassesses the fair value of pledged property with frequency stated for each form of pledge and, if necessary, requires additional collateral or other acceptable forms of credit support.

Collateral repossessed

The Group's policy is to dispose of repossessed properties in accordance with the established internal and legal procedures. The proceeds are used to reduce or repay the outstanding claim.

During 2015 and 2014 the Group obtained assets by taking possession in accordance with additional agreements with its borrowers of collateral held as security in exchange for the indebtedness of these borrowers.

The carrying values and the nature of assets received as the collateral repossessed during the relevant year are as follows:

	2015	2014
Premises and equipment	29.8	1.7
Investment property	16.0	13.0
Other assets	4.6	4.2
Total collateral repossessed during the period	**50.4**	**18.9**

After finalization of transferring procedures these assets were accounted in accordance with the Group accounting policies and included in the relevant items in the statement of financial position.

The table below shows carrying amount and the nature of the assets obtained and held as at the reporting date excluding assets sold during the relevant year:

	2015	2014
Investment property	100.4	87.4
Premises and equipment	20.2	6.0
Other assets	7.8	5.5
Assets of disposal group available-for-sale	6.7	6.0
Investments in associates	4.8	5.4
Investment financial assets available-for-sale	0.3	1.3
Total collateral repossessed	**140.2**	**111.6**

MARKET RISK

Market risk is the risk that the financial results/capital of the Group, determined in accordance with International Financial Reporting Standards, will decrease due to changes in assets/liabilities because of market variables – risk factors (such as exchange rates, interest rates, yield of debt securities and credit spreads, shares, indices and commodity prices and so on), as well as due to changes in volatilities, and the correlations between them.

INTEREST RATE RISK EXPOSURE AND SENSITIVITY ANALYSIS

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of the decrease of interest income/increase of interest expense resulting from adverse changes of market interest rates.

The RD presents to the ALCO on a monthly basis interest rate risk indicators of the Group and of individual banks of the Group, including net present value of assets and liabilities exposed to interest rate risk, ECap, and sensitivity analysis of Net Interest Income as well as of present value of assets and liabilities to 100 b.p. change of interest rates. Valuations are made by using Kamakura Risk Manager software.

To mitigate the interest rate risk the ALCO set up ECap limitations to cover interest rate risk of the Group as well as individual banks of the Group.

To mitigate interest rate risk the Treasury manages and hedges VTB's exposures by entering into interest rate derivative transactions within the limits and parameters set by the ALCO.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK EXPOSURE AND SENSITIVITY ANALYSIS (CONTINUED)

As at 31 December 2015 the Group has the following interest rate exposures based on information provided internally to key management personnel. Included in the table are Group's monetary assets and liabilities, categorized by the contractual repricing date.

	On demand and up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total
Assets								
Interest bearing assets								
RUR	635.6	632.8	371.9	724.3	1,872.2	1,243.0	1,138.4	6,618.2
USD	1,626.2	1,169.6	457.9	763.1	508.5	620.3	185.1	5,330.7
EUR	311.8	182.9	139.2	114.9	51.4	59.3	44.0	903.5
Other currencies	144.4	214.4	123.0	164.7	296.0	10.4	114.6	1,067.5
Total assets	**2,718.0**	**2,199.7**	**1,092.0**	**1,767.0**	**2,728.1**	**1,933.0**	**1,482.1**	**13,919.9**
Liabilities								
Interest bearing liabilities								
RUR	3,294.8	1,298.0	682.4	417.2	283.6	81.0	406.6	6,463.6
USD	1,116.9	1,230.7	597.9	653.6	1,118.8	464.6	343.9	5,526.4
EUR	350.4	137.9	86.5	147.9	223.4	33.1	20.4	999.6
Other currencies	172.7	271.4	74.4	134.1	210.1	25.8	65.4	953.9
Total liabilities	**4,934.8**	**2,938.0**	**1,441.2**	**1,352.8**	**1,835.9**	**604.5**	**836.3**	**13,943.5**
Net repricing gap	**(2,216.8)**	**(738.3)**	**(349.2)**	**414.2**	**892.2**	**1,328.5**	**645.8**	**(23.6)**

As at 31 December 2014 the Group has the following interest rate exposures based on information provided internally to key management personnel. Included in the table are Group's monetary assets and liabilities, categorized by the contractual repricing date.

	On demand and up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total
Assets								
Interest bearing assets								
RUR	640.8	912.4	476.0	902.6	1,486.4	1,253.9	1,144.5	6,816.6
USD	1,529.5	1,263.2	392.0	474.9	580.4	592.9	310.0	5,142.9
EUR	268.7	123.3	95.6	66.7	61.4	52.3	44.3	712.3
Other currencies	216.7	258.4	101.2	148.4	293.5	31.4	92.8	1,142.4
Total assets	**2,655.7**	**2,557.3**	**1,064.8**	**1,592.6**	**2,421.7**	**1,930.5**	**1,591.6**	**13,814.2**
Liabilities								
Interest bearing liabilities								
RUR	3,123.8	1,139.7	563.0	726.7	629.2	116.9	433.7	6,733.0
USD	1,108.1	1,520.7	495.9	591.6	987.4	246.4	339.9	5,290.0
EUR	343.0	86.1	100.6	119.2	245.7	27.1	16.0	937.7
Other currencies	219.5	309.6	96.9	153.0	213.5	53.9	71.8	1,118.2
Total liabilities	**4,794.4**	**3,056.1**	**1,256.4**	**1,590.5**	**2,075.8**	**444.3**	**861.4**	**14,078.9**
Net repricing gap	**(2,138.7)**	**(498.8)**	**(191.6)**	**2.1**	**345.9**	**1,486.2**	**730.2**	**(264.7)**

The interest rate sensitivities set out in the tables below represent an effect on the historical net interest income for one-year period in case of a parallel shift in all yield curves. The calculations are based on the Group's actual interest rate risk exposures at the relevant reporting dates.

Interest rate sensitivity analysis as at 31 December 2015 as an effect on net interest income is as follows.

Currency	Interest rate increase, b.p.	Effect on net interest income	Interest rate decrease, b.p.	Effect on net interest income
RUR	400	(111.2)	(400)	111.2
USD	25	1.6	(25)	(1.6)
Total		**(109.6)**		**109.6**

Interest rate sensitivity analysis as at 31 December 2014 as an effect on net interest income is as follows.

Currency	Interest rate increase, b.p.	Effect on net interest income	Interest rate decrease, b.p.	Effect on net interest income
RUR	400	(90.5)	(400)	90.5
USD	2	0.1	(2)	(0.1)
Total		**(90.4)**		**90.4**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK EXPOSURE AND SENSITIVITY ANALYSIS (CONTINUED)

The total interest rate sensitivity, disclosed in the above tables, is attributable to assets and liabilities sensitive to possible changes of interest rates except current/settlement customer accounts. Management considers sensitivity of these accounts to fluctuations of interest rates in the financial market as low based on historical performance and competitive environment.

CURRENCY RISK AND VAR ANALYSIS

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on financial performance of the Group.

The Group manages its currency risk by seeking to match the currency of its assets with that of its liabilities on a currency-by-currency basis within established limits. For VTB Bank, such limits set by the ALCO include risk appetite limit for structural open currency position (OCP) based on VaR approach, internal VaR limits and stop-loss limits for trading operations and regulatory OCP limits set by the CBR.

The RD of VTB performs evaluations of ECap to cover currency risk of structural OCP by using hypothetical stress scenario of fluctuation of foreign currencies against RUR, analyses the structure of open currency positions and prepares reports for the ALCO on a monthly basis. The ALCO approves the methodology of the currency risk analysis, management and control procedures and sets limits on open currency positions. The Treasury manages and hedges VTB's currency positions on a daily basis by entering into foreign exchange spot and forward/option transactions within the limits set by the ALCO. Compliance with these limits and the relevant CBR limits is monitored by the Bank on a daily basis.

VTB also measures its currency risk exposures by using VaR approach. It estimates the largest potential negative effect in pre-tax profit due to changes in value of foreign currency denominated positions over a given holding period for a specified confidence level..

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk measurement.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. Even though positions may change throughout the day, the VaR only represents the risk of the open currency positions at the close of the reporting dates, and it does not account for any losses that may occur beyond the 95% confidence level. The use of one-day holding period assumes as well that all positions can be liquidated or hedged in 1 business day. In practice, the actual effect on profit or loss before tax will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The VaR model used by the Group is based on the historical simulation approach, which incorporates exchange rates interdependency. When calculating VaR the following parameters and assumptions were used:

- Currency exposures of the Group on the relevant reporting dates;
- Historical data on exchange rates for the last 2 years;
- 95% confidence level;
- 1 business day holding period.

As at 31 December 2015 and 2014, the Group had the following exposures to currency risk, which include balance sheet positions and off-balance sheet foreign currency derivatives positions against RUR (open positions).

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

CURRENCY RISK AND VAR ANALYSIS (CONTINUED)

As at 31 December 2015 and 2014, the Group had the following exposures to currency risk, which include balance sheet positions and off-balance sheet foreign currency derivatives positions against RUR (open positions).

	Open positions	
Currency	2015	2014
USD	148.2	92.0
EUR	26.0	(3.8)
GBP	(10.1)	10.9
CHF	(2.0)	(14.7)
UAH	16.2	11.0
AMD	6.4	4.2
A98	6.1	3.2
BYR	6.1	4.7
GEL	4.2	3.7
AUD	3.7	5.2
NOK	2.8	6.9
AOA	2.6	1.5
AED	1.7	–
MXN	(1.3)	–
TRY	(1.2)	(1.7)
AZN	1.1	3.2
KZT	1.1	3.2
JPY	1.0	(0.7)
HKD	0.5	–
SGD	0.3	0.4
CNY	0.2	5.0
INR	(0.2)	–
SEK	–	(7.5)
ZAR	–	(1.4)
RSD	–	(0.3)
Other	0.2	0.6

As at 31 December 2015 and 2014, the Group had the following VaR for its foreign currency positions:

	2015	2014
Value at Risk	4.87	1.21

The VaR figures above take into account all currencies with exposures over RUR 100 million.

PRICE RISK

The Group is exposed to market risk of its securities portfolio, which is the risk of loss resulting from changes in market quotes of securities and stock indices. To mitigate Group market risk GMC set and reviews risk appetite limits(e.g. stress-limits, VaR limits, stop-loss limits), which are then allocated across legal entities and business lines.

On a weekly basis RD controls Group market risk limits utilization. Local risk management controls local market risk limits on a daily basis. On a weekly basis RD reports limits usage to the Business Departments, on a monthly basis RD reports limits discipline ALCO, suggests/reviews limit values and risks mitigation/hedging strategies. VTB measures its securities portfolio risk exposures using VaR measurement of risk. The basic assumptions applicable to the calculation of VaR for currency risk, as described above, are also applicable for the calculation of VaR for securities portfolio market risk.

Parameters for VaR calculation are following:

- historical period – 2 year;
- holding period – 1 trading day;
- confidence level – 95%;
- method – historical simulation.

Due to limited liquidity of the Russian market of corporate fixed income instruments (typical for emerging markets), historical quotes were chosen according to the following methodology.

Original historical data is used for instruments with quotes history at least for 200 days and not more than 10 successive days without quotes and the issue date of the instrument is as early as the reporting year.

Quote history of proxy instruments are used to estimate the VaR for less liquid securities which do not meet those requirements. Proxy instrument should fulfil following criteria:

- proxy instrument should be the same type of financial instruments as original security;
- issuer country and industry of proxy instrument has to be the same as original security and credit rating should be close to the original security rating;
- currencies of proxy instrument and original security have to coincide;
- the durations of the proxy instrument and the original one should be comparable.

Approximately one fourth of the portfolio by volume was interchanged by proxy instruments for VaR evaluation. Total Group's VaR 1d.95% measure for 2015 amounts to RUR 1.3 billion (2014: RUR 1.5 billion).

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK AND CONTRACTUAL MATURITY ANALYSIS

Liquidity risk is a risk resulting from inability of the Group to meet in full its obligations when they fall due and without borrowing funds at rates higher than market rates. The Group's exposure to liquidity risk arises due to a mismatch of maturities of assets and liabilities.

Liquidity risk management within the Group is carried out at two main levels:

- Bank/company level: Each bank / company of the Group manages its liquidity on an individual basis to meet its obligations and to comply with the requirements of its national regulator and standards of the Group.
- Group level: Liquidity of the Group is managed on the basis of centralized control and management of key activities of the Group including:
  - universal policy and approaches to liquidity management;
  - integrated methodology of liquidity risk;
  - centralized system of on-going reporting and data warehousing.

The tools used by VTB for measurement, management and mitigation of liquidity risk include:

- Contractual maturity analysis (gap analysis) and cash flow forecasts including:
  - planned transactions; forecasted roll-over of clients' term funds (deposits and promissory notes); possible outflow of unstable "on-demand" funds (clients' current accounts)/
- Analysis of deposit base concentration;
- Stress-test analysis;
- Setting of internal liquidity indicators/limits, including (1) the minimum amount of highly liquid assets to cover possible outflow of resources on demand/one day and other short-term liabilities (up to 30 days); (2) Liquidity of Treasury portfolio limits which are monitored on a daily basis;
- Allocation and utilization of securities from Treasury portfolio, which provide financing from the CBR through reverse repo operations and help manage short-term liquidity; and
- Development of emergency plans (funding contingency plans).

VTB and other banks of the Group are also subject to liquidity requirements set by regulatory authorities, including those set by the CBR in the form of prudential ratios.

The RD analyses cash flow of the Group and prepares liquidity report for ALCO on a monthly basis. VTB's Treasury manages short-term liquidity on an ongoing basis through its cash position and portfolio of highly liquid securities and prepares information on short-term liquidity of the Bank and reports to the ALCO on a weekly basis.

The Inflow column in the tables below includes gross amounts to be received by the Group within a certain time band upon contractual maturities/redemptions of financial instruments (assets/claims). Outflow column includes gross amounts to be repaid by the Group in a certain time band upon contractual maturities/redemptions of financial instruments (liabilities/obligations except current and settlement accounts). Gap represents the difference between Inflow and Outflow columns. Gap Cumulative column represents the cumulative gap. FX Swap Cumulative column represents the cumulative gaps of notional amounts of foreign exchange transactions (FX Swaps, FX Spot and Forwards, NDFs). Dynamic Gap (total) Cumulative column represents the cumulative gap including FX Swap Cumulative. Opening balance represents highly liquid assets, which mostly consist of cash and Nostro accounts with other banks.

Management believes that in spite of a substantial portion of customer accounts being on demand or short-term, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide, in a substantial part, a long-term and stable source of funding for the Group. Also portfolios of Treasury and Trading securities could be used for short-term liquidity management through reverse sale and repurchase operations.

VTB Group medium-term liquidity needs are managed through interbank and customer deposits (new borrowings and renewal of existing deposits), repurchase agreements and in the form of collateralized loans (against corporate loans or securities) which allow the Group to reduce the negative medium-term liquidity gaps.

VTB Group has a number of additional funding facilities made available by Bank of Russia to bridge negative medium term liquidity gaps.

Currency mismatches in the structure of liquidity gaps are managed with the use of foreign exchange transactions (FX Swaps).

In 2015 and 2014 due to geopolitical circumstances, the Group increased the volume of funds borrowed from the CBR and the Ministry of Finance (Note 31 and 32). Traditionally, at the end of the year, the state authorities place the funds in short term instruments, and as a result, a significant part of these resources has maturity up to 1 month. While Management believes that, given the efforts of CBR to extend refinancing facilities to the banking system and the expected inflow of funds on customer accounts of budget organizations, the Group will be able to roll over the major part of these resources

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK AND CONTRACTUAL MATURITY ANALYSIS (CONTINUED)

As at 31 December 2015, VTB Group had the following cash flow by remaining contractual maturities.

Time Band	Inflow	Outflow	Gap	Gap Cumulative	FX Swap Cumulative	Dynamic Gap (total) Cumulative
RUR positions						
Opening balance	–	–	268.9	268.9	–	268.9
Up to 1 month	623.7	(2,892.0)	(2,268.3)	(1,999.4)	11.5	(1,987.9)
From 1 to 3 months	388.6	(1,199.5)	(810.9)	(2,810.3)	23.7	(2,786.6)
From 3 months to 1 year	1,416.4	(1,255.9)	160.5	(2,649.8)	19.4	(2,630.4)
From 1 to 3 years	2,800.3	(588.2)	2,212.1	(437.7)	21.5	(416.2)
More than 3 years	3,716.2	(1,187.8)	2,528.4	2,090.7	22.6	2,113.3
Other currency positions						
Opening balance	–	–	384.5	384.5	–	384.5
Up to 1 month	1,014.0	(605.4)	408.6	793.1	(4.3)	788.8
From 1 to 3 months	363.6	(789.9)	(426.3)	366.8	(19.4)	347.4
From 3 months to 1 year	2,508.4	(2,551.9)	(43.5)	323.3	(14.5)	308.8
From 1 to 3 years	1,868.5	(2,187.7)	(319.2)	4.1	(14.4)	(10.3)
More than 3 years	2,663.5	(1,659.0)	1,004.5	1,008.6	(15.8)	992.8
Total						
Opening balance	–	–	653.4	653.4	–	653.4
Up to 1 month	1,637.7	(3,497.4)	(1,859.7)	(1,206.3)	7.2	(1,199.1)
From 1 to 3 months	752.2	(1,989.4)	(1,237.2)	(2,443.5)	4.3	(2,439.2)
From 3 months to 1 year	3,924.8	(3,807.8)	117.0	(2,326.5)	4.9	(2,321.6)
From 1 to 3 years	4,668.8	(2,775.9)	1,892.9	(433.6)	7.1	(426.5)
More than 3 years	6,379.7	(2,846.8)	3,532.9	3,099.3	6.8	3,106.1

As at 31 December 2014, VTB Group had the following cash flow by remaining contractual maturities.

Time Band	Inflow	Outflow	Gap	Gap Cumulative	FX Swap Cumulative	Dynamic Gap (total) Cumulative
RUR positions						
Opening balance	–	–	219.2	219.2	–	219.2
Up to 1 month	639.4	(2,835.0)	(2,195.6)	(1,976.4)	36.3	(1,940.1)
From 1 to 3 months	575.8	(1,006.6)	(430.8)	(2,407.2)	44.1	(2,363.1)
From 3 months to 1 year	1,897.0	(1,439.8)	457.2	(1,950.0)	(9.2)	(1,959.2)
From 1 to 3 years	2,426.9	(1,047.4)	1,379.5	(570.5)	(12.4)	(582.9)
More than 3 years	3,283.4	(1,221.5)	2,061.9	1,491.4	(12.4)	1,479.0
Other currency positions						
Opening balance	–	–	644.8	644.8	–	644.8
Up to 1 month	1,077.2	(838.6)	238.6	883.4	(31.9)	851.5
From 1 to 3 months	739.9	(1,017.4)	(277.5)	605.9	(41.2)	564.7
From 3 months to 1 year	1,249.6	(1,664.4)	(414.8)	191.1	26.1	217.2
From 1 to 3 years	1,892.6	(2,365.0)	(472.4)	(281.3)	31.5	(249.8)
More than 3 years	2,699.2	(1,796.1)	903.1	621.8	30.7	652.5
Total						
Opening balance	–	–	864.0	864.0	–	864.0
Up to 1 month	1,716.6	(3,673.6)	(1,957.0)	(1,093.0)	4.4	(1,088.6)
From 1 to 3 months	1,315.7	(2,024.0)	(708.3)	(1,801.3)	2.9	(1,798.4)
From 3 months to 1 year	3,146.6	(3,104.2)	42.4	(1,758.9)	16.9	(1,742.0)
From 1 to 3 years	4,319.5	(3,412.4)	907.1	(851.8)	19.1	(832.7)
More than 3 years	5,982.6	(3,017.6)	2,965.0	2,113.2	18.3	2,131.5

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK AND CONTRACTUAL MATURITY ANALYSIS (CONTINUED)

The table below shows undiscounted cash flows payable under financial liabilities and credit-related commitments at 31 December 2015 by their remaining contractual maturity.

	On demand and up to 1 month	From 1 month to 3 months	From 3 month to 6 months	From 6 months to 1 year	More than 1 year	Total
Non-derivative liabilities:						
Due to other banks	589.7	32.8	4.8	324.6	288.8	1,240.7
Customer deposits	3,039.7	1,110.8	935.2	952.1	1,446.9	7,484.7
Other borrowed funds	993.9	499.3	226.0	14.6	663.7	2,397.5
Debt securities issued	25.9	101.7	56.3	76.1	461.1	721.1
Subordinated debt	-	5.7	4.6	18.1	698.6	727.0
Other liabilities	63.4	3.2	0.8	1.8	1.9	71.1
Total cash flows payable under non-derivative liabilities	**4,712.6**	**1,753.5**	**1,227.7**	**1,387.3**	**3,561.0**	**12,642.1**
Derivative financial instruments – gross settled:						
Positive fair value of derivatives						
(Inflow)	(311.7)	(61.3)	(165.5)	(79.3)	(545.4)	(1,163.2)
Outflow	303.5	50.3	127.8	53.9	376.2	911.7
Negative fair value of derivatives:						
(Inflow)	(171.7)	(104.5)	(115.8)	(129.1)	(379.7)	(900.8)
Outflow	180.8	132.7	130.9	161.7	525.4	1,131.5
Derivative financial instruments – net settled:						
(Inflow)	(28.7)	(3.0)	(6.7)	(9.7)	(29.5)	(77.6)
Outflow	35.4	3.2	9.4	17.0	28.7	93.7
Credit related commitments	1,112.4	–	–	–	–	1,112.4

The table below shows undiscounted cash flows payable under financial liabilities and credit-related commitments at 31 December 2014 by their remaining contractual maturity.

	On demand and up to 1 month	From 1 month to 3 months	From 3 month to 6 months	From 6 months to 1 year	More than 1 year	Total
Non-derivative liabilities:						
Due to other banks	402.4	89.6	18.4	12.7	279.4	802.5
Customer deposits	2,580.0	855.4	516.5	696.4	1,184.5	5,832.8
Other borrowed funds	1,558.5	386.2	59.9	339.8	661.4	3,005.8
Debt securities issued	29.8	187.9	63.3	131.7	695.6	1,108.3
Subordinated debt	–	4.0	4.1	47.6	643.2	698.9
Other liabilities	77.8	3.0	1.1	4.1	2.3	88.3
Total cash flows payable under non-derivative liabilities	**4,648.5**	**1,526.1**	**663.3**	**1,232.3**	**3,466.4**	**11,536.6**
Derivative financial instruments – gross settled:						
Positive fair value of derivatives						
(Inflow)	(274.3)	(147.0)	(210.1)	(214.5)	(645.2)	(1,491.1)
Outflow	245.5	113.9	162.4	168.5	503.1	1,193.4
Negative fair value of derivatives:						
(Inflow)	(222.6)	(230.2)	(219.1)	(155.6)	(393.0)	(1,220.5)
Outflow	247.3	280.3	260.7	195.2	514.9	1,498.4
Derivative financial instruments – net settled:						
(Inflow)	(17.9)	(4.3)	(9.2)	(11.0)	(18.9)	(61.3)
Outflow	19.3	14.5	14.6	5.6	38.5	92.5
Credit related commitments	1,474.4	–	–	–	–	1,474.4

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK AND CONTRACTUAL MATURITY ANALYSIS (CONTINUED)

A significant portion of liabilities of the Group is represented by customer term deposits and promissory notes, current accounts of corporate and retail customers, bonds, Eurobonds and syndicated loans.

Current and non-current assets and liabilities

Assets or liabilities are classified as current if they are expected to be recovered or settled within twelve months after the reporting date.

The table below shows assets and liabilities at 31 December 2015 by their remaining contractual maturity by which the Group has right to realise the assets and settle the liabilities.

	Less than 1 year	More than 1 year	Maturity undefined	Total
Assets				
Cash and short-term funds	570.7	–	–	570.7
Mandatory cash balances with central banks	62.9	7.9	–	70.8
Non-derivative financial assets at fair value through profit or loss	196.5	24.2	16.4	237.1
Derivative financial assets	87.0	217.8	–	304.8
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	71.9	93.1	–	165.0
Due from other banks, including pledged under repurchase agreements	1,014.7	343.5	–	1358.2
Loans and advances to customers, including pledged under repurchase agreements	2,627.6	6,809.9	–	9437.5
Investment financial assets	64.1	151.5	43.7	259.3
Investments in associates and joint ventures	–	–	104.3	104.3
Assets of disposal group held for sale	15.8	–	–	15.8
Land, premises and equipment	–	–	310.3	310.3
Investment property	–	–	245.0	245.0
Goodwill and other intangible assets	–	–	162.0	162.0
Deferred income tax asset	–	–	76.6	76.6
Other assets	222.4	25.5	76.6	324.5
Total assets	**4,933.6**	**7,673.4**	**1,034.9**	**13,641.9**
Liabilities				
Due to other banks	947.8	276.2	–	1,224.0
Customer deposits	5,877.7	1,389.3	–	7,267.0
Derivative financial liabilities	103.6	180.5	–	284.1
Other borrowed funds	1,715.6	405.9	–	2,121.5
Debt securities issued	227.2	396.3	–	623.5
Liabilities of disposal group held for sale	13.0	–	–	13.0
Deferred income tax liability	–	–	30.2	30.2
Other liabilities	174.8	180.2	6.7	361.7
Subordinated debt	11.5	251.3	–	262.8
Total liabilities	**9,071.2**	**3,079.7**	**36.9**	**12,187.8**

Management believes that although equity securities included in financial assets held for trading category have no contractual maturity these equity securities could be sold in less than one year and therefore they are included in respective contractual maturity category. Debt securities included in financial assets held for trading category are also classified as instruments with contractual maturity less than one year as Management believes that these debt securities could be sold in less than one year and it has no intentions to hold these debt securities until maturity.

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK AND CONTRACTUAL MATURITY ANALYSIS (CONTINUED)

The table below shows assets and liabilities at 31 December 2014 by their remaining contractual maturity.

	Less than 1 year	More than 1 year	Maturity undefined	Total
Assets				
Cash and short-term funds	695.2	–	–	695.2
Mandatory cash balances with central banks	78.4	7.1	–	85.5
Non-derivative financial assets at fair value through profit or loss	238.2	19.5	17.3	275.0
Derivative financial assets	202.0	205.0	–	407.0
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	103.1	80.9	–	184.0
Due from other banks, including pledged under repurchase agreements	598.9	215.6	–	814.5
Loans and advances to customers, including pledged under repurchase agreements	2,283.5	6,253.8	–	8,537.3
Investment financial assets	25.8	67.9	38.5	132.2
Investments in associates and joint ventures	–	–	96.3	96.3
Assets of disposal group held for sale	11.1	–	–	11.1
Land, premises and equipment	–	–	246.9	246.9
Investment property	–	–	192.3	192.3
Goodwill and other intangible assets	–	–	161.8	161.8
Deferred income tax asset	–	–	66.9	66.9
Other assets	196.2	25.2	63.6	284.8
Total assets	**4,432.2**	**6,875.0**	**883.6**	**12,190.8**
Liabilities				
Due to other banks	507.6	225.6	–	733.2
Customer deposits	4,374.2	1,295.2	–	5,669.4
Derivative financial liabilities	225.4	172.4	–	397.8
Other borrowed funds	2,316.8	412.4	–	2,729.2
Debt securities issued	358.2	563.2	–	921.4
Liabilities of disposal group held for sale	4.7	–	–	4.7
Deferred income tax liability	–	–	26.6	26.6
Other liabilities	182.1	122.8	7.4	312.3
Subordinated debt	37.4	227.8	–	265.2
Total liabilities	**8,006.4**	**3,019.4**	**34.0**	**11,059.8**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

GEOGRAPHICAL CONCENTRATION

Geographical concentration information is based on registration of the Group's counterparts. As at 31 December 2015 the geographical concentration of the Group's assets and liabilities is set out below:

	Russia	OECD	Other countries	Total
Assets				
Cash and short-term funds	353.2	172.3	45.2	570.7
Mandatory cash balances with central banks	56.6	3.9	10.3	70.8
Non-derivative financial assets at fair value through profit or loss	119.5	73.2	44.4	237.1
Derivative financial assets	138.9	132.5	33.4	304.8
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	161.3	–	3.7	165.0
Due from other banks, including pledged under repurchase agreements	431.8	196.1	730.3	1,358.2
Loans and advances to customers, including pledged under repurchase agreements	7,098.7	494.1	1,844.7	9,437.5
Investment financial assets	155.1	76.7	27.5	259.3
Investments in associates and joint ventures	4.2	57.4	42.7	104.3
Assets of disposal group held for sale	15.8	–	–	15.8
Land, premises and equipment	192.7	3.6	114.0	310.3
Investment property	226.6	–	18.4	245.0
Goodwill and other intangible assets	134.8	1.8	25.4	162.0
Deferred income tax asset	72.1	3.9	0.6	76.6
Other assets	274.2	39.6	10.7	324.5
Total assets	**9,435.5**	**1,255.1**	**2,951.3**	**13,641.9**
Liabilities				
Due to other banks	553.2	129.1	541.7	1,224.0
Customer deposits	6,550.4	401.8	314.8	7,267.0
Derivative financial liabilities	53.8	221.0	9.3	284.1
Other borrowed funds	13.0	–	–	13.0
Debt securities issued	1,819.6	205.5	96.4	2,121.5
Liabilities of disposal group held for sale	237.1	380.7	5.7	623.5
Deferred income tax liability	24.9	2.1	3.2	30.2
Other liabilities	285.4	50.2	26.1	361.7
Subordinated debt	105.0	157.8	–	262.8
Total liabilities	**9,642.4**	**1,548.2**	**997.2**	**12,187.8**
Net balance sheet position	**(206.9)**	**(293.1)**	**1,954.1**	**1,454.1**
Gross off-balance sheet position – Credit Related Commitments	**788.7**	**36.2**	**287.5**	**1,112.4**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

GEOGRAPHICAL CONCENTRATION (CONTINUED)

Geographical concentration information is based on geographical registration of the Group's counterparts. As at 31 December 2014 the geographical concentration of the Group's assets and liabilities is set out below:

	Russia	OECD	Other countries	Total
Assets				
Cash and short-term funds	416.8	210.6	67.8	695.2
Mandatory cash balances with central banks	68.5	7.9	9.1	85.5
Non-derivative financial assets at fair value through profit or loss	135.1	76.2	63.7	275.0
Derivative financial assets	164.7	194.7	47.6	407.0
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	165.3	14.2	4.5	184.0
Due from other banks, including pledged under repurchase agreements	243.8	200.4	370.3	814.5
Loans and advances to customers, including pledged under repurchase agreements	6,390.7	411.1	1,735.5	8,537.3
Investment financial assets	49.6	61.3	21.3	132.2
Investments in associates and joint ventures	9.1	57.6	29.6	96.3
Assets of disposal group held for sale	11.1	–	–	11.1
Land, premises and equipment	197.5	2.8	46.6	246.9
Investment property	184.4	–	7.9	192.3
Goodwill and other intangible assets	139.5	1.3	21.0	161.8
Deferred income tax asset	63.8	2.9	0.2	66.9
Other assets	196.9	75.3	12.6	284.8
Total assets	**8,436.8**	**1,316.3**	**2,437.7**	**12,190.8**
Liabilities				
Due to other banks	372.3	175.5	185.4	733.2
Customer deposits	4,999.8	353.9	315.7	5,669.4
Derivative financial liabilities	49.0	343.6	5.2	397.8
Other borrowed funds	2,445.2	247.9	36.1	2,729.2
Debt securities issued	277.7	615.6	28.1	921.4
Liabilities of disposal group held for sale	4.7	–	–	4.7
Deferred income tax liability	25.2	1.0	0.4	26.6
Other liabilities	229.0	57.9	25.4	312.3
Subordinated debt	102.1	163.1	–	265.2
Total liabilities	**8,505.0**	**1,958.5**	**596.3**	**11,059.8**
Net balance sheet position	**(68.2)**	**(642.2)**	**1,841.4**	**1,131.0**
Gross off-balance sheet position – Credit Related Commitments	**1,201.6**	**42.8**	**230.0**	**1,474.4**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

INSURANCE RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probabilities is applied to pricing and reserving, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial techniques. Factors that aggravate insurance risk include a lack of risk diversification in terms of the type and amount of risk, the geographical location and the type of policyholder base covered.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected pervasively by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the gender, age and geography of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome.

The Group conducts a liability adequacy test (LAT) to assess whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. The test considers current estimates of all contractual cash flows, and of related cash flows. If a test shows that liabilities are insufficient, the total amount of deficit is charged to profit or loss.

The Group also discloses results of a sensitivity analysis that shows how its liabilities would have been affected if changes in the relevant risk variables that were reasonably possible at the end of the reporting period had occurred.

The Group is exposed to insurance risk using actuarial techniques, but applying different assumptions:

(1) The principal assumption is increase in loss ratio that directly influences loss provision. The following analysis is performed for reasonably possible movements in key assumption with all other assumptions held constant, showing the impact on loss provisions. Confident level is considered between 75% and 95%.

The table below represents the sensitivity of values of loss provision to changes in actuarial assumptions as at 31 December 2015.

Lines of insurance business	Increase in loss provisions			
Increase in variable:				
- confident level	75%	75%	95%	95%
- loss ratio	5%	10%	5%	10%
Motor own damage insurance	0.1	0.1	0.1	0.1
Voluntary Medical insurance	0.1	0.1	0.3	0.3
Property insurance and Third party liability insurance	0.3	0.3	0.7	0.7
Personal Accident insurance	0.1	0.1	0.3	0.3
Obligatory Military State Insurance	0.2	0.2	0.6	0.6
Obligatory motor third party liability insurance	–	–	0.1	0.1
Other non-life insurance	0.2	0.3	0.3	0.4
Total	**1.0**	**1.1**	**2.4**	**2.5**

The table below represents the sensitivity of values of loss provisions to changes in actuarial assumptions as at 31 December 2014.

Lines of insurance business	Increase in loss provisions			
Increase in variable:				
- confident level	75%	75%	95%	95%
- loss ratio	5%	10%	5%	10%
Motor own damage insurance	0.1	0.1	0.1	0.2
Voluntary Medical insurance	–	0.1	0.1	0.1
Property insurance and Third party liability insurance	0.2	0.3	0.6	0.6
Personal Accident insurance	0.5	0.9	0.6	1.1
Obligatory Military State Insurance	0.2	0.4	0.2	0.4
Obligatory motor third party liability insurance	–	–	–	0.1
Other non-life insurance	0.3	0.3	0.7	0.7
Total	**1.3**	**2.1**	**2.3**	**3.2**

42. FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

INSURANCE RISK (CONTINUED)

(2) The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience, including analysis of deviation between actual and forecast amounts. The following analysis is performed for reasonably possible movements in key assumption with all other assumptions held constant, showing the impact on loss provisions.

The table below represents the sensitivity of values of loss provisions to changes in actuarial assumptions as at 31 December 2015.

Lines of insurance business	Increase in loss provisions			
Increase in variable: claims	5%	10%	15%	20%
Motor own damage insurance	0.1	0.1	0.2	0.2
Property insurance and Third party liability insurance	–	0.1	0.2	0.2
Obligatory motor third party liability insurance	–	0.1	0.1	0.2
Total	**0.1**	**0.3**	**0.5**	**0.6**

The table below represents the sensitivity of values of loss provisions to changes in actuarial assumptions as at 31 December 2014.

Lines of insurance business	Increase in loss provisions			
Increase in variable: claims	5%	10%	15%	20%
Motor own damage insurance	0.1	0.2	0.3	0.5
Property insurance and Third party liability insurance	–	–	0.1	0.1
Obligatory motor third party liability insurance	0.1	0.2	0.3	0.3
Total	**0.2**	**0.4**	**0.7**	**0.9**

43. FAIR VALUE MEASUREMENT

Fair value of financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

43. FAIR VALUE MEASUREMENT (CONTINUED)

Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2015:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading				
- Debt securities	98.3	70.8	15.4	184.5
- Trading credit products	–	–	6.5	6.5
- Equity securities	5.5	–	–	5.5
Financial assets designated as at fair value through profit or loss				
- Debt securities	–	–	–	–
- Reverse sale and repurchase agreements to maturity	–	24.2	–	24.2
- Equity securities	10.3	–	6.1	16.4
Derivative financial assets at fair value through profit or loss				
Trading derivative financial instruments				
- Interest rate contracts	–	187.8	38.4	226.2
- Foreign exchange and precious metals contracts	–	19.2	4.5	23.7
- Contracts with securities	–	10.9	19.4	30.3
- Other basic assets contracts	–	12.7	0.3	13.0
- Embedded derivatives on structured instruments	–	0.2	11.4	11.6
Hedging derivative financial instruments				
- Derivatives held as cash flow hedges	–	–	–	–
Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements				
Financial assets held for trading				
- Debt securities	35.9	32.9	0.6	69.4
- Equity securities	1.6	–	–	1.6
Investment financial assets available-for-sale				
- Debt securities	2.0	18.5	0.1	20.6
Investment financial assets available-for-sale				
- Debt securities	69.1	67.1	10.2	146.4
- Equity securities	17.8	–	25.9	43.7
Investments in associates and joint ventures designated as at fair value through profit or loss	–	–	**63.5**	63.5
Other financial assets				
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.1	–	0.1
Other financial assets accounted at fair value	–	0.1	–	0.1
Non-financial assets measured at fair value				
Land and premises	–	–	124.4	124.4
Investment property	–	–	245.0	245.0
Precious metals within Other Assets	–	54.2	–	54.2
Financial liabilities measured at fair value				
Derivative financial liabilities				
Trading derivative financial instruments				
- Interest rate contracts	–	221.4	–	221.4
- Foreign exchange and precious metals contracts	–	38.9	–	38.9
- Contracts with securities	–	7.0	–	7.0
- Other basic assets contracts	–	12.6	–	12.6
- Embedded derivatives on structured instruments	–	–	4.0	4.0
Hedging derivative financial instruments				
- Derivatives held as cash flow hedges	–	0.2	–	0.2
Other financial liabilities				
Obligation to deliver securities	36.9	0.3	–	37.2
Non-controlling interests in consolidated mutual funds	–	–	2.7	2.7
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.3	–	0.3
Other financial liabilities accounted at fair value	–	0.1	4.2	4.3

43. FAIR VALUE MEASUREMENT (CONTINUED)

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2014:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading				
- Debt securities	54.7	122.6	29.3	206.6
- Trading credit products	–	6.4	15.8	22.2
- Equity securities	6.8	–	0.3	7.1
Financial assets designated as at fair value through profit or loss				
- Debt securities	–	0.3	2.3	2.6
- Reverse sale and repurchase agreements to maturity	–	19.2	–	19.2
- Equity securities	13.4	–	3.9	17.3
Derivative financial assets at fair value through profit or loss				
Trading derivative financial instruments				
- Interest rate contracts	–	204.8	22.0	226.8
- Foreign exchange and precious metals contracts	–	115.6	7.8	123.4
- Contracts with securities	–	8.8	11.1	19.9
- Other basic assets contracts	–	23.2	–	23.2
- Embedded derivatives on structured instruments	–	6.0	7.4	13.4
Hedging derivative financial instruments				
- Derivatives held as cash flow hedges	–	0.3	–	0.3
Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements				
Financial assets held for trading				
- Debt securities	15.2	61.8	11.1	88.1
- Equity securities	12.3	–	–	12.3
Investment financial assets available-for-sale				
- Debt securities	16.4	62.0	1.9	80.3
Investment financial assets available-for-sale				
- Debt securities	51.8	34.7	6.0	92.5
- Equity securities	0.1	–	38.4	38.5
Investments in associates and joint ventures designated as at fair value through profit or loss	–	–	60.7	60.7
Other financial assets				
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.3	–	0.3
Non-financial assets measured at fair value				
Land and premises	–	–	133.5	133.5
Investment property	–	–	192.3	192.3
Investment property within Assets of disposal group held for sale	–	–	0.6	0.6
Precious metals within Other Assets	–	39.1	–	39.1
Financial liabilities measured at fair value				
Derivative financial liabilities				
Trading derivative financial instruments				
- Interest rate contracts	–	237.9	–	237.9
- Foreign exchange and precious metals contracts	–	135.8	–	135.8
- Contracts with securities	–	5.9	1.4	7.3
- Other basic assets contracts	–	13.2	–	13.2
- Embedded derivatives on structured instruments	–	0.8	1.9	2.7
Hedging derivative financial instruments				
- Derivatives held as cash flow hedges	–	0.9	–	0.9
Other financial liabilities				
Obligation to deliver securities	25.0	0.8	–	25.8
Non-controlling interests in consolidated mutual funds	–	–	2.6	2.6
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.4	–	0.4
Other financial liabilities accounted at fair value	–	–	3.3	3.3

43. FAIR VALUE MEASUREMENT (CONTINUED)

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

Financial assets at fair value through profit or loss are mainly dependent on the change of input variables used to determine fair value, such as interest rates, credit spreads, and foreign exchange rates. A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

Movement in Level 3 financial instruments measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2015 is as follows:

	Non-derivative financial assets at fair value through profit or loss					Other financial liabilities	
	Financial assets held for trading including pledged under repurchase agreements	Financial assets designated as at fair value through profit or loss	Investment financial assets available-for-sale including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Trading derivative financial assets and liabilities (net)	Non-controlling interests in consolidated mutual funds	Other financial liabilities accounted at fair value
Fair value at 1 January 2015	**56.5**	**6.2**	**46.3**	**60.7**	**45.0**	**(2.6)**	**(3.3)**
Gains or (losses) recognised in income statement	3.8	(1.4)	1.3	2.8	36.8	(0.1)	(0.9)
- of which unrealised gains or (losses)	*1.0*	*0.2*	*0.5*	*2.8*	*30.5*	*(0.1)*	*(0.9)*
(Losses) recognised in other comprehensive income	(0.3)	–	(9.1)	–	(1.2)	–	–
Purchase	6.9	5.7	13.2	–	(1.8)	–	–
Sale	(27.2)	(4.4)	(9.8)	–	–	–	–
Settlement	(3.0)	–	(2.7)	–	(8.8)	–	–
Transfers into Level 3	20.9	–	0.9	–	–	–	–
Transfers out of Level 3	(25.7)	–	(3.9)	–	–	–	–
Transfers into categories not measured at fair value	(9.4)	–	–	–	–	–	–
Fair value at 31 December 2015	**22.5**	**6.1**	**36.2**	**63.5**	**70.0**	**(2.7)**	**(4.2)**

43. FAIR VALUE MEASUREMENT (CONTINUED)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2014 is as follows:

	Non-derivative financial assets at fair value through profit or loss						Other financial liabilities	
	Financial assets held for trading including pledged under repurchase agreements	Financial assets designated as at fair value through profit or loss	Investment financial assets available-for-sale including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Trading derivative financial assets and liabilities (net)	Derivative financial assets and liabilities (net) designated as hedging instrument	Non-controlling interests in consolidated mutual funds	Other financial liabilities accounted at fair value
Fair value at 1 January 2014	**4.1**	**20.8**	**24.8**	**55.2**	**0.3**	**7.8**	**(23.4)**	**(0.8)**
Gains or (losses) recognised in income statement	3.7	1.0	(1.4)	4.8	31.0	0.6	8.1	(2.5)
- of which unrealised gains or (losses)	3.0	4.4	–	4.8	31.0	–	0.8	(2.5)
(Losses) recognised in other comprehensive income	–		14.2		–	1.5	–	–
Purchase	25.2		7.7	0.7	(2.3)	–	–	–
Sale	(6.6)	(15.6)	(2.2)	–	0.8	–	12.7	–
Settlement	(1.9)		(1.0)	–	5.3	–	–	–
Acquisition of subsidiaries	9.3		–	–	–	–	–	–
Sale of subsidiaries	–		(0.4)	–	–	–	–	–
Transfers into Level 3	38.8		8.3	–	–	–	–	–
Transfers out of Level	(8.8)		(3.7)	–	–	–	–	–
Reclassification within Level 3	–		–	–	9.9	(9.9)	–	–
Transfers into categories not measured at fair value	(7.3)		–	–	–	–	–	–
Fair value at 31 December 2014	**56.5**	**6.2**	**46.3**	**60.7**	**45.0**	**–**	**(2.6)**	**(3.3)**

Movement in Level 3 non-financial assets measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of non-financial assets measured at fair value for the year ended 31 December 2015 is as follows:

	Land and premises	Investment property	Investment property within Assets of disposal group held for sale
Fair value at 1 January 2015	**133.5**	**192.3**	**0.6**
(Losses less gains) / gains less losses recognized in profit or loss	(8.2)	(3.6)	0.3
- of which unrealised gains or (losses)	(8.2)	(3.1)	–
Gains / (losses) recognized in other comprehensive income	8.0	(0.2)	–
Purchase	2.7	25.0	–
Capitalization of expenses	–	9.0	–
Sale	(2.4)	(5.0)	(0.9)
Acquisition of subsidiaries	–	28.5	–
Sale of subsidiaries	(4.5)	(1.8)	–
Transfers within Level 3	(3.6)	3.6	–
Transfers into categories not measured at fair value	(1.1)	(2.8)	–
Fair value at 31 December 2015	**124.4**	**245.0**	**–**

43. FAIR VALUE MEASUREMENT (CONTINUED)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of non-financial assets measured at fair value for the year ended 31 December 2014 is as follows:

	Land and premises	Investment property	Investment property within Assets of disposal group held for sale
Fair value at 1 January 2014	**106.2**	**160.7**	**5.3**
(Losses less gains) / gains less losses recognized in profit or loss	(7.9)	3.8	(0.3)
- of which unrealised gains or (losses)	(7.9)	3.6	(0.3)
Gains less losses recognized in other comprehensive income	2.3	0.1	–
Purchase	5.8	21.5	–
Capitalization of expenses	–	11.3	–
Sale	(4.7)	(3.5)	–
Acquisition of subsidiaries	23.4	5.9	–
Sale of subsidiaries	(2.2)	(8.7)	–
Transfers within Level 3	2.1	2.3	(4.4)
Transfers into categories not measured at fair value	8.5	(1.1)	–
Fair value at 31 December 2014	**133.5**	**192.3**	**0.6**

There were no movements transfers between levels of of the fair value hierarchy.

Transfers between levels

During the period ended 31 December 2015	Reason for transfer (valuation at the reporting date)	Non-derivative financial assets held for trading including pledged under repurchase agreements	Investments financial assets available-for-sale including pledged under repurchase agreements	**Total**
From Level 1:				
- to Level 2	valuation models with market observable inputs	51.0	28.3	79.3
- to Level 3	valuation models with non-market-observable inputs	1.0	0.3	1.3
From Level 2:				
- to Level 1	active market quotes	63.7	32.9	96.6
- to Level 3	valuation models with non-market-observable inputs	19.9	0.6	20.5
From Level 3:				
- to Level 1	active market quotes	14.5	2.0	16.5
- to Level 2	valuation models with market observable inputs	11.2	1.9	13.1
Total		**161.3**	**66.0**	**227.3**

During the period ended 31 December 2014	Reason for transfer (valuation at the reporting date)	Non-derivative financial assets held for trading including pledged under repurchase agreements	Non-derivative financial assets designated as at fair value through profit or loss	Investments financial assets available-for-sale including pledged under repurchase agreements	**Total**
From Level 1:					
- to Level 2	valuation models with market observable inputs	188.0	0.3	57.4	245.7
- to Level 3	valuation models with non-market-observable inputs	11.3	–	3.4	14.7
From Level 2:					
- to Level 1	active market quotes	51.7	1.1	13.3	66.1
- to Level 3	valuation models with non-market-observable inputs	27.5	–	4.9	32.4
From Level 3:					
- to Level 1	active market quotes	2.3	–	–	2.3
- to Level 2	valuation models with market observable inputs	6.5	–	3.7	10.2
Total		**287.3**	**1.4**	**82.7**	**371.4**

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information as at 31 December 2015 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Range
Non-derivative financial assets at fair value through profit or loss				
Financial instruments held for trading, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	0.7	Discounted Cash flow	Counterparty Credit spread	1.46% - 1.66% (1.56%)
	4.5	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0%)
	3.1	Other	n/a	n/a
Finance Companies Servicing Mortgage And Real Estate Debts	1.7	Discounted Cash flow	Credit spread	1% - 3% (2%)
	2.0	Other	n/a	n/a
Government bodies	1.7	Other	n/a	n/a
Other economic sectors	2.3	Other	n/a	n/a
Trading credit products				
Railway transportation	4.3	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0%)
Other economic sectors	2.2	Other	n/a	n/a
Financial assets designated as at fair value through profit or loss				
Equity securities				
Finance companies	3.1	Gordon and Comparables method	Cost of Equity	23.45% - 25.45% (24.45%)
			Terminal growth	2% - 6% (4%)
			Terminal ROE	12.72% - 14.72% (13.72%)
Other economic sectors	3.0	Other	n/a	n/a
Derivative financial instruments				
Equity derivatives	19.4	Discounted Cash flow	CDS Spread	4.5% - 6.5% (5.5%)
Index derivatives	0.3	Other	n/a	n/a
Embedded derivatives on structured instruments	11.4	Modified Black model	CDS spread	2.48% - 6.48% (4.48%)
	(4.0)	Black model	Implied volatility	14% - 83% (48.5%)
Foreign exchange	4.2	Interest rate parity	Overnight BYR yield	16% - 46.9% (29.9%)
	0.3	Other	n/a	n/a
Interest rate derivatives	36.8	Discounted Cash flow	CDS spread	4.32% - 6.32% (5.32%)
	1.6	Other	n/a	n/a
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	1.5	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0%)
	6.6	Discounted Cash flow	USD yields of RB banks bonds	3.5% - 7.5% (6.5%)
	0.2	Other	n/a	n/a
Other economic sectors	2.0	Other	n/a	n/a
Equity securities				
Finance companies and banks	2.2	Discounted Cash flow	Discount rate that can be changed based on changes in macroecomic backdrop	9.5% - 13.5% (11.5%)
			exit multiple	0.5 - 0.9 (0.7)
	5.1	Gordon and Comparables method	Cost of Equity	23.45% - 25.45% (24.45%)
			Terminal growth	2% - 6% (4%)
			Terminal ROE	12.72% - 14.72% (13.72%)
	1.1	Other	n/a	n/a
Manufacturing	4.3	Comparative method	EV/EBITDA (defence/security systems)	5.6 - 19.2 (10.4)
			EV/EBITDA (microelectronics)	3.3 - 72.6 (10.84)
Non-ferrous metals	8.5	Discounted Cash flow	Weighted average cost of capital	15% - 14% (15%)
			Terminal growth	3%-4% (4%)

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

	Fair value	Valuation techniques	Unobservable input description	Range
Investment financial assets available-for-sale, including pledged under repurchase agreements (continued)				
Equity securities (continued)				
Air transport	2.5	Market comparable companies	EV/pax, comparable airports	59.6 - 72.9 (66.3)
			Discount to comparable airports	15% - 35% (25%)
Other economic sectors	2.2	Other	n/a	n/a
Investments in associates and joint ventures designated as at fair value through profit or loss				
Telecommunications	53.6	Discounted Cash flow	Weighted average cost of capital	15.96% - 16.96% (15.96%)
			Terminal growth	1% - 3% (3%)
			CAGR 2015-2027 of subscriber base	5.98% - 6.38% (6.38%)
			CAGR 2015-2027 of ARPU	1.43% - 1.63% (1.63%)
			CAPEX/Revenue	10% - 15% (10%)
Air transport	8.4	Discounted Dividend flow	Base equity cost of capital	7.5% - 8% (7.5%)
			Risk free rate	11.1% -11.6% (11.1%)
			RUB/EUR rate at the end of the period (1H 2016 - 2039)	10% - 15% (0%) depreciation
			RUR Inflation (CPI) from 2019	5% - 6.5% (6.5%)
			Growth rate of international airlines traffic in 2017-2018	0% (2.6% - 8.8%)
Other economic sectors	1.5	Discounted Cash flow; EV/EBITDA multiple	Change in Growth of Cards Sold (%)	-2% - +2% (0%)
			Change in PT Growth per Client (%)	-2% - 2% (3%)
			WACC	-1% - 1% (13.4%)
			Weight of DCF and multiple valuations	0% - 100% (50% & 50%)
Non-derivative financial liabilities measured at fair value				
Non-controlling interests in consolidated mutual funds	(2.7)	Net asset value	n/a	n/a
Other financial liabilities accounted at fair value	(4.2)	Discounted Dividend flow	Base equity cost of capital	7.5% - 8% (7.5%)
			Risk free rate	11.1% -11.6% (11.1%)
			RUB/EUR rate at the end of the period (1H 2016 - 2039)	10% - 15% (0%) depreciation
			RUR Inflation (CPI) from 2019	5% - 6.5% (6.5%)
			Growth rate of international airlines traffic in 2017-2018	0% (2.6% - 8.8%)

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information as at 31 December 2014 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Range
Non-derivative financial assets at fair value through profit or loss				
Financial instruments held for trading, including pledged under repurchase agreements				
Equity securities				
Other mechanical engineering	0.3	Discounted Cash flow	Weighted average cost of capital	10% - 30% (20%)
			Exit multiple	4-8 (6)
Debt securities				
Finance companies and banks	1.9	Discounted Cash flow	Credit spread adjustment	-1% - 1% (0%)
			Future expected volatility	10% - 43% (26.5%)
	2.2	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0.00%)
	3.6	Discounted Cash flow	Credit spread	7.41% - 9.41% (8.41%)
	1.6	Discounted Cash flow	Own credit spread	2.35% - 4.35% (3.35%)
			Counterparty credit spread	0.18% - 0.38% (0.28%)
	3.3	Third party valuation	n/a	n/a
	3.9	Other	n/a	n/a
Finance Companies Servicing Mortgage And Real Estate Debts	2.9	Discounted Cash flow	Credit spread	1% - 3% (2%)
	1.0	Other	n/a	n/a
Oil	1.1	Discounted Cash flow	Credit spread	-2.58% - 0.43% (-1.50%)
	0.4	Other	n/a	n/a
Government bodies	4.5	Other	n/a	n/a
Ferrous metals	7.6	Discounted Cash flow	Credit spread	8.15% - 16.58% (11.92%)
Other economic sectors	6.4	Other	n/a	n/a
Trading credit products				
Finance companies and banks	5.6	Discounted Cash flow	Credit spread	3.0% - 5.0% (3.4%)
			Equity Fractional Recovery	0% - 25% (20%)
Food and agriculture	10.2	Discounted Cash flow	Credit spread	4.81% - 6.81% (5.81%)
Financial assets designated as at fair value through profit or loss				
Equity securities				
Trade and commerce	3.7	NAV	n/a	n/a
Other economic sectors	0.2	Other	n/a	n/a
Debt securities				
Finance companies and banks	2.3	NAV + option adjustment	Volatility	25% - 45% (35%)
Derivative financial instruments				
Equity Derivatives	10.9	Discounted Cash flow	CDS Spread	4.5% - 6.5% (5.5%)
			Underlying valuation	13.2-19.5 (13.2)
	(1.4)	Option model	Volatility	25% - 45% (31.4%)
	0.2	Other	n/a	n/a
Embedded derivatives on structured instruments	7.4	Modified Black model	CDS spread	6.96% - 8.69% (7.7%)
	(1.9)	Other	n/a	n/a
Foreign exchange	7.4	Interest rate parity	Overnight BYR yield	17% - 49.7% (22.7%)
	0.4	Other	n/a	n/a
Interest rate derivatives	22.0	Discounted Cash flow	CDS spread	6.6% - 6.9% (6.8%)
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	1.1	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0.00%)
	2.6	Other	n/a	n/a
Other economic sectors	4.2	Other	n/a	n/a
Equity securities				
Finance companies, banks and leasing	2.2	Discounted Cash flow	Weighted average cost of capital	11.3%-15.3% (13.3%)
			Exit multiple	0.6-1 (0.8)
	0.6	Other	n/a	n/a
Trade and commerce	4.5	NAV	n/a	n/a
Railway vehicle construction	0.3	Discounted Cash flow; EV/EBITDA multiple	Change in Rental Rate	-40% - -20% (-30%)
			Change in Price of Railcars	-6% - +6% (0%)

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

	Fair value	Valuation techniques	Unobservable input description	Range
Investment financial assets available-for-sale, including pledged under repurchase agreements (continued)				
Equity securities (continued)				
Manufacturing	4.1	Comparative method	EV/EBITDA (defence/security systems)	6.22-10.22 (8.22)
			EV/EBITDA (microelectronics)	7.99-11.99 (9.99)
Non-ferrous metals	13.2	Discounted Cash flow	Weighted average cost of capital	13.3%-14.9% (12.8%)
			Terminal growth	4%-4% (4%)
			Cost of Debt (USD, pre-tax)	7.6%-7.6% (7.6%)
Air transport	2.3	Market comparable companies	EV/pax, comparable airports	69.1-84.4 (76.8)
			Discount to comparable airports	15% - 35% (25%)
Building construction	7.9	NAV	n/a	n/a
Other mechanical engineering	0.6	Discounted Cash flow	Weighted average cost of capital	10%- 30% (20%)
			exit multiple	4-8 (6)
Other economic sectors	2.7	Other	n/a	n/a
Investments in associates and joint ventures designated as at fair value through profit or loss				
Telecommunications	53.5	Discounted Cash flow	Average revenue per user forecast adjustment	-4% - 4% (0%)
			FX forecast adjustment	-4% - 4% (0%)
			Financing rate adjustment	-4% - 4% (0%)
Air transport	6.5	Discounted Dividend flow	Base equity cost of capital	7% - 8% (7.5%)
Other economic sectors	0.7	Discounted Cash flow; EV/EBITDA multiple	Change in Growth of Cards Sold (%)	-2% - +2% (0%)
			Change in PT Growth per Client (%)	-5% - +5% (0%)
Non-derivative financial liabilities measured at fair value				
Non-controlling interests in consolidated mutual funds	(2.6)	Net asset value	n/a	n/a
Other financial liabilities accounted at fair value	(3.3)	Discounted Dividend flow	Base equity cost of capital	7% - 8% (7.5%)

For financial instruments which fair value is estimated using significant unobservable inputs, parameters and assumptions, the exact value of such inputs at the reporting date might be drawn from a range of reasonably possible alternatives. For each unobservable input to which the fair value is most sensitive, the Group calculates its impact on valuation by taking each individual input to the extreme point of its reasonably possible range, while keeping other inputs unchanged. The table below presents the range of fair value of the respective class of financial instruments calculated using the approach discussed above.

Should all the parameters be changed simultaneously to the extreme points of their reasonable ranges, the impact on the fair value would be more significant than disclosed in the table, however, the Group considers that it is unlikely that all parameters and assumptions will be simultaneously at their extreme points.

This disclosure is intended to illustrate the magnitude of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable parameters, however, the disclosure is not indicative of future movements in fair value.

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

	31 December 2015		31 December 2014	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Non-derivative financial assets held for trading, including pledged under repurchase agreements	22.5	21.8 – 23.3	56.5	55.5 – 58.2
Trading derivative financial instruments	70.0	67.0 – 70.0	45.0	43.7 – 45.5
Financial assets designated as at fair value through profit or loss	6.1	5.9 – 6.3	6.2	6.2 – 6.2
Investment financial assets – available-for-sale, including pledged under repurchase agreements	36.2	31.9 – 43.9	46.3	43.5 – 54.5
Investments in associates and joint ventures designated as at fair value through profit or loss	63.5	45.0 – 63.9	60.7	50.9 – 71.5
Non-controlling interests in consolidated mutual funds	(2.7)	(2.4) – (3.0)	(2.6)	(2.3) – (2.9)
Other financial liabilities accounted at fair value	(4.2)	(3.9) – (4.5)	(3.3)	(3.1) – (3.5)

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 non-financial assets of changes to key assumptions

The following table shows the quantitative information as at 31 December 2015 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value	Valuation technique	Inputs used		
			Input	Min	Max
Land and premises					
Land and premises	122.4	Comparative method	trade discount	10.0%	20.0%
	2.0	Other	trade discount	10.0%	20.0%
Investment property					
Land					
Project 1	63.7	Comparative method	trade discount	15.0%	15.0%
Project 2	28.5	Comparative method	trade discount	10.0%	10.0%
Project 3	15.5	Comparative method	trade discount	15.0%	15.0%
		DCF method	discount rate	12.0%	25.0%
Project 4	11.5	Comparative method	trade discount	15.0%	15.0%
Project 5	7.4	DCF method	discount rate	23.9%	23.9%
Other	8.2	Comparative method	trade discount	10.0%	20.0%
Commercial property					
Project 6	44.4	DCF method (completed investment property)	discount rate	13.0%	15.0%
			average annual rental indexation	3.5%	7.0%
			terminal capitalization rate	9.5%	13.0%
	13.1	DCF method (investment property under constrution)	discount rate	15.3%	35.0%
			average annual rental indexation	5.0%	5.0%
			terminal capitalization rate	10.0%	11.0%
Project 7	5.8	DCF method (investment property under constrution)	discount rate	14.0%	14.0%
			average annual rental indexation	1.3%	1.8%
			terminal capitalization rate	8.5%	8.5%
Project 8	2.3	DCF method (completed investment property)	discount rate	15.0%	20.0%
			average annual rental indexation	3.0%	12.0%
			terminal capitalization rate	9.0%	9.0%
	4.6	DCF method (investment property under constrution)	discount rate	15.0%	25.0%
			average annual rental indexation	3.0%	12.0%
			terminal capitalization rate	9.0%	9.0%
Project 9	2.2	Comparative method	trade discount	20.0%	20.0%
		DCF method (completed investment property)	terminal capitalization rate	10.6%	10.6%

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 non-financial assets of changes to key assumptions

The following table shows the quantitative information as at 31 December 2015 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value	Valuation technique	Inputs used		
			Input	Min	Max
Project 10	1.8	Comparative method	trade discount	10.0%	10.0%
		DCF method (completed investment property)	discount rate	14.9%	14.9%
			average annual rental indexation	4.2%	6.4%
			terminal capitalization rate	10.7%	10.7%
Project 11	1.7	Comparative method	trade discount	20.0%	20.0%
		DCF method (completed investment property)	discount rate	15.2%	15.2%
			average annual rental indexation	0.0%	5.5%
			terminal capitalization rate	11.0%	11.0%
Other commercial property	11.1	Comparative method	trade discount	10.0%	20.0%
		DCF method (completed investment property)	discount rate	13.0%	18.0%
			average annual rental indexation	2.5%	7.0%
			terminal capitalization rate	9.5%	13.0%
		DCF method (investment property under constrution)	discount rate	15.3%	35.0%
			average annual rental indexation	2.5%	7.0%
			terminal capitalization rate	8.0%	13.0%
Other					
Project 12	5.5	Comparative method	trade discount	2.0%	2.0%
Project 13	2.1	Comparative method	trade discount	11.0%	11.0%
Other	15.6	Comparative method	trade discount	10.0%	20.0%

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 non-financial assets of changes to key assumptions

The following table summarises the sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 31 December 2015:

Input	Description of input	Description of sensitivity
Trade discount (difference between supply and demand)	The leading realtors were interviewed, and the resulted discount interval on bargain was found to be between 10% and 20%.	Depending on change in the demand on the investment objects, the corrective adjustment on bargain may vary from 5% up to 30%.The change of this input might lead to the substantial change in the fair value of the investment property of the Group.
Discount rate	Discounting rate-interest rate used to discounting future cash payments received or payed. The discounting rate reflects the relationship between risk and rate of return and also various types of risks associated with the investment property. The discounting rate is between 12 % and 25%, depending on the individual characteristics of an object.	Depending on the market situation on the investment property market, the discounting rate may vary from 10% up to 30%.The change of this input might lead to the substantial change in the fair value of the investment property of the Group.
Terminal capitalization rate	The capitalization rate- ratio of the net year income, received on investment, to its market value. The capitalization rate accounts for 9% to 13%, depending on the individual characteristics of an object.	Depending on the market situation on the investment property market, capitalization rate may vary from 8% up to 18%. The change of this input might lead to the substantial change in the fair value of the investment property of the Group.
Average annual rental indexation	Indexation of the current annual rental rate from 1.3% to 7.0% according to the market situation	Depending on the market situation on the investment property market, rental rate may vary from 0% up to 13%. The change of this input might lead to the substantial change in the fair value of the investment property of the Group.

As at 31 December 2015 for a number of projects fair value was determined on the base of the highest and best use that differs from its current use.

As at 31 December 2015 the Group had agricultural land plots under Project 3 that it intends to use for residential and commercial real estate development. The Group used for fair value measurement the highest and best use of the Project 3 land as land under residential development, under a special economic zone projects and wholesale and distribution center.

As at 31 December 2015 the Group had agricultural land plots under Project 4 that it intends to use for residential and commercial real estate development.

The Group used for fair value measurement the highest and best use of the Project 4 land as land under residential development, under a special economic zone projects and agricultural land.

As at 31 December 2015 the Group had certain premises included in land and premises category that it intends to futher develop as apartments compared to its current use as hotels. The Group used for fair value measurement of these premises the highest and best use approach as the Group intends to redevelop hotel premises in the future

43. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 non-financial assets of changes to key assumptions

The following table shows the quantitative information as at 31 December 2014 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Input
Non-financial assets				
Land and premises	131.5	Comparative method	Trade discount	5.0% - 26.7% (8.6%)
	2.0	Discounted cash flow	Capitalisation ratio	13.3% - 15.1% (14.3%)
Investment property	192.3	Combination of comparative, discounted cash flow and cost	Trade discount	5.0% - 40.0% (10.4%)
			Capitalisation ratio	8.5% - 16.5% (14.8%)
			Rate of return on investments	9.7% - 16.5% (12.9%)
Investment property within Assets of disposal group held for sale	0.6	Discounted cash flow	Capitalisation ratio	13.0%-15.0% / (14.0%)

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs as at 31 December 2014:

	Carrying amount	Effect of reasonably possible alternative assumptions
Non-financial assets: Land and premises	133.5	117.4 – 148.7
Non-financial assets: Investment property	192.3	176.4 – 206.1

43. FAIR VALUE MEASUREMENT (CONTINUED)

Methods and assumptions for Level 2 financial instruments

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (projected cash flows) method using the assumption of future coupon payment, recent transactions prices and the quotes of non-active markets if based on the Group's analysis such quotes represent the best estimate of the fair value of the financial instrument as at the reporting date. Probability models were calibrated using market indicators (currency forward, ITRAX Index).

Valuation processes for level 3 fair value measurements

In order to value Level 3 equity investments, the Group utilises comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Internal valuation of the fair value of joint-ventures and associates designated as at fair value is performed at the time of commencing the project. Internal valuations of the fair value are performed on the quarterly basis, which are reviewed by business owners of the portfolio on at least a quarterly basis to make decisions on the best timing to exit the investment according to the investment strategy.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

Non-financial assets and liabilities measured at fair value

Investment property. Investment property is measured at fair value reflecting market conditions at the end of the reporting period (valuation date). The valuation was carried out by independent appraisers or management. Sales comparison, discounted cash flow methods or their combination was used for the revaluation. The following non-observable assumptions (Level 3) were applied in determining of the fair value of the investments properties: discount rates, terminal
.
capitalisation rates, price dynamics, vacancy allowance, discounts for asking prices, adjustments reflecting comparables and subjects differences in location, area (volume), class and other conditions.

Land and premises. Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the change in the fair values. When the fair value of a revalued asset differs materially from its carrying amount further revaluation is performed. The basis used for valuation was market approach (sales comparison method). The following non-observable assumptions (Level 3) were applied in determining the fair value of land and premises: adjustments reflecting comparables and subjects differences in location, area (volume), class and other conditions.

Assets and liabilities of disposal group held for sale. Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Reclassified financial instruments, deferred taxes and investment properties held at fair value shall be remeasured in accordance with applicable IFRSs before the fair value less cost to sell of the disposal group is remeasured.

Precious metals. Precious metals are measured at fair value using reference prices for refined precious metals. Reference prices are calculated based on London fixing prices translated into RUR using the closing rate of exchange USD to Russian roubles at the reporting date.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value. For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to customer current/settlement deposits without a specific maturity.

Fixed and variable rate financial instruments. For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

43. FAIR VALUE MEASUREMENT (CONTINUED)

As at 31 December 2015 fair values analysed by level in the fair value hierarchy and carrying value of financial assets and liabilities not measured at fair value are as follows:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total fair value	Carrying amount
Financial assets for which fair values are disclosed					
Cash and short-term funds	145.5	425.2	–	570.7	570.7
Mandatory cash balances with central banks		70.8	–	70.8	70.8
Financial assets, other than loans, pledged under repurchase agreements	74.7	-	–	74.7	73.3
Due from other banks, including pledged under repurchase agreements	15.9	1,318.3	25.2	1,359.4	1,358.2
- Russia	15.9	392.6	25.2	433.7	431.8
- OECD	–	195.0	–	195.0	196.1
- Other countries	–	730.7	–	730.7	730.3
Loans and advances to customers, including pledged under repurchase agreements	18.0	602.1	8,786.8	9,406.9	9,437.5
- Loans to legal entities	18.0	602.1	6,997.7	7,617.8	7,670.7
- Loans to individuals	–	–	1,789.1	1,789.1	1,766.8
Investment securities held-to-maturity	70.9	0.1	0.5	71.5	69.2
Financial assets within assets of disposal groups held for sale	–	–	7.1	7.1	7.1
Other financial assets	–	–	95.1	95.1	95.1
Financial liabilities for which fair values are disclosed					
Due to other banks	–	1,233.9	–	1,233.9	1,224.0
Customer deposits	–	7,243.8	–	7,243.8	7,267.0
- Deposits of legal entities	–	4,370.1	–	4,370.1	4,383.6
- Deposits of individuals	–	2,873.7	–	2,873.7	2,883.4
Other borrowed funds	–	2,154.8	–	2,154.8	2,121.5
Debt securities issued	457.5	175.9	–	633.4	623.5
Subordinated debt	100.6	157.3	–	257.9	262.8
Financial liabilities within liabilities of disposal groups held for sale	–	12.4	–	12.4	12.4
Other financial liabilities			26.6	26.6	26.6

43. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value of financial assets and liabilities not carried at fair value (continued)

As at 31 December 2014 fair values analysed by level in the fair value hierarchy and carrying value of financial assets and liabilities not measured at fair value are as follows:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total fair value	Carrying amount
Financial assets for which fair values are disclosed					
Cash and short-term funds	254.8	440.4	–	695.2	695.2
Mandatory cash balances with central banks	–	85.5	–	85.5	85.5
Financial assets, other than loans, pledged under repurchase agreements	–	–	3.3	3.3	3.3
Due from other banks, including pledged under repurchase agreements	–	791.5	–	791.5	814.5
- Russia	–	227.9	–	227.9	243.8
- OECD	–	193.8	–	193.8	200.4
- Other countries	–	369.8	–	369.8	370.3
Loans and advances to customers, including pledged under repurchase agreements	–	181.9	8,171.2	8,353.1	8,537.3
- Loans to legal entities	–	181.9	6,421.9	6,603.8	6,748.3
- Loans to individuals	–	–	1,749.3	1,749.3	1,789.0
Investment securities held-to-maturity	1.0	0.2	–	1.2	1.2
Financial assets within assets of disposal groups held for sale	–	0.1	5.6	5.7	5.7
Other financial assets	–	–	82.5	82.5	82.5
Financial liabilities for which fair values are disclosed					
Due to other banks	–	724.2	–	724.2	733.2
Customer deposits	–	5,566.5	–	5,566.5	5,669.4
- Deposits of legal entities	–	3,482.0	–	3,482.0	3,520.3
- Deposits of individuals	–	2,084.5	–	2,084.5	2,149.1
Other borrowed funds	–	2,699.7	–	2,699.7	2,729.2
Debt securities issued	662.6	198.6	–	861.2	921.4
Subordinated debt	131.6	102.0	–	233.6	265.2
Financial liabilities within liabilities of disposal groups held for sale	–	1.7	2.7	4.4	4.4
Other financial liabilities	–	–	56.2	56.2	56.2

43. FAIR VALUE MEASUREMENT (CONTINUED)

Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The summary of principal accounting policies in Note 57 describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following tables disclose the carrying amounts of financial assets and liabilities by category as defined in IAS 39 and by lines in the statement of financial position.

As at 31 December 2015:

	Held for trading	Designated as at fair value through profit or loss	Derivatives designated as hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value	Total
Financial assets									
Cash and short-term funds	–	–	–	–	570.7	–	–	–	570.7
Mandatory cash balances with central banks	–	–	–	–	70.8	–	–	–	70.8
Non-derivative financial assets at fair value through profit or loss	196.5	40.6		–	–	–	–	–	237.1
Derivative financial assets	304.8		–	–	–	–	–	–	304.8
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	71.0	–	–	73.4	–	20.6	–	–	165.0
Due from other banks, including pledged under repurchase agreements	–	–	–	–	1,358.2	–	–	–	1,358.2
Loans and advances to customers, including pledged under repurchase agreements	–	–	–	–	9,437.5	–	–	–	9,437.5
Investment financial assets	–	–	–	69.2	–	190.1	–	–	259.3
Investments in associates and joint ventures at fair value through profit or loss	–	63.5	–	–	–	–	–	–	63.5
Financial assets within Assets of disposal group held for sale	–	–	–	–	7.1	–	–	–	7.1
Other financial assets	0.2		–		95.1		–	–	95.3
Total financial assets	**572.5**	**104.1**	**–**	**142.6**	**11,539.4**	**210.7**	**–**	**–**	**12,569.3**
Financial liabilities									
Due to other banks	–	–	–	–	–	–	1,224.0	–	1,224.0
Customer deposits							7,267.0	–	7,267.0
Derivative financial liabilities	283.9	–	0.2	–	–	–		–	284.1
Other borrowed funds	–	–	–	–	–	–	2,121.5	–	2,121.5
Debt securities issued	–	–	–	–	–	–	623.5	–	623.5
Subordinated debt	–	–	–	–	–	–	262.8	–	262.8
Financial liabilities within Liabilities of disposal group held for sale	–	–	–	–	–	–	12.4	–	12.4
Other financial liabilities	37.6	–	–	–	–	–	26.6	6.9	71.1
Total financial liabilities	**321.5**	**–**	**0.2**	**–**	**–**	**–**	**11,537.8**	**6.9**	**11,866.4**

43. FAIR VALUE MEASUREMENT (CONTINUED)

Analysis of financial assets and liabilities by measurement basis (continued)

As at 31 December 2014:

	Held for trading	Designated as at fair value through profit or loss	Derivatives designated as hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value	Total
Financial assets									
Cash and short-term funds	–	–	–	–	695.2	–	–	–	695.2
Mandatory cash balances with central banks	–	–	–	–	85.5	–	–	–	85.5
Non-derivative financial assets at fair value through profit or loss	235.9	39.1	–	–	–	–	–	–	275.0
Derivative financial assets	406.7	–	0.3	–	–	–	–	–	407.0
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	100.4	–	–	3.3	–	80.3	–	–	184.0
Due from other banks, including pledged under repurchase agreements	–	–	–	–	814.5	–	–	–	814.5
Loans and advances to customers, including pledged under repurchase agreements	–	–	–	–	8,537.3	–	–	–	8,537.3
Investment financial assets	–	–	–	1.2	–	131.0	–	–	132.2
Investments in associates and joint ventures at fair value through profit or loss	–	60.7	–	–	–	–	–	–	60.7
Financial assets within Assets of disposal group held for sale					5.7				5.7
Other financial assets	0.3	–	–	–	82.5	–	–	–	82.8
Total financial assets	**743.3**	**99.8**	**0.3**	**4.5**	**10,220.7**	**211.3**	**–**	**–**	**11,279.9**
Financial liabilities									
Due to other banks	–	–	–	–	–	–	733.2	–	733.2
Customer deposits	–	–	–	–	–	–	5,669.4	–	5,669.4
Derivative financial liabilities	396.9	–	0.9	–	–	–	–	–	397.8
Other borrowed funds	–	–	–	–	–	–	2,729.2	–	2,729.2
Debt securities issued	–	–	–	–	–	–	921.4	–	921.4
Subordinated debt	–	–	–	–	–	–	265.2	–	265.2
Financial liabilities within Liabilities of disposal group held for sale							4.4		4.4
Other financial liabilities	26.2	–	–	–	–	–	56.2	5.9	88.3
Total financial liabilities	**423.1**	**–**	**0.9**	**–**	**–**	**–**	**10,379.0**	**5.9**	**10,808.9**

44. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

Capital adequacy ratio in accordance with CBR requirements

The CBR requires Russian banks to maintain a minimum capital adequacy ratio of 10% of risk-weighted assets, determined in accordance with CBR's requirements. In other countries the Group members comply with the regulatory capital requirements of the local central banks or other supervisory authorities.

During 2015 and 2014 the Bank's capital adequacy ratio in accordance with CBR requirements exceeded the minimum level and as at 31 December 2015 and 2014 was as follows:

	2015	2014
Capital	1,014.7	771.1
Risk-weighted assets	7,713.5	6,114.0
Capital adequacy ratio	13.2%	12.6%

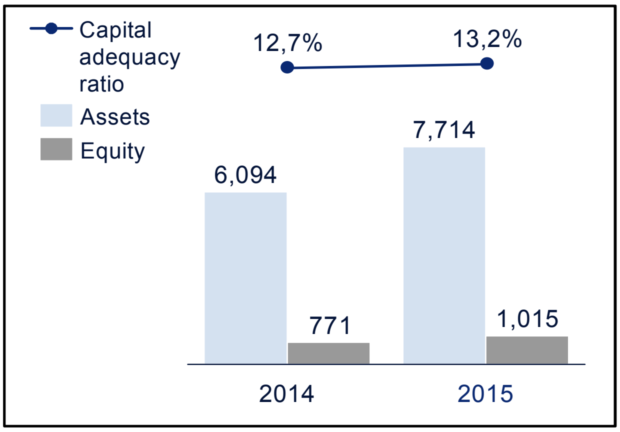
The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks.

These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

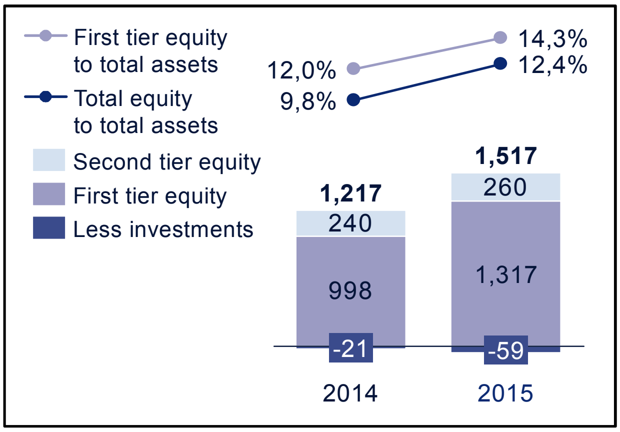
	2015	2014
Tier 1 capital		
Share capital	659.5	352.1
Share premium	433.8	433.8
Treasury shares	(2.3)	(6.5)
Perpetual loan participation notes excluding bought back	163.4	126.4
Retained earnings	127.6	169.3
Unrealized gain on financial assets available-for-sale and cash flow hedge	(5.3)	(18.7)
Currency translation difference	55.3	44.3
Non-controlling interests	(0.1)	13.1
Deducted: Goodwill	(116.1)	(116.3)
Total Tier 1 capital	**1,315.8**	**997.5**
Tier 2 capital		
Land and premises revaluation reserve	22.2	17.2
Subordinated debt	237.1	223.1
Total Tier 2 capital	**259.3**	**240.3**
Total capital before deductions	**1,575.1**	**1,237.8**
Deducted: equity investments in financial institutions and subordinated debt provided	(59.2)	(21.2)
Total capital after deductions	**1,515.9**	**1,216.6**
Risk-weighted assets		
Credit risk	10,074.3	9,528.4
Market risks	555.8	647.8
Total risk-weighted assets	**10,630.1**	**10,176.2**
Tier 1 capital ratio to total risk-weighted assets	**12.4%**	**9.8%**
Total capital ratio to total risk-weighted assets	**14.3%**	**12.0%**

44. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONTINUED)

Capital adequacy ratio in accordance with CBR requirements



Group equity, calculated in accordance with the Basel Accord



GROUP STRUCTURE

45. COMPOSITION OF THE GROUP

VTB bank is the direct or indirect holding company for the Group's subsidiaries.The principal subsidiaries included in these consolidated financial statements are presented in the table below:

Name	Activity	Country of registration	Percentage of ownership 2015	2014
Subsidiaries:				
"Bank of Moscow", OJSC	Banking	Russia	100.00%	96.88%
"Leto Bank", PJSC	Banking	Russia	100.00%	100.00%
"Bank VTB 24", PJSC	Banking	Russia	99.97%	99.96%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	100.00%
"VTB Bank (Austria)" AG	Banking	Austria	100.00%	100.00%
"VTB Bank (Belarus)", CJSC	Banking	Belarus	100.00%	100.00%
"VTB Bank (Deutschland)", AG	Banking	Germany	100.00%	100.00%
"Bank VTB (Kazakhstan)", JSC	Banking	Kazakhstan	100.00%	100.00%
"VTB Bank", PJSC (Ukraine)	Banking	Ukraine	99.99%	99.98%
"VTB Bank (Georgia)", JSC	Banking	Georgia	97.14%	96.81%
"VTB Bank (France)", SA	Banking	France	96.19%	96.22%
"VTB Capital", Plc	Banking	Great Britain	95.40%	95.40%
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	51.00%	51.00%
"VTB-Capital", JSC	Finance	Russia	100.00%	100.00%
"Holding VTB Capital", CJSC	Finance	Russia	100.00%	100.00%
Non-state pension fund "VTB Pension Fund", JSC	Finance	Russia	100.00%	100.00%
"Insurance Company VTB-Insurance", Ltd	Insurance	Russia	100.00%	100.00%
"VTB Factoring", Ltd	Factoring	Russia	100.00%	100.00%
"VTB-Leasing", JSC	Leasing	Russia	100.00%	100.00%
"Hals-Development", OJSC	Real Estate	Russia	98.06%	96.44%

During 2015 the Group increased its share in "Bank of Moscow", OJSC to 100% from 96.88%. As a result non-controlling interests decreased by RUR 8.0 billion.

In Septmeber 2015 VTB converted the interbank loans granted to "VTB Bank", PJSC (Ukraine) in the amount of RUR 44.5 billion into UAH 14.5 billiion of the ordinary shares of "VTB Bank", PJSC (Ukraine) increasing its share from 99,98% to 99,99% in the capital of the subsidiary

Restrictions to access or use the Group's assets

Statutory, contractual or regulatory requirements, corporate laws, as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from entities within the Group and to settle liabilities of the Group. At 31 December 2015, the Group had no material non-controlling interests whose protective rights significantly restricted the Group's ability to access or use the assets and settle the liabilities of the Group (Note 48). Other types of restrictions included the following:

- The Group has pledged assets to collateralize its obligations under repurchase agreements, securities financing transactions, collateralized loan obligations and for margining purposes for over-the-counter derivative liabilities (Notes 20, 21, 22, 23, 42, 43, 56);
- The Group has financial assets, including loans and advances to customers and investment financial assets held-to-maturity including assets pledged under repurchase agreements in the aggregate amount of RUR 615.3 billion (31 December 2014: RUR 292.1 billion), that cannot be disposed of without prior approval of the government authority.
- The assets of consolidated structured entities, such as securitisations, are held for the benefit of the parties that have bought the notes issued by these entities (Note 49).
- Assets held by insurance and pension funds subsidiaries are primarily held to satisfy the obligations to the subsidiaries' policy holders (Note 35).
- Banking and insurance regulations, including solvency and liquidity requirements, may restrict the Group's ability to transfer assets to or from its regulated subsidiaries in certain jurisdictions, as well as the ability of such subsidiaries to transfer funds to the Group in the form of cash dividends or to repay intergroup loans and advances. In the current economic environment in Ukraine (Note 41), National Bank of Ukraine introduced preapproval requirements on the certain operations of the Group's Ukrainian banking subsidiary which total assets, excluding intergroup balances, were less than 0.5% of the consolidated total assets of the Group and which liabilities, excluding intergroup balances, were less than 0.3% of the consolidated total liabilities of the Group at 31 December 2015.

46. BUSINESS COMBINATIONS AND DISPOSAL OF SUBSIDIARIES

In March 2015, the Group obtained control over "City Land Group Company" LLC (CLG), a real estate development company, with the increase of its ownership interest in CLG from 27.9% to 71.1%. The Group did not pay any additional consideration and acquired control as a result of the purchase by CLG of its ordinary shares from its former shareholder. Concurrent with the acquisition of control, the Group committed to lend RUR 15.1 billion to CLG to finance working capital needs and to settle certain liabilities of CLG to its former shareholder.

The Group used the acquisition-date estimated provisional fair value of the net assets of CLG for the purposes of the business combination accounting as at 31 March 2015. The initial accounting for the business combination had not been completed as at 31 March 2015 as the valuation of the investment property had been finalized by 31 December 2015 with the carrying amount of the investment property being decreased by RUB 8.0 billion due to its fair value adjustment at the acquisition date and the net assets of CLG being decreased by RUB 7.5 billion.

The non-controlling interest calculated as their proportionate share of the net assets of CLG decreased by RUB 2.0 billion.

The fair values of the acquired identified assets and liabilities as of the acquisition date were as follows:

Assets	
Investment property	28.5
Trade and other receivables	1.6
Total assets	**30.1**
Liabilities	
Trade and other payables	16.3
Loans from banks	2.5
Deferred income tax liabilities	5.2
Total liabilities	**24.0**
Fair value of identifiable net assets of subsidiary	**6.1**
Pre-existing ownership interest (Note 24)	4.3
Non-controlling interest	1.8
Less: fair value of identifiable net assets of subsidiary	(6.1)
Goodwill	**–**

In October 2015, the Group sold to a non-related party its 74.9% stake in one of the real estate subsidiary for RUR 1. The gain from disposal of subsidiary amounted to RUR 2.6 billion.

47. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2015	2014
Investments in associates and joint ventures designated as at fair value through profit or loss	63.5	60.7
Investments in associates and joint ventures accounted under equity method	40.8	35.6
Total investments in associates and joint ventures	**104.3**	**96.3**

The Group's interests in its principal associates and joint ventures designated as at fair value through profit or loss were as follows:

	Principal place of business / Country of registration	Activity	2015		2014	
			Carrying amount	Ownership percentage	Carrying amount	Ownership percentage
Investments in associates and joint ventures designated as at fair value through profit or loss						
T2 (Netherlands) B.V.	Russia/Netherlands	Telecom	53.6	50.00%	53.5	50.00%
"Thalita Trading", Ltd	Russia/Cyprus	Transport	8.4	50.00%	6.5	50.00%
Lagartino Partners Inc.	Virgin Islands	Services	1.5	22.50%	0.7	22.50%
"Ysmer", Ltd	Russia/Cyprus	Construction	–	50.00%	–	50.00%
Total investments in associates and joint venture designated as at fair value through profit or loss			**63.5**		**60.7**	

Summarized financial information of material investments in associates and joint ventures designated as at fair value through profit or loss based on its consolidated IFRS financial statements is as follows:

T2 (Netherlands) B.V	31 December 2015	31 December 2014
Current assets	12.4	16.1
- including cash and cash equivalents	0.8	3.7
Non-current assets	229.7	208.9
Current liabilities	65.1	47.9
- including interest-bearing loans and borrowings	37.2	18.7
Non-current liabilities	83.0	75.4
- including interest-bearing loans and borrowings	65.7	53.1
Net assets	94.0	101.7
Revenue	94.6	87.4
Cost of sales	(50.5)	(43.4)
Selling, general and administrative expenses	(44.4)	(33.3)
- including depreciation charge	(21.2)	(15.1)
Selling, general and administrative expenses	(0.1)	(0.5)
Other operating income	5.2	1.1
Other operating expense	(2.7)	(0.1)
Interest income	0.1	0.2
Interest expense	(11.6)	(7.0)
Foreign exchange loss	–	(2.3)
Income tax benefit/(expense)	1.7	(1.2)
Net (loss)/profit from continuing operations	(7.6)	0.9

47. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	2015			2014		
	"Thalita Trading", Ltd	"Ysmer", LTD	Lagartino Partners Inc.	"Thalita Trading", Ltd	"Ysmer", LTD	Lagartino Partners Inc.
Current assets	16.7	5.0	1.6	17.6	2.6	0.7
Non-current assets	55.0	71.6	4.3	55.7	63.9	4.1
Current liabilities	9.1	7.5	4.9	14.4	2.6	3.0
Non-current liabilities	105.6	68.1	0.2	83.3	63.6	1.5
Net assets	(43.0)	1.0	0.8	(24.4)	0.3	0.3
Revenue	15.6	29.7	n/a	18.9	30.7	n/a
Net profit from continuing operations	(4.4)	0.6	0.6	(22.3)	0.1	0.1
Share of the Group in net assets	(21.5)	0.5	0.2	(12.2)	0.2	0.1
Carrying value of investment in associate and joint venture	8.4	–	1.5	6.5	–	0.7

The Group's interests in its principal associates and joint ventures accounted under equity method were as follows:

	Principal place of business / Country of registration	Activity	2015 Carrying amount	2015 Ownership percentage	2014 Carrying amount	2014 Ownership percentage
Investments in associates and joint ventures accounted under equity method						
RCB Bank Ltd.	Cyprus	Banking	24.2	46.29%	14.2	46.29%
"Vietnam-Russia Joint Venture Bank"	Vietnam	Banking	4.6	50.00%	3.5	50.00%
"Eurofinance Mosnarbank", OJSC	Russia	Banking	2.8	25.00%	2.4	25.00%
"Burger King Russia (Cyprus)", Ltd	Russia / Cyprus	Fast food	2.6	36.60%	2.5	36.60%
"Russ Out of Home", BV	Russia / Netherlands	Mass media	2.5	26.43%	3.0	26.43%
"Estonian Credit Bank", JSC	Estonia	Banking	1.4	59.73%	1.1	59.73%
Irrico Ltd	Russia / Virgin Islands	Finance	0.9	34.15%	0.9	34.15%
Perovskoe, OJSC	Russia	Trade	0.7	49.00%	0.4	29.75%
"Zapadnaya Gold Mining" Ltd	Russia / Virgin Islands	Gold mining	0.6	23.08%	1.2	23.08%
"United Electronic Market Place", OJSC	Russia	IT	0.3	48.18%	0.3	48.18%
"The Academy of Football Dynamo of Lev Yashin", Ltd	Russia	Other	0.1	11.22%	0.1	11.22%
"VTB Capital I2BF JVC (Cayman)", Ltd	Russia and Kazakhstan / Cayman Islands	Finance	0.1	50.00%	0.1	50.00%
"KS Holding", CJSC	Russia	Insurance	–	–	5.8	49.00%
Two Capitals Highway, LLC	Russia	Holding	–	–	0.1	49.50%
Total investments in associates and joint ventures accounted under equity method			**40.8**		**35.6**	

In December 2015 the Group disposed of "KS Holding", CJSC to a third party for non-cash consideration with no gain or loss recognised.

47. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarized financial information of material investments in associates and joint ventures accounted under equity method is as follows at 31 December 2015 and 31 December 2014:

	2015			2014		
	RCB Bank Ltd.	"Vietnam-Russia Joint Venture Bank"	"Eurofinance Mosnarbank", OJSC	RCB Bank Ltd.	"Vietnam-Russia Joint Venture Bank"	"Eurofinance Mosnarbank", OJSC
Total assets	1,064.3	48.1	36.2	548.5	33.7	47.0
Including:						
- cash and short-term funds	56.3	2.8	8.6	50.6	2.3	17.2
- due from other banks	59.8	14.1	5.6	11.1	10.3	11.2
- loans and advances to customers	899.9	23.0	6.2	479.8	18.1	8.3
Total liabilities	1,012.0	39.0	25.2	517.8	26.7	36.0
Including:						
- due to other banks	747.6	14.7	6.8	366.7	9.1	11.0
- customer deposits	213.9	24.1	17.8	131.1	15.5	16.1
Net assets	52.3	9.1	11.0	30.7	7.0	11.0
Revenue	23.5	0.8	2.4	6.0	0.5	1.9
Net profit from continuing operations	9.8	0.4	0.5	1.4	–	0.7
Other comprehensive income	10.2	–	(0.8)	11.2	–	(2.6)
Total comprehensive income	20.0	0.4	(0.3)	12.6	–	(1.9)
Dividends received	1.0	–	0.2	–	–	0.2
Share of the Group in net assets	24.2	4.6	2.8	14.2	3.5	2.8
Goodwill included in carrying amount and other adjustments	–	–	–	–	–	(0.4)
Carrying value of investment in associate and joint venture	24.2	4.6	2.8	14.2	3.5	2.4

The unrecognized share of losses of associates for 2015 and cumulatively at 31 December 2015 was RUR 0.6 billion and RUR 3.9 billion, respectively (2014 and cumulatively at 31 December 2014: RUR 2.1 billion and RUR 3.3 billion, respectively).

As at 31 December 2015, investment in associate in the amount of RUR 8.4 billion was pledged against the funds obtained by the subsidiary of that associate (31 December 2014: RUR 6.5 billion).

48. NON-CONTROLING INTERESTS

The following table provides information about subsidiaries that has material to the Group non-controlling interest (the proportion of voting rights held by non-controlling interests is equal to the proportion of ownership interests held) as at 31 December 2015:

Name	Activity	Country of registration	Proportion of non-controlling interest	Accumulated non-controlling interest in the subsidiary	Profit/(loss) attributable to non-controlling interest	Dividends paid to non-controlling interest for the year
Banco VTB Africa S.A.	Banking	Angola	49.90%	1.3	0.5	–
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	49.00%	0.6	(0.8)	–
CiTer Invest B.V.	Real Estate	Netherlands	49.50%	(1.7)	(3.8)	–
"City Land Group", LLC	Real Estate	Russia	28.44%	2.0	0.3	–
"Upravlyayuschaya kompaniya Dynamo", CJSC	Real Estate	Russia	25.00%	(1.8)	(3.2)	–
"Hals-Development", OJSC	Real Estate	Russia	1.94%	(0.9)	(0.4)	–
Football club Dynamo-Moscow	Sport	Russia	26.00%	(1.7)	(0.8)	–

The Group has defined as material a non-controlling interest in subsidiaries in which it has between 50% and 75% of the voting rights. Some subsidiaries, which net assets form the significant part of the Group's net assets, may also be included in the list even if the Group has more than 75% of voting rights. The summarised financial information of these subsidiaries was as follows at 31 December 2015:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit/ (loss)	Total compre-hensive income	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities
Banco VTB Africa S.A.	12.1	0.5	9.2	0.8	1.0	1.0	1.6	5.9	–	–
"VTB Bank (Azerbaijan)", OJSC	5.8	16.5	9.6	11.6	2.4	(1.6)	(2.4)	5.1	(0.1)	0.3
CiTer Invest B.V.	0.2	14.7	7.8	10.6	–	(7.7)	(7.7)	0.2	(0.6)	0.1
"City Land Group", LLC	0.3	28.5	0.8	21.0	–	0.9	0.9	–	–	–
"Upravlyayuschaya kompaniya Dynamo", CJSC	11.5	37.2	4.7	51.1	–	(12.7)	(12.7)	8.9	(9.5)	–
"Hals-Development", OJSC	48.1	74.1	16.6	152.4	9.1	(14.9)	(14.9)	8.1	(4.1)	(2.4)
Football club Dynamo-Moscow	0.4	5.8	8.7	4.1	5.5	(3.0)	(3.2)	1.2	(0.7)	(0.5)

The following table provides information about subsidiaries that has material to the Group non-controlling interest (the proportion of voting rights held by non-controlling interests is equal to the proportion of ownership interests held) as at 31 December 2014:

Name	Activity	Country of registration	Proportion of non-controlling interest	Accumulated non-controlling interest in the subsidiary	Profit/(loss) attributable to non-controlling interest	Dividends paid to non-controlling interest for the year
"Bank of Moscow", OJSC	Banking	Russia	3.59%	9.4	2.6	0.9
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	49.00%	1.7	0.1	–
CiTer Invest B.V.	Real Estate	Netherlands	49.50%	2.1	0.8	–
"Upravlyayuschaya kompaniya Dynamo", CJSC	Real Estate	Russia	25.00%	1.4	(3.1)	–
"Hals-Development", OJSC	Real Estate	Russia	3.56%	0.8	(1.8)	–

There are no significant restrictions on the Group's ability to access or use assets and settle liabilities of subsidiaries listed above. The summarised financial information of these subsidiaries was as follows at 31 December 2014:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit/ (loss)	Total compre-hensive income	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities
"Bank of Moscow", OJSC	943.8	1,171.4	1,196.9	647.4	178.3	69.1	63.5	(115.8)	4.4	110.4
"VTB Bank (Azerbaijan)", OJSC	2.0	18.8	5.9	11.4	1.9	0.2	–	(1.5)	(0.3)	0.1
CiTer Invest B.V.	0.8	20.6	4.2	12.9	–	1.6	1.6	0.2	(3.3)	3.3
"Upravlyayuschaya kompaniya Dynamo", CJSC	7.4	33.6	2.4	33.0	0.6	(12.4)	(12.4)	10.4	(8.0)	–
"Hals-Development", OJSC	29.1	95.3	29.3	126.9	0.8	(4.1)	–	12.9	(10.9)	8.6

49. INTERESTS IN STRUCTURED ENTITIES

The Group issues eurobonds and subordinated Eurobonds through a number of consolidated structured entities incorporated in OECD countries:

Name	Country of registration
BOM Capital P.L.C	Ireland
Kuznetski Capital S.A.	Luxembourg
VTB Capital S.A	Luxembourg
VTB Eurasia Limited	Ireland

As at 31 December 2015 the Group guarantees all obligations of these entities represented by the eurobonds issued in the amount of RUR 379.3 billion and by the subordinated eurobonds issued in the amount of RUR 151.2 billion (31 December 2014: eurobonds issued in the amount of RUR 596.3 billion and subordinated Eurobonds issued in the amount of RUR 162.8 billion).

The Group issues mortgage-backed securities and purchases right of claims under mortgage through a consolidated structured entity performing its activity as mortgage agent.

The Group performs some development projects through a number of consolidated structured entities:

Name	Country of registration
Global-Finance, CJSC	Russia
Triada Invest, CJSC	Russia
Zifaria Holdings Limited	Cyprus
Yorknew Management LTD	Cyprus

During 2015 and 2014 the Group did not provide any other financial support to the consolidated structured entities. The Group has no current obligation or intention to provide financial or other support to consolidated structured entities, or to assist the structured entities in obtaining financial support.

50. CONTINGENCIES AND COMMITMENTS

LEGAL PROCEEDINGS

From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims. Management assessed probable outflow of resources and the respective provision has been made as at 31 December 2015 and 31 December 2014.
The movements in provisions for legal claims recorded in liabilities were as follows:

2013	**2.8**
Reversal of provision during the period	(1.8)
Write-offs	(0.3)
Effect of translation	(0.7)
2014	**–**
Provision during the period	0.5
Effect of translation	(0.1)
2015	**0.4**

On 31 December 2015 one of the Group's subsidiaries was involved in a legal case related to its performance guarantee of RUR 5.7 billion issued to a third party. The Group considers that it has no liability under this performance guarantee and views the probability of a loss resulting from the legal case as possible and has created no provision.

TAX CONTINGENCIES

Major part of the Group'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, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant state authorities.

The Russian transfer pricing legislation as currently in effect allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions supported by appropriate transfer pricing documentation and proper reporting to the Russian tax authorities. In 2015 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices.

Apart from the Russian Federation, the Group also operates in a number of foreign jurisdictions. The Group includes companies incorporated outside of Russia that are taxed pursuant to the provisions of the tax legislation of the jurisdictions of incorporation of the respective companies. Tax liabilities of the Group are determined on the basis that non-Russian companies of the Group do not have a permanent establishment in Russia and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.).

50. CONTINGENCIES AND COMMITMENTS (CONTINUED)

TAX CONTINGENCIES (CONTINUED)

Russian tax laws that were in effect before 1 January 2015 did not contain detailed rules on taxation of foreign companies. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and courts as to their interpretation and application, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged, in which case the foreign companies may be taxed according to the rules similar to the rules applicable to the Russian entities.

Effective 1 January 2015 Federal law No. 376-FZ dated 24 November 2014, as amended by Federal laws No. 150-FZ dated 8 June 2015 and No. 32-FZ dated 15 February 2016 (widely known as "deoffshorization law" or "controlled foreign companies" law) introduced into the Russian tax legislation the concepts of "tax residency" for foreign legal entities, "beneficial ownership" and rules for taxation of undistributed profit of controlled foreign companies in Russia. The adoption of this law generally leads to an increase in the administrative (including tax) burden for the Russian entities that have subsidiary structures incorporated outside Russia.

Interpretation of the above provisions of the Russian tax legislation in conjunction with the recent trends in law enforcement practice in taxation within the Russian Federation suggest that the tax authorities and courts are taking more assertive positions in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and late payment interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 December 2015, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions should be sustained vis-a-vis tax authorities and courts.

CREDIT RELATED COMMITMENTS

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan.

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

The total outstanding contractual amount of irrevocable undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Outstanding credit related commitments are as follows:

	2015	2014
Guarantees issued	970.6	1,387.5
Letters of credit	111.6	60.2
Undrawn credit lines	25.4	22.5
Commitments to extend credit	4.8	4.2
Less: provision for credit related commitments	(14.3)	(21.3)
Total credit related commitments	**1,098.1**	**1,453.1**

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 31 December 2015 is RUR 283.3 billion (31 December 2014: RUR 299.4 billion).

Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 4.8 billion (31 December 2014: RUR 23.5 billion) (Note31).

As at 31 December 2015, the guaranties issued for largest interrelated foreign entity accounted for RUR 81.4 billion or 8.4% of the guarantees issued. (31 December 2014: related Russian entity RUR 98.1 billion or 7.1% of the guarantees issued).

As at 31 December 2015, the 10 largest groups of interrelated customers accounted for RUR 386.8 billion or 39.9% of the guarantees issued (31 December 2014: RUR 476.2 billion or 34.3% of the guarantees issued).

50. CONTINGENCIES AND COMMITMENTS (CONTINUED)

CREDIT RELATED COMMITMENTS (CONTINUED)

The movements in provisions for credit related commitments were as follows:

2013	**0.8**
Provision during the period	19.5
Write-offs due to execution	(0.4)
Business combination	1.2
Effect of translation	0.2
2014	**21.3**
Provision during the period	7.5
Write-offs due to execution	(15.1)
Effect of translation	0.6
2015	**14.3**

Provisions for credit-related commitments are recorded within other liabilities.

COMMITMENTS UNDER OPERATING LEASES

The Group's commitments under operating leases mainly of premises comprised the following:

	2015	2014
Remaining contractual maturity:		
Within 1 year	12.6	8.3
From 1 to 5 years	30.7	19.1
More than 5 years	33.5	35.8
Total operating lease commitments	**76.8**	**63.2**

PURCHASE COMMITMENTS

As at 31 December 2015 the Group had RUR 61.5 billion of outstanding commitments for the purchase of precious metals (31 December 2014: RUR 71.0 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognized on these contracts.

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The Group has entered into agreements with third parties for construction of investment property objects or properties intended for sale which will require capital outlays subsequent to 31 December 2015.

As at 31 December 2015 the Group has future minimum capital expenditures related to investment property under construction in progress or development in the amount of RUR 32.3 billion (31 December 2014: RUR 29.9 billion) of which RUR 11.8 billion to be expended in less than 1 year (31 December 2014: RUR 11.8 billion) ; RUR 15.0 billion to be expended later than 1 year and not later than 5 years (31 December 2014: RUR 19.1 billion) and RUR 5.5 billion to be expended later than 5 years (31 December 2014: nil).

As at 31 December 2015 the Group has future minimum capital expenditures related to property intended for sale in the ordinary course of business under construction in progress or development in the amount of RUR 50.8 billion (31 December 2014: RUR 67.3 billion) of which RUR 27.0 billion to be expended in less than 1 year (31 December 2014: RUR 35.1 billion) and RUR 23.8 billion to be expended later than 1 year and not later than 5 years (31 December 2014: RUR 32.2 billion).

51. SUBSEQUENT EVENTS

In January 2016 the Group's subsidiary "Bank VTB 24", PJSC and Russian Post, a government controlled entity, entered into a binding agreement to create a "Post Bank" on the basis of "Leto Bank", PJSC. Post Bank plans to start its operations during the first quarter of 2016 and will be providing a range of banking services through post offices. As a part of the transaction "Bank VTB 24", PJSC sold 49.99% of shares in "Leto Bank", PJSC to a subsidiary of Russian Post for the total consideration of RUR 5.5 billion. Since the Group retained control over "Leto Bank", PJSC the difference between the non-controlling interest recorded and the fair value of the consideration received is recorded directly in equity as a reduction of retained earnings.

In March 2016, Bank VTB (PAO) held a shareholders meeting in absentia to approve, among other things, a business combination in connection with the planned Bank of Moscow reorganization (Note 27). In accordance with the applicable Russian law, Bank's shareholders who have the right to vote and vote against this business combination or abstain from voting on this matter receive the right to sell their shares to the Bank at prices specified in the shareholders' meeting announcement: 0,04 RUR per ordinary share, 0,01 RUR per preferred share, and 0,1 RUR per preferred share type A. The ultimate extent of the tendered shares will not be known until the second quarter 2016. Management does not expect the tender rights will have a significant impact on the Group consolidated financial statements and regulatory capital adequacy.

In February 2016 Bank of Moscow, OJSC sold 49.0% of shares in associated entity "Perovskoe", OJSC to a third party for the total consideration of RUR 0.7 billion with no gain or loss recognized.

In March VTB Bank has established a subsidiary company "VTB Commodities Holding", Ltd for the participation of VTB Group in the strategic financing transactions supply of commodities for the largest customers. The authorized capital of the company amounted to RUR 125 million. The new company will finance the transaction related to the trade in oil and oil products, coal, agricultural products, etc.

In January and February 2016, VTB redeemed its Series BO 21 and BO 22 local bond in the total amount of RUR 30.0 billion upon maturity.

In February 2016, VTB redeemed bonds under EMTN program in the total amount of EUR 0.2 billion (RUR 17.3 billion) upon maturity.

In January 2016, Bank of Moscow, OJSC issued 73 253 833 ordinary shares with nominal value of RUR 100 per share. VTB acquired all of these ordinary shares for RUR 43.0 billion.

In January 2016, Bank of Moscow, OJSC redeemed local bond in the total amount of RUR 10.0 billion upon maturity.

In accordance with the VTB dividend policy as approved by the Supervisory Council 29 January 2016 dividends are distributed on an annual IFRS net profit. The Supervisory Council proposes the amount of dividends for the approval by the Annual General Meeting of VTB. The approved dividend amounts are paid out to eligible shareholders within 25 working days.

52. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities and associates and joint ventures and are stated in the tables below:

Statements of financial position

	2015		2014	
	Government-related entities	Associates and joint ventures and other	Government-related entities	Associates and joint ventures and other
Assets				
Cash and short-term funds	202.6	0.2	152.1	34.5
Mandatory cash balances with central banks	56.5	–	68.5	–
Non-derivative financial assets at fair value through profit or loss	66.0	–	57.9	–
Derivative financial assets	100.6	–	137.3	–
Financial assets, other than loans, pledged under repurchase agreements	127.1	–	137.5	–
Due from other banks, including pledged under repurchase agreements	389.5	683.3	209.1	293.5
Loans and advances to customers, including pledged under repurchase agreements	2,353.9	176.6	2,177.0	110.1
Allowance for loan impairment	(26.6)	(7.8)	(21.3)	(6.1)
Investment financial assets	103.5	–	20.7	–
Other assets	58.2	–	1.9	0.2
Liabilities				
Due to other banks	238.2	524.8	165.7	150.3
Customer deposits	2,177.3	55.2	1,684.5	43.2
Derivatives financial liabilities	36.3	–	31.4	–
Other borrowed funds	1,815.8	0.1	2,440.5	0.1
Subordinated debt	104.9	–	102.1	–
Other liabilities	11.7	4.5	4.5	0.7
Credit Related Commitments				
Guarantees issued	376.5	27.9	573.2	11.3
Import letters of credit	1.7	–	9.7	0.3
Undrawn credit lines	0.3	0.1	3.1	–
Commitments to extend credit	–	–	–	–

Income statements

	2015	2014
Interest income		
Loans and advances to customers	214.5	148.6
Securities	17.8	23.3
Due from other banks	38.6	3.9
Interest expense		
Due to other banks and other borrowed funds	(231.2)	(136.1)
Customer deposits	(191.1)	(112.1)
Subordinated debt	(12.5)	(12.5)
Provision charge for impairment of debt financial assets	(4,3)	(3.5)

For the year ended 31 December 2015, the total remuneration of the key management personnel of the Group including pension contributions amounted to RUR 6.1 billion (31 December 2014: RUR 5.9 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Commission and key management of subsidiaries. Loans to the key management personnel as at 31 December 2015 amounted to RUR 0.2 billion (31 December 2014: RUR 0.3 billion). Compensation to key management personnel primarily consists of short term employee benefits.

53. OFFSETTING OF FINANCIAL INSTRUMENTS

The tables below show financial assets offset against financial liabilities and financial liabilities offset against financial assets in the statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements that does not result in an offset in the statement of financial position as at 31 December 2015:

Assets (gross before allowance for impairment)	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Reverse sale and repurchase agreements to maturity (Non-derivative financial assets at fair value through profit or loss)	24.2	–	24.2	(24.2)	–	–
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	165.0	–	165.0	(152.5)	–	12.5
Derivative financial assets	304.8	–	304.8	(84.5)	–	220.3
Reverse sale and repurchase agreements with other banks	22.2	–	22.2	(22.2)	–	–
Due from other banks, pledged under repurchase agreements	5.0	–	5.0	(4.8)	–	0.2
Reverse sale and repurchase agreements with legal entities and individuals	334.7	(21.9)	312.8	(189.0)	–	123.8
Loans and advances to customers, pledged under repurchase agreements	610.3	–	610.3	(589.8)	–	20.5
Total	**1,466.2**	**(21.9)**	**1,444.3**	**(1,067.0)**	–	**377.3**

Liabilities	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Funds from local central banks under sale and repurchase agreements (other borrowed funds)	805.0	–	805.0	(722.2)	–	82.8
Other borrowed funds, other than sale and repurchase agreements with central banks	1,338.4	(21.9)	1,316.5	–	–	1,316.5
Sale and repurchase agreements with other banks (due to other banks)	32.5	–	32.5	(21.0)	–	11.5
Sale and repurchase agreements with customers (customer deposits)	6.0	–	6.0	(3.9)	–	2.1
Obligation to deliver securities	37.2	–	37.2	(30.1)	–	7.1
Derivative financial liabilities	284.1	–	284.1	(84.5)	–	199.6
Total	**2,503.2**	**(21.9)**	**2,481.3**	**(861.7)**	–	**1,619.6**

53. OFFSETTING OF FINANCIAL INSTRUMENTS (CONTINUED)

The tables below show financial assets offset against financial liabilities and financial liabilities offset against financial assets in the statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements that does not result in an offset in the statement of financial position as at 31 December 2014:

Assets (gross before allowance for impairment)	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Reverse sale and repurchase agreements to maturity (Non-derivative financial assets at fair value through profit or loss)	19.2	–	19.2	(19.2)	–	–
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	184.0	–	184.0	(166.6)	–	17.4
Derivative financial assets	407.0	–	407.0	(122.7)	–	284.3
Reverse sale and repurchase agreements with other banks	26.0	–	26.0	(25.0)	–	1.0
Due from other banks, pledged under repurchase agreements	74.2	–	74.2	(60.5)	–	13.7
Due from banks other than reverse repo and pledged under repurchase agreements	732.0	(13.5)	718.5	–	–	718.5
Reverse sale and repurchase agreements with legal entities and individuals	287.3	–	287.3	(230.8)	–	56.5
Loans and advances to customers, pledged under repurchase agreements	463.1	–	463.1	(430.9)	–	32.2
Total	**2,192.8**	**(13.5)**	**2,179.3**	**(1,055.7)**	**–**	**1,123.6**

Liabilities	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Funds from local central banks under sale and repurchase agreements (other borrowed funds)	771.9	–	771.9	(606.7)	–	165.2
Sale and repurchase agreements with other banks (due to other banks)	93.4	(13.5)	79.9	(51.2)	–	28.7
Sale and repurchase agreements with customers (customer deposits)	0.4	–	0.4	(0.1)	–	(0.3)
Obligation to deliver securities	25.8	–	25.8	(20.1)	–	5.7
Derivative financial liabilities	397.8	–	397.8	(122.7)	–	275.1
Total	**1,289.3**	**(13.5)**	**1,275.8**	**(800.8)**	–	**475.0**

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position.

54. SHARE-BASED PAYMENTS

In February 2012, several VTB Group members introduced for their selected employees a share-based remuneration plan. This plan has established a right of those employees to receive common shares ("Shares Plan") or GDR ("GDRs Plan") of VTB (depending on the employing entity's country of incorporation) contingent on their service over a specified period of time.

In February 2013, several VTB Group members made additional awards to their selected employees under the same plan rules and vesting conditions.

Shares Plan. The vesting conditions envisage that an employee remains in service for a certain vesting period to receive the shares award. The awarded shares vest gradually in three equal instalments over the vesting periods of one, two and three years, subject to employee's continuous employment with the Group during the relevant vesting period. An award, or portion of it, may be forfeited or paid if the employee terminates employment before the end of the relevant vesting period voluntarily or subject to certain other conditions as described in the Plan rules.

GDRs Plan. Under GDRs Plan the selected employees are granted zero strike price options to purchase GDRs exercisable over ten years from each respective vesting date. The vesting conditions envisage that an employee remains in service for a certain vesting period to receive the GDRs award. The awarded GDRs vest gradually in three equal instalments over the vesting periods of one, two and three years, subject to employee's continuous employment with the Group during the relevant vesting period. An award, or portion of it, may be forfeited or exercised if the employee terminates employment before the end of the relevant vesting period voluntarily or subject to certain other conditions as described in the Plan rules.

As at 31 December 2015 the total value of the award granted under the Shares Plan was RUR 1.1 billion (31 December 2014: RUR 1.2 billion) represented by 18.4 billion shares of VTB (31 December 2014: 20.5 billion).

As at 31 December 2015 the total value of the award granted under the GDRs Plan was RUR 1.8 billion (31 December 2014: RUR 1.8 billion) represented by 9.6 million of GDRs of VTB (31 December 2014: 9.0 million). Each GDR contains 2,000 VTB shares.

For the year ended 31 December 2015 the Group recognised in Staff costs the amount of RUR 0.8 billion (31 December 2014: RUR 0.8 billion) as expenses related to the above equity-settled share-based payment transactions.

For 2015 quantity of units were determined as fixed monetary value communicated to employees on the grant date divided by a simple average of the daily weighted-average market price of shares/GDRs for the actual number of relevant exchange working days in January 2015.

For 2014 quantity of units were determined as fixed monetary value communicated to employees on the grant date divided by a simple average of the daily weighted-average market price of shares/GDRs for the actual number of relevant exchange working days in January 2014.

As at 31 December 2015 under the GDRs Plan 12.0 million GDRs were vested (31 December 2014: 7.5 million). As at 31 December 2015 the quantity of vested unexercised options comprised 0.6 million (31 December 2014: 1.0 million).

55. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	2015	2014
Weighted average number of ordinary shares in issue	12,879,588, 033,501	12,882,983, 222,509
Net profit attributable to shareholders of the parent	10.7	4.1
Amounts due and paid on perpetual loan participation notes, net of tax	(9.4)	(7.0)
Total net profit/(loss) attributable to shareholders of the parent	1.3	**(2.9)**
Basic and diluted earnings per share (expressed in Russian roubles per share)	**0.00010**	**(0.00023)**
(Loss) after tax from subsidiaries acquired exclusively with a view to resale	(3.7)	(0.5)
Basic and diluted earnings per share based on profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	**(0.00029)**	**(0.00004)**
Total net profit /(loss) attributable to shareholders of the parent net of profit after tax from subsidiaries acquired exclusively with a view to resale	5.0	(2.4)
Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)	**0.00039**	**(0.00019)**

56. TRANSFERS OF FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL

The Group transferred financial assets in transactions that did not qualify for derecognition. The following note provides a summary of financial assets which have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition.

(a) Transfers that did not qualify for derecognition of the financial asset in its entirety

The table below shows the amount of operations under sale and repurchases agreements which the Group entered into in the normal course of business as at 31 December 2015 and 31 December 2014. (Notes 21, 22, 23,30,31 and 32)

	2015			2014		
	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position
Non-derivative financial assets at fair value through profit or loss	71.0	60.9	**10.1**	100.4	103.5	**(3.1)**
Investment financial assets available-for-sale	20.6	21.4	**(0.8)**	80.3	118.0	**(37.7)**
Investment financial assets held to maturity	73.3	75.3	**(2.0)**	3.3	3.6	**(0.3)**
Loans and advances to customers, pledged under repurchase agreements	609.8	604.9	**4.9**	463.1	454.5	**8.6**
Due from other banks, pledged under repurchase agreements	5.0	4.8	**0.2**	74.2	60.5	**13.7**
Total	**779.7**	**767.3**	**12.4**	**721.3**	**740.1**	**(18.8)**

In addition the Group has loans and advances with customers that did not qualify for derecognition with carrying amount of RUR 516.0 billion (31 December 2014: RUR 146.6 billion) and associated financial liabilities with carrying amount of RUR 516.7 billion (31 December 2014: RUR 146.6 billion).

The table below shows the amount of securitization operations as at 31 December 2015 and 2014 which the Group enters into in the normal course of business.

		2015			2014		
	Note	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position
Due from Central Bank [(A)]	22	1.0	1.0	**0.0**	1.4	1.4	**0.0**
Mortgage loans [(A)]	23	27.1	22.5	**4.6**	38.1	32.9	**5.2**
Car loans [(B)]	23	10.3	14.5	**(4.2)**	10.4	11.2	**(0.8)**
Total		**38.4**	**38.0**	**0.4**	**49.9**	**45.5**	**4.4**

(A) Starting from 2010 "Bank VTB 24", PJSC participates in VEB Program to support affordable housing projects using the mortgage. Under this Program "Bank VTB 24", PJSC issues mortgage-backed securities which are all bought by VEB. As at 31 December 2015 carrying amount of pledged assets under this Program was RUR 28.1 billion, including RUR 27.1 billion of mortgage loans and RUR 1.0 billion on due from Central Bank of Russian Federation, amortized cost of issued mortgage-backed securities to RUR 23.5 billion.

(B) In January 2014, "Bank VTB 24", PJSC arranged a structured transaction related to its car loan portfolio in the amount of RUR 6.7 billion through a sale to a special purpose entity, which further attracted funds through secured loan deal in the amount of USD 200 million with the expected maturity in June 2018. The USD loan bears the floating interest rate of monthly LIBOR plus 1.5% p.a. payable monthly.

(B) As at 31 December 2015 the carrying amount of the loan of RUR 14.5 billion was included in other borrowings. This loan was securitized with a pledge of loans to customers with the carrying amount of RUR 10.3 billion.

56. TRANSFER OF FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL (CONTINUED)

(b) Transfers that qualified for derecognition of the financial asset in its entirety

The Group has certain transferred financial assets which have been derecognized in their entirety, but for which there is continuing involvement at the reporting date due to the representation on the board of directors and/or due to effectively holding collateral under transferred assets to secure remaining payments from third parties related to the transfer. The collateral fair value under transferred assets comprised 3.1 RUR billion as at 31 December 2015 (31 December 2014: RUR 3.1 billion). Proceeds from the transfer were fully received in several instalments with RUR 0.01 billion and RUR 1.5 billion received in 2014 and 2013 respectively. The gain recognized at the date of transfer comprised RUR 0.5 billion.

Assets pledged as collateral

The Group pledges assets that are on its statement of financial position in various day-to-day transactions that are conducted under the usual terms and conditions applying to such agreements. The Group pledged securities as collateral in repurchase agreements for RUR 779.7 billion (2014: RUR 721.3 billion). Refer to the section “(a) Transfers that did not qualify for derecognition of the financial asset in its entirety” above.

Assets held as collateral

The Group holds certain assets as collateral which it is permitted to sell or repledge in the absence of default by the owner of the collateral, under the usual terms and conditions applying to such agreements. The Group received securities as collateral in reverse repurchase agreements with banks and customers (Notes 22, 23) and reverse sale and repurchase agreements to maturity accounted at fair value (Note 19) with a fair value of RUR 269.6 billion and RUR 31.0 billion (2014: RUR 329.0 billion and RUR 24.2 billion respectively). Of these, securities with a fair value of RUR 37.2 billion (2014: RUR 25.8 billion) were transferred to satisfy commitments under short sale transactions and securities with a fair value of RUR 122.8 billion (2014: RUR 61.1 billion) were sold under agreements to repurchase under the usual terms and conditions applying to such agreements.

In addition, the Group held RUR 4.8 billion of Customer deposits (2014: RUR 23.5 billion) as collateral for irrevocable commitments under import letters of credit (Note31). The Group is obliged to return the collateral at maturity of the import letters of credit.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. Subsidiaries are consolidated from the date, on which control is transferred to the Group (acquisition date) and are no longer consolidated from the date when control ceases. All intragroup balances and transactions, including income, expenses, dividends and unrealized gains on transactions between the Group members are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities assumed, including contingent liabilities, which are a present obligation and can be measured reliably, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the aggregate of: i) purchase consideration paid, ii) the amount of any non-controlling interest in the acquiree and iii) acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree (in case of the business combination achieved in stages), over the fair value of the acquiree’s identifiable net assets is recorded as goodwill. If the result of the above calculation is negative, the difference is recognized directly in the income statement.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Subsidiaries (continued)

Non-controlling interest is the interest in subsidiaries not attributable, directly or indirectly to the Group. The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. This choice is made by the acquirer for each business combination. Non-controlling interests that are not present ownership interests are measured at fair value. Non-controlling interest at the subsequent reporting date represents the initially recognized amount of non-controlling interest at the acquisition date and the non-controlling interest's portion of movements in comprehensive income and equity since the date of the combination. Non-controlling interest is presented as a separate component within the Group's equity except for the non-controlling interests in mutual funds under the Group’s control, which are accounted for within Group’s liabilities.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs should be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer should recognize at the acquisition date a liability for any contingent purchase consideration.

Increases in ownership interests in subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited directly to retained earnings as a capital transaction.

Investments in associates and joint arrangements

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

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

A joint venture exists where the Group has a joint arrangement with one or more parties to have rights to the net assets of the arrangement. The Group recognizes interests in a joint venture using the equity method and applies the same accounting policies as those for investments in associates.

Venture Capital Investments

Investments in companies that are managed by a dedicated team within VTB Group, primarily involved in venture capital activities, as part of the Group’s investment portfolio of securities at fair value through profit and loss and over which the Group may have significant influence are carried at fair value as permitted by IAS 28 which allows investments in associates and joint ventures that are held by venture capital organizations to be excluded from the scope of IAS 28 if these investments are upon initial recognition designated as at fair value through profit or loss or are classified as held for trading and accounted in accordance with IAS 39. These venture capital investments of the Group are classified as investments in associates and joint ventures designated as at fair value through profit or loss and the changes in the fair value of such investments are accounted for similar to the changes in the fair value of financial assets designated as at fair value through profit or loss as described below, and is included in the gains less losses arising from financial instruments at fair value through profit or loss.

Structured entities

Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgement is also required to determine whether the substance of the relationship between the Group and a structured entity indicates that the structured entity is controlled by the Group.

The Group does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Group does control a structured entity, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. Refer to Note 49 for further information about the Group’s exposure to structured entities.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or losson the disposal of the related assets or liabilities, the Group shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. If a revaluation surplus previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the asset, the Group shall transfer the revaluation surplus directly to retained earnings when it loses control of the subsidiary.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial assets

Valuation of financial instruments

All financial instruments are recognised initially at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs are directly attributable to the acquisition or issue of the financial asset. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Group's valuation methodologies, which are described in Notes 4341.

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique with all material inputs observable, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated income statement. Any other differences are not recognized as "day 1" gain or loss but rather are amortized on a straight line basis over the term of the relevant financial asset or recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Classification of financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

Reclassification of financial assets

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be reclassified out of the fair value through profit or loss category in the following circumstances:

- financial assets that would have met the definition of loans and receivables at the date of reclassification (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and
- financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

When a financial asset is reclassified as described in the above circumstances, the financial asset is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the income statement is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Where financial assets have been reclassified out of the fair value through profit or loss category to the loans and receivables category, the effective interest rate determined at the date of reclassification is used to calculate any impairment losses.

Where financial assets have been reclassified out of the available-for-sale investment financial assets category to the loans and receivables category, the previous gain or loss that has been recognised in other comprehensive income shall be amortised through income statement within gains less losses from available-for-sale financial assets over the remaining life of the financial asset using the effective interest method.

Financial assets at fair value through profit or loss:

(a) Financial assets held for trading

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired or generated for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as and are effective hedging instruments. Gains or losses on financial assets held for trading are recognized in the income statement.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets held for trading, are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio, in which a pattern of short-term trading exists. The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term.

Non-derivative trading financial assets are carried at fair value. Interest earned on non-derivative debt trading financial assets is calculated using the coupon (contractual) interest rate, which approximates the effective interest rate, and is presented in the income statement as interest income. All elements of the changes in the fair value are recorded in the income statement as gains less losses from financial assets at fair value through profit or loss in the period, in which they arise.

(b) Financial assets designated as at fair value through profit or loss

Other financial assets at fair value through profit or loss are those designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel as defined in IAS 24. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities and is in accordance with IAS 39.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not classified or designated as at fair value through profit or loss upon initial recognition. Such assets are carried at amortized cost using the effective interest method. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition. The Group may change the intention of holding certain loans and receivables for foreseeable future and intend to sell these items. In the above case the Group reclassifies these specific items from loans and receivables to available-for-sale financial assets. These reclassified assets are measured at fair value through other comprehensive income.

Held-to-maturity investments

Quoted on an active market non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. Held-to-maturity investments are subsequently measured at amortized cost. For investments carried at amortized cost, gains and losses are recognized in the income statement when the investments are disposed or impaired, as well as through the amortization process.

Held-to-maturity investments of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized in other comprehensive income in a separate component of equity until the investment is derecognized or until the investment is determined to be impaired. However, interest calculated using the effective interest rate is recognized in the income statement.

When the Group derecognizes available-for-sale financial assets, the Group reclassifies the cumulative gain or loss previously recognized in other comprehensive income in a separate component of equity to a separate line in the income statement.

If there is objective evidence that an available-for-sale financial asset is impaired the cumulative loss previously recognized in other comprehensive income being the difference between the acquisition cost and the current fair value (less any impairment loss on that asset previously recognized in income statement) – is reclassified from separate component of equity to the income statement.

Financial assets classified as available-for-sale that would have met the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement and has no obligation to pay amounts to eventual recipients unless it collects equivalent amounts from the original assets and the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Securitization of financial assets

As part of its operational activities, the Group securitizes financial assets, generally through the transfer of these assets to special purpose entities that issue debt securities to investors or through the arrangement of funded participation agreements. The transferred securitized assets may qualify for derecognition in full or in part. Interests in the securitized financial assets may be retained by the Group and are primarily classified as loans to customers. Gains or losses on securitizations are based on the carrying amount of the financial assets derecognized and the retained interest, based on their relative fair values at the date of transfer.

Restructuring of financial assets

The Group from time to time may restructure some of its financial assets. This mostly relates to loans and receivables. The accounting treatment of such restructuring is conducted in the following basic scenarios:

- If the currency of the loan has been changed the old loan is derecognized and the new loan is recognized. As a result, the new loan will be recognized which requires the estimation of a new effective interest rate. If the new effective interest rate is below the market interest rate, the loss on initial recognition is recognized in the reporting period.
- If the loan restructuring is not caused by the financial difficulties of the borrower but the cash flows were renegotiated – the loan is not recognized as impaired. In the case where a modification of a restructured loan’s cash flows is not considered substantial, the loan is not derecognized but the new effective interest rate is determined based on the remaining cash flows under the loan agreement till maturity.
- If the loan is impaired after being restructured, the Group uses the original effective interest rate in respect of the new cash flows after renegotiation to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before restructuring is included in the provision charges for debt financial assets for the period.

Financial liabilities

Financial liabilities in the scope of IAS 32 and IAS 39 are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. When financial liabilities are recognized initially, they are measured at fair value, minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Other financial liabilities are carried at amortized cost using the effective interest rate method.

Financial liabilities of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition.

Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are issued for the purpose of repurchasing them in the near term. They normally contain trade financial liabilities or "short" positions in securities. Derivatives with negative fair value are also classified as financial liabilities at fair value through profit or loss. Gains or losses on financial liabilities at fair value through profit or loss are recognized in the income statement.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

When a financial liability is repurchased (bought-back) by a certain Group member, it is derecognized. The difference between the carrying value (amortized cost) of a financial liability as of the date of buy-back and the consideration paid is recognized in the income statement as the gain or loss arising from extinguishment of liability.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are items, which can be converted into cash within a day. All short-term interbank placements, including overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature, and correspondent accounts in precious metals are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost, which approximates fair value.

Mandatory cash balances with central banks

Mandatory reserve deposits with the CBR and other central banks are carried at amortized cost and represent non-interest bearing deposits, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks

Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting receivable, which is due on fixed or determinable dates. Amounts due from other banks are carried at amortized cost less allowance for impairment.

Repurchase and reverse repurchase agreements and lending of financial instruments

Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities or other financial assets sold under sale and repurchase agreements are not derecognized. The financial assets are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the financial assets, in which case they are reclassified as financial assets pledged under sale and repurchase agreements (repurchase receivables). The corresponding liability is presented within customer deposits, amounts due to other banks or other borrowed funds.

Financial assets purchased under agreements to resell ("reverse repo agreements") are recorded as due from other banks or loans and advances to customers, as appropriate.

The difference between the sale and repurchase price is treated as interest income/expense and accrued over the life of repo agreements using the effective interest method.

Financial assets lent to counterparties are retained in the financial statements in their original statement of financial position category unless the counterparty has the right by contract or custom to sell or repledge the financial assets, in which case they are reclassified and presented separately as loaned financial assets.

Financial assets borrowed are not recorded in the financial statements, unless these are sold to the third parties, in which case an obligation to return the financial assets ("short position") is recorded in Other liabilities at fair value through profit or loss in the statement of financial position. The revaluation of this obligation is recorded in the income statement within gains less losses arising from financial instruments at fair value through profit or loss.

Derivative financial instruments

Derivatives are recognised initially, and are subsequently remeasured, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivatives may be embedded in other financial instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the income statement.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement.

Hedge accounting

The Group uses derivative instruments to manage exposures to fluctuations both of cash flows from interest received and paid, and of fair values for specifically determined items. As a result, the Group applies hedge accounting for transactions, which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period, for which the hedge is designated, are expected to offset in a range of 80% to 125%.

For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the income statement within “Gains less losses arising from financial instruments at fair value through profit or loss” caption. Meanwhile, the change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement in “Gains less losses arising from financial instruments at fair value through profit or loss” caption.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized through other comprehensive income directly in equity in the cash flow hedge reserve within “Unrealized gain on financial assets available-for-sale and cash flow hedge” caption. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in “Gains less losses arising from financial instruments at fair value through profit or loss”.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is “recycled” in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in “Gains less losses arising from financial instruments at fair value through profit or loss”.

Regular way transactions

Regular way transactions are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. All regular way purchases and sales of financial assets are recognized or derecognized on the contractual settlement date which is the date when the asset is to be delivered to or by the Group. Regular way transactions are not recognized as derivatives because of the short duration of the commitment to deliver financial assets between the trade and settlement date.

Any change in the fair value of the financial assets at fair value through profit or loss to be received during the period between the trade date and the settlement date is recognized in the income statement and for financial assets available for sale is recognized in other comprehensive income for financial assets purchased. For financial assets sold on a regular way basis no changes in fair value are recognized in the income statement or in other comprehensive income between the trade and settlement date. Assets carried at cost or amortized cost are not affected by the change in fair value during the period between the trade and settlement date.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Promissory notes purchased

Promissory notes purchased are included in financial assets at fair value through profit or loss or in due from other banks or in loans and advances to customers or in investment securities held-to-maturity, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Finance and operating leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Group is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included ‘Loans and advances to customers’. The finance income receivable is recognised in ‘Interest income’ over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Group is a lessee under finance leases, the leased assets are capitalised and included in ‘Land, property and equipment’ and the corresponding liability to the lessor is included in ‘Other liabilities’. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in ‘Interest expense’ over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. When acting as lessor, the Group includes the assets subject to operating leases in ‘Land, property and equipment’ and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired. When the Group is the lessee, leased assets are not recognised on the balance sheet. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in ‘General and administrative expenses’ and ‘Other operating income’, respectively.

Allowances for impairment of financial assets

Impairment of financial assets carried at amortized cost

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Uncollectible assets are written-off against the related allowance for impairment after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Allowances for impairment of financial assets (continued)

Impairment of available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement, but are rather retained in other comprehensive income in a separate component of equity. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss were recognized in profit or loss. A significant or prolonged decline in the fair value of an equity instrument classified as available-for-sale below its cost is also objective evidence of impairment of this instrument.

Insurance

Insurance operations

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk exists when the Group has uncertainty in respect of the following matters at inception of the contract: the occurrence of insurance event, the date of occurrence of insurance event and claim value in respect of it. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Gross insurance premiums written

Upon inception of a contract, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage. Decreasing insurance premiums in subsequent periods (for example, when signing additional agreements to the original signed contracts) are recognized as a reduction in insurance premiums in the reporting period. In the consolidated income statement of the Group gross insurance premiums written are included in ‘Net insurance premiums earned’.

Provision for unearned premiums

Provision for unearned premiums represents the proportion of premiums written that relate to unexpired term of policies in force as at the reporting date, calculated on a time apportionment basis. Provision for unearned premiums is calculated by ‘pro rata temporis’ method for each policy and defined as insurance premium multiplied by ratio of unexpired portion of policy to the entire term of the policy. Movement in provision for unearned premiums is recognized within ‘Net insurance premiums earned’ in the consolidated income statement of the Group.

Claims paid

Claims are charged to the consolidated income statement as incurred based on evaluated liability for compensation payable to policyholders or third parties suffered from occurrence of the insured event. Claims also include claims handling expenses related to cost of experts, appraisers, surveyors and emergency commissioners. Claims paid are recognized within ‘Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs’ in the consolidated income statement of the Group.

Loss provisions

Loss provisions represent an estimate of liabilities to pay claims in future and include outstanding claims provision (‘OCP’) and provision for claims incurred but not reported (‘IBNR’). Estimates of claims handling expenses are included in both OCP and IBNR. OCP is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases as at and after the reporting date. IBNR is determined by the Group by line of business using actuarial methods, and includes assumptions based on prior years’ claims and claims handling experience. Movement in loss provisions is recognized within ‘Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs’ in the consolidated income statement of the Group.

Liability adequacy test

At each reporting date, liability adequacy test is performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, the current best estimates of the future contractual cash flows and claims handling expenses are used. Any deficiency is immediately charged to the consolidated income statement, initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from the liability adequacy test.

Pension liabilities

Pension liabilities are accounted under IFRS 4. IFRS 4 permits an insurer to apply existing national GAAP for insurance contracts and financial instruments with discretionary participation feature (‘DPF’). Thus, pension liabilities under insurance contracts and financial instruments with DPF are determined by the Group in accordance with Russian legislation and pension and insurance rules also.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Pension liabilities (continued)

Pension liabilities are recognised at the earlier of the following dates:

(a) the beginning of insurance coverage;

(b) the date when the Group shall receive the first payment according to non-state pension contract or obligatory pension insurance contract with third parties.

The Group uses retrospective method to evaluate non-state pension liabilities if benefits under these contracts has not been granted yet, and prospective method if benefits has been already granted. The estimation is made on the basis of mortality rates and investment return. Assumptions also include adjustments for unfavorable events in order to provide the best estimate of possible future claims. Investment return assumptions are determined and fixed when non-state pension contract is signed, and may differ depending on the year of contract commencement.

Obligatory pension insurance liabilities are determined as cumulative contributions reduced by benefits and adjusted by investment return.

At each reporting date, liability adequacy test is performed to ensure the adequacy of the contract liabilities. The carrying amount of pension liabilities may be increased if the test shows that the carrying amount of pension liabilities is inadequate in the light of the estimated future cash flows.

The adequacy test considers current estimates of all contractual cash flows (including future cash flows such as contributions, benefits paid, lump sum payments and payments to successors), and of related cash flows such as contracts handling costs, cash flows resulting from embedded options and guarantees, as well as investment return on related assets. The Group uses current best estimates of future cash flows, taking into account expected improvements in life interval of participants in the future. Certain estimation techniques are applied by the Group, including discounting of cash flows and stochastic simulation.

For financial instruments with DPF the Group applies the same accounting policy as for insurance contracts liabilities.

Pension liabilities are derecognised when the term of the contract expires, the contract is repaid or cancelled.

Movement in pension liabilities is recognised within ‘Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs’ in the consolidated income statement of the Group.

Pension contributions and benefits paid

Contributions are recognised in full amount as income when paid by a sponsor. In the consolidated income statement of the Group pension contributions are included in ‘Net insurance premiums earned’. Benefits paid are charged to the consolidated income statement as incurred. Pension benefits paid are recognised within ‘Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs’ in the consolidated income statement of the Group.

Non-current assets and disposal group held for sale

Non-current assets (or disposal groups, which may include both non-current and current assets and liabilities), are classified in the statement of financial position as ‘non-current assets held for sale’ (or as ‘assets of disposal group held for sale’ and ‘liabilities of disposal group held for sale’) if their carrying amount will be recovered principally through a sale transaction, including deconsolidation of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets (or disposal groups) are eligible to be classified or reclassified when all of the following conditions are met:

(a) the assets are available for immediate sale in their present condition;

(b) the Group’s management approved and initiated an active programme to locate a buyer;

(c) the assets are actively marketed for a sale at a reasonable price;

(d) the sale is expected to occur within one year from the date of classification and

(e) it is unlikely that significant change to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group represents assets current and/or non-current assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will also be transferred in the transaction. Goodwill is also included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment and intangible assets are not depreciated or amortized. Reclassified financial instruments, deferred taxes and investment properties held at fair value are not subject to the write down to the lower of their carrying amount and fair value less costs to sell. Reclassified financial instruments, deferred taxes and investment properties held at fair value shall be remeasured in accordance with applicable IFRSs before the fair value less cost to sell of the disposal group is remeasured.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Non-current assets and disposal group held for sale (continued)

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Gains or losses of the subsidiary classified as disposal group held for sale are included in the relevant caption of the consolidated income statement and other comprehensive income.

Investment property

Investment property is land or building or a part of building held to earn rental income or for capital appreciation and which is not used by the Group or held for the sale in the ordinary course of business. Property that is being constructed or developed or redeveloped for future use as investment property is also classified as investment property.

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined on the base of various sources including reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Earned rental income is recorded in the income statement within income arising from non-banking activities. Gains and losses resulting from changes in the fair value of investment property are recorded in the income statement and presented within income or expense arising from non-banking activities.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Land, premises and equipment

Premises and equipment are stated at revalued amounts and cost, respectively, less accumulated depreciation and allowance for impairment where required. Land is stated at revalued amounts. Land has indefinite term of usage and, therefore, is not depreciable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is recognized in the income statement. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Land, premises and equipment of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition. No accumulated depreciation on the premises and equipment acquired in the business combinations is presented in the financial statements on the date of acquisition.

Land and premises of the Group are subject to revaluation on a regular basis, approximately every three to five years. The frequency of revaluation depends upon the change in the fair values. When the fair value of a revalued asset differs materially from its carrying amount further revaluation is performed. The revaluation is applied simultaneously to the whole class of property to avoid selective revaluation.

Any revaluation surplus is credited to the other comprehensive income and increases land and premises revaluation reserve which is a separate equity section of the statement of financial position, except to the extent that it reverses an impairment of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement except for the deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve for land and premises.

The land and premises revaluation reserve included in equity is transferred directly to retained earnings when the surplus is realized, i.e. on the retirement or disposal of the asset or as the asset is used by the Group; in the latter case, the amount of the surplus realized is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at cost less allowance for impairment, if any. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

If impaired, land, premises and equipment are written down to the higher of their value in use and fair value less costs to sell.

The decrease in carrying amount is charged to income statement to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposal of land, premises and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss. Repairs and maintenance are charged to the income statement when the expense is incurred.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets using the following basic annual rates:

	Useful life	Depreciation rates
Premises	Maximum 40 years	Minimum 2.5% per annum
Equipment	4-20 years	5%-25% per annum

Estimated useful lives and residual values are reassessed annually.

Goodwill

Goodwill recognized in a business combination represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized and is calculated as the excess of (a) over (b) below:

(a) the aggregate of:
- the consideration transferred, which generally requires acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the above resulting amount is negative, the acquirer has made a gain from a bargain purchase, that gain is recognized in profit or loss.

The revised IFRS 3 allows the acquirer to measure any non-controlling interests, which are present ownership interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets for each business combination. This results in different amount of goodwill or gain from bargain purchase to be recognized in financial statements depending on the choice of the acquirer.

Goodwill on an acquisition of a subsidiary is disclosed in the caption 'Goodwill and other intangible assets' of the statement of financial position. Goodwill on an acquisition of an associate or joint venture is included in the carrying amount of investments in associates and joint ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units, to which the goodwill is so allocated:

- represents the lowest level within the Group, at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment in accordance with IFRS 8, *Operating Segments*, before aggregation.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms a part of a cash-generating unit (group of cash-generating units) and a part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets other than goodwill

Intangible assets other than goodwill include licenses, computer software, and other identifiable intangible assets, including those acquired in business combinations.

Intangible assets acquired or recognized separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using straight-line method over the useful economic lives, which normally do not exceed 5 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and amortization methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets other than goodwill (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Core deposit, loan to customer and relation with the major lessee intangibles

Core deposit, loan to customer and relations with the major lessee intangibles relate to the acquisition of the Group's subsidiaries and are attributable to the customer demand deposits, loans to customers, leasing contracts, stable client base identified as intangible assets. The identification is based on examination of the subsidiaries' customer base.

The core deposit intangible is recognized if it was concluded that the acquired subsidiaries has a well-established and long-dated relationship with its major customers and that demand deposits actual maturity was significantly longer than contract maturity. The loan to customer intangible is determined by applying income approach and calculated as discounted cash-flow from new loans to existing borrowers. The relations with the major lessee intangible is determined by applying income approach and calculated as discounted cash-flow from new contractes to existing lessee.

The useful life of the core deposit, loan to customer and relation with the major lessee intangibles was estimated from five to eight years and is amortized over its useful life using the straight-line method.

Due to other banks

Amounts due to other banks are recorded when money or other financial assets are advanced to the Group by counterparty banks. The liability is carried at amortized cost using the effective interest method.

Customer deposits

Customer deposits are liabilities to individuals, state or corporate customers and are carried at amortized cost using the effective interest method. Customer deposits include both demand and term deposits. Interest expense is recognized in the income statement over the period of deposits using effective interest method.

Debt securities issued

Debt securities issued include promissory notes, certificates of deposit, eurobonds and debentures issued by the Group. Debt securities are stated at amortized cost using the effective interest method. If the Group purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability the consideration paid is included in gains less losses arising from extinguishment of liability in the income statement.

Other borrowed funds

Other borrowed funds include some specific borrowings, which differ from the above items of liabilities and include funds from local central banks, syndicated loans, revolving, other credit lines and other specific items. Other borrowed funds are carried at amortized cost using the effective interest method. Interest expense is recognized in the income statement over the period of other borrowed funds using effective interest method.

Operations with precious metals

The Group enters into different types of transactions with precious metals including sale and purchase agreements, metal-currency swap transactions, lending and borrowing in precious metals. Correspondent accounts in precious metals (assets) are recorded within Cash and short-term funds; however, they are excluded from Cash and cash equivalents as the precious metals are considered to be a commodity rather than a financial instrument. Precious metals inventory in vault is included in Other assets.

When the Group borrows precious metals or accepts deposits in precious metals with a subsequent metal-currency swap or economically similar transaction, the Group accounts for such transactions as borrowings within the appropriate liability caption in the statement of financial position and recognizes interest expense at the effective interest rate over the term of the borrowing. Related derivatives, including bifurcated precious metals derivatives, are accounted for in the statement of financial position as assets or liabilities at fair value through profit or loss with any changes in fair value recorded in the income statement.

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Group intends to settle on a net basis and the legal right to offset exists. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorized prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative expenses.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred income tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Group has a legal right to offset.

Deferred income tax relating to actuarial gains and losses on post-employment benefits is recognised in other comprehensive income. Deferred income tax relating to share-based payment transactions is recognised directly in equity to the extent that the amount of the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense. Deferred income tax relating to fair value re-measurements of available-for-sale investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also charged or credited to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are recorded when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Credit related commitments

In the normal course of business, the Group enters into irrevocable credit related commitments, including letters of credit and guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantee contracts are recognized initially at fair value and remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18, *Revenue*.

Commitments to provide loans at a below-market interest rate are initially recognized at fair value, and subsequently measured at the higher of (i) the unamortized balance of the related fees received and deferred and (ii) the amount determined in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Specific provisions are recorded against credit related commitments when losses are considered more likely than not.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of the unamortised balance of the amount at initial recognition and the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables upon transfer of the loss compensation to the guarantee's beneficiary.

Perpetual Loan Participation Notes

Due to the undefined maturity and an option for non-cumulative cancellation of coupon payments, the Group accounts for the Perpetual Loan Participation Notes as an equity instrument and as a Tier I eligible instrument for the purpose of Capital Adequacy Ratio calculation. The CBR approved the inclusion of the subordinated loan in the statutory capital ratio calculation of the Bank.

The Group accounts for the Perpetual Loan Participation Notes (PLPN) denominated in the foreign currency in the amount of RUR equivalent amount using the foreign exchange rate at the reporting date with foreign exchange translation effects recorded in Retained earnings. Issuance costs were also recorded in Retained earnings.

While coupon payments are optional at the discretion of VTB, certain terms in the PLPN may cause such payments to become mandatory. At the moment the coupon under PLPN becomes mandatory, it is recorded as a dividend declaration described below.

Treasury perpetual loan participation notes are included in Treasury shares and PLPN in the consolidated statement of changes in shareholder's equity.

Share premium

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

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividends are recorded as a separate debit caption in equity in the period in which they are declared. Dividends declared after the reporting date and before the financial statements are authorized for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Interest income and expense

Interest income and expense for all financial instruments are recognised on accrual basis in 'Interest income' and 'Interest expense' in the income statement using the effective interest method and the coupon (contractual) interest rate for non-derivative debt trading financial assets, which approximates the effective interest rate. The effective interest method is a way of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fee income is earned from a diverse range of services provided by the Group to its customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party such as an arrangement for the acquisition of shares or other securities);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded in 'Interest income'.

Dividend income

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities. Dividends from equity securities classified as financial instruments at fair value through profit or loss are recognised within 'Gains less losses arising from financial instruments at fair value through profit or loss' line of the income statement. Dividends from equity securities classified as available-for-sale financial assets are recognised within 'Gains less losses from investment financial assets availbla-for-sale' line of the income statement.

Staff costs and related contributions

The Group's contributions to the State and Group's social insurance and obligatory medical insurance funds in respect of its employees are expensed as incurred and included in staff costs within staff costs and administrative expenses. The Group's contributions to the State and Group pension schemes are included in defined contribution pension expense within staff costs and administrative expenses. Unused vacations accrued amounts are also included in staff costs within staff costs and administrative expenses. The Group recognizes all actuarial gains and losses related to the defined benefit plan directly in other comprehensive income.

Share-based payment

Equity-settled share-based payment transactions are transactions, in which the entity receives goods or services as consideration for equity instruments of the entity.

For equity-settled share-based payment transactions, the goods or services received, and the corresponding increase in equity, are measured directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For share-based payment transactions among Group's entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing:

(a) the nature of the awards granted, and
(b) its own rights and obligations.

The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when:

(a) the awards granted are its own equity instruments, or
(b) the entity has no obligation to settle the share-based payment transaction.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Share-based payment (continued)

In all other circumstances, the entity receiving the goods or services shall measure the goods or services received as a cash-settled share-based payment transaction.

The entity settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

Inflation accounting

If an economy in which a Group's subsidiary operates is considered to be hyperinflationary as defined by IAS 29, *Financial Reporting in Hyperinflationary Economies*, than this subsidiary applies IAS 29. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the reporting date.

Foreign currency translation

Each Group member determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency equivalent, translated at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the income statement as foreign exchange translation gains less losses. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

These financial statements are presented in Russian roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled. As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group and is not a currency of hyperinflationary economy, are translated into RUR at the closing rate of exchange at the reporting date and their income statements are translated into RUR at the average exchange rates for the reporting period.

The exchange differences arising on the translation are recognized in other comprehensive income in a separate component of equity ('Currency translation difference').

Exchange differences arising on monetary items due from the foreign subsidiaries that form part of the Bank's net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

If the entity's functional currency is a currency of hyperinflationary economy, all amounts (assets, liabilities, equity items, income and expenses) of these entities are translated into RUR at the closing rate of exchange at the reporting date; and, before applying this translation method, the entity restates its financial statements in accordance with IAS 29 (see above 'Inflation accounting'), except for comparative amounts that are translated into RUR. Differences which arise each period between the closing equity items of the previous year and the opening equity items of the current year presented in RUR are recognized as an 'Effect of translation, net of tax' in other comprehensive income, as to the related equity items. The remaining exchange differences arising on the consolidation are recognized in other comprehensive income as a separate component of equity ('Currency translation difference').

On disposal of a subsidiary, an associate or a joint venture, whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognized in equity relating to that particular entity is reclassified to the income statement.

As at 31 December 2015, the principal closing rate of exchange used for translating balances in USD to Russian roubles was USD 1 to RUR 72.8827 (at 31 December 2014: USD 1 to RUR 56.2584), and the principal closing rate of exchange used for translating balances in euro was EUR 1 to RUR 79.6972 (at 31 December 2014: EUR 1 to RUR 68.3427).

Fiduciary assets

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

Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segments with a majority of revenue earned from sales to external customers and whose revenue, net profit (loss) or combined assets are ten percent or more of all the segments are reported separately (reportable segments). The segments, that are below the above materiality thresholds, but can be aggregated on the basis of their activities, production processes, products or services, should be tested for the meeting the criteria of reportable segments on these aggregated amounts.

57. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Segment reporting (continued)

In accordance with IFRS 8, *Operating Segments*, the Group defined as the operating segments its global business lines. Segment disclosure is presented on the basis of IFRS compliant data of the global business lines and entities adjusted, where necessary, for intersegment reallocation.

Presentation of statement of financial position in order of liquidity

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity in accordance with common banking practice.

58. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRITATIONS

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of new standards and interpretations as of 1 January 2015 noted below:

Amendments to IAS 19 – Defined Benefit Plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment clarifies how contributions from employees that are linked to service should be attributed to periods of service. It also permits entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, if the amount of the contributions is independent of the number of years of service. The amended standard did not have a material impact on the Group.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

These amendments did not have a material impact on the Group.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

These amendments had no impact on the Group's financial position.

59. NEW ACCOUNTING PRONOUNCEMENTS

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

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

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.The Group is considering the implications of the standard, the impact on the Group.

IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture for Bearer Plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants. In accordance with these amendments bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment. These amendments had no impact on the Group's financial position since the Group does not own or control bearer plants.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments have clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments have clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 11 Joint Arrangements (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The Group is currently assessing the impact of the amendments on its financial statements.

59. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 16, Leases issued in January 2016 with an effective date of annual periods beginning on or after 1 January 2019). IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 ‘Leases’. Lessees will recognise a ‘right of use’ asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of IFRS 16 on its financial statements.

Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not applicable for consolidated financial statements of the Group.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from “held for sale” to “held for distribution” or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of “information disclosed elsewhere in the interim financial report”. The Group is currently assessing the impact of the amendments on its financial statements.

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

60. CHANGES IN PRESENTATION

Derivative reclassification

Starting from 31 March 2015, the Group presented derivative financial assets and liabilities as separate lines in the consolidated statement of financial position. The reclassification and its impact on comparative period information as at 31 December 2014 in the consolidated statement of financial position are as follows:

	As previously reported	Reclassification	As reclassified
Financial assets at fair value through profit or loss	681.7	(681.7)	–
Non-derivative financial assets at fair value through profit or loss	–	275.0	275.0
Derivative financial assets	–	407.0	407.0
Other assets	285.1	(0.3)	284.8
Derivative financial liabilities	–	397.8	397.8
Other liabilities	710.1	(397.8)	312.3

60. RECLASSIFICATIONS (CONTINUED)

Payments to Deposit Insurance System and Other operating expense

Starting 2015 the Group presents payments to deposit insurance system directly related to interest-bearing liabilities as a separate line of the net interest income. Starting 2015, the Group decided to present certain expenses directly related to non-interest gains in the consolidated income statement consistently with the presentation of the other operating income having separated them from the staff and administrative expenses.

Accordingly the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated income statement is as follows:

	As previously reported	Reclassification	As reclassified
Payments to deposit insurance system	–	(7.0)	(7.0)
Other operating expense	–	(8.8)	(8.8)
Revenue from other non-banking activities	38.1	(3.6)	34.5
Net (loss)/gain from change in fair value of investment property recognised on revaluation	–	3.6	3.6
Cost of sales and other expenses from other non-banking activities	(45.9)	2.8	(43.1)
Impairment of land, premises and intangible assets other than goodwill used in non-banking activities	–	(2.8)	(2.8)
Impairment of land, premises and intangible assets other than goodwill	–	(0.9)	(0.9)
Staff costs and administrative expenses	(239.3)	16.7	(222.6)

The effect of corresponding reclassifications on disclosure of the consolidated statement of cash flows for the year ended 31 December 2014 is as follows:

	As previously reported	Reclassification	As reclassified
Cash flows from operating activities			
Payments to deposit insurance system	–	(7.0)	(7.0)
Other operating expenses paid	–	(6.0)	(6.0)
Staff costs, administrative expenses paid	(195.7)	13.0	(182.7)

60. RECLASSIFICATIONS (CONTINUED)

The effect of reclassification of the comparative information in Revenues from other non-banking activities note (Note 11), Cost of sales and other expenses from other non-banking activities note (Note 12) and Staff Costs and Administrative Expenses note (Note 16) for year ended 31 December 2014 was as follows:

	As previously reported	Reclassification	As reclassified
Revenues from other non-banking activities			
Net gain from change in fair value of investment property recognised on the disposal or revaluation	3.8	(3.8)	–
Net gain from change in fair value of investment property recognised on the disposal	–	0.2	0.2
Total revenue from construction, development and other real estate operations	**27.5**	**(3.6)**	**23.9**
Cost of sales and other expenses from Construction, development and other real estate operations			
Expenses from write-down of property held for sale and impairment / (reversal of impairment) of other non-financial assets	–	(0.7)	(0.7)
Staff cost and administrative expenses	(14.3)	3.5	(10.8)
Total cost of sales and other expenses from Construction, development and other real estate operations	(22.2)	2.8	(19.4)
Cost of sales and other expenses from Other non-banking business			
Expenses from write-down of property held for sale and impairment / (reversal of impairment) of other non-financial assets	–	(4.1)	(4.1)
Staff cost and administrative expenses	(18.8)	4.1	(14.7)
Staff Costs and Administrative Expenses			
Depreciation and other expenses related to premises and equipment	24.4	(2.7)	21.7
Taxes other than on income	7.6	(1.2)	6.4
Insurance costs	0.6	(0.4)	0.2
Amortization of core deposit and customer loan	5.1	(0.1)	5.0
Payments to deposit insurance system	7.0	(7.0)	–
Other	7.7	(5.3)	2.4