Inside real life. A 360° view.

2015 Annual Report

Welcome to UniCredit Bank

Imagine you're hungry.

You need food, of course. But you also need a plate and a fork. Maybe even a knife. After that, you'll need water to wash the dishes and before that, the right tools to cook your meal. And don't forget the table, or the chair, or the roof over your head.

In the end, food is just a small part of our far more complicated system of needs – a system that is contained by its own set of values. Consider, for example, the entire production chain behind the food on your table. Food comes from a farm. It has to be tended by people, and inspected by others to ensure it is safely made, processed and transported to market. Every link in this chain is crucial for today's consumers, who are increasingly sensitive to the quality of their food, as well as the environmental and working conditions that produce it.

UniCredit firmly believes that to truly understand real life, we must directly experience it. That way we are more prepared to find sustainable solutions while the world's needs and values constantly change.

For us, helping customers fulfil the basic necessities of modern life is just as important as offering the very best financial and banking products.

This means providing a complete range of services to support families and businesses, fully aware that responding to their needs builds a sustainable future for everyone.

Our products begin with real human insights that help us accompany customers throughout their lives. Because life is full of ups and downs, but it is also full of many other things, like buying a home, getting married, having children and sending them to university, etc.

It's a 360-degree approach that we call Real Life Banking.

Over the following pages, our aim is not just to present data and numbers about our Group's performance. We also want to share stories that show how we have helped people realize their dreams and supported the communities that host our branches.

Because the drive to build a better future is what keeps people going.

And supporting people keeps us going too.

Life is full of ups and downs.
We're there for both.

Welcome to
UniCredit Bank

Ok guys, where’s the stage?

Let’s talk about getting the goods on time.

Every summer, major music festivals are held in the countryside. The line-ups are announced months in advance, and thousands of people buy tickets to see their favorite bands live. But sometimes ... things can go wrong.

Tens of thousands of goods pass through the customs every day. It’s so ordinary that you never even think about it. Until one day, when goods vital to your business operation absolutely must arrive in time.

From concert equipment to spare parts, it can take up to three working days to get your customs payments processed. That is why in Russia we introduced the PayHD card. It speeds up import/export operations and helps our customers avoid bad surprises. With PayHD, goods are always processed quickly, with no extra paper work required.

Now entrepreneurs in Russia can concentrate on their own business and stop worrying about import/export timings.

Financial Highlights

	2015	2014	change 2014-2015
ASSETS AT THE END OF THE YEAR, RUB million			
Total assets, including	**1,407,126**	**1,360,373**	**3.4%**
Loans to customers	867,295	826,851	4.9%
Securities	89,521	58,818	52.2%
LIABILITIES AT THE END OF THE YEAR, RUB million			
Total liabilities, including	**1,242,598**	**1,218,307**	**2.0%**
Amounts due to customers	931,427	810,621	14.9%
Amounts due to credit institutions	193,922	209,956	-7.6%
Total Equity	**164,527**	**142,066**	**15.8%**
CAPITAL (CB RF) AT THE END OF THE YEAR, RUB million			
Total capital	**173,981**	**133,583**	
CAPITAL (BASEL II) AT THE END OF THE YEAR, RUB million			
Total capital	**176,092**	**117,755**	
PROFIT FOR THE YEAR, RUB million			
Net interest income	40,361	35,616	13%
Non-interest income	8,611	5,742	50%
Operating income	**48,971**	**41,358**	**18%**
Net income from financial activities	**34,362**	**36,965**	**-7%**
Operating costs	-15,387	-13,437	15%
Gains on disposal of fixed assets	8	58	-86%
Profit before income tax expense	**18,983**	**23,586**	**-20%**
Income tax expense	-3,465	-4,766	-27%
Total profit for the year	**15,518**	**18,819**	**-18%**
KEY PERFORMANCE INDICATORS, %			
Return on average equity (ROE)	10.1%	13.2%	
Return on average assets (ROA)	1.1%	1.9%	
Total capital ratio (Basel II)	12.9%	9.3%	
Central Bank of Russia N1 capital adequacy ratio	12.9%	13.2%	
Cost/income ratio	31.4%	32.5%	
STAFF			
Number	3,908	3,844	2%
GEOGRAPHY			
Branches in Moscow	39	39	0%
Regional branches	51	51	0%
RepOffices	12	13	-8%
Offices abroad	1	1	0%
Total Number of Offices	**103**	**104**	**-1%**

I know it's not the best time, but I need to check my finances.

Let's talk about financial advice anywhere, anytime.

Imagine you are in the middle of a ski holiday. Everything is beautiful and the conditions are just right. You feel like you don't have a single worry in the world. But suddenly a thought comes along to disturb your peace: Did you forget to settle your financial business last week?

That's exactly what happened to Nico. During his first romantic holiday with Emma, he realized that this little banking detail was driving him crazy, and spoiling the fun. And he thought to himself: "You know what would be really useful right now? A bank manager I can call or, even better, text."

No sooner said than done.

Thanks to SmartBanking in Austria, it's possible to bring the branch to you. Whether at home with your laptop or on the go with your mobile phone, SmartBanking enables you to manage your finances in the most convenient way for you.

Relationship managers will give advice quickly and conveniently, by any possible method you want, from SMS to video chat. So now answers that you need on every possible financial topic, from taking out a loan to explaining your banking transactions, are at your fingertips.

That means we can help you save for your holiday, and save your holiday.

Contents

Chief Executive Officer's message

"We will invest €1.2 billion to increase the quality and speed of our digital services while more than doubling the number of customers in our online and mobile channels."

Federico Ghizzoni
CHIEF EXECUTIVE OFFICER

Dear Shareholders,

In 2015, we met with continued success in improving our asset quality and strengthening our capital position despite extraordinary charges in the final quarter. Moreover, UniCredit provided critical support to the socioeconomic progress of Europe. In all of our markets, we promoted the development of key business sectors by supporting entrepreneurship and fostering financial inclusion.

Across Europe, UniCredit expanded its credit offerings and facilitated access to capital markets. In doing so, we stimulated growth and enabled our corporate clients to expand internationally. In the course of the year, our Group also allocated all of its TLTRO funding and worked hard to provide tailored consultancy services that have helped individual customers better protect their savings.

We accomplished all of this at a time characterized by historically low interest rates, a weaker-than-expected economic recovery, considerable regulatory pressure, and a turbulent international political landscape. On top of these challenges, we faced major changes in the banking industry brought on by advances in digital technology. This environment will continue to evolve for the foreseeable future, and will require us to be increasingly proactive on all fronts.

Wherever I travel in Europe, I hear discussion about how the banking business is being reshaped. All of our peers are dealing with the same issues, but not all are properly equipped to address them. After careful consideration and planning, UniCredit has opted to confront the transformation of the banking industry by taking full advantage of our unique pan-European franchise, expanding rather than downsizing our business. To succeed, our Group must accelerate its efforts to become more efficient, integrated and digitally oriented.

These goals lie at the heart of the new Strategic Plan that we introduced in November. The plan will strengthen our business and generate sustainable returns for all of our stakeholders. Over the coming years, we intend to increase loans, attract more customers and implement more effective processes Groupwide. The first concrete signs of success are already visible, and, to reach our targets, we are investing €4 billion in improving the experience of our customers.

To finance this investment, we have been freeing up resources by reducing our operating costs, deploying new technologies and integrating our operations. In undertaking these changes, we remain attuned to UniCredit's role in the interlinked value chain of financial, human, social and natural capital.

The stronger cooperation that we have implemented between mid-corporate banking and investment banking is a prime example of how we intend to increase our efficiency and accelerate progress. I have no doubt it will continue to generate excellent results – both for our Group and the economy at large. By reducing complexity across our organization, we can make faster decisions that will improve our cost-to-service and time-to-market ratios.

In terms of new investment opportunities, we are focused on our digital agenda and on growing businesses, exploring promising solutions. These include new ventures, such as the agreement we signed with Santander to create one of the world's largest asset managers.

As banking continues its radical transformation, we will invest €1.2 billion to increase the quality and speed of our digital services while more than doubling the number of customers who use our online and mobile channels. In these changing times, we will proactively modify our service models in ways that contribute to the customer experience, even as we develop innovative solutions that penetrate new markets, such as the upcoming launch of buddybank.

This entails a regular updating of our Group's skills and mindset in ways that generate greater sustainable value for our stakeholders. So despite the challenging environment, we remain committed to investing in the development of our employees and to promoting the advancement of the next generation in order to foster new ideas.

Thanks to the actions we have taken and the strategies we are implementing, we are well prepared to turn challenges into new opportunities, with full awareness of the complexities in which we operate. UniCredit is and will remain a leader in European banking.

Sincerely,

Federico Ghizzoni
Chief Executive Officer
UniCredit S.p.A.

Message from the Chairman of the Supervisory Board

> “Throughout the year, UniCredit Bank took part in the UniCredit Group’s flagship projects aimed at transforming our business to the demands of the present.”

Erich Hampel
CHAIRMAN
OF THE SUPERVISORY BOARD

Dear Shareholders, Clients, Friends and Colleagues,

I have the honour to present to you, on behalf of the Supervisory Board, the 2015 Annual Report of UniCredit Bank.

The past year was in general positive for all banks operating in Central & Eastern Europe (CEE). The situation in Russia remained rather challenging. However, despite difficulties, UniCredit Bank once again proved its reliability and demonstrated a strong performance. The bank successfully reached its targets and continued to be a reliable partner for Russian clients of UniCredit.

The sustainability of UniCredit Bank’s business model in 2015 not only allowed us to keep our position as the largest foreign bank in Russia, but also helped us maintain planned volumes of lending while preserving a high quality loan portfolio. It is also noteworthy that, due to its reputation as one of the most reliable banks in the Russian market, UniCredit Bank was able to support a highly-diversified funding base throughout the year, with our clients as a predominant source of financing. Our loan to deposit ratio was 90% in 2015, which illustrates a solid level of liquidity.

Throughout the year, UniCredit Bank took part in the UniCredit Group's flagship projects aimed at transforming our business to the demands of the present, including such programs as CEE 2020 and Core Banking Transformation. I am happy to note that our Russian colleagues once again demonstrated high professionalism, a great team spirit and dedication to meeting their goals, all of which contributed to the successful implementation of many key initiatives, as well as to recognition of their achievements at the Group level.

Extensive diversification by client segments, products and geographies has made the CEE region a constant, significant driver of the UniCredit Group's overall financial results, with Russia remaining an important market which makes a sustainable contribution to the Group's performance. The efficient, high quality work of UniCredit Bank allows the Group to maintain productive relationships with 28,000 companies, including Russia's largest enterprises, as well as with 1.7 million retail customers. All of our clients – whether personally visiting one of our 102 branches in Russia, or simply opening our mobile app – are clients of the global UniCredit Group and will always be provided with high quality service in accordance with the best European standards.

Drawing on its 26 years of experience in the Russian market and operating within the framework of the UniCredit Group's Strategic Plan, UniCredit Bank will continue in 2016 to implement an efficient and thorough business policy, offering high-class products and services, and strengthening the Group's position in the Russian market.

I would like to thank the members of the Management Board and all of our staff for the quality of work and the good results achieved in 2015. In 2016, we will continue to adhere to our values in order to bring benefits to our shareholders, clients and other stakeholders.

Erich Hampel,
Chairman of the
Supervisory Board

Highlights

UniCredit is a leading European commercial bank operating in **17** countries with more than **144,000** employees, over **7,900** branches and with an international network spanning in about **50** markets.
UniCredit benefits from a strong European identity, extensive international presence and broad customer base.
Our strategic position in Western and Eastern Europe gives us one of the region's highest market shares.

Over

144,000

EMPLOYEES[1]

Over

7,900

BRANCHES[2]

Financial Highlights (€ mln)

Operating income
22,405

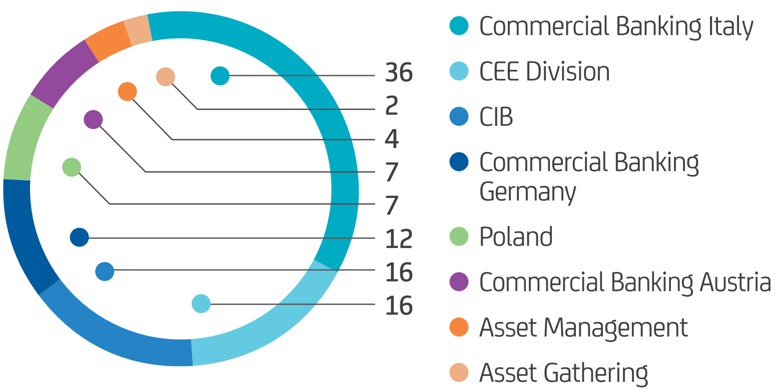
Net profit
1,694

Shareholder's equity
50,087

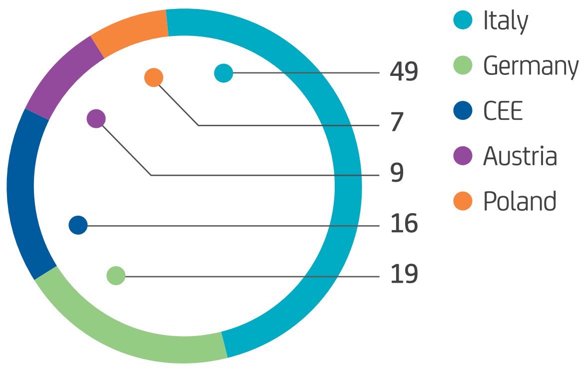
Total assets
860,433

Common Equity Tier 1 ratio*
10.73%

Revenues by Business Lines** (%)



Revenues by Region** (%)

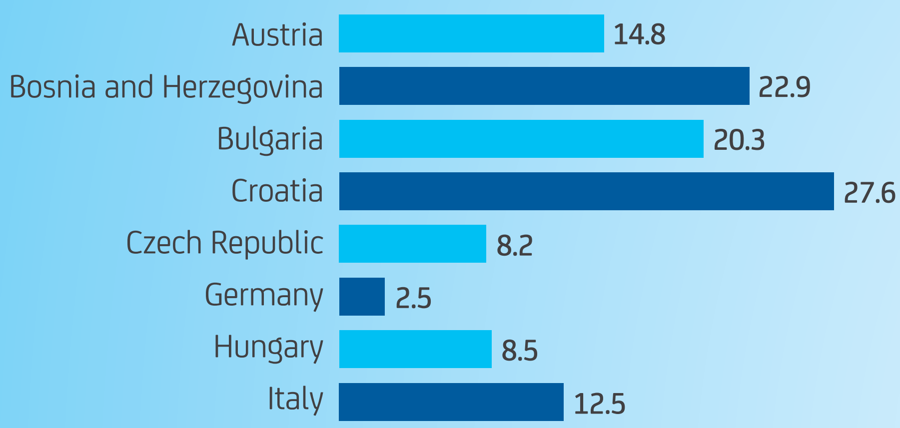


1. Data as at December 31, 2015. FTE = "Full Time Equivalent": number of employees counted for the rate of presence. Figures include all employees of Yapi Kredi Group (Turkey).
2. Data as at December 31, 2015. Figures include all branches of Yapi Kredi Group (Turkey).
* CET 1 transitional pro-forma for 2015 scrip dividend of 12 €cents per share assuming 75%-25% shares-cash acceptance.
** Data as at December 31, 2015.

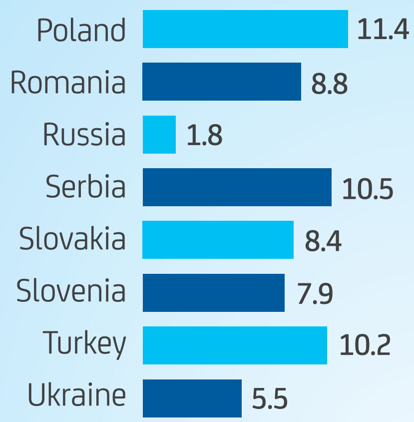
Where we are

Austria
Azerbaijan
Bosnia
And Herzegovina
Bulgaria
Croatia
Czech republic
Germany
Hungary
Italy
Poland
Romania
Russia
Serbia
Slovakia
Slovenia
Turkey
Ukraine

Market Shares[3] (%)



Market Shares[3] (%)



3. Market Shares in terms of Total Loans as at December 31, 2015.
Source: Company data, National Central Banks.
Total Loans definition includes corporate, household, self-employed, non-profit institutions serving household, insurances, pension funds, other financial intermediaries, local government, central government. For Poland and Romania central government is not included.

Industrial Plan

UniCredit intends to reaffirm its standing as a **rock-solid European commercial bank**, backed by a well-diversified presence in 17 countries and an international network that spans in 50 markets.

Due to the challenging and rapidly changing business environment, UniCredit has elected to accelerate its transformation by adopting **a strategy that aims to achieve growth and development through increased efficiency and simplification.** This is the direction outlined in the Strategic Plan approved by UniCredit's Board of Directors on November 11, 2015.

First and foremost, UniCredit will be **a bank that is efficient, integrated and easy to deal with.** The Group is working to reduce its cost base and streamline its structure. This will enable it to be more responsive and more effectively allocate resources by leveraging its pan-European profile.

UniCredit will also **invest in the growth** of traditional businesses by providing credit to the real economy, and in areas with significant growth potential such as corporate & investment banking, asset management, asset gathering and, in general, in Central and Eastern Europe.

The result will be a rock-solid, profitable bank that is able to generate sustainable value, maintain a strong balance sheet and transform challenges into opportunities.

Accelerating implementation of our Strategic Plan

- Leading Pan-European corporate and retail bank
- Efficient, effective and innovative
- Simpler and more integrated
- Investing in digital, high growth, capital light businesses

Sustainable profitability and organic capital generation

2018 TARGET

RoTE TARGET 11%	CET RATIO AT 12.6% PRE DIVIDEND DISTRIBUTION	POTENTIAL UPSIDE FROM DISCONTINUITY ACTIONS

Digital Strategy

Digitization is essential to successfully addressing ongoing changes and sustain growth.

UniCredit has decided to invest heavily in this area to make the Group highly competitive in the new digital arena.

The first order of work will be to **accelerate the Group's digital transformation.** This will improve the speed and quality of our services, as well as the experiences of our customers. We will do this with a full commitment to creating an excellent and engaging digital user experience through better accessibility and instant feedback from our clients. In short: Providing a complete, multi-channel service.

Second, we **will develop our future digital business model**, which will be based on a new IT infrastructure. This model will meet customers' basic needs, reducing our cost-to-serve. The **buddybank** initiative will be key to the success of this endeavor. A clear discontinuity from traditional banking, buddybank will absorb less capital and be accessible solely via mobile devices, with customer service available 24/7.

Digital strategy to accelerate retail multichannel transformation

Supported by EUR 1.2 bn Investments (2016-2018)

ACCELERATE THE DIGITAL TRANSFORMATION

DELIVERY MODEL UPDATE	**Continue transaction migration** to remote channels **Right-sizing footprint** with new and flexible formats
SIMPLIFICATION AND PROCESS DIGITALIZATION	Digitalize and simplify **back-end processes** **Fully-digitalized** document management **Credit Revolution** program aiding real time automatic credit decisions
INCREASE SALES	Extend end-to-end

BUILD A FUTURE DIGITAL BUSINESS MODEL

A NEW DIGITAL CORE BANKING SYSTEM	New cheaper **IT infrastructure** to serve customers' basis purchase behaviors, **reducing cost-to-serve**
buddybank	1st **molecular bank** offering a **pure mobile customer experience with a 24/7 live-caring concierge** **Plug-and-play platform to facilitate new markets entrance** Implementation started, launch early 2017

About UniCredit Bank

AO UniCredit Bank is a Russian commercial bank, operating in Russia since 1989. Ranked 10th by total assets based on the 2015 results (Interfax-100 ranking), UniCredit Bank is the largest foreign bank in Russia. UniCredit Bank is fully owned (100%) by UniCredit Bank Austria AG, Vienna, Austria, member of UniCredit (UniCredit S.p.A.).

The Bank benefits from its strong position in the large Russian corporate finance market and sustainable retail banking business.

General information

- Until 20 December 2007, the Bank was called International Moscow Bank, registered by the State Bank of the USSR on 20 October 1989.
- IMB was the first bank in Russia with majority foreign ownership.
- On 20 December 2007, International Moscow Bank officially changed its name to ZAO UniCredit Bank. The Central Bank of Russia issued UniCredit Bank General License No.1 for banking operations.
- On 24 December 2014 the Bank received Changes No. 1 to the Bank's Charter as officially registered by the Bank of Russia. According to the document, the Bank changed its name to Joint Stock Company UniCredit Bank (AO UniCredit Bank). The Bank received the General License for banking operations №1 of the Bank of Russia dated 22 December 2014.

Data as of 31.12.2015

Total assets
RUB 1,407.13 billion

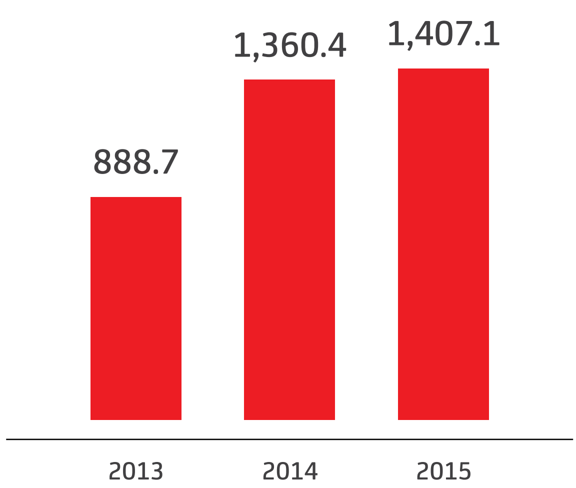
Total equity
RUB 164.53 billion

Retail customers
more than 1,700,000

Corporate clients
about 28,000

Employees
about 4,000

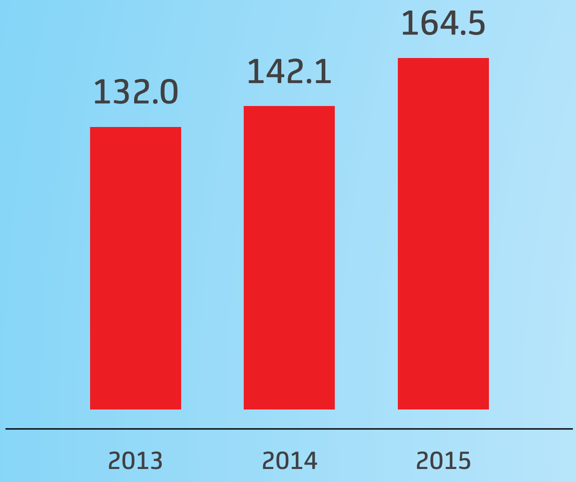
Total Assets, *RUB billion*



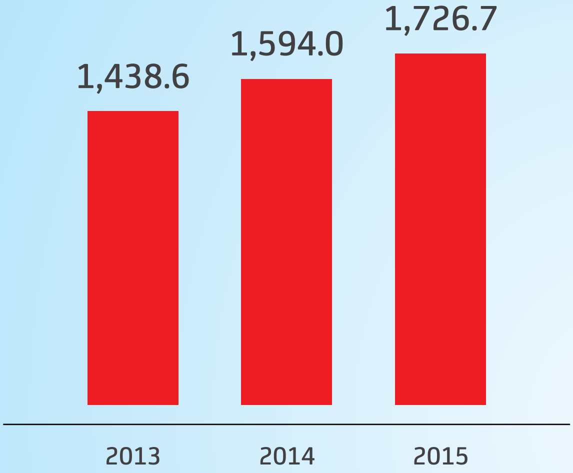
UniCredit Bank in Russia

Moscow and the Moscow Region
Arkhangelsk
Barnaul
Belgorod
Cheboksary
Chelyabinsk
Irkutsk
Kaluga
Kazan
Kemerovo
Krasnodar
Krasnoyarsk
Lipetsk
Magnitogorsk
Nizhny Novgorod
Novorossiysk
Novosibirsk
Omsk
Orenburg
Perm
Rostov-on-Don
Saint-Petersburg
Samara
Saratov
Sochi
Stavropol
Tyumen
Ufa
Volgograd
Voronezh
Yekaterinburg

Capital,
RUB billion



Number of Customers
(Corporate and individual clients, thousand)



Dude, you should really consider a house with a garden.

Let’s talk about the spaces where we live.

There’s nothing like staying at home for real comfort. But sometimes you really need to get out -- especially if you’re a dog.

Take Osvaldo: His owner is being a bit lazy, preferring to stay in a small apartment rather than dealing with the stress and paperwork of the real estate jungle. Poor Osvaldo.

But we have a complete solution to help. First of all, dear Osvaldo’s owner, wouldn’t it make you more confident to know what amount you can get from the bank before start house hunting?

Yes, our consultants know very well that this can make a difference. And with products like Voucher Mutuo, there’s no risk of choosing a house that you cannot afford.

What about the rest? Well, we are a convenient, trusted partner whether you sell or buy a house. In Italy, our Subito Casa program can establish the value of the house or handle all the paperwork – helping you get engineers, lawyers, you name it.

So, dear Osvaldo’s owner, feel free to start looking for your cosy new home, and leave the boring part up to us.

Strategy and Results in 2015

Message from the Management Board

“During 2015, UniCredit Bank paid particular attention to the digital transformation of its business in order to meet changing expectations of modern customers. We will remain focused on further digitalisation of our business in the future.”

Mikhail Alekseev
CHAIRMAN OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

2015 was a renewal of sorts for the Russian banking system. All banks felt this, including, of course, UniCredit Bank that was officially named a systemically important financial institution by the Russian regulator this year. Certainly, thanks to our many years of experience, we were well prepared for the events that we faced in 2015. This helped us demonstrate good results despite still challenging business environment. The Bank once again proved its stability, efficiency, and ability to adapt its operations to the present situation.

In 2015, UniCredit Bank was able to keep on an upward track both its loan portfolio, which grew 5% to reach RUB 867.3 billion, and its total assets, which by year end surpassed RUB 1.4 trillion. It is noteworthy that we paid close attention to the economic situation in the country, which significantly impacted the overall movement of the key banking sector indicators. We, therefore, focused firstly on maintaining the high quality of our assets, which the results for the year confirm to be some of the best among Russian banks.

During 2015, many banks had to address the issue of financing their operations. Thanks to our reputation, the high quality of our client base, and our professional approach to raising funds from a variety of sources, UniCredit Bank successfully preserved its system of well-balanced autonomous funding sources. As a result, funds raised from corporate and retail clients grew 15% to exceed RUB 931 billion.

Continuing our tradition of a highly responsible approach to compliance with regulatory requirements, throughout the year we carefully monitored the maintenance of capital adequacy at a comfortable level. At year end, capital adequacy was 12.9%, partly thanks to the support of the Bank’s shareholder who provided a subordinated loan. Today, UniCredit Bank is one of the most capitalised and stable banks in the Russian financial market, and is well prepared to face high volatility.

Throughout the year, UniCredit Bank adhered to the cost management initiative that has been in place for some time. In 2015, the Bank was even able to surpass the excellent results of the previous year to reach a cost to income ratio of 31.4%. This, in turn, allows the Bank to call itself one of the most efficient credit institutions in Russia.

Over the last several years, the global banking business has changed more than it did over the past 50 years. We live in a changing world, and this was particularly evident in 2015. Online banking, multichannel banking services, social media, new payment system solutions – all of these are challenges for commercial banks in terms of competition, both from their rivals within the banking sector and from non-financial companies. In order to remain competitive, banks must be highly tech-savvy, flexible and prepared for major changes. In this regard, at the end of 2015, UniCredit Group announced that digitalisation would be one of the key focuses of the updated Strategic Plan.

During 2015, UniCredit Bank paid particular attention to the digital transformation of its business in order to meet changing expectations of modern customers. The Bank's automated systems modernisation initiative, CBT, became one of the year's key projects. Achievements in the context of this programme already allowed us to take a giant step forward. In 2015, the Bank continued to improve its various remote services for retail clients: for example, we introduced instant transfers between bank cards, and updated the design and functionality of the internet bank and mobile applications. We also promoted remote banking for corporate clients. For example, serious improvements to the Business.Online remote banking service not only allowed us to connect all corporate banking clients to the system, but also to create on its basis a unique offering in the area of currency control for our clients. We will remain focused on further digitalisation of our business in the future.

UniCredit Bank went on to play an active role in Russia's cultural life. In 2015 we furthered our partnership with the Pushkin State Museum of Fine Arts. We not only supported its cultural initiatives, but also became the first ever commercial bank to issue a credit card in association with the museum – we made it part of our Private Banking offering. In addition, we continued our tradition of exhibiting paintings from the corporate art collection of UniCredit Bank in our offices and presented the most complete catalogue of our art collection.

I would also like to note that the tough year 2015 did not affect our determination to be socially responsible as a large and successful company. During the year, the Bank worked with leading charity funds in Russia. We held our annual competition to choose the best idea for the charity project *You Can Help!.*

On behalf of the Management Board, I would like to thank all of our staff whose abilities allowed UniCredit Bank to achieve strong results in a very tough time. We not only maintain the Bank's reliability and high efficiency, but also contribute to the ongoing dynamic development of our business, so that we are prepared to respond to future challenges. Next year we will continue to work, in line with the corporate values of UniCredit Group, for the benefit of society, of our shareholders, and of our clients.

Mikhail Alekseev,
Chairman of the Management Board

Main Achievements in 2015

“UniCredit Bank Russia is a reliable and stable bank that performed very well despite the market conditions. In my opinion, the key for the future success is to be flexible, to be able to adapt yourself to the situation and to the needs of your customers.”

Graziano Cameli
MEMBER OF THE BOARD

UniCredit Bank Increases Its Shareholders’ Equity (Additional Capital) by USD 480.9

Late in March 2015, UniCredit Bank increased by USD 480.9 million its shareholders’ equity as calculated according to Guidelines of the Central Bank of Russia No. 395-P dated 28 December 2012 for Calculating Increases to Shareholders’ Equity for Lending Institutions (Basel III).

Such shareholders’ equity (additional capital) increase was authorised by resolution of UniCredit Bank sole shareholder, UniCredit Bank Austria. The shareholder made an arm’s length 10-year deposit worth USD 480.9 million which was approved by the Central Bank of Russia on 30 March 2015.

UniCredit Bank Launches Avtozavodsky Branch in Nizhny Novgorod

On 9 April 2015, the Bank opened a new branch at 1A Vedenyapina Street in Nizhny Novgorod with the view to improving customer experience and covering new high growth residential area. The new branch is easily accessible for customers living on both the left and right banks of the Oka River.

UniCredit Bank and Kaluga Astral Present Electronic Statement Service for SME Clients

Entrepreneurs and companies who use the Bank’s financial services can now benefit from the Astral Report or 1S-Reporting software solution to submit their tax reports or financial statements electronically. The main pros of electronic reporting are convenience and security: information is transmitted via secure channels which are licensed by the Federal Security Service of Russia. The correctness of information is automatically checked at the point of import. The channels operate around the clock, and are available to the clients at their convenience.

Forbes Names UniCredit Bank One of Russia’s Most Reliable Banks for the Eighth Year in a Row

The Forbes magazine published its traditional Top 100 Banks rating for 2015. UniCredit Bank was named one of the most reliable Russian banks taking the 6th place among the twelve most reliable banks thus improving its position vs. the previous year.

UniCredit Bank Celebrates the Anniversary of its Head Office on Prechistenskaya Embankment

On June 30th, the Head Office of UniCredit Bank on Prechistenskaya Embankment in Moscow celebrated 20 years since its opening. This building was the first commercial bank office built in the country after the October Revolution. The building design received several awards, including the State Award of the Russian Federation and was named by the professional community the best project in the city for the period between 1987 and 1997.

“It is a really beautiful and practical building, which even twenty years on looks modern and is wonderfully functional. We are proud that the architects were really respectful of surrounding urban landscape. This reflects our Bank’s values, and this building has been our “face” for twenty years,” says Mikhail Alekseev, Chairman of the Management Board of UniCredit Bank.

UniCredit Bank is Named Russia's Best Bank at the Euromoney Awards for Excellence 2015

"It is an honour for us to be recognised the Best Bank in Russia by Euromoney, a well-known international publication," notes Mikhail Alekseev, Chairman of the Management Board of UniCredit Bank. "This is yet another proof of UniCredit Bank's strong position in the Russian banking market, of its reliability and excellence, and of the high quality of service we offer to our clients. We also contributed to the achievements for which UniCredit Group was named the Best Bank for Transaction Services in Central and Eastern Europe, as UniCredit Bank is one of the leading players in this segment in Russia. I would like to congratulate all of the Bank's employees with this important milestone."

UniCredit Bank Partners with the Pushkin State Museum of Fine Arts to Launch the World Elite MasterCard®

In September 2015, UniCredit Bank, MasterCard, and the Pushkin State Museum of Fine Arts launched a new World Elite MasterCard® for UniCredit Private Banking clients. This card combines the benefits of a premium product with the opportunities of Pushkin Museum's loyalty programme. It is the first ever co-branded banking card of the Pushkin State Museum of Fine Arts.

The World Elite MasterCard design features Seascape at Saintes-Maries, an 1888 Vincent Van Gogh's masterpiece from the Pushkin Museum collection.

UniCredit Bank's World Elite MasterCard card was developed specially for our Private Banking clients and offers access to a wide range of unique financial services, as well as the benefits of the Pushkin Museum's loyalty programme.

UniCredit Bank Included in the List of Systemically Important Banks

The Bank of Russia approved the list of systemically important financial institutions based on the methodology established by Bank of Russia Ordinance No. 3737-U 'On the Methodology for Determining Systemically Important Credit Institutions', dated 22 July 2015. Ten banks are on the List, which together account for more than 60% of the total assets of the Russian banking sector. UniCredit Bank was included in the List together with other major Russian banks.

These credit institutions will fall under the requirements to comply with a short-term liquidity coverage ratio and additional capital adequacy requirements in accordance with Basel III*.

UniCredit Bank Wins the Financial Olimpus Award

UniCredit Bank competed against fifteen financial institutions in the Retail Bank category. The main eligibility criterion for Financial Olimpus award was an aggregate indicator calculated on the basis of retail deposits and their dynamics during the crisis, as well as the size of the retail loan portfolio and its performance.

"We are happy that UniCredit Bank's excellent performance, including its solid retail deposit portfolio, was recognised. We are proud to be trusted, despite the challenging economy, by 1,700,000 clients including many new ones. Over the last year, our deposit portfolio grew more than 60%," comments Ivan Matveev, Member of the Management Board of UniCredit Bank.

UniCredit Bank Once Again Receives the JP Morgan Chase Quality Recognition Award

On 23 December 2015, JPMorgan Chase Bank NA commended UniCredit Bank for the high quality of its outgoing payment orders in US Dollars. The Bank's performance in 2015 was recognised with two awards. First, for the interbank payments in SWIFT MT202 format the "Quality Recognition Award" has been granted for the 14th consecutive year. Second, "Elite Quality Recognition Award" has been granted for an excellent 99.61% STP ratio in client settlements in MT103 format. This Award has been received for the 7th consecutive year, while for the preceding 7 years the less extraordinary Award has been granted.

* This information is prepared on the basis of a release by the Press Service of the Bank of Russia.

Report on the Bank's Activities

Macroeconomic Environment and the Banking Sector in Russia in 2015

Macroeconomic Environment

The continued worsening of the external environment throughout 2015 exacerbated structural imbalances in the Russian economy. GDP declined by approximately 3.7%, according to preliminary estimates, amid reduced consumer spending and an ongoing slump in investment activity. The decrease could have been more significant but the reduction of imports partially offset the fall in domestic demand.

The primary challenge for the Russian economy in 2015 was the significant decline in the oil price. The yearly average price per barrel fell from USD 99.50 in 2014 to USD 53.60 (by year end 2015 Brent was trading slightly above USD 35 per barrel). As a result, Russia saw its export revenues fall by 32% vs. 2014. Despite this fall, reduced imports (-37% in dollar terms) resulted in a smaller contraction in the trade balance (23%). Adjustments of other balances within the current account (including the balance of services and wages) resulted in its actual increase vs. 2014 by 13% – to USD 68.5 billion.

During 2015, capital outflow went on, albeit at a slower rate than before: the total amount was only USD 56.9 billion (in 2014 the figure was USD 153 billion). The structure of capital flight also changed. Earlier, acquisition of assets abroad was the major contributor to capital outflow. However, in 2015, the private sector (primarily the banking sector) reduced its foreign assets holdings by USD 10.6 billion. As a result, the outflow in 2015 was mostly attributed to foreign debt redemption by Russian companies (a total of USD 64.3 billion) amid limited rollover opportunities in the international capital markets, as a result of the current sanctions.

The factors described above illustrate that a freely floating Russian rouble (the Central Bank of the Russian Federation has switched to such FX policy regime at the end of 2014) acted as a stabilizing factor for the economy (having depreciated by 20.3% vs. USD and by 11% vs. Euro). As a result, the amount of hard currency reserves remained almost unchanged last year. Additionally, in the context of falling oil prices, a weakened Russian currency has helped to compensate for the decrease in federal budget revenues. This in turn allowed the government to run the budget with a smaller than expected budget deficit (2.6% of GDP vs. 2.9%).

Monetary conditions throughout 2015 remained tight. During the first quarter of 2015, the sharp drop in the Russian currency affected inflation (due to the large percentage of imported products in the consumption basket). This has defined the slow pace of monetary easing by the Central Bank, following the interest rate hike to 17% at the end of 2014.

CAPITAL OUTFLOW SLOWED DOWN DUE TO DISPOSAL OF FOREIGN ASSETS

High inflation (12.9% at year end, although the yearly average exceeded 15%) resulted in a decrease in consumer purchasing power. This triggered a decline in retail sales of almost 10%. Additionally, the Russian economy experienced a continued decline in capital investments, which fell by 8.4% in 2015. At the same time, high volatility in the rouble exchange rate negatively affected producer confidence.

Taking into consideration our oil price outlook (average of USD 37 per barrel in 2016 under our base case scenario), and the gradual exhaustion of internal resources available for counterbalancing external shocks, we expect that economic growth will resume only at the beginning of 2017. In 2016, the Russian GDP is likely to fall further by roughly 3%, according to our projections. The rouble, on average, will remain weaker than in 2015 during the coming year. However, we might see a slight increase in the value of the Russian rouble vs. the US dollar by year end 2016 if oil prices rebound faster than we currently forecast. However, a significant rise in the rouble would increase the risks for the federal budget. In order to meet fiscal targets in 2016, a nominal decrease in spending would most likely not be enough. Inflationary pressures will persist in the first half of the year amid weakening rouble, but further dynamics is likely to slow down considerably as a result of both a fall in consumer demand and the impact of high base effect from the previous year.

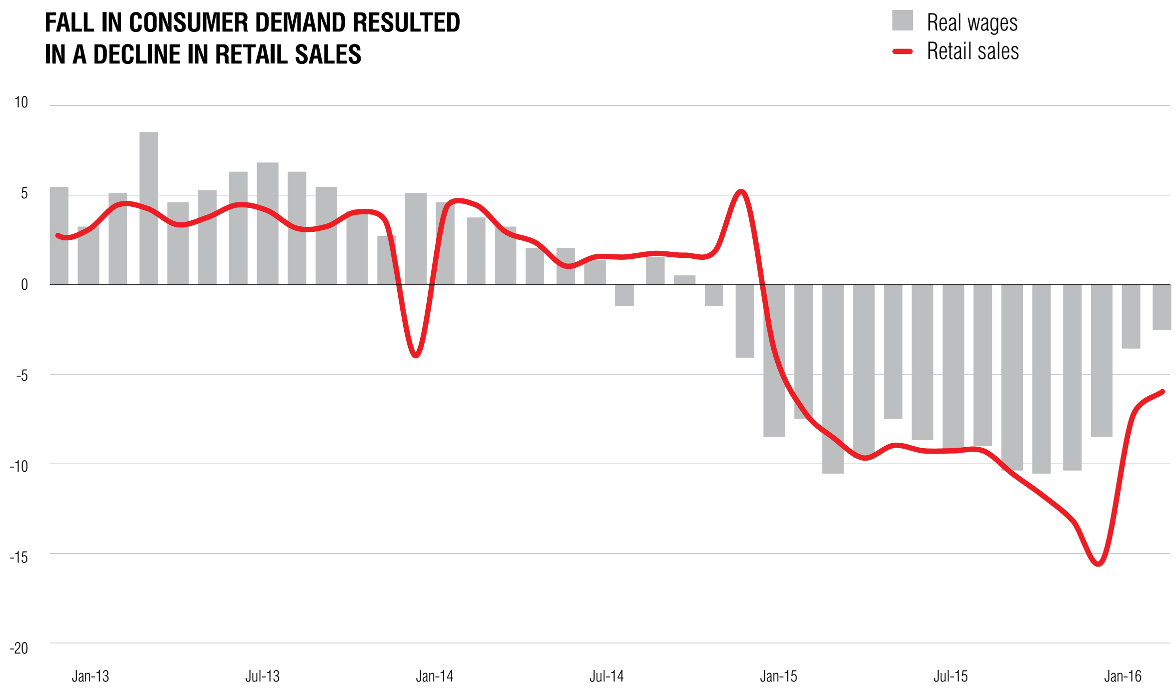
Banking Sector

As a result of the recession in the Russian economy, the banking sector earned only RUB 192 billion pre-tax profit, which was a decline of 67% vs. 2014. This was primarily due to high levels of provisioning as a result of the worsening quality of loan portfolios. The banking sector experienced five months with negative and/or flat financial results.

Banking sector assets grew year on year by 6.9%, but after adjusting for FX revaluation, the size of the balance sheet decreased by 1.6%. Overall, FX fluctuations have seriously affected all balance sheet indicators in 2015. At the same time, corporate lending grew by 12.7% vs. the previous year (+2.5% in FX-adjusted terms), and reached RUB 33.3 trillion. The share of hard-currency-denominated debt in the total portfolio increased over the year from 33% to 40%. The sector also experienced a decline in the quality of loans in the corporate segment. Corporate overdue rose by two percentage points to 6.2%.

Retail lending shrank during the course of 2015, and by the end of the year the portfolio was 5.7% smaller than a year before. Without government programmes supporting mortgages and auto loans, the decline would have been even more impressive. Another negative development in the retail segment was the increase in overdue (according to RAS) by 2.2 percentage points to 8.1%, which is the highest historical level for this indicator.

FALL IN CONSUMER DEMAND RESULTED IN A DECLINE IN RETAIL SALES



Report on the Bank's Activities (Continued)

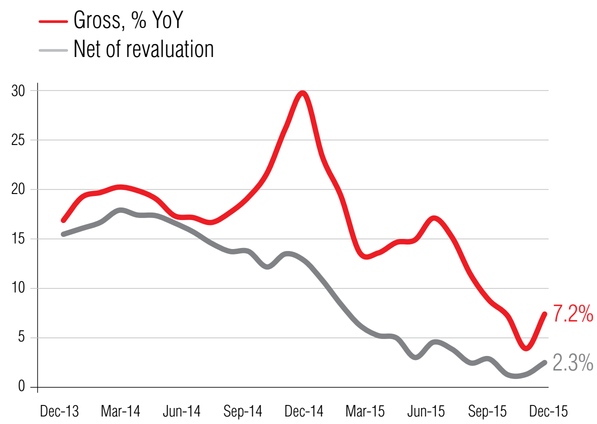
Macroeconomic Environment and the Banking Sector in Russia in 2015 (Continued)

The volume of retail deposits increased by 25.2%. The structure of these deposits has changed in favour of short-term deposits, which grew by 12 percentage points to reach 57% of overall deposits. This can be explained by relatively high interest rates and high uncertainty.

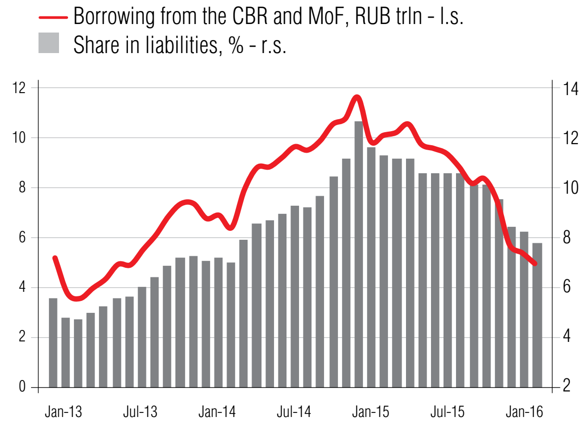
Regulatory capital of the banking sector increased year on year by 12.7% in 2015 and exceeded RUB 8.9 trillion, primarily due to state support through Federal Loan Bonds (OFZ), the total value of which reached RUB 803 billion, as well as due to contributions from shareholders. The banking sector's Capital Adequacy Ratio also increased year-on-year from 12.5% to 13%.

We expect moderate growth in the Russian banking sector during 2016, although the credit quality of corporate loan portfolio is likely to decline. The corporate portfolio will most likely grow by 6% (including FX revaluation effect), which is roughly at par with inflation. We also expect some improvement in the retail segment, as we believe the peak of problems is now behind us. In the second half of 2016 growth may resume, likely reaching 8% for the full year. Capital adequacy ratio may decrease by 50-80 basis points this year, following the withdrawal in January 2016 of a number of relief measures implemented last year to mitigate some of the crisis impact on the sector. However, the reduction of CAR requirements from 10% to 8% should provide a comfortable regulatory environment for lending organizations. Overall the banking sector's pre-tax profits may double in 2016 vs. 2015 pre-tax profits, although this will depend on the macroeconomic situation.

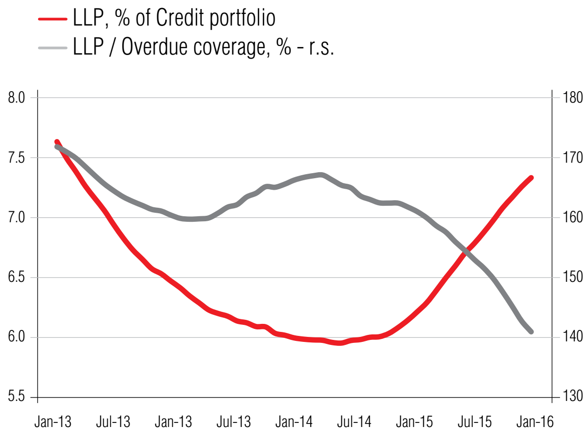
LOAN PORTFOLIO DYNAMICS



BANKS RELY HEAVILY ON CBR FOR REFINANCING



PROVISIONING IS LIKELY TO INREASE FURTHER TO CATCH UP WITH RISING OVERDUE



2015 Financial Results

“Also in 2015 UniCredit Bank demonstrated its strong fundamentals, resilient revenues growth and confirmed itself as a solid profitability contributor to UniCredit Group’s results. With the continuous support from the Group and commitment of all its resources, the Bank will be able to look into 2016 with great confidence.”

Michele De Capitani
MEMBER OF THE MANAGEMENT BOARD

At the general shareholders’ meeting held on April 29, 2015, it was decided to assign the 2014 net profit after tax in the amount of RUB 18,819 million to the retained earnings.

Major Transactions

Under the Russian Federal Law “On Joint Stock Companies”, a major transaction is one with value in excess of 25 percent of the company’s total assets. For AO UniCredit Bank a major transaction would be therefore the transaction worth more than RUB 343,281 million (under 2015 RAS accounting statements). In 2015, the Bank did not undertake any transactions of this magnitude.

Related Parties Transactions

In 2015, the Bank did not enter into any transactions in which the Bank’s directors, top managers or other parties listed in the Federal Law “On Joint Stock Companies” had an interest. Further information about related parties’ transactions is given in AO UniCredit Bank audited consolidated financial statements.

Footnote 29 of the consolidated financial statements lists transactions with related parties made in the normal course of business in accordance with the requirements of IAS 24 “Related Party Disclosures”.

Operating and Net Profit

According to IFRS, AO UniCredit Bank Russia generated a gross operating profit of RUB 33,584 million in 2015, which is 20.3% higher than in 2014. This result is remarkable considering the macro environment and cost for the subordinated loan, which was attracted in 2015.

Operating costs grew by 14.5% compared to the previous year and amounted to RUB 15 387 million. Nevertheless, the cost/income ratio equals to 31.4%, which is one of the best results among Russian banks. Cost of risk increased in 2015 reflecting the macro scenario and prudent risk policy of the bank (loan loss provisions charge up by 231.2%). As a result of the above mentioned the Bank’s net profit was RUB 15 518 million (-17.5% vs. 2014, -7.7% excluding cost of subloan). The Bank sustains its margin with return on equity (ROE) of 10.1% and return on assets (ROA) of 1.1%.

Net Interest Income

The overall UniCredit Bank’s net interest income totaled RUB 40,361 million and increased by RUB 4,744 million or 13.3% compared to the previous year thanks to the effective assets and liabilities management and solid results on securities portfolio.

Report on the Bank's Activities (Continued)

2015 Financial Results (Continued)

Non-Interest Income

Net fee and commission income amounted to RUB 4,379 million and were lower than in 2014 by RUB 2,041 million mainly due to prudent and conservative approach on retail business.

Despite still turbulent markets and extremely volatile environment, gain on financial assets and liabilities held for trading amounted to RUB 5,257 million (compared with loss in 2014 in the amount of RUB 2,051 million), coming from trading securities portfolio and derivatives financial instruments.

Loan Impairment

The total allowances for loan impairment grew in 2015 by RUB 12,699 million to RUB 33,449 million. Asset quality remained solid: the weight of the impaired loans in total loan portfolio amounted to 6.4% (compared to 3.7% in 2014), the loan impairment allowances to total portfolio coverage ratio stood at 3.7% (compared to 2.4% in 2014). The loan impairment charge was RUB 14,621 million in 2015, a RUB 10,207 million increase compared to 2014. Overall impaired loans coverage ratio reached 50.2%.

Operating Costs

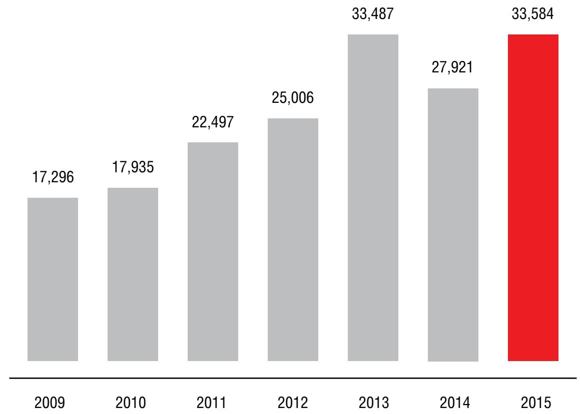
In 2015, operating costs totaled RUB 15,387 million, a 14.5% increase compared to the previous year. Nevertheless, strict cost management procedures allowed the Bank to maintain cost/income ratio at an excellent level of 31.4%, which is one of the best results among both Russian and European banks.

Assets

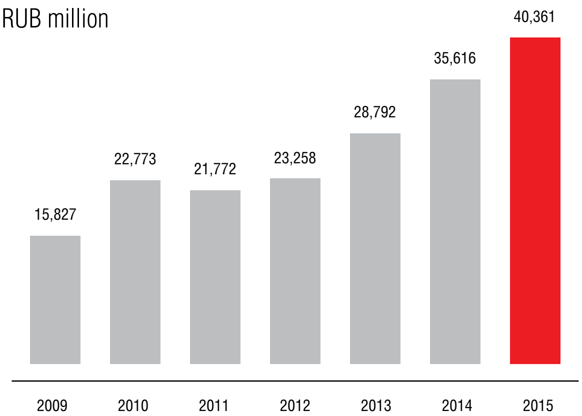
In 2015, UniCredit Bank assets grew by 3.4% and reached RUB 1,407,126 million. The gross loans to customers totaled RUB 900,744 million and increased by 6.3% compared to the last year. Retail loan portfolio (gross, including SME loans) amounted to RUB 132,646 million (-RUB 32,376 million, -19.6% Y/Y). Total gross loans to corporate customers (including reverse repurchase agreements and lease receivables) increased significantly up to RUB 768 098 million (+RUB 85,519 million, +12.5% Y/Y).

The trading securities portfolio decreased from RUB 4,448 million in 2014 to RUB 3,652 million in 2015 while available-for-sale portfolio grew from RUB 54,370 million to RUB 69,738 million in 2015.

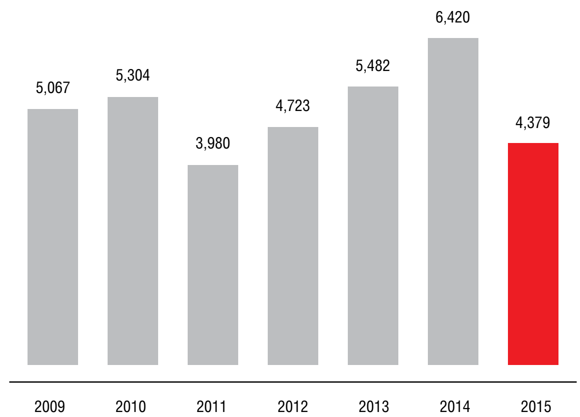
GROSS OPERATING PROFIT,
RUB million



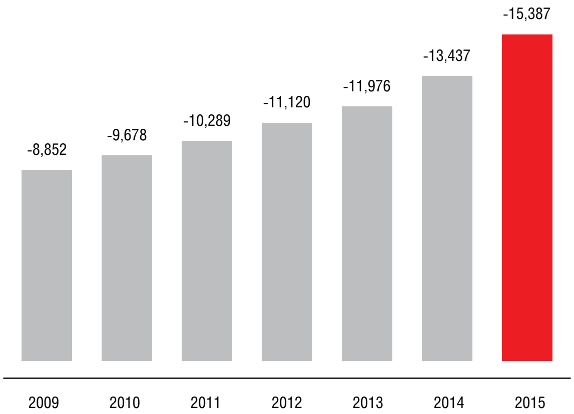
NET INTEREST INCOME,
RUB million



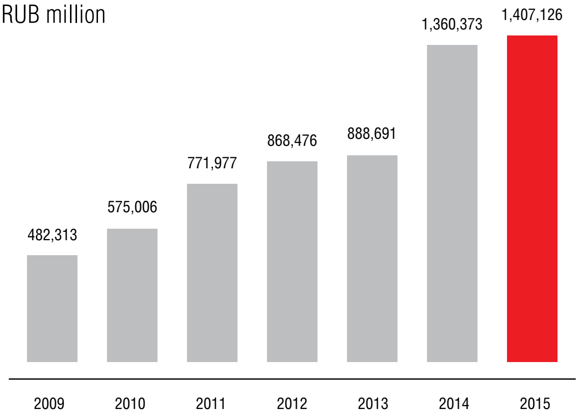
NET FEE INCOME,
RUB million



OPERATING COSTS,
RUB million

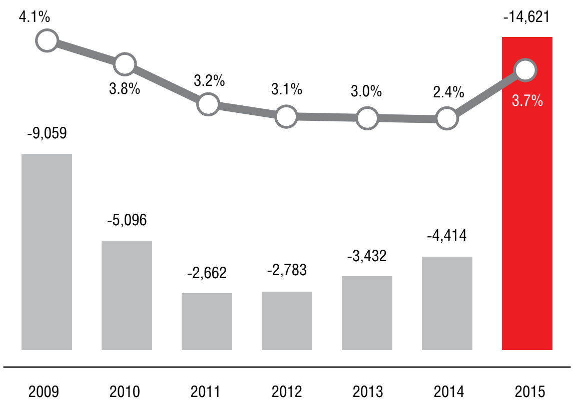


TOTAL ASSETS,
RUB million



PROVISIONS CHARGE FOR LOANS IMPAIRMENT,
RUB million

COVERAGE RATIO



Liabilities

Over 2015, UniCredit Bank continued with its strategy of diversifying funding sources. Client deposits increased by 14.9% at 2015 year end, up to RUB 931,427 million. Corporate deposits (including the leasing business) composed RUB 706,975 million at the end of 2015, while Retail and Private deposits amounted to RUB 224,452. Corporate clients accounted for 76% of total clients' funds at the end of 2015.

The volume of debt securities amounted to RUB 32 979 million at the year-end.

Shareholders' Equity

UniCredit Bank's shareholders' equity rose to RUB 164,527 million or by 15.8% compared with 2014, which provides a solid base for further business expansion.

N1 capital adequacy ratio calculated in accordance with the requirements of the Central Bank of Russia was 12.9% as of the end of 2015, which is well above the minimum set by the Central Bank of Russia (10%).

Report on the Bank's Activities (Continued)

Asset and Liability Management

The Bank provided actively loans to corporate clients in 2015, while the demand from retail clients overall deteriorated on the industry level. Our main focus was on sustaining a high quality of our credit portfolio. The growth of our loan portfolio by RUB 53.1 billion* was primarily financed through increase of customer deposit portfolio. The Bank was also able to attract a US Dollar-denominated subordinated deposit which allowed us not to cutback on loans nominated in foreign currency, while maintaining capital adequacy at a high level despite the exchange rate fluctuations.

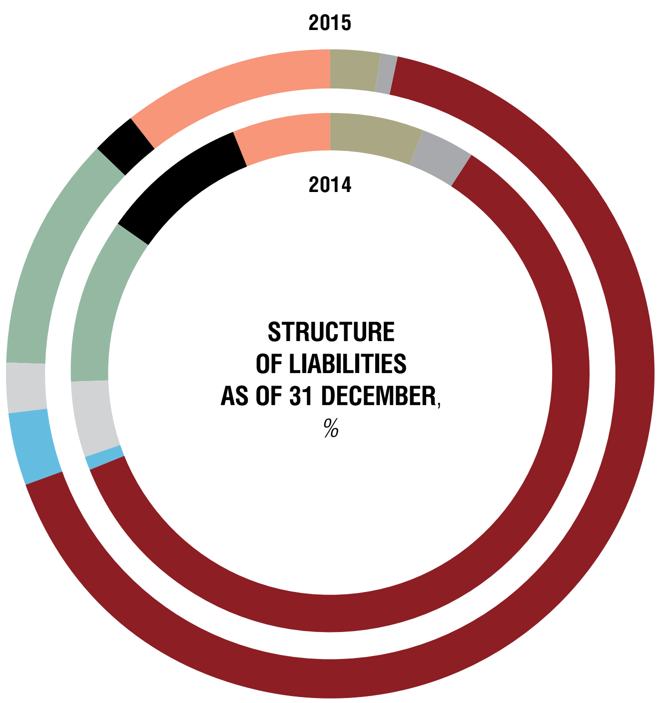
In order to maximise net interest income, we actively used the most beneficial from an economic point of view sources of financing. The volume of customer funds increased by RUB120.8 billion*. The outstanding volume of the Bank's issued bonds decreased compared to the previous year by RUB 29 billion. However, UniCredit Bank successfully placed a new issue of mortgage-backed bonds.

The Bank continues to maintain its focus on self-financing – funds from the parent company account only for 1% of liabilities.

Over 2015, liquidity management was in accordance with the Group's model based on liquidity ratios which are stricter than regulatory requirements. Therefore, the Bank met regulator's liquidity requirements (N2, N3, and N4) with comfortable buffer. We paid particular attention to the new short-term liquidity ratio N26, which is valid from January 2016**. The loan to deposit ratio was 90% as of 31 December 2015, which illustrates our solid liquidity position. In addition, the Bank continued to build up its pools of loans which can be pledged for funds raising from the Bank of Russia (in accordance with Regulation No. 312-P, providing for the opportunity to attract the refinancing secured by non-market assets as collateral).

Throughout the entire year, we monitored our compliance with the limits on a daily basis. Control was carried out by an independent division – Market Risk Management Unit. The Assets and Liabilities Management Committee reviewed the results on a weekly basis.

The assets and liabilities management strategy adopted by the Bank for 2016 prioritises sustaining liquidity at adequate levels while maximizing the profitability of the Bank.



	2014	2015
CBR	5.9%	2.7%
Intragroup Funding	3.4%	0.7%
Due to Customers	59.6%	66.2%
Subordinated Debt	1.0%	3.6%
Own Bonds	4.6%	2.3%
Capital	10.4%	11.7%
Other liabilities	9.0%	2.4%
Due to Banks	6.1%	10.3%

* Partly due to changes in the exchange rate.

** Only for 10 banks recognized as systemically important financial institutions.

Corporate and Investment Banking

“In 2015, UniCredit Bank strengthened its position in providing effective financial solutions for large Russian and international companies. The Bank remains one of the leaders in structured and trade finance, as well as in debt capital.”

Kirill Zhukov-Emelyanov

MEMBER OF THE MANAGEMENT BOARD

In 2015, UniCredit Bank maintained and strengthened its position in Russian corporate clients market. Despite the challenging economic situation, the Bank managed to demonstrate strong results in all key business areas. The corporate portfolio exceeded RUB 760 billion by the end of the year. A balanced approach towards risk measurement allowed the Bank to keep the leading market position in credit portfolio quality. 2015 year-end share of non-performing loans was 3.1%, against 6.2% Russian banking system's average. At the same time corporate loan portfolio growth outperformed the average in the banking sector. The volume of corporate client deposits reached RUB 707 billion by 2015 year-end. Profit before tax increased comparing to 2014 and reached RUB 14.6 billion.

The Bank continued its successful collaboration with large, international and regional corporate clients. Despite macroeconomic challenges, the effective cooperation of UniCredit Bank with regional corporate clients allowed to keep mutually beneficial relationships and demonstrate a positive gap to the market according to the level of customer satisfaction. The regional business demonstrated strong and balanced revenue growth, and continued to contribute a significant share of CIB revenue.

The commercial strategy of recent years, aimed at developing non-lending business of the Bank, proved its efficiency also in 2015 (mostly due to active offering of transactional products). The average volume of regional client deposits increased by 36% comparing to the previous year.

In accordance with the market requirements, IT systems update and internal processes automation were among the main priorities throughout 2015. The Bank implemented a series of innovations in the technological area, particularly in corporate liquidity management, aimed at improving the existing products and offering the customers new products.

A special attention was paid to strategic initiatives. Among them it is worth mentioning the initiatives aimed at corporate clients service enhancement and constant improvement of employees' qualification.

In 2015, the Bank reaffirmed its position as one of the leading market players in structured and trade finance, mainly through appropriate use of expertise and geographical footprint of UniCredit Group. It is important to note the Bank's achievements in debt capital markets: in 2015, UniCredit Bank became the leading arranger of Eurobonds for Russian corporate clients being the only bank which had participated in all Russian corporate placements.

The past year allowed UniCredit Bank once again to demonstrate its loyalty towards the clients and commitment to keep strong relationships even in challenging environment.

Report on the Bank's Activities (Continued)

In 2016, the key priorities will be maintaining credit portfolio quality, as well as enlarging the base of loyal and reliable business partners. In addition, there are certain activities planned for 2016, aimed at keeping the level of customer satisfaction higher than the market.

International Center

In 2015, a trend towards sustainable growth in international clients segment continued. The trend was a result of increasing loan portfolio volume and higher revenues from trading operations, as well as simultaneous growth both in deposits volume and liquidity management operations.

The special model for servicing international clients was a key success factor, allowing to increase both the number of new clients and revenues from the business with the existing ones. Such model includes close and effective cooperation between UniCredit Bank teams, Russian subsidiaries of the clients, as well as their head offices and relationship managers from UniCredit Group.

In 2016, the main focus will remain on international companies with capital origin from key UniCredit Group locations (Germany, Italy, Austria). At the same time, more attention will be paid to companies with such countries of capital origin as France, Northern Europe, the United State, Asia, Central and Eastern Europe.

A special attention is paid to the companies which are serviced by international banking competitors, since the latter are shifting their focus and resources to other countries.

Enlarging the client base remains one of the priority tasks for the Bank. Close cooperation with UniCredit Group helps in its accomplishment. The key factors in attracting new clients and strengthening relationships with the existing ones are complex banking products, particularly corporate liquidity management and trade operations products, which are mostly demanded by international companies.

Structured and Project Finance

In 2015, a reduction in the number of deals in the market compared with the previous years was observed, partially due to tough situation with liquidity and lower demand in the light of uncertain economic perspectives. Despite that UniCredit Bank became one of the most active players in Russian structured products market.

UniCredit Bank participated in almost all of the projects in the blue-chips syndicate market. The Bank, being as an authorized agent in syndicated/club deals, organized financing for JSC Acron, EuroChem Group and Metalloinvest Group.

In addition to participating in syndicated transactions, UniCredit Bank continued to provide structured bilateral loans to Russian manufacturing companies. In 2016, the Bank does not expect significant changes in syndicated loans market and is willing to keep strong position in corporate segments, particularly in structured finance producs.

Cash Management

In 2015, UniCredit Bank corporate liquidity management products and solutions successfully helped companies to increase efficiency in challenging environment. In 2015, important strategic corporate liquidity management projects were completed and started to produce the first results. In particular, Cash Pooling automated solutions for residents and non-residents liquidity management were brought into service, and now are offered by UniCredit Bank for a wide range of interested clients without any restrictions.

The customs card PayHD introduced by the Bank to clients last year, had high demand. The number of companies which use this product doubled, and the Bank entered top-3 largest players in terms of issuing customs cards and PayHD payments. This service was also recognised as top-5 UniCredit Group best new products of 2015 according to the intragroup contest UniCredit Up Award.

Major improvements to a new remote banking system Business.Online not only allowed the Bank to transfer all of its corporate clients to this system, but also to create a unique currency control offering on its basis.

In cooperation with partners, the Bank continued to create new different Host-to-Host channel types. At the same time, the work was focused not only on unique solutions for the largest Russian companies, but on testing the standard application as well, which would be available for any client using 1C:Accounting software.

In 2015, UniCredit Bank traditionally played one of the main roles in the area of improving and introducing a new international standard ISO20022 to the Russian market.

Thanks to UniCredit Bank specialists' efforts, in cooperation with CGI and with support from the Central Bank of Russia, the last missing link of the standard was prepared – a description of the formats for currency control documents, which are planned to be implemented in the near future.

The main goals for 2016 are implementation of improvements proposed by clients into Business.Online and European Gate systems, Host-to-Host channels standardization for easier and faster adjustment, active offering of the whole range of corporate liquidity management products and solutions, as well as implementation of activities aimed at increasing the level of customer satisfaction.

Correspondent Banking

UniCredit Bank actively offered correspondent banks clearing and settlement services in 2015, serving more than 300 accounts opened by banks from 46 countries around the world. At the same time, measures aimed at optimization and profitability of own Loro and Nostro network of correspondent banks were taken.

In addition, the Bank maintained its position among Russian leaders in terms of volume of ruble payments made on behalf of non-resident banks.

Trade Finance

The overall economic environment caused some adjustments to the Bank's strategy towards a number of customers in terms of a more balanced approach to risk measurement and pricing policies. An efficient combination of these factors, taking into account market conditions along with improving cooperation with clients, allowed to maintain strong position even under the current challenging environment.

Despite a significant decrease in the number of expansion and modernization projects by Russian companies, as well as related decline in the usage of letters of credit, many clients continued existing programs with UniCredit Bank services, using UniCredit Group advantages in confirming and financing such letters of credit. It is also important to note active usage of letters of credit in importing consumer goods and services.

As to guarantee business, it remains dominating with prevalence of Russian liabilities.

A client survey demonstrated growth of customer satisfaction level in the area of trade finance comparing both to the Bank's previous results and the market. Based on year-end results, UniCredit Bank, together with the Group's banks in CEE, received Global Finance Magazine award "Best Trade Finance Bank in CEE".

In the light of current financial and economic challenging environment, the Bank's activities in 2016 will be based on previously existed principles. The goal of maintaining the portfolio and its profitability will be achieved through further strengthening of cooperation with the leading clients from different industries and regions of the country (with an increased focus on export-oriented companies), keeping balanced risk and pricing policies.

Factoring

The past year was difficult for most of the Russian economy sectors. A decline in retail sales and a resulting decrease in consumer demand in 2015, affected the factoring market which sensitively reacts to such macroeconomic changes. According to the Association of factoring companies (AFC), the overall turnover of the factoring market participants decreased by 14%. Nevertheless, UniCredit Bank continues to offer its clients factoring services: the Bank had 48,500 assigned deliveries amounting to a total of more than RUB 30 billion. As in the previous years, in 2015 the majority of clients using factoring services were large and mid-sized companies. The Bank offered its clients tailored solutions, related to complex trade finance.

Being one of the leaders in the international factoring market, UniCredit Bank aims to expand its presence in the segment. Last year the main operations of the Bank were related to import factoring, as export factoring development was restrained by legislative issues. The removal of the issues, as well as UniCredit Group global presence will allow to increase the number of the Bank's clients that use international factoring.

Export Finance

2015 was quite successful for UniCredit Bank in the area of long-term tied financing covered by export-credit agencies (ECA). As a result, UniCredit Bank was able to confirm its status as one of the leading players in the market.

The ruble devaluation had a negative impact, but thanks to significant growth in ruble rates ECA-covered financing remained attractive for exporters operating in the Russian market. A series of key deals in the total amount of EUR 600 million were closed with clients from different sectors, including telecommunications, metallurgy, mining, petrochemicals and fertilizers. Among the key deals, it is worth mentioning PJSC Megafon financing, covered by Finnish ECA Finnvera in the amount of EUR 150 million, as well as EGAP-covered byuer's credit for OJSC PhosAgro.

It is likely that 2016 will be difficult mainly for ECA-covered financing exporters in the Russian market, as the ruble exchange rate high volatility and the increasing pressure on the financial results of companies will lead to revision of investment programs, potential suspension

Report on the Bank's Activities (Continued)

Corporate and Investment Banking (Continued)

of current investment projects and searching for Russian alternatives to imported equipment. Nevertheless, UniCredit Bank plans to continue supporting its clients, offering the most appropriate credit solutions in accordance with client needs and market conditions.

Custody Services

Understanding the specifics of the Russian market and being a part of the largest custody network of UniCredit Group in Central & Eastern Europe, the Bank offers high quality services to leading international financial institutions, including brokers and dealers, global custodians and investment funds, using UniCredit Group's global approach to marketing and client relations.

By the end of 2015 assets under custody increased by 58% comparing to 2014 thanks to attracting several Russian largest companies.

In 2015 UniCredit Bank offered its clients improved settlement depositary services which allowed to receive more information on a status of securities trades in a real-time mode. Thanks to a connection to new electronic channels of communication with the Central Securities Depository (CSD), the corporate actions process for UniCredit Bank clients (electronic proxy voting) has become more technological and speedy.

UniCredit Bank's GSS representatives actively participate in improving the legislation and market infrastructure, and represent UniCredit Bank in various committees and working groups of the CSD, the National Securities Market Association and National Association of Securities Market Participants (NAUFOR). UniCredit Bank together with CSD and other securities market participants successfully tested first voluntary corporate actions using electronic communication channels within the frames of a corporate actions reform in Russia.

Financial Markets

Taking into account significantly increased volatility, clients remained highly interested in hedging trades and the use of derivatives throughout 2015. The majority of such trades were FX-forward ones with USD/RUB and EUR/RUB pairs, and cross-currency swaps including hedges of RUB bonds for several clients. Bank also closed a number of innovative transactions to hedge exotic (for the Russian market) currencies and interest rate exposure.

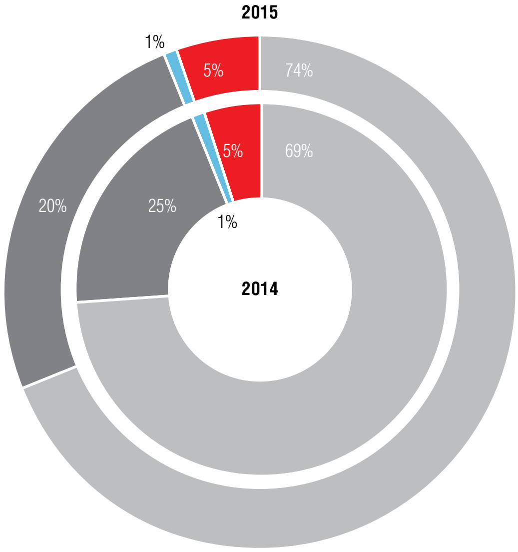
The stable, balanced credit risk appetite, as well as the desire to use innovative products in the derivatives market, allowed the Bank to overcome difficulties of 2015. The Bank has extensive plans for 2016 with a focus mostly on simple trades (IRS, CCS) with the top corporate clients.

CORPORATE PORTFOLIO STRUCTURE

Energy (including oil and gas)	21.80%
Non-ferrous Metal Production and Mining	11.94%
Mining of Precious Metal, Rare Earths, Gems	10.88%
Chemical and Pharmaceutical Industries	9.60%
Food and Beverage	9.04%
Steel Production and Mining	6.36%
Other Machinery and Metals	5.34%
Real Estate	4.85%
Media	4.14%
Construction and Woodworking	3.91%
Consumer Goods	2.53%
Agriculture and Forestry	1.95%
Transport and Transportation	1.88%
Automotive	1.88%
Telecom and IT	1.15%
Finance Institutions and Insurance	0.99%
Electronics	0.54%
Textiles	0.37%
Services	0.36%
Shipping	0.23%
Holding	0.14%
Tourism	0.10%

CORPORATE LOAN PORTFOLIO STRUCTURE BY SEGMENTS, %

- Top-Corporate
- Regional & Mid Market
- International
- Real Estate



Despite challenging environment, 2015 was an exceptional year for FX and money market operations. High volatility and a more relaxed competition with international players allowed the Bank to increase short-term profitability of treasury products. The volume of transactions was increased by 64% comparing to 2014. Corporate clients demand for standard hedging instruments (FX forwards, FX swaps etc.) was on its peak for the last 10 years.

While 2015 was challenging for primary markets, UniCredit Bank managed to execute a number of successful transactions, underlining the strength of its team in the local debt capital market. The Bank was also able to place its own mortgage backed issue in the amount of RUB 4 billion. The deal attracted many large investors, which is an excellent and unconventional result for structured issues.

In 2016, the Bank plans to remain one of the major arrangers in the local debt capital market, as well as offer its own issues including regular and structured bonds.

Corporate Finance Advisory and Capital Markets

Due to a large number of pojects originated in the previous year, the year of 2015 was characterized by intensive work for UniCredit's Corporate Finance Advisory (CFA) and Capital Markets department. Active cooperation between Russian and international client teams, along with product team, allowed to win and sucessfully execute a number of M&A deals, as well as to provide advisory on restructuring and Eurobond issue. In M&A, the advisory on the sale of the leading Orenburg based supermarket chain "Soseddushka" once again highlighted UniCredit Bank's ability to leverage its M&A capabilities over strong positioning in the Russian regions. The year was also marked by an increase in challenging situations, which were successfully solved both for clients and for the Bank thanks to close collaboration between restructuring and CFA teams. For 2016 the priorities in M&A will be working with the existing key clients, participation in cross-border deals, as well as ongoing execution and origination of mandates with regional clients. In addition, the team will use a selective approach to business restructuring cases.

On financing and debt advisory, UniCredit Bank will continue its dialogue with key Russian clients. A uniqe focus on the region and exceptional client base with a strong branding in the international capital markets, allowed the Bank to start introducing issuers to international debt capital markets in 2015. The Bank closed the year as a leading arranger of debt capital markets financing deals, ranked first among all Russian Eurobonds arrangers in 2015, and became the only bank that participated in all Russian corporate borrowers placements: EVRAZ, Gazprom, Norilsk Nickel, acting as a joint lead manager and joint bookrunner. In 2016, the Bank will continue to support key clients in attracting financing in international debt capital markets.

UniCredit Leasing

In 2015, taking into account the significant contraction of the Russian leasing market, UniCredit Leasing was able to maintain its position among the leading leasing providers in Russia. About 2,000 leasing contracts were signed totally. Transport, heavy machinery, and food production were the leading business segments.

UniCredit Leasing net profit after tax reached RUB 270 million in 2015, which is 63% higher than the previous year. Cost / income ratio improved by 8.9% comparing to 2014. The low level of costs was a result of effective cost-cutting initiatives, as well as optimisation of internal business processes. The management of UniCredit Leasing also took timely measures in its work with potentially problematic clients. It allowed UniCredit Leasing to close the year with portfolio of significantly higher quality than the market's average.

Report on the Bank's Activities (Continued)

In December 2015, the rating agency RAEX (Expert RA) confirmed UniCredit Leasing credit rating at A++, "an exceptionally high (the highest) level of creditworthiness", with a stable outlook.

UniCredit Leasing is one of the leaders by portfolio volume in financing agricultural machinery, equipment for food production, transport and warehouse equipment.

Since 2015, UniCredit Leasing has also been an active participant in a government programme to support domestic automotive industry, initiated by the Russian Ministry of Industry and Trade. Over 700 vehicles were financed within the borders of this programme, amounting to a total of RUB 727 million (11% of the annual sales volume). At the same time, UniCredit Leasing clients saved RUB 97 million. UniCredit Leasing aims to continue taking part in this programme with the partners in the future in order to provide high quality services and increase the competitiveness of their business.

In 2015, the profitability of joint programmes with Renault Leasing and Nissan Leasing grew, also as a result of attracting new key corporate clients with major fleets of cars and significant potential for further growth. The number of financed Renault and Nissan cars in 2015 remained at the level of 2014, which demonstrates effectiveness of the programmes as tools to support the automotive market in general during a period of reduction in sales.

In partnership with the world's leading producer of construction technology, JCB Finance, UniCredit Leasing executed 232 transactions in 2015. The total volume of financing reached RUB 734.5 million with profitability higher than average. A programme for financing agricultural clients, JCB Finance Agri, is active across the entire Russia.

During 2015, a BMW cars leasing project was developed. UniCredit Leasing is planning to launch this special product during the first half of 2016.

In 4Q 2015, UniCredit Leasing carried out a regular customer satisfaction survey, the results confirmed the high level of client service.

In 2016, UniCredit Leasing will celebrate 20 years of operating in the Russian market. UniCredit Leasing key goals for the next year are the further development of business with UniCredit Bank corporate clients, partnership programmes, vendor projects with suppliers, and direct sales channels. UniCredit Leasing also plans to strengthen its competitive position in the key locations: Moscow, St. Petersburg, Krasnodar and Novosibirsk. Along with participation in federal and local government programmes for the subsidisation of the real economy through leasing, UniCredit Leasing will continue to improve its IT systems and to automate its internal processes. It is also planned to continue development of product range, as well as to expand insurance services for clients in Russia.

Private Banking

In 2015, UniCredit Private Banking remained one of the industry leaders and continued to strengthen its position, demonstrating a sustainable growth in Private Banking assets under management. The assets under management of UniCredit Private Banking increased by 40%, at the same time the investment part increased by more than 55%. The number of families served grew by 15%, with 1.5 times increase of average portfolio size.

International presence and stability of UniCredit Group allow to provide high quality services, constant support and the best investment opportunities. The core of the portfolio is the most stable component; and in this context UniCredit Private Banking continues its successful partnership with strong international partners, such as Pioneer Investments, Franklin Templeton Investments, Schroder Investment Management, BNP Paribas Investment Partners and J.P. Morgan Asset Management. UniCredit Private Banking focus remains on developing satellite part of the portfolio, which allow to use short-term market opportunities in order to increase total revenue.

In 2015, UniCredit Private Banking continued to play an active role in cultural life, offering clients an opportunity to take part in several events both in Moscow and in the regions. In March 2015, a new collection of photographs was presented at the UniCredit Private Banking premises, which decorated the Bank's offices afterwards. An important component of the exhibition project was charity fundraising for Children's City Hospital No. 9 Fund. as a gesture of appreciation for the opportunity to display the photographs in the Bank.

UniCredit Private Banking clients in Yekaterinburg were exclusively invited to the launch of Maia and Anatoly Bekkerman's collection "Art as a Profession", which had been previously displayed in the The Pushkin State Museum of Fine Arts and the State Russian Museum. Cultural weekends in Vienna, which had been firstly organized in 2014 and raised a huge interest among clients, were held once again in November 2015, and included an invitation for clients to the exhibits in the Kunstforum and the Albertina Museum, a private visit to the Augarten Wien, and a Christmas concert including the Vienna State Opera actors. According to a tradition, in the beginning of December the youngest clients and their parents were invited to a New Year's Fairy Tale in the Saltykov-Chertkov mansion in the centre of Moscow.

In September 2015, UniCredit Bank, MasterCard payment system, and the Pushkin State Museum of Fine Arts presented a new card entitled

World Elite MasterCard for UniCredit Private Banking clients, bringing together benefits of a premium card product and opportunities of the "Friends of the Pushkin Museum" programme. The new card design is based on one of the classics of the Pushkin Museum's collection, the painting by Vincent Van Gogh, Seascape at Saintes-Maries (1888). Along with financial privileges, concierge services provided by Quintessentially Russia, Priority Pass services and 10% cash-back in all restaurants worldwide, the new card also allows its holders benefits of the loyalty programme "Friends of the Pushkin Museum".

Customer satisfaction is fundamental for successful and sustainable Private Banking business, long-term and mutually beneficial relations. The main conditions of high customer satisfaction level are full range of services and meeting every client's needs and expectations. The importance of this principle for UniCredit Private Banking and UniCredit Group resulted in the Need Based Advisory initiative launched in 2015.

High qualification of UniCredit Private Banking employees is one of the most important factors in managing relations with private banking clients. In order to improve skills and develop competencies, the Group introduced the CEE PB Academy which offers a range of training programmes targeted at certain PB employee categories, from new hires to experienced managers. In addition, UniCredit Private Banking regularly hosts educational events together with partners. For example, in September 2015, the employees took part in MasterCard Luxury Academy educational events, and during the year UniCredit Private Banking hosted several round tables dedicated to currency regulation, currency control and taxation.

UniCredit Private Banking performance in Russia is recognised both within the Group and by clients. A customer satisfaction survey demonstrated high results for UniCredit Private Banking in Russia, confirming the previous achievement, which gives a solid platform for further development in 2016.

Report on the Bank's Activities (Continued)

Retail Business

> Throughout the year, the Bank worked to upgrade its product offering with a focus on remote service channels, played an active role in governmental lending support programmes, and paid special attention to bringing excellent quality services to its client.
>
> **Ivan Matveev**
> MEMBER OF THE MANAGEMENT BOARD

2015 was challenging both for the economy as a whole and the banking sector in particular, and took its toll on the retail business of Russian banks. However, UniCredit Bank's retail business demonstrated financial resilience, which is yet another proof that we chose the right business development strategy and managed our risks in an efficient manner. For the year 2015, the net income of our retail business reached RUB 1.7 billion. Throughout the year, the Bank worked to upgrade its product offering with a focus on remote service channels, played an active role in governmental lending support programmes, and paid special attention to bringing excellent quality services to its client. In 2015, the number of individual clients exceeded 1.7 million, while the customer satisfaction index (TRI*M) reached 86, which reflects the professionalism of the Bank's team.

One of our priorities in 2015 was maintaining the quality of our loan portfolio. We strengthened our financial monitoring of clients and introduced procedures for more detailed evaluation of risks in response to shrinking consumer demand and real income, as well as in response to higher risk of default on loans.

At the same time, the retail deposit portfolio demonstrated a solid performance growing more than 50%, which illustrates that UniCredit Bank is a reliable partner trusted by its customers. Adjusting to current client demand, the Bank offers not only competitive pricing for deposits, but also provides simple, easy to use cash management tools.

Our achievements are recognised by the professional community: UniCredit Bank won the Financial Olimpus 2015 award as the best retail bank. The winner was selected based on the volume of individual deposits, the performance during the crisis, and the size and growth of the retail loan portfolio.

In accordance with our expansion strategy, we have increased our focus on transactional products. It is important to highlight our accumulative and investment life insurance programmes, which are very popular among our clients.

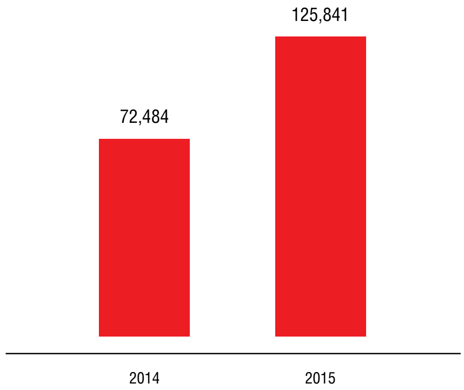
Serving Individual Customers

Our main priority in relations with individual customers is to push up our commission by offering state-of-the-art solutions which address our customers' needs. We focus on attracting deposits, maintaining the size of our credit portfolio at the target level, taking into account the present situation, and improving the quality of the credit portfolio despite worsening markets. We paid particular attention to the development of remote channels for serving our clients and increasing their loyalty to us.

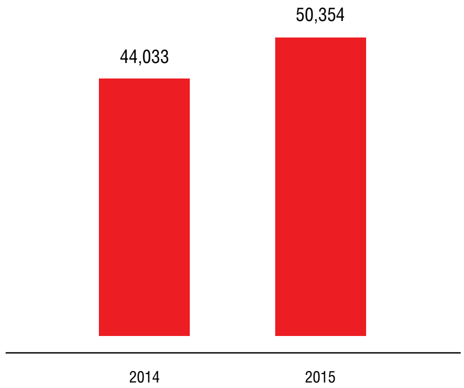
Investments

Our portfolio of term deposits from individuals has remained on the rise for the second year in a row. Over 2015, it more than doubled – from RUB 36.2 to RUB 79.7 billion. The currency revaluation accounts for only 10% of the growth in term deposits from individuals. As in the

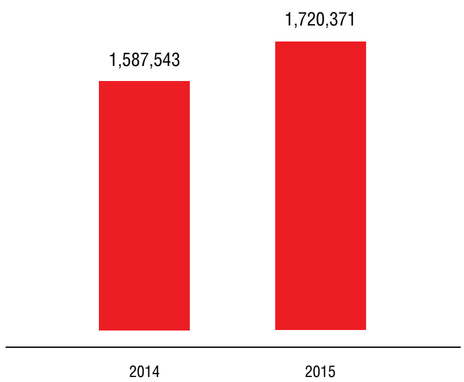
DEPOSITS AND BALANCES ON ACCOUNTS (individual customers), RUB million



DEPOSITS AND BALANCES ON ACCOUNTS (SME), RUB million



NUMBER OF CUSTOMERS (individual customers and SME)



previous year, we expanded the segment of affluent clients opening PRIME deposits, which was a key driver behind this growth.

We continue to experience an increase in the number of clients opening deposits via our internet bank. The percentage of deposits opened remotely was up from 72% to 85%. This reflects one of the most noticeable modern trends in banking service, which is a result of the rapid growth of remote channels, and may also be attributed to the desire of clients to efficiently manage not only their savings but also their free time. The UniCredit Bank reputation as one of the most reliable Russian banks, in combination with constant improvements to its remote banking services, allows the Bank to maintain its position in a highly competitive market for retail deposits. In 2015, the number of new clients who chose UniCredit Bank as their financial partner and opened their first term deposits was double the previous year's figure.

UniCredit Bank was among the TOP-15 Russian banks in 2015 by size of the retail deposit portfolio (according to the Banki.Ru rating). The Bank was up eight positions (from 23rd place) against 2014 and stepped up its market share by 31%. These figures clearly demonstrate increased consumer confidence in the Bank. The Bank's deposit product named We Are 25+ was awarded by a popular website Banki.Ru in nomination Special Offer For The Visitors Of Banki.Ru.

During 2015, the range of savings products offered by UniCredit Bank was enriched by a unique product for the Russian market, a Click account for Enter.UniCredit internet bank users with daily interest accruals (on rouble-denominate accounts). Click accounts are available in three currencies: Russian roubles, US dollars and Euro. Over the last two months of 2015, more than 8,000 customers opened such accounts, with the total balance on them above RUB 2 billion.

During 4Q of 2015 we launched the new deposit product named For Life which offers an attractive long-term interest rate for clients who purchase accumulative or investment life insurance policy from our partners.

In general, over 2015 a lot of high potential products premiered, and the full effect of their launch is yet to be seen in 2016. The Bank successfully re-launched accumulative life insurance which guarantees the achievement of a certain target over the long term.

We also added a new investment life insurance programme My Capital Protection to our product offering. This unique product brings new dimension to our sales approach and became one of the best in class. Together with accumulative life insurance and class deposits, this offer makes up for a well-balanced portfolio for our clients. Sales for the first

Report on the Bank's Activities (Continued)

Retail Business (Continued)

Advertisement for Click account

month illustrate the demand for the programme: from 25 November through 31 December 2015, more than 450 clients purchased life insurance policies for the total amount of more than RUB 700 million.

The year 2015 marked an outstanding growth in sales in the voluntary life insurance segment (excluding credit insurance): insurance premiums grew as much as 22 times year-on-year!

Another important project for 2015 was the change in the insurance provider for clients travelling abroad. As of 1 August 2015 our new provider is ERGO.

Looking back on 2015, we can say with confidence that the accumulative and investment life insurance programmes were very popular among Bank clients. In an extremely competitive environment with slipping volumes of lending, bank insurance will be high on our agenda for 2016 as we expect to add new insurance products to the offering.

Banking Services

In 2015, holders of UniCredit Bank's flagship private banking product – the PRIME package – were given the opportunity to open deposits on special terms and to exchange currencies via remote channels at special exchange rates. This allowed us to make our offering more complete and meet the demands of our premium customers.

Despite the challenging economy in 2015, sales of PRIME packages grew 42% year-on-year. This offer attracted to UniCredit Bank more 7,500 new private banking clients. The PRIME service package was among the top 10 offers for the premium customer segment according to research conducted by Frank Research Group in 2015.

The Drive package built around one of the best banking cards in the market designed specially for car owners completed a line of transaction products for the mass-market segment. Total sales of three UniCredit Bank packages, i.e. Gold, Classic, and Drive, exceeded 142,000 cards, up 60 per cent against 2014. The volume of transactions with UniCredit Bank debit cards grew 71% year-on-year, while the percentage of transactions with cards as part of package offers was up from 15% to 42%.

In 2015 UniCredit Bank focused on stepping up its commission revenues. Sales of packaged products allowed us to more than double our commission revenues from debit cards as compared with 2014.

Credit Products

In a time of increased risk, our top priority in lending remained strengthening control over the quality of loans originated. The Bank continues to encourage transactional activity among clients, the result of which was seen in transaction volumes from credit cards which increased by 7% year-on-year exceeding RUB 31 billion.

Advertisement for the investment life insurance programme

UniCredit Bank participated in the government lending support programme (covering first-time mortgages and car loans). This was a positive development in the otherwise shrinking retail lending segment. Government subsidies changed the mortgage lending landscape, and 76% of all mortgage loans were originated for new-built homes.

Although in 2015 sales of new cars and commercial vehicles in Russia sank 47.5% vs. the previous year, UniCredit Bank car loans only shrank 15%.

When originating consumer loans, the Bank paid particular attention to the quality of the portfolio. Therefore, the majority of new loans were issued to the Bank's existing clients, which sustained the portfolio quality.

In 2016, UniCredit Bank intends to capitalise on its risk management expertise in certain segments, such as B2B, refinancing, etc., to develop new credit products.

SME

Our primary focus within the SME segment was on building up commission revenues and stepping up deposit portfolio.

During 2015, 83% of the Bank's active clients took advantage of our financial service packages, which drove up sales of these products.

The SME deposit portfolio and balances on SME accounts in 2015 were up 14%; provided that balances grew 19%, and term deposits rose 6% (in each case, year-on-year). To meet our clients' demands, in 2015 the Bank introduced the functionality of remote deposit placing via Business.Online Internet banking system for SME enabling our clients to manage their cash without wasting their time or effort.

In 2015, we added to our SME product range a unique product called Notary Deposit Account. This product is targeted at notaries who can use this account in their practice to place and administer clients' money.

Multi-Channel Services

In accordance with the UniCredit Group strategy the promotion of remote service channels has been one of the retail business priorities. The Bank not only works to improve existing Internet banking solutions, but also to develop a range of products which are only accessible online. For example, in 2015 we launched Click accounts that can be managed through the internet bank.

In November 2015, the Bank launched an instant transfer service between Visa and MasterCard cards issued by Russian banks. To make a transfer it is enough to know the recipient's card number, and in most cases money is transferred instantly (this does depend on the recipient

Strategy and Results in 2015 (Continued)

Retail Business (Continued)

bank). This service was first available in our own ATM network, and in December it was launched in the mobile application and our internet bank (together with Svyaz-Bank). This service was really well received by our clients – after only a few months in 2015 we processed more than 10,000 transfers.

In June 2015 we introduced an Enter.UniCredit loyalty programme aimed at encouraging payments through the internet bank. When any service is paid for in the amount of more than RUB 300, the account holder receives access to special offers from major internet shops. Our partners in this programme are Eldorado, Svyaznoy, Azbuka Vkusa, Rendezvous, La Moda, Mothercare and other well-known brands. More than 40,000 clients took part in the programme, with payment volumes increasing by 10% at the year end.

Enter.UniCredit

We upgraded our internet bank design in 2015 and streamlined the process of selecting and applying for deposits online.

Our online users are now able to edit the list of approved types of card transactions. For example, for greater security they may temporarily opt out of cash withdrawals at ATMs while abroad.

We also introduced the possibility repaying online loans issued by RN Bank (the joint project by Renault and Nissan). This drove a multiplication in the number of such transactions: in just one month the number of remote payments increased more than fivefold while the total volume grew more than six times.

Mobile.UniCredit

In 2015, we made it easier for our clients to access Mobile. UniCredit application by addition an option of using a short five-digit PIN code. If a client forgets his password, it is possible to reset the password quickly when entering the application without a personal visit to a Bank's office. As a result, clients more actively used the mobile bank (the average number of visits increased from six to eight times per month).

On the eve of the New Year's holidays, UniCredit Bank launched an updated design of Mobile.UniCredit application for both Android and iOS users. The new design concept involves a lot of free space, clearly placed accents and simplified visual elements, all of which are in line with current trends in the design of mobile applications aimed at ease of use.

Information Centre

During 2015, the Call Centre received 1,760,000 calls, and on average it took the operator 17 seconds to answer each call.

In September 2015, the Call Centre moved to a modern CISCO platform. At the present time, the platform is used for processing incoming calls from clients, and for managing outgoing calls such as sales calls, information calls, or borrower verification calls.

The change of platform was a massive and complex project requiring not only installation of the next generation software, but also the transition to different servers and the replacement of telephone stations. The next three stages of the project implementation will open new opportunities for the Bank. These will include access to generation of PIN-codes for cards, authorisation and conduction of banking operations by telephone, intelligent call routing and much more.

Quality of Service and Customer Satisfaction

High quality of service is one of the Bank's priorities. The Bank continually monitors customer satisfaction, and responds to client feedback through a variety of channels, including social media and specialised websites.

As a result of our optimisation efforts, in 2015 the client inquiry response time was reduced by more than 20% and was 8 days, and 3 days for private banking clients. Our feedback monitoring platform allows the Bank to quickly respond to client dissatisfaction with a particular service. Customer satisfaction index (CSI) in 2015 grew by two points and reached a score of 87. Out of the dissatisfied 13 percent, 71% were ultimately left satisfied with the solution offered by the Bank for their issue, which increased their loyalty to the Bank.

Risk Management

"Throughout 2015, UniCredit Bank steadily improved the efficiency of its risk and capital management. As part of complying with the requirements introduced by the Bank of Russia and the Basel Committee, in 2015 we improved our ratings models, our internal capital adequacy assessment procedures, and our risk appetite control procedures applied in the process of our business strategy implementation."

Dmitry Mokhnachev
MEMBER OF THE MANAGEMENT BOARD

A complex approach to risk management, including the most significant risks – credit, market, operational, and liquidity – provides the necessary platform for a credit institution's sustainable growth, resilience, and competitive edge. Efficient management of balance sheet structure based on the risk appetite assessment helped UniCredit Bank build a flexible business model oriented at striking the right balance between risk and return and tolerating higher risk. During 2015, the Bank steadily enhanced its risk and capital management capabilities. As part of complying with the Russian Central Bank and the Basel Committee on Banking Supervision requirements, in 2015 we improved our ratings models, our internal capital adequacy assessment procedures, and our risk appetite control procedures applied in the process of our business strategy implementation. We verified our major risks map and the adequacy of our economic capital to cover it. We developed a methodology to analyse the drivers of changes in economic capital adequacy requirements, and introduced the methods for direct, reverse, and instant stress-tests of regulatory capital adequacy, as well as the process for monitoring credit risk concentration.

Risk management policies and procedures adopted by UniCredit Bank are targeted at identifying, analysing, and determining target and maximum tolerable levels of risk while exercising ongoing control. All of these tools allow us, when necessary, to make timely corrective measures with regard to all significant risks. Our strategic goals and business plans are strictly aligned with our appetite to take risks necessary to achieve such goals and implement such plans keeping in mind capital adequacy requirements, as well as the interests of our clients and shareholders.

During 2015, the share of NPLs in the Bank's current portfolio increased by 2.7 percentage points both as a result of the Bank's strategy for 2015, aimed at limiting the portfolio growth while maintaining quality control, and due to the present economic situation.

UniCredit Bank's risk management system is governed by both Russian and European legislation. During 2015, the Bank continued to implement standards for risk and capital management as set out by the Central Bank of Russia and the Basel Committee on Banking Supervision. All major divisions of the Bank were involved in the process of introducing these advanced risk management standards.

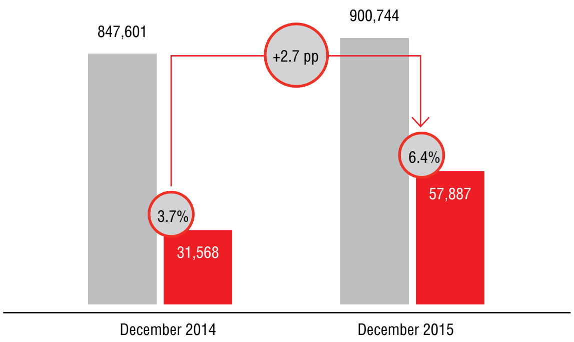
We paid particular attention to designing the Bank financial recovery and resolution plan in line with the requirements of the Central Bank of Russia and international standards. As part of the effort to introduce the principles of efficient consolidation of risk-related data and risk reporting, we focused on improving the quality of data in the Bank's information systems. Our risk management policy is regularly analysed, taking into account changes to market conditions, to products and services, and new improved risk management techniques.

In 2016, the Bank will go on with the scheduled development of models for loan portfolio quality evaluation in the context of a transition to measuring credit risk and regulatory adequacy based on internal

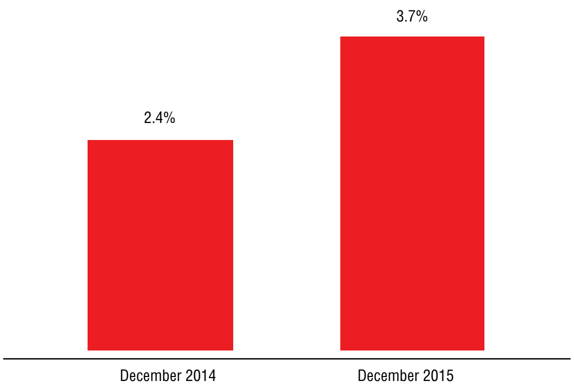
Report on the Bank's Activities (Continued)

Risk Management (Continued)

THE BANK'S NPL PORTFOLIO,
RUB million



THE IFRS LOAN PORTFOLIO COVERAGE RATIO,
(IFRS-based, 2014-2015)



ratings of borrowers (IRB approach). Further, we will continue our efforts to improve our models and processes to reflect the requirements of the internal procedures for capital adequacy assessment. We will also proceed with developing the Bank's Recovery Plan and further improving the quality of data in the Bank's IT systems in accordance with the principles of principles of effective risk data aggregation and risk reporting.

Corporate Credit Risks

In order to evaluate risk in the corporate segment, we carry out a complex credit analysis of the borrowers' financial and qualitative indicators to obtain full understanding of our clients' business and to enable our respective authorized bodies to make well-grounded decisions.

To assess the risk of default for corporate clients, we use subsegment rating models which take into account specifics of each such subsegment. Clients' ratings are reviewed regularly based on all available information. Our rating models and related rating processes have been developed in compliance with the Basel II standards for capital requirements calculation based on internal ratings.

To manage risks associated with corporate loan portfolio more efficiently, the Bank introduced the model of industry-specific risk management where risks associated with certain industries/segments are managed by dedicated divisions. This allows us to quickly and thoroughly analyse changes in specific industries, to adjust our strategy, and to make informed decisions. Along with the industry-specific model, our regional risk managers help us manage our portfolio as they gather and analyse information on developments in the regions of UniCredit Bank presence. Thus the Bank is able to manage its credit portfolio by industry and by region.

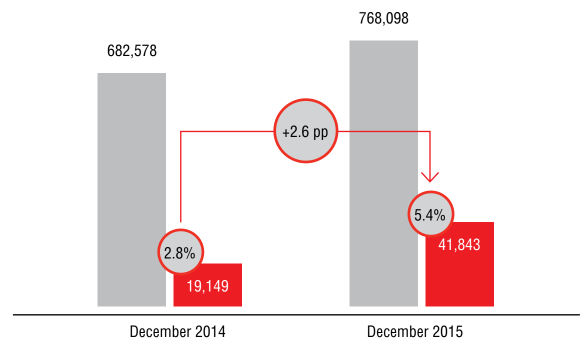
The Bank annually adopts industry-specific risk strategies using UniCredit Group general practices for corporate portfolio management to determine our focus areas for our credit business in the coming year. Our goal is to maintain a credit portfolio with well-balanced industry exposure taking into account macroeconomic forecasts, industry/segment outlook, borrowers' credit ratings (probability of default (PD) and expected loss (EL)).

In 2015, as part of our effort to enhance credit risk control, we developed a range of anti-crisis measures which involves tightening the requirements for issuing loans to borrowers from specific industries or certain credit products.

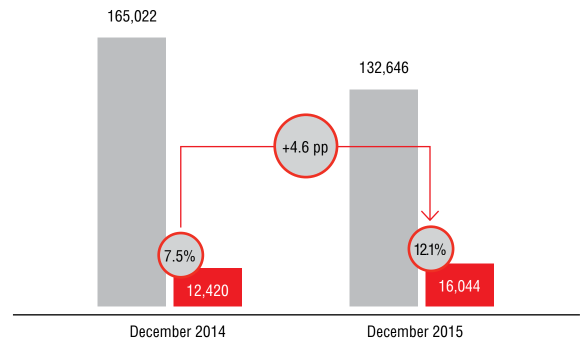
To support its efficiency, UniCredit Bank has designed and continues to improve a corporate loan decision-making mechanism which determines the appropriate level of approval based on the exposure limit and the risk level (rating/probability of default) for the client / client group. In light of the challenging economic environment, in 2015 we suspended personal authority to approve corporate loans, and all transactions are reviewed and approved by the Bank's credit committees.

Over the year, the economic crisis deepened taking its toll on the businesses of many Russian companies / entrepreneurs. Therefore, Bank's corporate clients (especially car dealers, engineering firms, construction industry companies, and importers of goods, materials and equipment) experienced slipping sales, higher costs, declining margins, tighter liquidity, larger debt, overdue payments, as well as litigation and insolvency proceedings. In some cases, against the backdrop of general uncertainty about the future, business owners

THE SHARE OF CORPORATE NPL IN THE CORPORATE PORTFOLIO



THE SHARE OF RETAIL NPL IN THE RETAIL PORTFOLIO



made sudden and not always predictable (for the Bank) decisions to liquidate or sell their assets.

Despite all the challenges and negative market trends, the Bank went on with its strategy to maintain its positions, to support clients' businesses, to preserve a solid loan portfolio and to offer the full range of credit services. Under these circumstances, well-timed information signalling a possible increase in the credit risk associated with corporate borrowers has become essential for all our employees involved in the lending process. In light of this, our system for identifying potentially problematic corporate clients developed by Bank's Monitoring Unit played an increasingly important role and was actively used by all the parties involved in the lending process.

The Bank actively updates its internal procedures of work with non-performing loans, in addition to measures of preventative control and early detection of changes to the quality of the credit portfolio.

Our main objective in handling non-performing loans is to effectively recover the loans at minimal cost for the Bank. Over the past years, we have developed approaches for working with problematic borrowers which allow us to take timely measures to recover debts on a case-by-case basis.

Retail Credit Risks

The challenging economic situation and the worsening quality of active retail loans in Russia impacted Bank's key retail loan portfolio quality and portfolio growth indicators. However, clearly articulated goals and their achievement in frames of Retail Credit Risk Strategy for 2015 allowed us to minimise the influence of stress factors and to avoid the worst-case scenario which might have been possible under such circumstances.

In 2015, due to the macroeconomic situation in order to restrain worsening in the portfolio quality, we paid particular attention to work with problem and potentially problem loans. We also automated and improved non-default loan restructuring processes both as part of proactive and reactive approaches. We developed new programs and instruments for early identification of client's problems with the goal of avoiding delinquency. During the year, we restructured 3,650 non-default loans of individual borrowers with the outstanding amount of approximately RUB 4 billion.

For problem revolving products, we launched regular campaigns aimed at reducing credit limits which resulted in prevention of increase of defaults. This allowed us to reduce credit risk on problem credit cards by more than RUB 300 million. We also introduced a process of regular review of our portfolio of active SME loans.

With the help of outside consultants, the Bank introduced an advanced scheme of building relations with external collection agencies to promote competition among them thus enhancing the collection rates.

Credit monitoring of SME clients, introduced by the Monitoring Unit in mid-2015, was one of the important steps taken towards building an integrated loan portfolio quality control system. The Bank implemented a software solution to identify and register negative signals, break down the portfolio of SME borrowers into different classes (depending on the level of exposure) which gives the Bank's management a fair view of the situation.

Report on the Bank's Activities (Continued)

At the next phase of SME monitoring automation it is expected to add new negative signals, measures of the action plan and to introduce portfolio clusters. The Monitoring Unit will begin to work on related approaches as soon as 2016.

In order to implement the programme of early collection of overdue debts, we successfully launched a range of initiatives aimed at improving operational collection indicators and optimising the IT infrastructure of the process.

To boost the recovery of delinquent portolfio, we test ran a new system of automated outgoing dialing on the CISCO Outbound platform. This solution, together with the increase in our call centre headcount, allowed us triple the intensity of communication with clients between June and December 2015.

In 2015, in order to minimize technical delinquency, we implemented pre-delinquency strategy for high-risk customers. It involves text messages and outgoing calls prior to the payment due date which reduced late loan payments by the end of month by 10%.

During the first half of the year, we carried out a complete review of our strategy towards new loans. We cut back or limited loans origination across all products both in individual and in SME segments.

From the second half of 2015 lending volumes started growing. Gradual bounce back and growth of lending became possible due to the improved borrower evaluation rules with using statistic models for forecasting real revenues and levels of application fraud. Thus, we were able to avoid RUB 200 million in potential losses.

During 2016, we plan to continue to optimise our handling bad debts at the early stage by introducing new collection strategy based on model approach that allows us to cut operating expenses. We also plan to expand our communication channels with clients, to reorganise our call centre and to introduce Intelligent Dialling strategy based on the new CISCO platform.

Based on the results of non-default loan restructuring strategies, we will re-evaluate the parameters of our programs and processes with the aim of improving the economic efficiency of these efforts.

During 2016, we will continue to monitor key performance indicators for existing and new loan portfolios. As part of Know Your Customer efforts, we will develop rules for a more thorough evaluation of individual customers' employers using more information both from internal and external sources. We expect to update the statistical models which we use in underwriting process, and also to develop new ones. In frames of loan application fraud prevention, we plan to add a new interbank service.

Market Risks

During 2015, given the continued high volatility in the financial markets, it was particularly important for us to have an efficient system for managing market and liquidity risks. The existing risk monitoring mechanisms, which are based on the best practices of UniCredit Group, allowed the Bank to remain stable and reliable in the turbulent market environment, boosting our competitive advantage. Enhancement of our market and liquidity risk management is a priority for the Bank.

We monitor market risk inherent in our trading book and market risks (primarily interest and FX) associated with UniCredit Bank operations in general. The market exposure limits and measures currently implemented in the Bank allow us to guarantee manageability of the positions we take. Careful attention is paid to data quality in risk systems; cross-checking across the Bank's information systems is performed on a regular basis. In addition, we regularly re-evaluate the set of risk factors covered by market risk measurement, and verify the correctness of the market data we use. All market risk measures are calculated on a daily basis.

The overall UniCredit Bank strategy in managing market risk and liquidity risk is defined by the Asset-Liability Committee (ALCO). The Committee includes representatives of the CFO division, business divisions and risk management. The Committee is timely notified of all notable developments related to market risk and liquidity risk.

With the aim of efficiently matching its assets against its liabilities by maturity, UniCredit bank regularly stress tests its short-term liquidity under scenarios provided by UniCredit Group and using local methodologies reflecting the specifics of the Russian market. Stress tests estimate total available liquidity and liquidity available in foreign currencies. The results of these short-term liquidity tests, including stress tests, form the basis for monthly Funding Plans to be approved by ALCO. As part of the Plan preparation, we also forecast liquidity dynamics and the consumption of related limits.

Over the year, we were quite comfortable with our available liquidity.

In 2015, we added a new short-term liquidity ratio (LCR or N26/N27) to the set of our liquidity measures. The Bank calculates and controls this indicator according to the methodology of the Central Bank of Russia, as well as in accordance with European regulation (DA LCR). DA LCR is subject to internal limits.

The Bank also uses a set of measures, limits and mismatch indicators for structural liquidity (assets and liabilities with maturity exceeding a year). During 2015, the Group adopted a more conservative approach towards non-market assets used as collateral. We continued to improve the maturity transformation model for assets and liabilities, and now the unified Group approach is used for all products subject to maturity transformation.

During 2015, UniCredit Bank continued to introduce and use risk assessment methods in accordance with the standards set out by the Basel Committee and the Central Bank of Russia.

The Bank uses Value-at-Risk methodology for evaluating the effect of market risk on the economic capital of Trading and Banking books. Risk-adjusted valuations for Trading and Banking books are used for internal control.

The business process of the sale of derivative instruments to corporate clients is regulated by an internal policy in line with Russian legislation, the requirements of UniCredit Group, and European best practices. We assess counterparty credit exposure of derivative transactions on a daily basis using the methods and infrastructure of the Group.

In 2016, UniCredit Bank plans to continue to enhance its market and liquidity risk management capabilities, paying particular attention to the transparency of measured and controllable indicators. The Bank expects to introduce the net stable funding ratio (NSFR), a structural liquidity indicator defined according to the Basel Committee regulation.

Operational Risks

Several years ago, UniCredit Bank reached to complete readiness for the use of the Advanced Measurement Approach (AMA) to measuring capital. We continually work on adapting operational risks management techniques to reflect changes in UniCredit Group's approach to AMA and fully cover the entire range of operational risks.

The Committee for Managing Operational Risks actively participates in discussing and resolving day-to-day issues associated with operational risks, and their impact on the Bank's business. Division managers covering operational risk participate in the Committee, ensuring a regular exchange of important information among functional divisions and departments carrying or taking risk.

In order to boost and sustain the efficiency of its operational risk management the Bank has formed a standing task force to identify the most significant operational risks and timely reduce the Bank's exposure to such risks. We use the professional experience and expertise of the key task force members, the Department of Operational Risks and the Organisational Department, to develop corrective measures and to supervise their implementation.

2016 will require further sustainable advancement of operational risks management and control process, as well at its optimisation to adjust to internal and external changes.

Reputational Risks

As part of a leading European Group, the Bank pays particular attention to its reputation as a credit organisation. During 2015, the Bank continued to upgrade its capabilities in managing reputational risk which may arise in connection with loans if the borrowed funds are not used in compliance with the law or the social convention. Responding to present challenges in today's complex environment, we developed and adjusted mechanisms for lending process monitoring to identify potential reputational risks while conducting transactions for the Bank, and a reporting system for this type of risk. The Committee for Reputational Risk that includes members from the Bank's Board made decisions on a case-by-case basis if special approach was needed to evaluate reputational risk in light of the economic conditions in 2015.

Report on the Bank's Activities (Continued)

Global Banking Services

“Under the Core Banking Transformation (CBT) programme in 2015 we replaced and upgraded the Bank's core IT systems that enabled us not only to stop using the current old system modules but also to implement new products faster.”

Ivaylo Glavchovski
MEMBER OF THE MANAGEMENT BOARD

Throughout 2015, across all of the Bank's operation divisions, we prioritised maintaining a high level of efficiency and reliability alongside the dynamic development of banking technologies. We aimed to ensure that the Bank's business met the needs of both our clients and regulatory requirements.

Information Technology

UniCredit Bank continued to upgrade its IT systems in accordance with business priorities and IT strategies during 2015. The goal of modernisation is to build a scalable robust IT landscape which directly supports our business and help us promote it. IT Department staff was involved in all key projects involving the development of new products and services and updating existing ones.

In 2013 we embarked on Core Banking Transformation (CBT) initiative to upgrade our automated banking system (ABS), and throughout 2015 it remained the priority for our IT Department. Under the CBT project, we replaced and upgraded the Bank's core IT systems (including: the primary ABS, the Bank's general ledger, treasury systems and cash and settlement services). The Bank's main systems are connected to the central database, which brings to a whole new level the integration and quality of data for analytical and IT systems. As part of CBT first release, we launched new functionality for the CIF, K+TP, Payment Hub and SME Loans systems. In preparation for a full-scale start, we built a resilient infrastructure for the transition to FlexCube 12. The operation and development teams received all necessary training.

Throughout the year, we actively developed Business.Online, a new multifunctional system providing our corporate clients with access to online banking services. We successfully transferred our clients to this new system. For individuals, the Bank continued to improve the functionality of its internet bank, Enter.UniCredit, as well as that of the mobile application, Mobile.Unicredit. Another major project was the migration of the Bank's call centre to a modern CISCO platform.

In 2015, we focused on process automation. We launched a new automated lending process aimed at small and medium-sized businesses. This new process allowed us to process loan applications twice as fast as in the past. In addition, we automated the account opening process for individual clients. Our individual clients are now able to open accounts with us in less than ten minutes. These new additions also removed the need for our clients to visit our locations.

All of our IT systems are in total compliance with the requirements of Russian Federal Law 242-FZ on personal data. It is important to note that by the end of 2015, the Bank adopted new accounting and reporting principles in accordance with Regulations of the Russian Central Bank No. 446-P / 448-P. We introduced a new managerial reporting platform for our retail business, SAS VA. In 2016 we expect to general reports in this format for our head office.

Traditionally, the IT Department paid particular attention to improving the quality and maturity of our IT processes. We focus on everything from managing business needs to daily operations (managing revisions, incidents, problems etc.). We also remain focused on constant control and optimal management of IT risks, resources and costs. The IT Department continually monitors and optimises these resources to improve the reliability of our IT systems and to increase their productivity for end users.

During 2016, we will focus on compliance with regulatory requirements and on completion of the CBT project. In terms of operational IT development, we will optimise and reorganise our data management systems, introduce new SLA for IT services, create a service catalogue, and bring the monitoring system to the level of business operations control.

Banking Operations

In 2015 Operations Department has focused its efforts on maintenance and improvement of high customer service standards achieved in previous years. Due attention was also paid to the optimisation of existing business processes in order to increase their efficiency.

By the end of the year the Bank was able to prove its reputation of reliable and modern settlement institution adhering to the best practice in execution of payments. As an acknowledgement of the high quality of settlements the Bank has received “Quality Recognition Award” from JPMorgan Chase Bank twice in 2015. First, for the interbank payments in SWIFT MT202 format the “Quality Recognition Award” has been granted for the 14th consecutive year. Second, “Elite Quality Recognition Award” has been granted for an excellent 99.61% STP ratio in client settlements in MT103 format. This Award has been received for the 7th consecutive year, while for the preceding 7 years the less extraordinary Award has been granted. In 2015, the Bank also received the award from Deutsche Bank for the high quality of payments executed in Euro.

Retail lending process optimisation has progressed further in 2015. In particular, the complete automation of credit analysis has made the product “Restructuring of retail loans” more useful for the borrowers facing financial difficulties.

Implementation of Siebel CRM for evaluation of loan applications from our SME clients has enabled the monitoring of all stages of lending process – from credit application to drawdown of the loan. Administration of such loans became easier due to better control of sureties and collaterals.

In order to improve customer satisfaction, the process for car loan origination has been cut shorter, thus making the car purchase and financing possible during just one visit to a car dealer.

In the Currency Control area we have excluded the internal circulation of documents in paper form, thus making the whole process more fast and convenient for our clients.

In the field of Corporate and Investment Banking services the high quality support has been ensured in all segments of financial markets: from currency trading, issuance of and trading in proprietary and corporate securities on MOEX to implementation of highly sophisticated OTC derivative and securities operations for both corporates and qualified private investors.

In line with legal requirements the Bank has started to report OTC derivative and REPO transactions to the Repository (National Settlement Depositary). For this purpose we promptly introduced MIR software to automatically generate and dispatch the repository reports.

Our most important objective for 2015 in the area of banking operations was to launch the CBT project. As part of this initiative, we launched new functionalities of the following systems: CIF, Kondor+TP, Payment Hub, FlexCube 12. These new automated functions allowed us not only to move away from the use of obsolete MIDAS modules, but also to quickly implement new products. In particular, the launch of the Kondor+TP system has provided automated processing of a wide range of financial market transactions: FX products, Money Market instruments (including corporate deposits and interbank loans) and FX derivatives. FX MOEX trades now fall within STP process. We prepared a base for the launch of automated processing of Interest Rate derivatives.

The Operations Department will focus in 2016 on further improvement of internal processes efficiency and the scheduled transition from MIDAS and FlexCube 6.3 towards new product systems within the framework of the CBT programme, in line with our aim to provide high quality services to all clients across all business segments.

Organisational Activity

The Organisation Department has traditionally focused on the areas of project management and management of the Bank’s costs.

During 2015, UniCredit Bank continued to optimise its costs and investments while balancing the business demands and market reality. Timely negotiations with suppliers and counterparties, well-organised

Report on the Bank's Activities (Continued)

tenders allowed us to offset the negative impact on the Bank's costs of the rouble devaluation against foreign currencies.

The introduced new forms of communication allowed us to achieve reasonable savings of personnel training costs. This year, in additional to traditional formats, the Bank began to actively test and develop distance and online learning opportunities, to use conference calls, and to organise and conduct trainings within the Bank.

As a result of a regular, detailed reporting, the Bank's departments were able to exercise more precise control over their own costs. We focused on the development of project-based approach, and in particular, on project risk management.

The main projects of the UniCredit Bank portfolio during 2015 were the CBT project, the Group's client-oriented strategy CEE2020 involving the search for new sources of growth and business development, and compliance with regulatory and legal requirements. In addition to these areas of focus, the Bank successfully completed a series of projects which improved the quality of services offered to the Bank's clients. These included expansion of internet-banking functionality, modernisation of the Bank's information centre's IT platforms, and implementation of the automated end-to-end process of loan applications from our SME clients.

The Bank went on with its effort to adopt Lean Six Sigma methodology, which is widely used across UniCredit Group. This methodology allows us to optimise internal processes with limited investment. Using this approach, we were able to improve the efficiency of our lending process, to increase control over expenses, contract approvals and invoice payments, as well as to noticeably reduce printing costs.

Through improvement of the sizing methods and calculating target workload, we were able to internally relocate our HR resources across structures and strengthen priority areas within the Bank.

In 2016, the Bank plans to continue the implementation of the CBT project, to develop regulatory projects and client-oriented services, and to optimise its internal processes.

Card Operations

During 2015, the Bank continued to optimise and update its ATM network. By the end of the year, it included 844 self-service machines and 69 terminals. We continued to work in cooperation with our partner banks (Raiffeisen, MKB, UralSib Bank) in order to provide our clients with the opportunity to withdraw cash from our partners' ATMs under the same terms as those offered by our own ATMs.

At the end of 2015, following successful installation of a new ATM controller, we launched a service for card to card money transfers via ATMs and also through our internet bank. In order to transfer funds from card to card, clients are required to enter the card number only. We also introduced a service for clients of our partner bank, RN Bank, allowing them to repay their loans using UniCredit Bank ATMs.

One of the most important and significant projects of 2015 was UniCredit Bank joining the National System of Payment Cards (NSPK). Joining the NSPK required a lot of effort and resources, both in terms of technological aspects and organisational processes. All necessary contributions from our side were completed on time. In 2016, the Bank will continue to widen its cooperation with the NSPK. We intend to introduce a project allowing our ATMs to accept MIR cards and several other projects.

During this past year, we completed a project aimed at setting limits on card operations. These limits may be set by geography, by transaction type (e.g. purchase in Russia / purchase abroad / cash in Russia / cash abroad / internet). Clients may manage the limits by using Enter. UniCredit or Mobile.UniCredit, or by calling the Bank's call centre.

We are pleased to note that in 2015, UniCredit Bank received the prestigious Visa Global Service Quality Performance Award marking the quality of service. The Bank was named the best in three categories: Authorization Approval Rate (the nominations Domestic for Consumer Debit Issuers and Multinational for Consumer Debit Issuers – which means the shortest response time to authorisation requests for debit card transactions both within Russia and abroad), and Authorization Approval Rate for Visa Business Debit Issuers. All three nominations recognise the high quality and speed of UniCredit Bank's card operations.

During 2015, the Visa and MasterCard issuance remained at 2014 levels. The portfolio breakdown by card type at year end is: 86% of the total portfolio was comprised of debit cards (up 3% year-on-year), with 14% credit cards. In launching new card products, we have focused on debit cards. The Bank successfully launched its Driver's Card (Avtokarta) with the Drive package and the MasterCard Gold+ package card. In addition to rewards for purchases made with this card, its holders receive a range of additional services. Continuing an established tradition, holders of the premium card MasterCard World Elite were issued cards this year with a design developed in partnership with The Russian State Pushkin Museum featuring Vincent Van Gogh painting, Seascape at Saintes-Maries.

During 2015, the Bank also began work on a project to migrate away from the obsolete Prime 2 Informix card system to the new version, Prime 4 Oracle. All of the Bank's ATMs were transferred to the new software, and a new monitoring system was introduced to review the software's performance. Following adjustments, we launched ATM marketing, a programme which allows us to promote bank products and services directly to our clients via the ATM terminal. This project is expected to be finalised in March 2016.

The Bank will continue implementation of innovative contactless payments solutions and NFC technology during 2016. We also plan the launch of a new form-factor, the MiniTag tool, which is composed of chip mini-card and a UniCredit Bank-branded bracelet.

Real Estate and Facility Management

The main objective of the Real Estate & Facility Management Department is material and technical support of the Bank units, ensuring their continuous operation and maintenance of the Bank real estate objects of 80,695.5 square meters in total, including 105 commercial bank offices on 78,097 square meters.

In accordance with plans of development and optimization of the Bank network, new branches “Avtozavodsky” in Nizhny Novgorod and “Tsyolkovsky” in Kaluga were launched in 2015 year. For cost optimization and functional improvement of the Bank offices the commercial branch offices “Bolshaya Gruzinskaya” in Moscow, “Ulitsa Tekucheva” in Rostov-on-Don and our operational bank office in Arkhangelsk were reduced in total floor area and reorganized. The Moscow commercial branch offices and some regional branches were remodeled within the bounds of the project of enhancement of bank efficiency.

One of the key goals of the Real Estate and Facility Management Department in 2015 remained, as usual, keeping up of optimal level of costs on rent, technical maintenance and cleaning of the Bank premises. Realization of the Bank commercial project brought to 9.6% of rent budget savings. A program of rational use of office space is successfully fulfilled, including organization of leasing vacant space to the third parties. The state approval of office reconstruction projects was received for five bank objects and the state registration of the Bank land lots for six Moscow and regional bank offices in ownership was completed in the reported year.

A number of projects devoted to providing undisturbed operation of the Bank were accomplished. The modernization of lighting systems, reorganization of ventilation system in 12 Moscow and regional offices and current repair on 23 Bank objects took place for reduction of energy consumption and improvement of working condition. A technological level of the main Bank building was updated by putting into operation of a new chiller, enhancement of the dispatching office and fire-prevention automatics. A replacement of fire-extinguishing systems was done in four Moscow offices per fire safety assurance plan.

Façade advertising elements in seven bank offices were replaced in line with the governmental regulations of Moscow and Saint Petersburg in 2015. Works on arrangement of entrance ramps in the Bank outlets were in progress for providing free access for disabled people - 16 were installed in Moscow.

Along with implementation of network development plans of the Bank, a work on building maintenance cost optimization and providing effective technical and material support of the Bank will be developed in 2016 year.

My ideas are so big, they make me feel small.

Let's talk about realizing your projects.

Stefan runs his family's company in Bucharest. He has designed and built kitchens since he was a boy, and still loves it. But since he also loves to cook, he thinks it would be perfect to combine his passions by opening a special show room that hosts cooking classes and workshops with famous chefs.

A place like that would have some cultural value and give his whole neighborhood a boost, so he thinks he could apply to receive public funds. But he doesn't know where to start. He needs a partner, someone who helps prove the feasibility of the project to the government.

Hey Stefan, why not ask us? We often give advice to customers who want to get grants and other funding. In Romania, for instance, we provide 360° support, from the stage when a client gets an investment idea, to when the client secures funding, until even after that, while the client's use of funding is monitored.

Thanks to our preliminary advice, including guidance on where to apply for funds, and our full range of banking products and attentive monitoring service, Stefan can make his idea a reality. And, who knows, maybe it will also help him become the world's next great artisan-cook.

Sustainability

> “UniCredit Group is committed to promoting and encouraging diversity. In its executive selection and recruitment, the Bank adheres to the principle of equal opportunities. It is our intention to sustain our status as a socially responsible corporation.”

Gianluca Totaro
HR DIRECTOR

Human capital is one of UniCredit Bank’s core intangible assets. In a volatile economy we are investing in our employees’ growth and in hiring new talent. By introducing the best HR practices we are creating an environment that is encouraging and engaging for our team. Our regular satisfaction survey showed a one point increase in the employee satisfaction level related to HR contribution and support as compared with 2014: employee satisfaction level rose to 91 points. On the other hand, as the result of People Survey conducted in 2015 the engagement Index was high – 89%.

The Bank’s reputation as an employer of choice was recognized by the Corporate Research Foundation Institute which named UniCredit Bank a Top European Employer for the fifth year running.

People Development

Providing our employees with development opportunities is one of the Bank’s priorities, and 2015 marked notable achievement in this area. We have been designing and implementing ongoing employee training initiatives, thereby investing in the Bank’s intellectual capital. UniCredit Bank’s learning opportunities enable our employees to improve their competencies, to gain new professional knowledge, and to master new skills. In 2015, we carried out an online survey to identify key characteristics of our top performing employees across the Bank’s functions. After a thorough review of the findings we proceeded with designing learning programmes which are more targeted at specific competencies and abilities.

To make it easier for our staff to combine training with employment we have been exploring online learning opportunities. We are replacing first-generation basic courses interactive, animated and gamified courses based on the principles of instructional design. More extensive use of distance learning options motivates our employees to be more engaged in educational initiatives and has had a positive impact on training results. All of our employees have access to the aforementioned opportunities (online courses, tests, e-library, etc.) via our internal Personal Portal. In addition to using educational tools, each employee may create his or her own Performance Management profile.

An important milestone in our efforts is the launch of online induction training for new staff in our retail network. Our experience has proven that these orientations help new employees adapt to the workplace, and we intend to continue with this initiative in 2016.

Within the path of leadership development and management team integration, the Bank’s management participated in a special event with the emphasis on strategic development in mid- and long-term perspective. Similar strategic sessions are scheduled for 2016.

In 2015, we created a new assessment tool – Internal Feedback – to align career growth with employee performance. This tool is a short questionnaire based upon UniCredit’s competency model, and it may be used by top- and mid-level managers to evaluate their subordinates’ performance and provide feedback sessions based on the information gathered within the framework of a Performance Management cycle.

Sustainability (Continued)

Internal Mobility

Thanks to systematic work within the path in 2015, over 75% of open executive positions at UniCredit Bank were filled internally by members of our existing team.

UniCredit Bank recognises that our staff development is crucial, and encourages the professional and career growth of its employees. We are constantly working to enhance our employees' internal mobility by providing them with career opportunities and possibilities to try new roles. Our team is widely recognised by the market for its professionalism, and we believe it is vital to use our staff's capabilities to promote the Bank's and UniCredit Group's businesses.

In 2015, we launched an initiative aimed at promoting transfers of employees across functions within the Bank, as at the Group level, more and more attention is paid to the importance of internal mobility. We formed a Talent pool of transfer candidates nominated by their supervisors. Candidates were presented different projects in which they could apply their skills, and were able to directly contact respective project managers. Our objective is to make sure that our talent employees' capabilities are employed as efficiently as possible across projects. The initiative is to be rolled out in 2016.

Diversity Management

UniCredit Group is committed to promoting and encouraging diversity. In its executive selection and recruitment, the Bank adheres to the principle of equal opportunities. It is our intention to sustain our status as a socially responsible corporation. By promoting cultural, gender, ethnic, and religious diversity, we not only show respect to each individual, but also get a chance to build up our team's innovative and creative potential, as diverse teams tend to be faster in finding best solutions and adapt more easily to the ever changing environment.

In 2015, as part of the Group-wide Gender Balance programme, we conducted gender diversity workshops for management. Throughout the year, we undertook a number of other initiatives, including special project to attract people with disabilities for selected jobs.

Responsible Resource Management

UniCredit Bank is committed to protecting the environment and actively supports green initiatives.

In 2015, we continued working on the Group's programme aimed at improving the efficiency of the Bank's energy management and the Bank's overall environmental sustainability. To this end, we manage power consumption at our offices and branches, use energy-efficient office equipment, and employ smart spatial arrangements in office spaces to conserve energy. We are focused on cutting back on paper use at our offices and reducing our carbon footprint. Today, 90% of the equipment operated by the Bank complies with environmental standards and meets eco-label qualifications (Energy Star, EPEAT Gold, etc.).

Another priority for improving the Bank's environmental sustainability is to optimise the use of paper and power for printing/scanning purposes. As a socially responsible company, we are introducing solutions which help us reduce paper consumption and save energy.

With this goal in mind, we are replacing standard printing machines with multifunctional printers that are able to remove unnecessary text from printing and help reduce paper usage through double-sided printing, multi-page printing, or using smaller fonts, etc.

In 2015, the Bank implemented the SafeCom secure printing solution which allows us to reduce paper usage and energy consumption by up to 30%. This system enables authentication-based printing; any forgotten documents are automatically deleted and not printed. SafeCom registers all printing and copying activities, and introduces rule-based colour and double-sided printing.

With the view of streamlining and upgrading its processes, the Bank embarked on a number of Lean Six Sigma initiatives throughout 2015. One of the objectives achieved through application of the Lean Six Sigma methodology was a reduction in the volume of paper statements and notes delivered to our corporate clients in hard copy. Our clients now receive all electronic documentation free of charge; however, if a client prefers to receive paper statements, the Bank charges a certain fee; thus we are managing the wasteful practice of mailing paper statements. Thanks to this approach, the Bank reduced its paper consumption to a fraction of what is used to be – every day we use twenty fewer boxes of paper than before, and if we were to stack all the boxes of paper which we saved over the course of one year on top of one another, the pile will be more than 1 kilometre tall!

The Bank introduced online processing of financial documents (invoices, acceptance certificates, etc.) which sped up the process of document registration and approval, and significantly reduced the flow of paper documents.

In August 2015, the Winter Garden of the Bank's office at Prechistenskaya Embankment in Moscow hosted the second annual Eco-Conference for the Bank's employees. The purpose of the conference is to raise awareness among the Bank's employees' of responsible natural resource management. This year, organic farming and ecological certification were the topics featured.

Responsible resource management is also covered by the Bank's contest for charitable initiatives entitled You Can Help!, which is supported by the Real Estate and Facilities Management Department. This annual contest includes an award for the best green initiative, which may be submitted either by the employees of the Bank, or by the members of UniCredit Bank's social media communities. In 2015, the award-winning initiative was Green Business (Tchistoye Delo), a garbage separation project based in the town of Dolgoprudny in the Moscow region. The project's mission is to design an efficient garbage separation system which can be implemented in any Russian city.

As a UniCredit Group member, the Bank has joined the Earth Hour, a global movement organised by the World Wildlife Fund. The movement's mission is to encourage people to use energy resources more responsibly. Among the Group's banks, the Russian bank is the most active participant, as it turns off the lights in the largest number of offices and cities of operation.

We believe that social investment is a way forward towards building a confident and optimistic society. For this reason, the strategic targets of our charitable and social initiatives are the health of people, culture, and the environment.

UniCredit Bank has joined forces with leading Russian charitable organisations, foundations, orphanages, and healthcare institutions. We have supported museums, educational institutions, environmental and volunteer associations involved in green initiatives.

Since 2011, we have focused our charitable efforts on people and health. Over the years, we have implemented dozens of projects to promote corporate volunteerism, to fund the procurement of medical equipment and medicines for healthcare institutions, to improve the lives of war veterans, to support long-term social initiatives of charitable foundations, and to provide relief aid for victims of disasters.

The engagement of our employees in social initiatives helps the Bank launch and successfully manage a large number of projects.

Over 2015, as a part of our corporate programme, Donate from Your Heart, which supports charitable initiatives originated by the Bank's employees, our staff members donated more than RUB 700,000 to help their colleagues who found themselves in difficult life circumstances.

In 2015, we held our annual contest, You Can Help!, to select from the best charitable ideas put forward by our employees. The best projects were financed by the Bank. These included the From Star to Star talent show for children with special needs in Nizhny Novgorod. We financed the purchase of blood pressure and blood glucose monitors for elderly people living alone under the care of SOFIA Interregional Charitable Public Foundation. A special award was given to the idea of the All-Russian Conference, Together into the Future, whose mission is to prevent the abandonment of children, to support adoption, and to promote social adaptation.

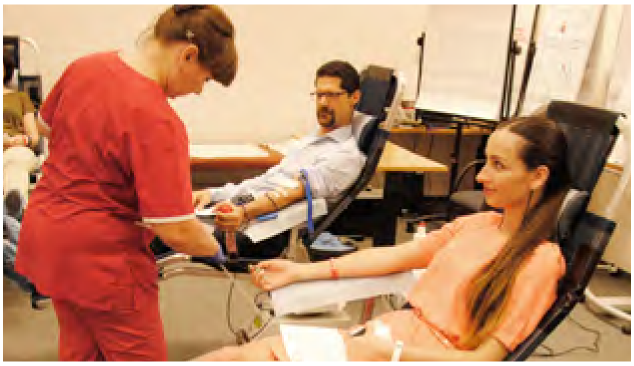
The Bank's Volunteer Club has been in place for several years. It is open to all employees willing to be engaged in charitable initiatives.

In 2015, more than 100 UniCredit Bank employees took part in the 5275 Marathon, helping us raise more than RUB 200,000. The funds were donated to the Life Line and United Way charitable foundations.

Together with the charitable foundation Sunflower, the Bank has arranged The Bright Day campaign to support children with immune system disorders. In April 2015, employees of our Moscow, Saint-Petersburg, Volgograd, Ufa, Yekaterinburg, Novosibirsk,

Sustainability (Continued)

Charitable and Social Initiatives (Continued)



Rostov-on-Don, Samara, and Stavropol offices wore bright clothes to work instead of their usual business attire to draw attention to children living with this disease.

The Bank has continued its tradition of arranging charitable fairs. In 2015, five charity funds (In the Name of Life, Sunflower, Life as a Miracle, Downside Up, and the Centre for Curative Pedagogics) arranged holiday fairs to mark New Year's Eve, International Women's Day, and Easter, raising in total around RUB 500,000. These funds were used to help people receiving support from these foundations.

In 2015, UniCredit Bank hosted Blood Donor Day. More than 60 people donated blood, which was supplied to the Dmitry Rogachev Haematology and Oncology Centre.

For several years in a row, the Bank has actively promoted the art therapy programme which arranges workshops for children with special needs in Moscow, Tula, Saint-Petersburg, and Yaroslavl, in cooperation with the Sunflower charity foundation, the Centre for Curative Pedagogics, and the Wings for All foundation. In 2015, the workshops were attended by children receiving in-patient care at hospitals in Saint-Petersburg (R.M. Gorbacheva Children's Haematology Institute, N.N. Petrov Oncology Research Institute, City Hospital No.31, Children's Hospice) and in Moscow (Russian Children's Clinical Hospital, Morozov Children's Clinical Hospital, Dmitry Rogachev Haematology and Oncology Centre, etc.), as well as by children under the care of the Yaroslavl Regional Public Association of Disabled People Facing the World and of the Wings for All Foundation for the Support of Social and Cultural Initiatives.

The Bank partnered with the charity foundation of Speransky G.N. Children's Clinical Hospital No.9 which provides care for children with burn injuries. With the Bank's financial assistance, the Hospital purchased new medical equipment, rehabilitation materials for its urology department, supplies for its early learning classes, and covered the salaries of its social educators.

UniCredit Bank regularly extends financial assistance to the Russian non-governmental Charitable Foundation of War, Labour, and Armed Forces Veterans and Pensioners. In 2015, the Bank financed cash allowances to veterans and the purchase of medications.

In 2015, UniCredit Bank's clients donated more than RUB 300,000 to SOS Children's Villages whose mission is to build a comfortable environment for the rehabilitation and social adaptation of orphaned and abandoned children. Donation boxes are installed in the Bank's Moscow and Saint Petersburg offices.

To promote its charitable efforts, UniCredit Bank actively uses social media. Before the New Year holidays, we partnered with the Centre for Curative Pedagogics, which provides adaptation services to children with autism spectrum disorders, epilepsy, genetic syndromes, intellectual developmental disabilities, learning disabilities, etc., to implement an interactive project called Postcards for Friends. Social media users had a chance to exchange holiday wishes by sending postcards created by the students of the Centre for Curative Pedagogics. The project's mission was to raise awareness of the challenges faced by children with special needs, and it was successfully accomplished, as the project became the most popular activity in the history of the Bank's social media presence with 582,000 users taking part in it.

Support to Culture and Arts

For twenty years already, UniCredit Bank has collected works of Russian post avant-garde painters. We chose this art movement rising from the avant-garde, as we find it extremely relevant from an ethical point of view and we recognise the special role the movement has played in Russia. Our collection includes works dated from the 1920s and 1930s, as well as later masterpieces of post avant-garde artists. This reflects our approach to building a collection of works by talented post avant-garde painters, representing the cultural, artistic and moral values which emerged in the 1920s, and have existed, although evolving, for decades without losing their relevance.

The corporate art collection of UniCredit Bank includes works representing independent art which were not officially recognised at the time of their creation, but are of special value today.

The collection includes rare works by Russian post avant-garde artists, such as Daniil Cherkes, Leonid Zusman, Rostislav Barto, Nadezhda Udaltsova, Antonina Sofronova and others. Among the most valuable masterpieces is Dream by Leonid Chupyatov, Woman for All Times by Daniil Cherkes, Landscape with a Railway Bridge and In the Mountains of Armenia by Alexander Drevin, as well as a rare work by Nadezhda Udaltsova entitled Still Life with Hunter's Bag and Rifle. One of the versions of this painting is displayed at The State Tretyakov Gallery in Moscow.

In 2015, we added two outstanding pieces to our collection: Chistoprudny Boulevard Three Days Before the War by Konstantin Chebotaryev, which we believe is a very significant piece for Russian art, and Rostislav Barto's Sky Above Moscow dated September 1941, which is extraordinary aesthetic, just like the other works of this master.

The paintings of UniCredit Bank's art collection are displayed at our head office on Prechistenskaya Embankment. Art lovers, however, may enjoy the highlights of the collection at the Bank's Moscow offices. In 2015, we continued our tradition of hosting art exhibitions at the Bank's retail offices. The exhibition is free for all.

Among such exhibitions is My Moscow, held at our Bolshaya Gruzinskaya branch to mark Moscow's birthday. We displayed five paintings, each telling an amazing story.

Daddy, are you done working yet?

Let’s talk about lending a hand to entrepreneurs.

Being an entrepreneur often means that the line between work and private life is very thin. Sometimes it just does not exist, as is the case with Matteo and Giacomo’s father: He wants to balance everything by himself, but often he just can’t make that happen.

But help is closer than it looks. When you think about the ways banks can support private businesses, you probably think about financing, or special current accounts for small enterprises.

Our Italian colleagues were able to look beyond that when they created My Business Manager. To help small entrepreneurs in their everyday lives, My Business Manager is an online report that enables them to continuously monitor and forecast flows, transactions, payments, receipts, invoices and credit.

It’s just like having a personal manager who handles the administration while you take care of your business. Easy, isn’t it?

Thanks to this simple interface, entrepreneurs like Matteo and Giacomo’s dad can check their business at a glance and be faster in all of their transactions and, above all, spend more time with their families.

Sustainability (Continued)

Between October and December 2015, the Bank held a series of exhibitions entitled The Painting of the Month at our Ostozhenka branch, displaying the gems of the collection. In parallel to these exhibitions, we arranged a special campaign during which our clients were able not only to see masterpieces from the Bank's collection, but also to win exciting prizes, such as tickets to theatre performances.

In 2015, the Bank published the second edition of its art collection catalogue. We presented the new catalogue to journalists, art experts and critics, and broader art community, as part of celebration events marking the Bank's anniversary. The first edition of the catalogue was released early in 2008, just after International Moscow Bank changed its name to UniCredit Bank. It has been seven years since then, our collection grew, so the new catalogue is now twice the size of the original one.

UniCredit Bank, as a representative of the Italian UniCredit Group in Russia, aims to support cultural events associated with Italy. In 2015, one of the most remarkable events in Moscow's cultural life was the exhibition Caravaggio and his Followers, Paintings from the Roberto Longhi Foundation in Florence and The Pushkin State Museum of Fine Arts. As a partner of the Pushkin Museum, the Bank was happy to support this project, not only recognising its tremendous significance to Moscow and Russian cultural life, but also promoting further cultural ties between Russia and Italy. In the framework of this collaboration, UniCredit Private Banking issued a co-branded MasterCard World Elite card which is discussed in another section of this report.

UniCredit Bank was the general partner of Italomania 2015, a festival of Italian culture and language held at the Central House of Artists at Krymsky Val in Moscow in June 2015. UniCredit Bank gave residents of and visitors to Moscow an opportunity to visit an authentic Italian city with a central market square, university, school, museum, movie theatre, book store, trattoria, and playground.

In autumn 2015, UniCredit Bank sponsored yet another event associated with the Italian culture, the Russia-Italia Film Festival – RIFF. The festival features films by Italian directors presented at Italian regional festivals, and films by Russian directors about Italy.

In late 2015, with the support of UniCredit Bank, the Multimedia Art Museum, Moscow launched its exhibition Grand Tour: Russian Version. The exhibition featured photos of Rome, its architectural scenes, and locals, brought by Russian travellers from their Grand Tours to Italy in the mid-19th century.

Support to Sports

UniCredit promotes its brand through the sponsorship of sporting events. In 2015, the Group continued its partnership with UEFA: while remaining an Official Bank of the UEFA Champions League, the Group extended the partnership to become an Official Bank of the other club competitions, such as UEFA Europa League. As a part of its sponsorship package, in addition to the right to issue official collector coins for each match, UniCredit also has an exclusive on-field right allowing UniCredit to invite children to accompany the referees onto the pitch ahead of matches.

UniCredit Bank supported football on a local level, as well. In 2015, our employees participated in the corporate football championship, Business Champions League, and took the 3rd place.

One of the Bank's priorities has been to support our employees in their personal sporting endeavours. In October 2015, over 100 employees of UniCredit Bank's corporate team ran the 5275 charity run. We traditionally supported our employees in winter sports competitions including the Alfa-Bitza Ski Championship, and Ski Meeting, UniCredit's competition for downhill skiing, snowboarding, and cross-country skiing.

Management

Supervisory Board of AO UniCredit Bank (as of January 1, 2016)

Erich Hampel, Chairman of the Supervisory Board

Born on 25.02.1951. Graduate of University of Economics and Business Administration in Vienna with master degree in Commerce and Trade in 1974, became doctor of social sciences and economics in 1975. He has worked in banking business for more than 35 years. From 2004 to 2009 he was Chairman of the Managing Board of Bank Austria Creditanstalt AG. In 2005 he was appointed Head of CEE Division of UniCredito Italiano S.p.A. From 20.02.2007 to 20.12.2007 he was Chairman of the Board of Directors of CJSC International Moscow Bank; from 20.12.2007 till now he is Chairman of the Supervisory Board of AO UniCredit Bank (before the end of 2014 - ZAO UniCredit Bank). Since 01.10.2009 Mr. Hampel has been Chairman of the Supervisory Board of UniCredit Bank Austria AG.

Anna Maria Ricco, Member of the Supervisory Board

Born on 14.04.1969. Graduated from Universita degli Studi di Milano, has degree in Computer Science. Anna Maria Ricco started her professional career in 1993 at Origin Italy. After an experience in Andersen Consulting, she worked at McKinsey & Co since 2000 up to 2005. Soon after she joined UniCredit Global Banking Services Division in Organization, covering key positions in several initiatives about integration, including the One4C Project. From October 2007 to January 2011, she was head of Paolo Fiorentino' staff - UniCredit Chief Operating Officer- as well as of Internal Customer Satisfaction Unit. In February 2011 she joined i-Faber with the role of General Manager, then becoming CEO, Member of the Board of Directors. From 2011 to 2013 was the Chairman of the Board of Directors at Joinet Srl, UniCredit. Since 11.03.2014 has been Member of the Board of Directors at Unicredit Subito CaSa SpA. Since 31.10.2014 has been Member of the Management Committee of Fondo Andromeda. Since 31.03.2014 has been Member of the Management Committee of IDeA Fimit SGR, Fondo Sigma Immobiliare. Since 11.08.2014 she is a member of the Supervisory Board of AO UniCredit Bank.

Marco Radice, Member of the Supervisory Board

Born on 28.08.1957. Graduate of J.D., Parma Law School, 1980, Accademia Guardia di Finanza, Rome, 1982, New York Law School, New York, 1983. From 1992 up to 2006 he occupied position Non executive director, Itas s.p.a., Insurance Company, Trento. From 1995 to 2015 was Member of the Board of Directors of Itas Mutua, Insurance Company. From 1994 up to 2001 was Chairman of the Board of Statutory Internal Auditors, Cassa di Risparmio di Trento e Rovereto, Member / Chairman of the Board of Statutory Internal Auditors of Industrial and Financial Services Companies (Pioneer Alternative Investments S.g.r.p.a., Milano Innovazione S.g.r.p.a., Vivacity S.p.a., Iniziative Urbane s.p.a., Valore S.I.M. s.p.a., Metalsistem s.p.a, Rovimpex s.p.a. and others). From 1998 up to 2006 he was Professor of Financial Services Regulation Law, University of Trento. From April 2010 to May 2012 was Member of the Board of Directors of UniCredit Audit S.p.a. Since 04.1994 he has been Co-Principal at Radice & Cereda. He has been also Member of Audit Committee of Bulbank, Bulgaria since 04.2012, Chairman of Audit Committee of UniCredit Bank Serbia since 04.2008, Chairman of the Board of Directors of Itas Vita s.p.a., Insurance Company. Since 27.04.2012 he is a member of the Supervisory Board of AO UniCredit Bank.

Carlo Vivaldi, Member of the Supervisory Board

Born on 02.12.1965. After graduating from the University of Ca' Foscari (Venice), Department of Business Administration, Carlo Vivaldi started his career in 1991 as teller in Cassamarca, which merged into UniCredit in 1998. In 2000 he moved under New Europe Division of UniCredit. In 2002, he pursued the position of CFO and Executive Vice President at KFS and Yapı Kredi, Turkey. In October 2007, he was appointed as Member of the Management Board and Chief Financial Officer at UniCredit Bank Austria AG and started to serve in several other Supervisory Boards in CEE subsidiaries of UniCredit Group. From 15.05.2009 to 31.03.2016 Carlo Vivaldi was Member of the Board of Directors at Yapı Kredi, and from 03.11.2009 to 31.03.2016 he was Member of the Board of Directors at Koç Financial Services. He also served as Deputy Chairman of the Board of Directors in all YapiKredi subsidiaries and Allianz Pension Fund company, and Member of the Board of Directors at Yapı Kredi Koray and Yapi Kredi Bank Malta LTD since March 2011 to 16.02.2015. Since February 16, 2015, Vivaldi has been appointed as Head of CEE Division of UniCredit and Deputy Chairman of the Management Board of UniCredit Bank Austria. He has served as Member of UniCredit Executive Management Committee since 23.02.2015, Member of the Supervisory Board of UniCredit Tiriac Bank S.A. Romania since 16.04.2015, Member of the Supervisory Board of PAO Ukrsotsbank since 24.04.2015, Deputy Chairman at Yapı ve Kredi Bankası A.Ş. and Deputy Chairman at Koç Financial Services since 16.02.2015.

Alessandro Maria Decio,
Member of the Supervisory Board

Born on 10.01.1966. He graduated from Bocconi University, Milan (Italy) in 1989, has degree in economics (Monetary Theory). He also got a Master's Degree from NSEAD, Fontainebleau (France) in 1992. From 1990 to 1992 he worked at IMI Capital Markets, London (UK), and then at Morgan Stanley, London (UK). In 1992 he worked at McKinsey & Co (Milan), then till 2000 he occupied position of the director at the European Bank for Reconstruction & Development (EBRD), London, UK. He came to UniCredit in 2000, when he joined Strategy, Planning and Control Department. In 2001, he became Head of Planning and Foreign Banks Re-launch Department at UniCredit. In 2002, he was appointed Chief Operating Officer of Zagrebacka Banka (Croatia). From 2003 to 2005 he was Chief Operating Officer of Bulbank (Bulgaria) with responsibility also for the internal control functions. From 2005 to 2007 he occupied position of German Region Integration Officer, managing the integration of the German business following UniCredit Group's merger with HVB AG. From July 2007 to January 2011 he was Chief Operating Officer, Deputy CEO, Executive Vice President of Yapi Kredi (Turkey); COO, Deputy CEO, Executive Director, Executive Vice President of Koc Financial Services. From 01.02.2011 to 31.07.2012 was the Group Head of F&SME Division, Senior Executive Vice-President. From August 2012 to October 2015 was Group CRO at UniCredit. From 12.2011 to 04.2015 was Member of Managerial Counsel of UniCredit Business Integrated Solutions.

At the present time he has been since 27.04.2012 Member of Managerial Counsil at Mediobanca S.p.a., since 01.06.2011 Member of the Supervisory Board (Secretary) of Bank Pekao S.A. , since 14.02.2013 Member of the Supervisory Board of UniCredit Bank Austria AG, since 11.03,2013 Member of the Audit Committee of UniCredit Bank Austria AG. Since 25.04.2013 he is a member of the Supervisory Board of AO UniCredit Bank.

Enrico Minniti,
Member of the Supervisory Board

Born on 07.06.1970. Enrico Minniti graduated from Palermo University, Italy in 1996, has degree in Economics and Business Administration. He also graduated from INSEAD, a graduate business school, Fontainebleau, France, the Management Program, short course in 2014. He started his career in 1997 at Credito Italiano and then, in 2000, taking over managerial responsibilities at Structured Finance Dept. In 2003 Enrico moved to UniCredit Bank Milano as Vice President within the Structured Finance Department, and then he moved to Bank Austria as Head of Specialized Lending Unit. In July 2008 he joined Ukrsotsbank (Ukraine) where he served as Head of Financing up to July 2010. Then from 08.2010 to 03.2015 he was Head of Financing in CEE at UniCredit Bank Austria AG. At that time he also served as the Member of Supervisory Board of Joint-Stock Company «UniCredit Securities»(2011 – 2012), the Member of the Supervisory Board at LLC Al Line from 29.09.2011 to 10.08.2012. On 15.04.2015 he was appointed Head of CEE CIB at UniCredit Bank Austria AG. At the present time he also served as Member of Audit Committee of UniCredit Bank Hungary ZRT since 20.10.2015, Member of the Supervisory Board of UniCredit Bank Czech Republic and Slovakia since 03.11.2015, Member of the Supervisory Board of AO UniCredit Bank since 11.11.2015.

In 2015, Gianni Franco Papa, Gianfranco Bisagni and Roberto Nicastro resigned from the Supervisory Board, while Carlo Vivaldi and Enrico Minniti were appointed to the Supervisory Board.
No shares of AO UniCredit Bank are held by any member of the Supervisory Board.

Management (Continued)

Management Board of AO UniCredit Bank (as of January 1, 2016)

Mikhail Yurievich Alekseev, Chairman of the Management Board

Born on 04.01.1964. Mr. Alekseev graduated cum laude from Moscow Finance Institute in 1986. In 1989 he defended a dissertation and received PhD in Economics and in 1992 he defended a dissertation and received PhD (full Doctor) in Economics. Mr. Alekseev started his career in the USSR Ministry of Finance. In 1992 he was elected to the Management Board of Mezhkombank. In 1995, he moved to Oneximbank to the position of the Deputy Chairman of the Management Board. From 1999 to 2006 Mikhail Alekseev held the positions of Senior Vice-President and Deputy Chairman of the Management Board of Rosbank and was responsible for strategic development, small and medium business, operations and IT. His next place of employment was Rosprombank (from 2006), where he held the position of President and Chairman of the Board. In July 2008, in accordance with resolution of the Supervisory Board he was appointed Chairman of the Management Board and is responsible for general management of the Bank's operations. At the present time he has served as Chairman of the Board of Directors of RN Bank since 05.09.2013, Member of the Board of Directors of PJSC Aeroflot since 24.06.2013, Chairman of the Board of Directors of BARN B.V., Netherlands since 15.04.2013, Member of the Board of Directors of TMK since 28.06.2011, Chairman of the Supervisory Board of OOO «UniCredit Leasing» since 10.03.2011, Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs since 11.11.2009.

Kirill O. Zhukov-Emelyanov, Member of the Management Board, Senior Vice President

Born on 22.01.1970. Mr. Zhukov-Emelyanov graduated from the Moscow State Institute of International Relations (MGIMO-University), International Economic Relations in 1993. He started his career in 1994 with UniCredit Bank (former International Moscow Bank) in the field of corporate finance. From 1999 he managed credit business of Bank Austria Creditanstalt Russia. Following its merger with International Moscow Bank in 2001, he held executive positions at corporate banking division of International Moscow Bank. From 2003, he was responsible for the development of the regional network and corporate business of International Moscow Bank, and then of UniCredit Bank in regions. In December 2008, in accordance with resolution of the Supervisory Board he was appointed Member of the Management Board and is responsible for corporate banking business of AO UniCredit Bank.

Dmitry Viktorovich Mokhnachev, Member of the Management Board

Born on 05.10.1964. Mr. Mokhnachev graduated from the Moscow State Institute of International Relations (MGIMO-University), International Economic Relations in 1986. He started his career in 1992 at International Moscow Bank (former name of UniCredit Bank) in the field of credit risks, and then he held various positions at International Moscow Bank connected with risk management and corporate business. In 2002 he was appointed Member of the Management Board of International Moscow Bank. In October 2006 Mr. Mokhnachev moved to Uralsib Financial Corporation in the capacity of 1st Vice-President. From August 2008 to late June 2009 Dmitry Mokhnachev was Director of Credit to private clients, Sberbank of Russia. In September 2009 he became Member of the Management Board of UniCredit Bank. Mr. Mokhnachev's area of responsibilities includes risk management. At the present time he has served as Member of the Board of Directors of RN Bank since 29.08.2013, Member of the Board of Directors of BARN B.V., Netherlands since 12.04.2013, Member of the Board of Directors of ZAO "Locat Leasing Russia" since 31.03.2010, Member of the Supervisory Board of OOO «UniCredit Leasing» since 30.10.2009.

Ivaylo Glavchovski, Member of the Management Board, Senior Vice President

Born on 12.04.1969. Ivaylo Glavchovski graduated from Technical University of Sofia in 1995, has degree in engineering in electronics and automation, Information and measuring equipment. Ivaylo Glavchovski joined UniCredit in 2008 and had held various positions in UniCredit Bulbank. From 2008 till 2011 Mr. Glavchovski was working as a Director of IT of UniCredit Bulbank. In 2011 he was appointed Member of the Board in charge of Global Banking Services till 2014. In 2014 Ivaylo Glavchovski was appointed Senior Vice President in charge of Global Banking Services of UniCredit Bank Russia. Starting from January 2015 Ivaylo Glavchovski was appointed Member of the Management Board of AO UniCredit Bank. Mr. Glavchovski's responsibilities include Global Banking Services.

Michele De Capitani,

Member of the Management Board, Senior Vice President

Born on 28.03.1969. Michele De Capitani graduated from Universita' degli Studi di Pavia, BA Economics in Italy in 1994 and holds a CPA Degree. Michele De Capitani joined UniCredit in 2008 and sequentially had held various positions in UniCredit Group Corporate Division (Munich, Germany), HVB UniCredit Bank AG (Munich, Germany), and UniCredit Bank plc. (Dublin, Ireland). From 2008 till 2009 Mr. De Capitani was in charge of Global planning at Corporate Division in UniCredit Group. In 2009 he headed Planning and Control department in HVB UniCredit Bank AG (Munich, Germany) that he managed till 2012. After he was appointed Managing Director (CEO) and Member of the Board of Directors of UniCredit Bank plc. (Dublin, Ireland). Before 2008 Mr.De Capitani held senior positions within Capitalia Group (Rome) and General Electric Company (worldwide). In June of 2015 he was appointed Member of the Management Board of AO UniCredit Bank. He has also served as Member of the Supervisory Board of OOO «UniCredit Leasing» since 10.07.2015.

Ivan Matveev,

Member of the Management Board, Senior Vice President

Born on 06.08.1979. Ivan holds a Master Degree in Strategic Management from State University Higher School of economics (Moscow, Russia), received in 2002, and Master of Business Administration from European School of Business (Munich, Germany). He participated in the UniManagement Program, developing by UniCredit Group, UniFuture Program the seventh edition, to strengthening support for the Group initiatives. Ivan Matveev joined UniCredit Bank in January 2011. Before that he held management positions in IT, retail and energy sectors. Before the new appointment Ivan Matveev had been Head of Retail Sales Department since 2012. Previously Mr. Matveev was Director of the Organization Department from 2011 to 2012. In this position he was involved into the reorganization of the Bank's Retail Business. In September of 2015 he was appointed Member of the Management Board of AO UniCredit Bank.

Graziano Cameli,

Member of the Management Board, Chief Operating Officer, Executive Vice President

Born on 18.08.1967. Graziano Cameli holds a degree in Economics from the University of Trieste (Italian Universit degli Studi di Trieste, UNITS), 1992. Graziano Cameli has gained a solid international and professional experience in the finance and banking industry. He started his career path at Assicurazioni Generali and then at McKinsey, joining the Group later in 2005 at Banca di Roma as Head of Planning & Control; further on, he continued his path as Head of Retail & Private Sales. In 2008, Graziano became Head of CEE Retail at Bank Austria. Since 2010 Mr. Cameli held the position of the General Manager and First Deputy Chairman of the Management Board and then from July 2013 the position of CEO at Ukrsotsbank (UniCredit Bank™) in Ukraine. In August 2015 was appointed Chief Operating Officer, Executive Vice President of AO UniCredit Bank, in October 2015 became Member of the Management Board of AO UniCredit Bank.

In 2015 Klaus Priverschek and Emanuele Butta resigned from the Management Board, while Michele De Capitani, Ivan Matveev and Graziano Cameli joined the Management Board.
No shares of AO UniCredit Bank are held by any member of the Management Board.

I'd rather play basketball.

Let's talk about making the right investments.

Nina's father thinks she has a future as a dancer, but she has other plans. What exactly? Well, actually, she changes her mind every day ... basketball player, pop singer, pianist, actress. Right now, she's probably just not mature enough to invest seriously in her future. But Nina's father doesn't see that. He could use some wise advice.

Everyone has different goals and needs – and everyone can use a good consultant to help meet them. That's why we take care of each of our customers by tailoring our solutions to their individual needs.

This premium approach is especially popular with our clients in Germany, thanks to the FinanzKonzept project, which provides an interactive consulting platform for integrated advice.

This is financial counseling 2.0: Smart, transparent, available via video and telephone, from advisors with the right skills. We are doing this because, in a world of data and numbers, it makes a difference to have a personal relationship with clients and figure out together what to expect from the future.

Contact Details

Head Office

9, Prechistenskaya Embankment, Moscow, 119034, Russia

Telephone:	+7 (495) 258-7258 Call center +7 (495) 258-7200 Enquiries
Fax:	+7 (495) 258-7272
Telex:	412284 IMBA RU, 412285 IMBA RU
SWIFT code:	IMBKRUMM
E-mail:	unicredit@unicreditgroup.ru
URL:	www.unicreditbank.ru

Additional offices

Additional office Aeroport
44, Leningradskiy Prospekt Moscow, 125167, Russia

Additional office Alexeevskaya
97, Prospekt Mira, Moscow, 129085, Russia

Additional office Altufievo
89, Altufievskoe shosse, Moscow, 127576, Russia

Additional office Babushkinskaya
11, Eniseyskaya street, Moscow, 129344, Russia

Additional office Bolshaya Gruzinskaya
58-60, Bolshaya Gruzinskaya Street, Moscow, 123056, Russia

Additional office Dmitrovka
Building 4, 10/2, Bolshaya Dmitrovka Street, Moscow, 103031, Russia

Additional office Kazachy
9/1, Pervyi Kazachy Pereulok, Moscow, 109017, Russia

Additional office Khamovniki
44, Komsomolsky Prospekt, Moscow, 119048, Russia

Additional office Khimki
Building 1, 19, Panfilova Street, Khimki, Moscow region, 141407, Russia

Additional office Komsomolskaya
Building 1, 3-5, Krasnoprudnaya street, Moscow, 107140, Russia

Additional office Kosmodamianskaya
Riverside Business Center 52/2, Kosmodamianskaya Embankment, Moscow, 113054, Russia

Additional office Kutuzovsky Prospekt
Building 1, 22, Kutuzovsky Prospekt, Moscow, 121151, Russia

Additional office Leninsky
Park Place Business Center 113/1 Leninsky Prospekt, Moscow, 117198, Russia

Additional office Lomonosovsky Prospekt
70/11, Leninsky Prospekt, Moscow, 119261, Russia

Additional office Lyublino
109386, Moscow, Krasnodarskaya str.48

Additional office Myasnitskaya
Building 2, 24/7, Myasnitskaya Street, Moscow, 101000, Russia

Additional office Mytishchi
2, Mira street, Mytishchi, Moscow region, 141008, Russia

Additional office Novoslobodskaya
40, Dolgorukovskaya Street, Moscow, 127030, Russia

Additional office Odintsovo
112a, Mozhayskoe Shosse, Odintsovo, Moscow region, 143005, Russia

Additional office Oktyabrskoe Pole
123060, Moscow, Marshala Biryuzova str., 17

Additional office Ostozhenka
5, Ostozhenka street, Moscow, 119034, Russia

Additional office Pervomayskaya
105007, Moscow, Pervomayskaya, 81

Additional office Podolsk
64/105, Revolutsionny prospekt, Podolsk, Moscow region, 142100, Russia

Additional office Prospekt Mira
Building 1, 26, Mira Prospekt, Moscow, 129090, Russia

Additional office Prospekt Vernadskogo
33, Prospekt Vernadskogo, Moscow, 119331, Russia

Additional office Pyatnitskaya
14/1, Pyatnitskaya Street, Moscow, 115035, Russia

Additional office Ramenki
119192, Moscow, Michurinsky pr., 34

Additional office Rechnoy Vokzal
94, Leningradskoe Shosse, Moscow, 125565, Russia

Additional office Rogozhskaya zastava
8, Rogozhskaya zastava street, Moscow, 105120, Russia

Additional office Taganskaya
Building 1, 1, Marksistskaya Street, Moscow, 109147, Russia

Additional office Tulskaya
115191, Moscow, Bolshaya Tulskaya, 2

Additional office Tverskaya
Building 1, 28, First Tverskaya Yamskaya Street, Moscow, 125445, Russia

Additional office Yartsevskaya
Building 1, 22, Yartsevskaya Street, Moscow, 121351, Russia

Additional office Yuzhnaya
117587, Moscow, Kirovogradskaya, 9/2A

Additional office Zemlyanoy Val
Building 1, 25, Zemlyanoy Val, Moscow, 119048, Russia

Additional office Zubovsky Boulevard
29, Zubovsky Boulevard, Moscow, 119021, Russia

Additional office Zvenigorodsky
123022, Moscow, Zvenigorodskoe sh. 3A/1

Contact Details (Continued)

Regional Branches

St. Petersburg Branch

48/2 Fontanka Embankment, St. Petersburg, 191025, Russia
Telephone: 8 (800) 200-7300
Fax: +7 (812) 346-8420
SWIFT code: IMBKRUMMPET

Additional offices

Additional office Akademicheskaya
19/2, Nauki prospekt, St. Petersburg, 195220, Russia

Additional office Chernaya rechka
15 lit. A, Savushkina Street, St. Petersburg, 197183, Russia

Additional office Kirochnaya
11A Kirochnaya Street, St. Petersburg, 191104, Russia

Additional office Komendantskiy prospekt
11, Komendantskiy prospekt, St. Petersburg, 197227, Russia

Additional office Leninsky prospekt
8, lit. A, Novatorov boulevard, St. Petersburg, 196191, Russia

Additional office Moskovskaya
193, Moskovsky prospekt, St. Petersburg, 196066, Russia

Additional office Park Pobedy
192-194, lit. A, Moskovsky Prospekt, St. Petersburg, 196070, Russia

Additional office Petrogradskaya Storona
48, Bolshoi Prospekt, P.S., St. Petersburg, 197198, Russia

Additional office Prospekt Bolshevikov
3, building 1, Bolshevikov Prospekt, St. Petersburg, 193231, Russia

Additional office Prospekt Prosvescheniya
34, Prospekt Prosvescheniya, St.Petersburg, 194358, Russia

Additional office Prospekt Slavy
52, Prospekt Slavy, St. Petersburg, 192241, Russia

Additional office Sennaya Ploshchad
4A, Efimov Street, St. Petersburg, 190031, Russia

Additional office Vasilevsky Ostrov
49, Sredny Prospekt, St. Petersburg, 199178, Russia

Additional office Zanevskaya ploschad
43/17, lit. A,Novocherkassky prospekt, St. Petersburg, 195196, Russia

Chelyabinsk branch

38, Karl Marx Street, Chelyabinsk, 454091, Russia
Telephone: +7 (351) 247-9170
Fax: +7 (351) 247-9108

Additional office Severo-Zapad
31, 40 Let Pobedy Street, Chelyabinsk, 454021, Russia

Additional office Magnitogorsky
6, Gertsen Street, Magnitogorsk, Chelyabinsk Region, 455001, Russia

Ekaterinburg Branch

4, Nikonov Street, Ekaterinburg, 620027, Russia
Telephone: +7 (343) 356-5997
Fax: +7 (343) 370-0095

Additional office Palladium
10, Khokhryakova Street, Palladium office center, Ekaterinburg, 620014, Russia

Krasnodar Branch

41, Stavropolskaya Street, Krasnodar, 350033, Russia
Telephone: +7 (861) 210-1040
Fax: +7 (861) 210-1045

Additional office Pokrovsky
64/1, Krasnoarmeyskaya Street, Krasnodar, 350000, Russia

Additional office Novorossiysky
39, Leitenanta Shmidta Street, Novorossiysk, Krasnodar Territory, 353905, Russia

Additional office Sochinsky
26, Maksima Gorkogo Street, Sochi,
Krasnodar Territory, 354000, Russia

Nizhniy Novgorod Branch

20, Kostina Street, Nizhniy Novgorod, 603134, Russia
Telephone: +7 (831) 275-8080
Fax: +7 (831) 421-6009

Additional office Avtozavodskiy
603016, Nizhniy Novgorod city, Vedenyapina street, 1A, Nizhniy Novgorod

Novosibirsk Branch

27 Sovetskaya/53 Gorkogo Street, Novosibirsk, 630099, Russia
Telephone: +7 (383) 230-0163
Fax: +7 (383) 230-0169

Additional office Ulitsa Vatutina
630078, Russia, Novosibirsk, Vatutina str., 26

Perm Branch

41, Ordzhonikidze Street, Perm, 614045, Russia
Telephone: +7 (342) 218-3850
Fax: +7 (342) 218-3857

Additional office Stroganovsky
59, Lenina Street, Perm, 614068, Russia

Rostov-on-Don Branch

58/51, Socialisticheskaya Street, Rostov-on-Don, 344002, Russia
Telephone: +7 (863) 263-0900
Fax: +7 (863) 263-0905

Additional office Bolshaya Sadovaya
113, Bolshaya Sadovaya Street, Rostov-on-Don, 344002, Russia

Additional office Ulitsa Tekucheva
139/94 Tekucheva Street, Rostov-on-Don, 344018, Russia

Samara Branch

178/12, Chapaevskaya/Krasnoarmeyskaya Street, Samara, 443010, Russia
Telephone: +7 (846) 267-3350
Fax: +7 (846) 267-3360

Additional office Ulitsa Pobedi
93, Pobedy Street, Samara, 443058, Russia

Stavropol Branch

38a, Dovatortsev Street, Stavropol, 355037, Russia
Telephone: +7 (8652) 95-1125
Fax: +7 (8652) 95-1126

Ufa Branch

27, Kirova Street, Ufa, Bashkortostan Republic, 450000, Russia
Telephone: +7 (347) 292-0840
Fax: +7 (347) 292-0842

Additional office Prospekt Oktyabrya
37, Prospekt Oktyabrya, Ufa, Bashkortostan Republic, 450058, Russia

Volgograd Branch

11, Novorossiyskaya Street, Volgograd, 400131, Russia
Telephone: +7 (8442) 96-8268
Fax: +7 (8442) 96-8271

Voronezh Branch

13, Komissarzhevskaya Street, Voronezh, 394036, Russia
Telephone: +7 (473) 220-5364
Fax: +7 (473) 235-5929

Operational Offices

Arkhangelsky
104, Voskresenskaya Street, Arkhangelsk, 163051, Russia

Barnaulsky
28, Prospekt Lenina, Barnaul, Altai, 656056, Russia

Belgorodsky
45 A, Prospekt Slavy, Belgorod, 308000, Russia

Kaluzhsky
1/20 Pushkina Street, Kaluga, 248000, Russia

Krasnoyarsky
36, Prospekt Mira, Krasnoyarsk, 660049, Russia

Lipetsky
5, Voroshilova Street, Lipetsk, 398050, Russia

Levoberezhny
18, 70 Let Oktyabrya street, Omsk, 644123, Russia

Omsky
17, Karl Marx Prospekt, Omsk, 644010, Russia

Saratovsky
52, Chapaeva Street, Saratov, 410056, Russia

Tciolkovskiy
248000, Kaluga, Tciolkovskogo street, 4, app.4

Tyumensky
155/2, Respubliki Street, Tyumen, 625026, Russia

Representative Offices

Arkhangelsk
Office 411, 5, Pomorskaya Street
Arkhangelsk, 163000, Russia
Telephone: +7(8182) 65-77-55
Fax: +7(8182) 42-12-47

Barnaul
91, Proletarskaya Street, Barnaul, 656043, Russia
Telephone: +7(3852) 63-7181
Fax: +7(3852) 63-6975

Belgorod
45a, Prospect Slavy, Belgorod, 308600, Russia
Telephone: +7 (4722) 58-6040
Fax: +7 (4722) 58-6043

Cheboksary
35B, Gagarina Street, Cheboksary, 428012, Chuvashiya, Russia
Telephone: +7 (8352) 63-1345
Fax: +7 (8352) 24-0393

Irkutsk
Office 22, 49, Partizanskaya street, Irkutsk, 664047, Russia
Telephone: +7 (3952) 78-0088
Fax: +7 (3952) 78-0089

Kazan
11a, Dzerzhinskogo Street, Kazan, 420111, Tatarstan, Russia
Telephone: +7 (843) 292-1501
Fax: +7 (843) 292-5889

Kemerovo
Office 804, Building B, 2, Oktyabrsky prospect, Kemerovo, 650066, Russia
Telephone: +7 (3842) 49-6750
Fax: +7 (3842) 49-6752

Krasnoyarsk
3a, Vesny Street, Krasnoyarsk, 660077, Russia
Telephone: +7 (3912) 777-224
Fax: +7 (3912) 777-226

Minsk
51, Korolya Street, Minsk, 220004, Republic Belarus
Telephone: +375 (17) 200-0554
Fax: +375 (17) 200-0552

Omsk
Building 1 65, Gertsen Street, Omsk, 644007, Russia
Telephone: +7 (3812) 22-0282
Fax: +7 (3812) 23-48-91

Orenburg
1/11, Kobozeva Street/Kazarmenniy per, Orenburg, 460000, Russia
Telephone: +7 (3532) 34-1811
Fax: +7 (3532) 34-1808

Saratov
Office 618, 239, Bolshaya Sadovaya, Saratov, 410005, Russia
Telephone: +7 (8452) 44-55-50, 48-48-63
Fax: +7 (8452) 48-48-63

Tyumen
155/2, Respubliki Street, Tyumen, 625000, Russia
Telephone: +7 (3452) 38-9508
Fax: +7 (3452) 38-9511

Look, I just made a mess!

Let’s talk about everyday challenges.

Who said that everyday life is boring? It certainly isn’t if you’re dealing with a rascal like Agata. Around her, simple things like getting to school on time, managing the family budget or walking the puppy become far more complicated. Agata’s mom and dad – and countless other parents – face more complications every day. Clearly they could use our help.

For Agata’s parents we have designed dozens of new services that simplify life. Take, for example, what Zagrebačka banka is doing in Croatia. Its two-in-one web token enables customers to not only to do their banking online, but also have access to their public administration documents.

This means you can check your account balance or transfer funds online in the same place where you can get your child’s school grades, see an electronic copy of your birth or marriage certificate or order your European Health Insurance card.

Now with a bit more time for cleaning up her messes, maybe Agata’s parents can laugh a little more too.

Consolidated Financial Statements

Year ended 31 December 2015

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements

for the Year Ended 31 December 2015

Management of AO UniCredit Bank is responsible for the preparation of the consolidated financial statements that present fairly the financial position of AO UniCredit Bank and its subsidiary (collectively – the "Group") as at 31 December 2015, and the related consolidated statements of comprehensive income for the year then ended, changes in shareholder's equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements as at 31 December 2015 were approved by the Supervisory Board of AO UniCredit Bank on 14 March 2016 based on the decision of Board of Management of AO UniCredit Bank dated 1 March 2016.

I. Glavchovski
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

14 March 2016

Independent Auditor's report

Deloitte.

To: Shareholder and Supervisory Board of AO UniCredit Bank.

We have audited the accompanying consolidated financial statements of AO UniCredit Bank and its subsidiary (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for 2015, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 express an opinion on the fair presentation of these consolidated financial statements.

Opinion

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

Report on procedures performed in accordance with the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990

Management of the Group is responsible for compliance with the obligatory ratios established by the Bank of Russia (the "obligatory ratios"), as well as for compliance of the Group's internal control and risk management systems with the Bank of Russia (the "CBRF") requirements.

According to Article 42 of the Federal Law No. 395-1 "On Banks and Banking Activities" (the "Federal Law") in the course of our audit of the Group's annual financial statements for 2015 we performed procedures with respect to the Group's compliance with the obligatory ratios as at 1 January 2016 and compliance of its internal control and risk management systems with the CBRF requirements.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Group's policies, procedures and methodologies with the CBRF requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

1. with respect to the Group's compliance with the obligatory ratios: the obligatory ratios as at 1 January 2016 were within the limits established by the CBRF.

2. We have not performed any procedures with respect to the Group's financial information other than those we considered necessary to express our opinion on whether the annual financial statements of the Group present fairly, in all material respects, the financial position of the Group as at 31 December 2015, its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

Independent Auditor's Report (Continued)

with respect to compliance of the Group's internal control and risk management systems with the CBRF requirements:

(a) in accordance with the CBRF requirements and recommendations as at 31 December 2015 the Group's internal audit department was subordinated and accountable to the Group's Supervisory Board and the Group's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the CBRF;

(b) as at 31 December 2015, the Group had duly approved in accordance with the CBRF requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

(c) as at 31 December 2015, the Group had a reporting system with regard to the Group's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Group's capital;

(d) frequency and sequential order of reports prepared by the Group's risk management and internal audit departments in 2015 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Group's internal policies; these reports included results of monitoring by the Group's risk management and internal audit departments of effectiveness of the Group's respective methodologies and improvement recommendations;

(e) as at 31 December 2015, the authority of the Group's Supervisory Board and the Group's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Group. In order to control effectiveness and consistency of application of the Group's risk management policies, during 2015 the Group's Supervisory Board and the Group's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

We have carried out the procedures with respect to the Group's internal control and risk management systems solely to report on the findings related to compliance of the Group's internal control and risk management systems with the CBRF requirements.

Deloitte & Touche

14 March 2016
Moscow, Russian Federation

Ponomarenko E.V., General director
(certificate no. 01-000190 dated November 28, 2011)
ZAO Deloitte & Touche CIS

Audited entity: AO UniCredit Bank.

Licensed by the Central Bank of the Russian Federation

on 22 December 2014, License No.1.

Primary State Registration Number: 1027739082106

Certificate of registration in the Unified State Register series 77

No. 007773325 of 19.08.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39

9, Prechistenskaya emb., Moscow, Russia 119034.

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register series 77

No. 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in "NP «Audit Chamber of Russia" (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

Consolidated Statement of Financial Position

as at 31 December 2015
(in thousands of Russian Roubles)

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and cash balances	5	22 730 813	42 873 396
Trading securities	6		
- held by the Group		3 652 106	4 184 948
- pledged under repurchase agreements		-	263 368
Amounts due from credit institutions	7	336 744 808	332 555 937
Derivative financial assets	8	65 526 002	81 685 033
Derivative financial assets designated for hedging	8	7 042 056	12 003 652
Changes in fair value of portfolio hedged items	8	998 710	(8 117 984)
Loans to customers	9	867 295 074	826 851 401
Investment securities:	10		
- available-for-sale			
- held by the Group		54 895 759	32 553 782
- pledged under repurchase agreements		14 841 932	21 815 961
- held-to-maturity		16 130 748	-
Fixed assets	12	5 612 240	6 001 364
Intangible assets	13	5 350 637	3 443 831
Current income tax assets		1 858 930	176 292
Other assets	15	4 445 843	4 081 974
TOTAL ASSETS		**1 407 125 658**	**1 360 372 955**
LIABILITIES			
Amounts due to credit institutions	16, 19	193 922 309	209 956 341
Derivative financial liabilities	8	49 246 075	104 534 651
Derivative financial liabilities designated for hedging	8	19 306 086	20 464 088
Changes in fair value of portfolio hedged items	8	404 256	(697 554)
Amounts due to customers	17	931 426 988	810 620 505
Debt securities issued	18	32 979 085	62 007 167
Deferred income tax liabilities	14	7 390 616	2 597 149
Current income tax liabilities		-	506 631
Other liabilities	15	7 922 980	8 317 953
TOTAL LIABILITIES		**1 242 598 395**	**1 218 306 931**
EQUITY			
Share capital	20	41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(765 540)	(1 541 487)
Revaluation reserve for available-for-sale securities		(2 902 933)	(9 070 231)
Retained earnings		125 970 649	110 452 655
TOTAL EQUITY		**164 527 263**	**142 066 024**
TOTAL LIABILITIES AND EQUITY		**1 407 125 658**	**1 360 372 955**

I. Glavchovski
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

14 March 2016

The accompanying notes on pages 76 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2015
(in thousands of Russian Roubles)

	Notes	2015	2014
Interest income and similar revenues			
Loans to customers		72 099 950	57 945 916
Derivative financial instruments		30 455 475	24 001 895
Amounts due from credit institutions		11 861 813	4 446 421
Margin from derivative financial instruments designated for hedging	8	9 837 917	3 144 382
Trading and investment securities		5 686 136	5 379 612
		129 941 291	**94 918 226**
Interest expense and similar charges			
Amounts due to customers		(44 980 932)	(22 058 280)
Derivative financial instruments		(26 826 598)	(22 358 842)
Amounts due to credit institutions		(13 731 620)	(9 989 969)
Debt securities issued		(4 041 374)	(4 894 659)
		(89 580 524)	**(59 301 750)**
Net interest income		40 360 767	35 616 476
Fee and commission income	23	8 704 076	7 826 024
Fee and commission expense	23	(4 324 696)	(1 405 754)
Net fee and commission income		4 379 380	6 420 270
Dividend income		3	1
Gains / (losses) on financial assets and liabilities held for trading	22	5 257 463	(2 050 921)
Fair value adjustments in portfolio hedge accounting	8	(960 816)	1 329 662
Gains/ (losses) on disposal of:			
- loans		53 118	62 296
- available-for-sale financial assets		(118 562)	(19 444)
OPERATING INCOME		**48 971 353**	**41 358 340**
(Impairment) / recovery on:			
- loans	9	(14 620 828)	(4 414 311)
- other financial transactions		11 781	20 728
NET INCOME FROM FINANCIAL ACTIVITIES		**34 362 306**	**36 964 757**
Personnel expenses	24	(7 793 018)	(7 142 619)
Other administrative expenses	24	(5 553 486)	(4 648 099)
Depreciation of fixed assets	12	(716 931)	(691 455)
Amortization of intangible assets	13	(879 794)	(719 545)
Other provisions		(180 976)	2 017
Net other operating expenses		(263 268)	(237 665)
Operating costs		**(15 387 473)**	**(13 437 366)**
Gains on disposal of fixed assets		8 264	58 124
PROFIT BEFORE INCOME TAX EXPENSE		**18 983 097**	**23 585 515**
Income tax expense	14	(3 465 103)	(4 766 174)
PROFIT FOR THE YEAR		**15 517 994**	**18 819 341**

The accompanying notes on pages 76 to 130 are an integral part of these consolidated financial statements.

	Notes	2015	2014
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Items that may be reclassified subsequently to profit and loss			
Cash flow hedge reserve – effective portion of changes in fair value, net of tax:			
- fair value changes	14	662 625	(434 339)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the year	14	113 322	52 373
Revaluation reserve for available-for-sale securities, net of tax:			
- fair value changes	14	5 814 273	(8 649 297)
- reclassification adjustment relating to available-for-sale financial assets disposed of in the year	14	353 025	(9 113)
Other comprehensive income / (loss) for the period, net of tax		6 943 245	(9 040 376)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22 461 239**	**9 778 965**

I. Glavchovski
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

14 March 2016

The accompanying notes on pages 76 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2015
(in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
1 January 2014	**41 787 806**	**437 281**	**(1 159 521)**	**(411 821)**	**91 390 954**	**132 044 699**
Total comprehensive income						
Profit for the year	-	-	-	-	18 819 341	18 819 341
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Note 14)	-	-	(381 966)	-	-	(381 966)
Net change in revaluation reserve for available-for-sale securities, net of tax (Note 14)	-	-	-	(8 658 410)	-	(8 658 410)
Total other comprehensive income	**-**	**-**	**(381 966)**	**(8 658 410)**	**-**	**(9 040 376)**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**(381 966)**	**(8 658 410)**	**18 819 341**	**9 778 965**
Transactions with owner, directly recorded in equity						
Acquisition of subsidiary under common control (Note 25)	-	-	-	-	242 360	242 360
Total transactions with owner	**-**	**-**	**-**	**-**	**242 360**	**242 360**
31 December 2014	**41 787 806**	**437 281**	**(1 541 487)**	**(9 070 231)**	**110 452 655**	**142 066 024**
1 January 2015	**41 787 806**	**437 281**	**(1 541 487)**	**(9 070 231)**	**110 452 655**	**142 066 024**
Total comprehensive income						
Profit for the year	-	-	-	-	15 517 994	15 517 994
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Note 14)	-	-	775 947	-	-	775 947
Net change in revaluation reserve for available-for-sale securities, net of tax (Note 14)	-	-	-	6 167 298	-	6 167 298
Total other comprehensive income	**-**	**-**	**775 947**	**6 167 298**	**-**	**6 943 245**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**775 947**	**6 167 298**	**15 517 994**	**22 461 239**
31 December 2015	**41 787 806**	**437 281**	**(765 540)**	**(2 902 933)**	**125 970 649**	**164 527 263**

I. Glavchovski
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

14 March 2016

The accompanying notes on pages 76 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2015
(in thousands of Russian Roubles)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		128 650 468	91 910 059
Interest paid		(72 552 924)	(48 047 335)
Fees and commissions received		8 835 164	7 863 854
Fees and commissions paid		(4 224 189)	(1 210 718)
Net receipts / (payments) from trading securities		408 153	(614 287)
Net (payments) / receipts from derivatives and dealing in foreign currencies		(53 202 919)	945 543
Salaries and benefits paid		(7 212 036)	(5 913 089)
Other operating expenses paid		(5 472 350)	(3 943 374)
Cash flows (used in) / from operating activities before changes in operating assets and liabilities		**(4 770 633)**	**40 990 653**
Net decrease / (increase) in operating assets			
Obligatory reserve with the CBR		2 019 558	(1 056 517)
Trading securities		926 595	6 967 650
Amounts due from credit institutions		49 511 762	(6 173 697)
Loans to customers		68 619 686	(103 835 772)
Other assets		1 087 152	(1 120 873)
Net (decrease) / increase in operating liabilities			
Amounts due to credit institutions		(71 041 904)	22 974 537
Amounts due to customers		(40 631 443)	67 258 327
Other liabilities		15 282	224 890
Net cash from operating activities before income tax		**5 736 055**	**26 229 198**
Income tax paid		(2 596 717)	(2 093 819)
Net cash from operating activities		**3 139 338**	**24 135 379**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary	25	-	(1 163 400)
Dividends received		3	1
Purchase of available-for-sale investment securities		(17 877 038)	(24 026 860)
Proceeds from redemption and sale of available-for-sale investment securities		11 403 471	11 353 260
Purchases of held-to-maturity investment securities		(15 875 673)	-
Proceeds from sale of fixed and intangible assets		9 005	86 684
Purchase of fixed and intangible assets		(2 319 113)	(2 317 035)
Net cash used in investing activities		**(24 659 345)**	**(16 067 350)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of bonds	18	4 000 000	25 000 000
Proceeds from sale of repurchased bonds		-	156 001
Redemption of bonds issued under put option		(31 736 538)	(14 254 779)
Redemption of bonds issued on maturity		(626 813)	(1)
Proceeds from subordinated debt received		27 761 347	-
Redemption of subordinated debt		-	(3 503 430)
Net cash (used in) / from financing activities		**(602 004)**	**7 397 791**
Effect of exchange rates changes on cash and cash balances		1 979 428	1 699 387
Net (decrease) / increase in cash and cash balances		**(20 142 583)**	**17 165 207**
CASH AND CASH BALANCES, beginning of the year		**42 873 396**	**25 708 189**
CASH AND CASH BALANCES, ending of the year	**5**	**22 730 813**	**42 873 396**

I. Glavchovski
Acting Chairman of the Board of Management

14 March 2016

G. Chernysheva
Chief Accountant

Notes to the consolidated financial statements

(in thousands of Russian Roubles)

1. Principal activities

These consolidated financial statements include the financial statements of AO UniCredit Bank (hereinafter – the "Bank") and it's subsidiary. AO UniCredit Bank and its subsidiary are hereinafter collectively referred to as the "Group".

The Bank (the former International Moscow Bank) was established in 1989 as a closed joint-stock company under the laws of the Russian Federation. The Bank operates under General Banking License No. 1 of the Central Bank of Russia (hereinafter – the "CBR") to conduct banking operations reissued on 22 December 2014. The Bank also possesses licenses for the securities market for dealing, brokerage and depository activities issued by the Federal Service for the Financial Markets on 25 April 2003, the CBR license for operations with precious metals reissued on 22 December 2014, as well as authorized to speak to the customs authorities as a guarantor on the basis of the notification of the Federal Customs Service of the Russian Federation dated 1 November 2013. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 31 December 2015 the Group comprises the Bank, the leading operating entity of the Group, and LLC UniCredit Leasing, a leasing company as it's subsidiary (see Note 25 for details).

In February 2014 in addition to the existing 40% participation AO UniCredit Bank acquired the remaining 60% share participation in LLC UniCredit Leasing from UniCredit Leasing S.p.A. LLC UniCredit Leasing owns 100% of the shares in AO Locat Leasing Russia. Both companies operate in the financial leasing industry on the local market. The transaction was accounted for as a transaction under common control since both the Bank and UniCredit Leasing S.p.A have the same ultimate shareholders.

The consolidated financial statements include the following subsidiary:

	Ownership, %			
Entities	2015	2014	Country	Industry
LLC UniCredit Leasing	100%	100%	Russia	Finance

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

As at 31 December 2015 the sole shareholder of the Group is UniCredit Bank Austria AG. UniCredit Bank Austria AG, a member of UniCredt Group, is responsible for the commercial banking in Central and Eastern Europe within the UniCredit Group.

As at 31 December 2015 the Bank has 13 branches and 12 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

The Bank's registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

2. Significant accounting policies

Statement of compliance. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRS").

Going concern. These consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short term obligations will be refinanced in the normal course of business.

Basis of measurement. These consolidated financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Accounting standards. The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (hereinafter – "RAS"). These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Presentation currency. These consolidated financial statements are presented in Russian Roubles ("RUB"). Amounts in Russian Roubles are rounded to the nearest thousand.

Principles of consolidation. These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries and associates to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control over the subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39, or when applicable, as the cost on initial recognition of an investment in an associate or a joint venture.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Unrealised gains resulting from transactions with associates are eliminated against the investment in the associates. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Financial assets

Initial recognition. Financial assets in the scope of International Accounting Standard 39 Financial Instruments: Recognition and Measurement 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. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets and liabilities are recognised at the settlement date.

Financial instruments at fair value through profit or loss.
Financial instruments at fair value through profit or loss are financial assets or liabilities that are:
- Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- Derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- Upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:
- The assets or liabilities are managed and evaluated on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Gains or losses on financial assets held for trading are recognised in profit or loss.

Held-to-maturity investments. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group was to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:
- Intends to sell immediately or in the near term;
- Upon initial recognition designates as at fair value through profit or loss;
- Upon initial recognition designates as available-for-sale; or,
- May not recover substantially all of its initial investment, other than because of credit deterioration.

Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 recognised as other comprehensive income in equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss. Interest income calculated using the effective interest method is recognised in profit or loss.

Available-for-sale assets are subsequently measured at fair value. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Determination of 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, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value for financial instruments traded in an active market at the reporting date is based on their quoted market price or dealer price quotations. If a quoted market price is not available, the fair value of the instrument is estimated using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Offsetting. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Cash and cash balances. The Group considers cash and nostro accounts with the CBR to be cash and cash balances. The obligatory reserve deposit with the CBR is not considered to be in this category due to restrictions on its availability.

Obligatory reserve with the CBR. Obligatory reserve with the CBR represent obligatory reserve deposits with the CBR, which are not available to finance the Group's day-to-day operations.

Derivative financial instruments. In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, interest rate swaps and cross-currency interest rate swaps. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments, except for derivatives designated for hedging, are included in profit or loss as gains or losses on financial assets and liabilities held for trading.

The Group books the credit risk of the counterparty as a fair value adjustment for those over-the-counter derivative trades, where master netting agreement exist. Credit risk expressed in the form of credit value adjustment (hereinafter – "CVA") and debit value adjustment (hereinafter – "DVA") is determined on a portfolio basis with the counterparty. Determining CVA/DVA on a net portfolio basis has resulted in adjustments booked individually for derivative financial assets and derivative financial liabilities held for trading (see Note 8 for details).

Hedge accounting. In hedge accounting, the Group distinguishes between cash flow hedges and fair value hedges. To qualify for hedge accounting in accordance with IAS 39, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the consolidated statement of financial position.

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 for effectiveness on monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

Fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss. In a fair value hedge assets or liabilities are hedged against future fair value changes, if those changes affect the Group's results and are caused by a determinable risk. The hedging instrument is stated at its fair value, and any gains or losses on the hedging instrument are recognised in profit or loss as fair value adjustments in portfolio hedge accounting. Gains and losses which are attributable to the hedged risk adjust the carrying value of the hedged item. Changes in the fair value of portfolio hedged items are presented separately in the consolidated statement of financial position and recognized in the consolidated statement of comprehensive income as fair value adjustments in portfolio hedge accounting.

Credit risk expressed in the form of CVA and DVA is also incorporated in the calculation of the fair value of derivative financial assets and derivative financial liabilities designated for hedging (see Note 8 for details).

Repurchase and reverse repurchase agreements and securities lending. Repurchase and reverse repurchase agreements are utilized by the Group as an element of its treasury management and trading business. These agreements are treated as secured financing transactions. Securities sold under repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repurchase agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless they are sold to third parties, in which case the purchase and sale are recorded within net gains or losses from trading securities in profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Securities purchased under agreements to resell ("reverse repo") and then sold under repurchase agreements are not recorded in the consolidated statement of financial position.

Borrowings. Financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers, subordinated debt and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Leases

Finance lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group enters into finance lease as a lessor the present value of lease payments are recognised as loans to customers at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating lease. Where the Group is the lessee in a lease agreement where the lessor does not transfer substantially all of the risks and rewards incidental to ownership of the asset, the arrangement is accounted for as an operating lease. The leased asset is not recognised in the consolidated financial statements, and lease payments are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Impairment of financial assets. The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers. For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the allowance account in profit or loss.

The Group estimates impairment for loans to corporate customers based on the following approach:

- For exposures for which no identifications of impairement has been identified on an individual basis, the calculation is based on portfolio (statistical) assessment which takes into account historical loss experience, probability of default and loss given default.
- For impaired exposures the calculation is done on individual assessment and is based on the analysis of discounted future cash flows.

The Group estimates impairement for loans to retails customers based on portfolio (statistical) assessment which takes into account historical loss experience for each type of loans, probability of default and loss given default.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. For purposes of impairment calculation the Group takes into account liquid collateral, reduced by haircut for certain type of collateral.

Held-to-maturity financial investments. For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to profit or loss.

Available-for-sale financial investments. For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment.

The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Renegotiated loans. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans and advances. Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of comprehensive income for the period of recovery.

Repossessed assets. In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Non-financial assets. Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

Derecognition of financial assets and liabilities

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

- The rights to receive cash flows from the asset have expired;
- 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
- 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 recognised 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.

Financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another financial liability from the same lender 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 recognised in profit or loss.

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

The current income tax expense is calculated in accordance with the regulations of the Russian Federation and of the regions in which the Group has offices, or where its branches, subsidiaries and associates are located. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

There are various operating taxes in the Russian Federation that are assessed on the Group's activities. These taxes are included as a component of other administrative expenses in the consolidated statement of comprehensive income.

Fixed assets. Fixed assets are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	20-30
Furniture and fixtures	5
Computer equipment	5
Leasehold improvements	lesser of the useful life of the asset and period of lease
Other fixed assets	3-5

Costs related to repairs and renewals are charged when incurred and included in other administrative expenses, unless they qualify for capitalization.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets. Intangible assets include licenses and computer software. Licenses are stated at historical cost net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided so as to write down the cost of an asset on a straight-line basis over its estimated useful economic life. The useful life is currently assessed as not more than 10 years. In case of license obtaining with actual usage for a period of more than 10 years, the useful life is considered till the date, fixed in the contract.

Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred. Computer software development costs recognised as intangible assets, as well as acquired computer software, are initially recorded at historical cost and are subsequently amortised using the straight-line method over their useful lives, but not exceeding a period of ten years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Impairment for credit-related commitments is recognized on exposures with customers, for which the probability of default is within the range from 50% to 100%.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Fiduciary activities. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Collateral. The Group obtains collateral in respect of customer liabilities where this is considered appropriate.

The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Other provisions. Provisions are recognised 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 obligation can be made.

Retirement and other employee benefit obligations. The Group makes contributions to the State Pension System of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

The Group also provides defined contribution pension coverage for employees. The coverage provided does not represent contributions into a separate legal entity, nor are its assets and liabilities segregated from the assets and liabilities of the Group. Contributions accrued by the Group during the period are included in profit or loss as personnel expenses, and related liabilities to employees are recorded within other liabilities.

Share capital. Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Segment reporting. An operating segment is a component of a Group that engages 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 Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingencies. Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

2. Significant accounting policies (Continued)

Recognition of income and expenses. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest and similar income and expense. For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income. The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

<u>Fee income earned from services that are provided over a certain period of time.</u> Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

<u>Fee income from providing transaction services.</u> Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

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

Foreign currency translation. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Management determined the functional currency for all Group entities to be the RUB as it reflects the economic substance of the underlying events and circumstances of the Group. Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling 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 recognised in profit or loss as gains or losses on financial assets and liabilities held for trading. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Differences between the contractual exchange rate of a transaction in a foreign currency and the CBR exchange rate on the date of the transaction are included in gains or losses on financial assets and liabilities held for trading.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2015	31 December 2014
RUB/1 US Dollar	72.8827	56.2584
RUB/1 Euro	79.6972	68.3427

New standards effective starting from the current reporting period. The following new and revised standards and interpretations became effective for the Group from 1 January 2015.
- Amendments to IAS 19 – Defined Benefit Plans: Employee contributions;
- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

Amendments to IAS 19 – Defined Benefit Plans: Employee contributions. The amendments require the Group to account for employee contributions as follows:
- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group should recognise the reduction in the service cost in the period in which the related services are rendered.

These amendments do not have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

These amendments do not have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle. The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The application of these amendments does not have a significant effect on the consolidated financial statements.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

New and revised IFRSs in issue but not yet effective. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New or amended standard or interpretation	Effective date[1] – for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	1 January 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB2
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

1 Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Notes to Consolidated Financial Statements (Continued)

2. Significant accounting policies (Continued)

IFRS 9 Financial Instruments. The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 *Revenue from Contracts with Customers.* IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 *Leases.* IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating of finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The management of the Group anticipates that the application of IFRS 16 in the future may have a significant impact on the amount of assets and liabilities due to recognition of all leases for contracts where the Group is a lessee. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations. The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The management of the Group anticipates that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – *Disclosure initiative project.* The amendments to IAS 1 provide guidance on how to apply the concept of materiality in practice. The amendments are effective for annual periods beginning on or after 1 January 2016. The management of the Group does not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation.* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The management of the Group believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded. However, the earlier application continues to be permitted. The management of the Group anticipates that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception.* The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The management of the Group does not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to IAS 27 – *Equity Method in Separate Financial Statements.* The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect a material impact of these amendments on the financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle. The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses.* The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences. The amendments are to be applied retrospectively and are effective from 1 January 2017 with early application permitted.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

3. Significant accounting judgements and estimates

Under the IFRS, management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the accounts, as well as the disclosure concerning potential assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

Estimated figures have been used for the recognition of some of the largest value-based items in the consolidated financial statements as at 31 December 2015, as required by the accounting policies and regulations. The processes adopted confirm the carrying values as at 31 December 2015. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment. The parameters and information used to check the above-mentioned values were therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying values cannot be ruled out.

Uncertainty affecting estimates is generally inherent in the measurement of:

- fair value of financial instruments not listed in active markets;
- loans and receivables, investments and, in general, any other financial assets/liabilities;
- provisions for risks and charges;
- deferred tax assets and liabilities;
- whose assessment may significantly change over time according to the trend in: domestic and international socioeconomic conditions and subsequent impact on the Group's profitability and customers' creditworthiness; financial markets which affect changes in interest rates and prices; real estate market affecting the value of property received as collateral.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Operating segments

For management purposes, the Group has four reporting business segments:

Corporate and Investment banking (hereinafter – "CIB") includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking comprises banking services to private individuals and SME, credit and debit card services, retail sight and term deposit services, lending to SME and retail lending (consumer loans, car loans and mortgages).

Leasing – represents the leasing activities of the Group.

Other – represents the Group's funding activities and other unallocated items.

Information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	31 December 2015	31 December 2014
Assets		
CIB	1 015 688 084	992 513 291
Retail banking	120 721 231	155 069 273
Leasing	14 001 241	13 876 890
Other	256 715 102	198 913 501
Total assets	**1 407 125 658**	**1 360 372 955**
Liabilities		
CIB	855 887 223	871 471 401
Retail banking	224 639 697	151 878 535
Leasing	11 186 533	11 332 545
Other	150 884 942	183 624 450
Total liabilities	**1 242 598 395**	**1 218 306 931**

Notes to Consolidated Financial Statements (Continued)

4. Operating segments (Continued)

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

	CIB	Retail Banking	Leasing	Other	Total
Net interest income from external customers	26 128 113	10 309 738	836 617	3 086 299	40 360 767
Inter-segment income/ (expense)	485 389	(101 449)	-	(383 940)	-
Net interest income	**26 613 502**	**10 208 289**	**836 617**	**2 702 359**	**40 360 767**
Net fee and commission income/ (expense) from external customers	1 556 945	2 981 431	15 612	(174 608)	4 379 380
Dividend income	-	-	-	3	3
Gains/ (losses) on financial assets and liabilities held for trading from external customers	3 216 072	1 404 603	(5 772)	642 560	5 257 463
Fair value adjustments in portfolio hedge accounting	-	-	-	(960 816)	(960 816)
(Losses)/ gains on disposals of financial assets	(93 228)	27 784	-	-	(65 444)
Operating income	**31 293 291**	**14 622 107**	**846 457**	**2 209 498**	**48 971 353**
Impairment on loans and other financial transactions	(11 309 225)	(3 220 771)	(76 104)	(2 947)	(14 609 047)
Net income from financial activities	**19 984 066**	**11 401 336**	**770 353**	**2 206 551**	**34 362 306**
Operating costs including:	(5 419 716)	(8 876 262)	(417 198)	(674 297)	(15 387 473)
depreciation of fixed assets and amortization of intangible assets	(524 792)	(1 068 996)	(2 937)	-	(1 596 725)
Gains on disposal of fixed assets	-	-	-	8 264	8 264
Profit before income tax expense	**14 564 350**	**2 525 074**	**353 155**	**1 540 518**	**18 983 097**
Income tax expense					(3 465 103)
Profit for the year					**15 517 994**
Cash flow hedge reserve					775 947
Revaluation reserve for available-for-sale securities					6 167 298
Total comprehensive income					**22 461 239**

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

	CIB	Retail Banking	Leasing	Other	Total
Net interest income/ (expense) from external customers	21 618 878	16 825 454	719 982	(3 547 838)	35 616 476
Inter-segment (expense)/ income	(3 229 501)	(6 809 287)	-	10 038 788	-
Net interest income	**18 389 377**	**10 016 167**	**719 982**	**6 490 950**	**35 616 476**
Net fee and commission income/ (expense) from external customers	2 948 687	3 512 841	(10 854)	(30 404)	6 420 270
Dividend income	-	-	-	1	1
(Losses)/ gains on financial assets and liabilities held for trading from external customers	(2 109 861)	1 111 129	937	(1 053 126)	(2 050 921)
Fair value adjustments in portfolio hedge accounting	-	-	-	1 329 662	1 329 662
Gains on disposals of financial assets	21 277	21 575	-	-	42 852
Operating income	**19 249 480**	**14 661 712**	**710 065**	**6 737 083**	**41 358 340**
(Impairment)/ recovery of impairement on loans and other financial transactions	(2 812 665)	(1 530 291)	(58 810)	8 183	(4 393 583)
Net income from financial activities	**16 436 815**	**13 131 421**	**651 255**	**6 745 266**	**36 964 757**
Operating costs including:	(4 418 539)	(8 161 117)	(421 282)	(436 428)	(13 437 366)
depreciation of fixed assets and amortization of intangible assets	(453 241)	(954 253)	(3 506)	-	(1 411 000)
Gains on disposal of fixed assets	-	-	-	58 124	58 124
Profit before income tax expense	**12 018 276**	**4 970 304**	**229 973**	**6 366 962**	**23 585 515**
Income tax expense					(4 766 174)
Profit for the year					**18 819 341**
Cash flow hedge reserve					(381 966)
Revaluation reserve for available-for-sale securities					(8 658 410)
Total comprehensive income					**9 778 965**

The following table represents an analysis by segments of the Group's net interest income from continuing operations from its major products and services:

	2015	2014
Medium and long term financing	11 306 794	8 272 410
Current accounts	7 406 607	6 061 024
Short-term financing	2 005 729	2 500 189
Consumer loans	1 531 857	2 225 393
Term deposits	1 483 790	789 560
Mortgage loans	265 345	715 147
Other lending	3 390 107	3 228 884
Other products	12 970 538	11 823 869
Net interest income	**40 360 767**	**35 616 476**

Information about major customers and geographical areas. The Group operates in the Russian Federation and foreign countries. In presenting geographical information the allocation of net interest income is based on the geographical location of customers and assets.

Geographical information on net interest income and assets for 2015 is presented below:

	Net interest income	Assets
Russian Federation	22 301 298	1 035 819 539
OECD countries	15 515 051	303 084 506
Non-OECD countries	2 544 418	68 221 613
Total	**40 360 767**	**1 407 125 658**

Geographical information on net interest income and assets for 2014 is presented below:

	Net interest income	Assets
Russian Federation	26 801 034	1 057 071 636
OECD countries	6 819 115	249 091 729
Non-OECD countries	1 996 327	54 209 590
Total	**35 616 476**	**1 360 372 955**

5. Cash and cash balances

Cash and cash balances comprise:

	31 December 2015	31 December 2014
Cash on hand	14 356 435	19 074 061
Current accounts with the CBR	8 374 378	23 799 335
Cash and cash balances	**22 730 813**	**42 873 396**

Included in cash and cash balances as at 31 December 2015 RUB 2 050 000 thousand (31 December 2014: RUB 1 000 000 thousand) was pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 and September 2015 (see Note 18 for details).

6. Trading securities

Trading securities comprise:

	31 December 2015	31 December 2014
USD denominated		
Russian Government Eurobonds	7 137	5 204
RUB denominated		
Russian Government Bonds	946 463	1 468 275
Corporate and bank bonds	2 698 506	2 974 837
Trading securities	**3 652 106**	**4 448 316**

As at 31 December 2015 approximately 94% of trading securities held by the Group were rated not lower than "BBB-" (31 December 2014: 92%).

As at 31 December 2015 there are no securities sold under repurchase agreements in the trading securities (31 December 2014: bank bonds in the amount of RUB 263 368 thousand) (see Notes 11 and 16 for details).

As at 31 December 2015 included in trading securities are corporate and bank bonds blocked as collateral for "overnight" loans with the CBR in the amount of RUB 512 118 thousand (31 December 2014: RUB 869 114 thousand). As at 31 December 2015 and 31 December 2014 the Group has no "overnight" loans with the CBR.

Nominal interest rates and maturities of trading securities are as follows:

	31 December 2015		31 December 2014	
	%	Maturity	%	Maturity
Russian Government Bonds	2.5-7.05%	2023, 2028	6.2-8.15%	2016-2028
Russian Government Eurobonds	11-12.75%	2018, 2028	11-12.75%	2018, 2028
Corporate and bank bonds	7.5-11.49%	2016, 2018	7.5-10.57%	2016-2022

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2015	31 December 2014
Current accounts with credit institutions	60 609 432	94 243 731
Time deposits	254 059 273	181 983 768
Reverse repurchase agreements with credit institutions	18 201 246	50 434 023
Obligatory reserve with the CBR	3 874 857	5 894 415
Amounts due from credit institutions	**336 744 808**	**332 555 937**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw such deposit is significantly restricted by the statutory legislation.

As at 31 December 2015 there are three counterparties with balances that individually exceeded 10% of the Group's equity. As at 31 December 2015, the aggregate amount of these balances is RUB 253 319 891 thousand (31 December 2014: six counterparties with aggregate amount of RUB 255 271 346 thousand).

As at 31 December 2015 and 31 December 2014 the Group entered into reverse repurchase agreements with a number of Russian banks. The carrying value of loans and related fair value of assets pledged under these agreements as at 31 December 2015 and 31 December 2014 comprise:

	31 December 2015		31 December 2014	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Government bonds	11 571 177	12 283 725	40 860 541	42 768 363
Corporate bonds	5 680 798	6 124 521	7 537 578	8 335 825
Bank bonds	949 271	1 018 936	2 035 904	2 340 373
Total	**18 201 246**	**19 427 182**	**50 434 023**	**53 444 561**

As at 31 December 2015 included in government bonds are securities in the amount of RUB 94 422 (31 December 2014: none) which were repledged under repurchase agreements with customers (see Note 17 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

As at 31 December 2015 approximately 84% (31 December 2014: 89%) of amounts due from credit institutions were placed with banks rated not lower than “BBB-”.

As at 31 December 2015 the Group has no term placements with the CBR (31 December 2014: RUB 35 000 000 thousand).

8. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative’s underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

The Group values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

The table below shows the fair value of derivative instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	31 December 2015			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	228 353 208	56 770 885	39 765 795	272 981 002	48 375 890	57 840 876
Interest rate swaps and options	251 888 460	7 044 837	7 333 570	569 907 604	10 444 854	14 867 984
Foreign exchange forwards and options	87 409 741	1 710 280	2 146 710	205 475 132	22 864 289	31 825 791
Futures on foreign exchange	-	-	-	962 500	-	-
Total derivative financial assets/ liabilities		**65 526 002**	**49 246 075**		**81 685 033**	**104 534 651**

The change in fair value of the trading derivative financial instruments attributable to changes in the counterparty credit risk amounts to a loss of RUB 1 089 893 thousand for the year ended 31 December 2015 (31 December 2014: loss of RUB 1 474 472 thousand). The change in fair value attributable to changes in credit risk has been calculated by incorporating the current observable credit spreads into the valuation techniques used to value derivative financial instruments by the Group.

Notes to Consolidated Financial Statements (Continued)

8. Derivative financial instruments (Continued)

The table below shows the fair values of financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts.

	31 December 2015			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	321 333 127	380 446	345 545	33 615 277	108 611	704 822
Cross-currency interest rate swaps	100 927 028	2 084 247	11 372 356	74 416 922	629 821	14 767 014
Total cash flow hedge		**2 464 693**	**11 717 901**		**738 432**	**15 471 836**
Fair value hedge						
Interest rate swaps	704 837 888	4 577 363	7 588 185	518 761 072	11 265 220	4 992 252
Total fair value hedge		**4 577 363**	**7 588 185**		**11 265 220**	**4 992 252**
Total derivative financial assets/ liabilities designated for hedging		**7 042 056**	**19 306 086**		**12 003 652**	**20 464 088**

Portfolio Fair Value Hedge Accounting (hereinafter – the "PFVHA") is a part of interest rate risk hedging strategy of the Group that helps to avoid discrepancies between the economic substance of deals concluded for hedging purposes and their accounting treatment. PFVHA allows managing interest rate risks associated with a portfolio of financial assets or financial liabilities designated as hedged items. The Group designates interest rate swaps as hedging instruments. The hedging instruments are stated at their fair value and changes in fair value are recognized in the consolidated statement of comprehensive income.

The hedging instruments to hedge variability of fair value are measured at fair value with negative changes in fair value of RUB 572 941 thousand recognised in portfolio hedge accounting as at 31 December 2015 (31 December 2014: RUB 7 472 459 thousand), presented as a loss of RUB 7 993 371 thousand in fair value adjustments in portfolio hedge accounting in the consolidated statement of comprehensive income for the period ended 31 December 2015 (31 December 2014: presented as gain RUB 8 867 043 thousand). The positive changes in the fair value of hedged items (portfolio of financial assets and financial liabilities) that are attributable to the hedged risk are recognised as RUB 594 454 thousand as at 31 December 2015 (31 December 2014: negative changes in the amount if RUB 7 420 430 thousand), presented as gain of RUB 8 014 884 thousand in fair value adjustments in portfolio hedge accounting in the consolidated statement of comprehensive income for the period ended 31 December 2015 (31 December 2014: presented as a loss of RUB 8 879 032 thousand).

Along with PFVHA the Group uses Portfolio Cash Flow hedging. The Group designates certain interest rate swaps and cross-currency interest rate swaps as hedging instruments to hedge variability in cash flows and fair value resulting from interest rate mismatch of the banking book position. The hedged cash flows are expected to occur and to affect the statement of comprehensive income until 2027 for interest rate swaps and cross-currency interest rate swaps. As at 31 December 2015, the effective portion of changes in the fair value of derivative financial instruments designated as hedging instruments recognised in equity was RUB 765 540 thousand (31 December 2014: RUB 1 541 487 thousand), net of tax RUB 191 385 thousand (31 December 2014: RUB 385 372 thousand).

Fair value adjustments in portfolio hedge accounting amounted to a loss of RUB 960 816 thousand for the year ended 31 December 2015 (31 December 2014: gain of RUB 1 329 662 thousand) and consists of a positive change in fair value of financial instruments designated for hedging purposes in the amount of RUB 21 513 thousand (31 December 2014: negative change of RUB 21 692 thousand) and a negative change in counterparty credit risk attributable to derivative financial instruments designated for hedging purposes in the amount of RUB 982 329 thousand for the year ended 31 December 2015 (31 December 2014: positive change of RUB 1 351 354 thousand). The change in fair value attributable to changes in credit risk has been calculated by incorporating the current observable credit spreads into the valuation techniques used to value derivative financial instruments by the Group.

Margin from derivative financial instruments designated for hedging amounted RUB 9 837 917 thousand for the year ended 31 December 2015 (31 December 2014: RUB 3 144 382 thousand) and consists of interest income from derivative financial instruments designated for hedging in the amount of RUB 26 697 085 thousand (31 December 2014: RUB 16 833 163 thousand) and interest expenses from derivative financial instruments designated for hedging in the amount of RUB 16 859 168 thousand (31 December 2014: RUB 13 688 781 thousand).

9. Loans to customers

Loans to customers comprise:

	31 December 2015	31 December 2014
Corporate customers	755 082 908	667 566 481
Retail customers, including SME	132 646 305	165 022 389
Lease receivables	12 481 464	12 485 745
Reverse repurchase agreements with companies	533 189	2 526 107
Gross loans to customers	**900 743 866**	**847 600 722**
Allowance for loan impairment	(33 448 792)	(20 749 321)
Loans to customers	**867 295 074**	**826 851 401**

A reconciliation of the provisions for impairment by classes of loans to customers for the year ended 31 December 2015 is as follows:

	Corporate customers	Retail customers	Lease receivables	Total
At 1 January 2015	**10 679 721**	**9 985 332**	**84 268**	**20 749 321**
Charge for the year	11 328 787	3 215 937	76 104	14 620 828
Loans sold or recovered through acceptance of collateral during the year	(369 578)	(74 084)	-	(443 662)
Loans written-off during the year	(1 143 849)	(1 968 911)	(39 860)	(3 152 620)
Effect of exchange rate changes	859 089	815 836	-	1 674 925
At 31 December 2015	**21 354 170**	**11 974 110**	**120 512**	**33 448 792**

A reconciliation of the provisions for impairment by classes of loans to customers for the year ended 31 December 2014 is as follows:

	Corporate customers	Retail customers	Lease receivables	Total
At 1 January 2014	**9 543 124**	**7 435 735**	**-**	**16 978 859**
Charge for the year	2 753 889	1 601 612	58 810	4 414 311
Loans sold or recovered through acceptance of collateral during the year	(3 202 243)	(182 045)	-	(3 384 288)
Loans written-off during the year	(24 352)	(392 835)	(36 524)	(453 711)
Acquisition of subsidiary under common control	-	-	61 982	61 982
Effect of exchange rate changes	1 609 303	1 522 865	-	3 132 168
At 31 December 2014	**10 679 721**	**9 985 332**	**84 268**	**20 749 321**

Notes to Consolidated Financial Statements (Continued)

9. Loans to customers (Continued)

The following table shows gross loans and related impairment as at 31 December 2015:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	709 479 029	(3 213 961)	706 265 068
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	2 825 193	(43 836)	2 781 357
- Past due 31-90 days	1 057 786	(29 127)	1 028 659
Impaired loans			
- Not past due	11 827 914	(3 219 232)	8 608 682
- Past due less than 31 days	238 053	(63 420)	174 633
- Past due 31-90 days	1 341 986	(865 539)	476 447
- Past due 91-180 days	4 760 156	(1 734 228)	3 025 928
- Past due over 180 days	23 552 791	(12 184 827)	11 367 964
Total loans to corporate customers	**755 082 908**	**(21 354 170)**	**733 728 738**
Retail customers			
Standard loans, not past due	112 265 778	(506 288)	111 759 490
Standard loans, past due			
- Past due less than 31 days	2 472 982	(124 252)	2 348 730
- Past due 31-90 days	1 202 829	(205 656)	997 173
- Past due 91-180 days	580 467	(194 197)	386 270
- Past due over 180 days	80 144	(9 926)	70 218
Impaired loans			
- Not past due	173 481	(25 501)	147 980
- Past due less than 31days	86 260	(5 093)	81 167
- Past due 31-90 days	125 281	(27 099)	98 182
- Past due 91-180 days	1 065 294	(472 342)	592 952
- Past due over 180 days	14 593 789	(10 403 756)	4 190 033
Total loans to retail customers	**132 646 305**	**(11 974 110)**	**120 672 195**
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 363 315	(56 942)	11 306 373
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	595 613	(4 244)	591 369
- Past due 31-90 days	400 320	(2 975)	397 345
Impaired loans			
- Not past due	45 847	(6 767)	39 080
- Past due less than 31days	12 043	(6 456)	5 587
- Past due 31-90 days	16 661	(4 652)	12 009
- Past due 91-180 days	16 144	(10 160)	5 984
- Past due over 180 days	31 521	(28 316)	3 205
Total lease receivables	**12 481 464**	**(120 512)**	**12 360 952**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	533 189	-	533 189
Total loans to customers	**900 743 866**	**(33 448 792)**	**867 295 074**

The following table shows gross loans and related impairment as at 31 December 2014:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	640 879 818	(2 426 988)	638 452 830
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	4 081 311	(105 348)	3 975 963
- Past due 31-90 days	3 558 024	(106 471)	3 451 553
Impaired loans			
- Not past due	3 401 003	(603 643)	2 797 360
- Past due less than 31 days	6 921 573	(613 672)	6 307 901
- Past due 31-90 days	268 066	(232 792)	35 274
- Past due 91-180 days	1 037 755	(346 499)	691 256
- Past due over 180 days	7 418 931	(6 244 308)	1 174 623
Total loans to corporate customers	**667 566 481**	**(10 679 721)**	**656 886 760**
Retail customers			
Standard loans, not past due	148 483 157	(692 754)	147 790 403
Standard loans, past due			
- Past due less than 31 days	2 571 260	(127 968)	2 443 292
- Past due 31-90 days	1 548 390	(275 308)	1 273 082
Impaired loans			
- Not past due	10 893	(9 513)	1 380
- Past due less than 31days	554	(109)	445
- Past due 31-90 days	10 324	(2 043)	8 281
- Past due 91-180 days	1 367 141	(622 002)	745 139
- Past due over 180 days	11 030 670	(8 255 635)	2 775 035
Total loans to retail customers	**165 022 389**	**(9 985 332)**	**155 037 057**
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 873 469	(52 609)	11 820 860
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	273 248	(1 768)	271 480
- Past due 31-90 days	237 015	(1 132)	235 883
Impaired loans			
- Not past due	29 366	(7 330)	22 036
- Past due less than 31days	18 979	(4 834)	14 145
- Past due 31-90 days	30 957	(7 793)	23 164
- Past due 91-180 days	12 589	(5 311)	7 278
- Past due over 180 days	10 122	(3 491)	6 631
Total lease receivables	**12 485 745**	**(84 268)**	**12 401 477**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	2 526 107	-	2 526 107
Total loans to customers	**847 600 722**	**(20 749 321)**	**826 851 401**

9. Loans to customers (Continued)

The following table provides analysis of minimum lease payments as at 31 December 2015:

	Minimum payments	Present value of minimum payments
Amounts receivable under finance leases		
Up to 12 months	6 748 575	5 364 509
From 1 to 5 years	7 757 144	6 565 361
Over 5 years	457 087	431 082
	14 962 806	**12 360 952**
Less unearned finance income	(2 601 854)	-
Present value of minimum lease payments receivable (net investment in the lease)	**12 360 952**	**12 360 952**

The following table provides analysis of minimum lease payments as at 31 December 2014:

	Minimum payments	Present value of minimum payments
Amounts receivable under finance leases		
Up to 12 months	6 361 912	5 026 441
From 1 to 5 years	7 991 350	6 820 417
Over 5 years	561 549	554 619
	14 914 811	**12 401 477**
Less unearned finance income	(2 513 334)	-
Present value of minimum lease payments receivable (net investment in the lease)	**12 401 477**	**12 401 477**

Impaired loans. Interest income on impaired loans for the year ended 31 December 2015 amounted to RUB 1 997 566 thousand (year ended 31 December 2014: RUB 1 780 507 thousand).

Renegotiated loans. As at 31 December 2015 and 31 December 2014 loans to customers included loans totaling RUB 36 099 625 thousand and RUB 16 985 917 thousand, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

Write-off and sale of loans. The decision to write-off the loan is taken by the authorized body of the Group. Loans are written-off after receiving all necessary documentation from the authorized state bodies, as well as under the conditions where further debt collection is not possible.

The decisions to sell the loans is taken individually for each case, for both corporate and retail loans. The decision is taken by the authorized body of the Group based on the analysis of all possible alternative strategies for debt collection, the main criterion for the adoption of which is to minimize the losses of the Group's troubled assets.

Collateral and other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty as well as on the nature of the transaction. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For reverse repurchase transactions, securities;
- For commercial lending to corporate customers, pledge over real estate properties, equipment, inventories and trade receivables, guarantee of a legal entity with rating not lower than "BBB";
- For retail lending, mortgages over residential properties and motor vehicles;
- For lease receivables, pledge over real estate properties, motor vehicles and equipment.

The primary purpose of collateral arrangements is to reduce the potential credit loss in case of a workout of the credit exposure. Estimates of value are based on the value of collateral assessed at the time of borrowing and regularly reassessed.

The following table summarizes the carrying value of loans, net of impairment, to corporate customers by types of collateral as at 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Loans to corporate customers		
Real estate	79 970 676	67 841 175
Motor vehicles	-	727 509
Guarantees	99 821 558	85 346 669
Other collateral	699 221	5 683 814
No collateral or other credit enhancement	553 237 283	497 287 593
Total loans to corporate customers	**733 728 738**	**656 886 760**

The following table summarizes the carrying value of loans, net of impairment, to retail customers by types of collateral as at 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Loans to retail customers		
Real estate	31 330 903	33 633 203
Motor vehicles	47 357 656	69 435 737
No collateral or other credit enhancement	41 983 636	51 968 117
Total loans to retail customers	**120 672 195**	**155 037 057**

The following table summarizes the carrying value of lease receivables, net of impairment, by types of collateral as at 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Lease receivables		
Real estate	654 876	593 830
Motor vehicles	3 074 582	2 841 873
Other collateral	8 631 494	8 965 774
Total lease receivables	**12 360 952**	**12 401 477**

The amounts shown in the tables above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

When lending to legal entities belonging to one economic group, the Group normally also obtains guarantees from other group members.

Included in corporate loans as at 31 December 2015 are loans with gross amount of RUB 49 218 141 thousand (31 December 2014: RUB 94 494 775 thousand) pledged as collateral for term deposits due to the CBR (see Note 16 for details).

Included in retail loans as at 31 December 2015 are mortgage loans with gross amount of RUB 7 541 188 thousand (31 December 2014: RUB 4 428 583 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 and September 2015 (see Note 18 for details).

Repossessed collateral. As at 31 December 2015 and 31 December 2014, the Group obtained certain assets by taking control of collateral obtained for derecognized loans to customers. As at 31 December 2015, the repossessed collateral is comprised of real estate, motor vehicles and other assets with carrying amount of RUB 473 061 thousand (31 December 2014: RUB 557 514 thousand). The Group’s policy is to sell these assets as soon as it is practicable.

Notes to Consolidated Financial Statements (Continued)

9. Loans to customers (Continued)

Reverse repurchase agreements. As at 31 December 2015 and 31 December 2014 the Group entered into reverse repurchase agreements with a number of Russian companies. The carrying value of loans and related fair value of assets pledged under these agreements as at 31 December 2015 and 31 December 2014 comprise:

	31 December 2015		31 December 2014	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds	327 122	342 033	1 792 454	2 021 314
Government bonds	206 067	214 321	202 048	233 574
Bank bonds	-	-	531 605	592 518
Total	**533 189**	**556 354**	**2 526 107**	**2 847 406**

Concentration of loans to customers. As at 31 December 2015, the Group had RUB 246 592 534 thousand due from the ten largest borrowers (27% of gross loan portfolio) (31 December 2014: RUB 178 359 090 thousand or 21%). An allowance of RUB 271 223 thousand was recognised against these loans (31 December 2014: RUB 244 890 thousand).

As at 31 December 2015, the Group had eleven borrowers or a group of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2014: ten borrowers or a group of borrowers). As at 31 December 2015, the aggregate amount of these loans is RUB 288 585 229 thousand (31 December 2014: RUB 201 467 228 thousand).

Loans to customers are made principally within Russia in the following industry sectors:

	31 December 2015	31 December 2014
Mining and metallurgy	214 800 744	158 569 784
Energy	144 955 879	119 904 288
Trade	104 797 170	102 976 515
Chemicals	67 758 103	57 613 970
Agriculture and food	47 103 178	46 867 094
Real estate and construction	46 864 773	43 526 923
Other manufacturing	32 414 461	30 461 317
Timber processing	31 809 969	27 829 106
Machinery construction	27 965 727	22 739 895
Transportation	20 805 728	25 906 183
Finance	11 442 154	20 272 269
Telecommunications	9 144 710	13 185 527
Other	11 418 532	17 303 786
Gross loans to corporate customers	**771 281 128**	**687 156 657**
Gross loans to individuals	129 462 738	160 444 065
Gross loans to customers	900 743 866	847 600 722

Loans to individuals are divided by products as follows:

	31 December 2015	31 December 2014
Car loans	52 543 904	75 127 648
Mortgages loans	34 245 074	35 902 323
Consumer loans	33 549 521	40 806 273
Other loans	9 124 239	8 607 821
Gross loans to individuals	**129 462 738**	**160 444 065**

10. Investment securities

Available-for-sale investment securities comprise:

	31 December 2015	31 December 2014
Debt and other fixed income investments available-for-sale		
USD denominated		
Russian Government Eurobonds	17 656 944	-
Corporate Eurobonds	239 432	179 083
RUB denominated		
Russian Government Bonds	34 718 381	28 969 400
Corporate and bank bonds	17 003 282	25 212 720
Total debt and other fixed income investments available-for-sale	**69 618 039**	**54 361 203**
Equity investments available-for-sale		
RUB denominated		
Equity investments in financial institutions	116 945	5 833
EUR denominated		
Equity investments in financial institutions	2 707	2 707
Total equity investments available-for-sale	**119 652**	**8 540**
Total available-for-sale securities	**69 737 691**	**54 369 743**

As at 31 December 2015 included in Russian Government bonds are securities sold under repurchase agreements in the amount of RUB 14 841 932 thousand (31 December 2014: Russian Government bonds, corporate and bank bonds in the amount of RUB 21 815 961 thousand) (see Notes 11, 16 and 17 for details).

Nominal interest rates and maturities of these securities are as follows:

	31 December 2015		31 December 2014	
	%	Maturity	%	Maturity
Russian Government Eurobonds	4.5-4.88%	2022, 2023	-	-
Russian Government Bonds	6.2-8.15%	2016-2028	6.2-8.15%	2015-2028
Corporate and bank bonds	7.5-13%	2016-2028	7.5-11.3%	2015-2033
Corporate Eurobonds	4.95%	2016	4.95%	2016

As at 31 December 2015 included in debt and other fixed income investments available-for-sale are bonds blocked as collateral for “overnight” loans with the CBR in the amount of RUB 18 784 041 thousand (31 December 2014: RUB 21 429 453 thousand). As at 31 December 2015 and 31 December 2014 the Group has no “overnight” loans with the CBR.

In the fourth quarter of 2015, the Group acquired Russian government debt securities with the positive intent and ability to hold to maturity. As at 31 December 2015, held-to-maturity securities comprise:

	31 December 2015	
	Nominal value	Carrying value
Russian Government Bonds	15 000 000	16 130 748
Held-to-maturity securities	**15 000 000**	**16 130 748**

Nominal interest rates and maturities of these securities are as follows:

	31 December 2015	
	%	Maturity
Russian Government Bonds	14.42%-14.48%	2020, 2025

As at 31 December 2015 included in debt and other fixed income investments held-to-maturity are bonds blocked as collateral for "overnight" loans with the CBR in the amount of RUB 12 903 281 thousand. As at 31 December 2015 and 31 December 2014 the Group has no "overnight" loans with the CBR.

As at 31 December 2015 approximately 66% of debt and other fixed income investments available-for-sale and held-to-maturity were rated not lower than "BBB-" (31 December 2014: 89%).

11. Transfers of financial assets

The Group has transactions to sell securities classified as trading and available-for-sale under agreements to repurchase (see Notes 6, 10, 16 and 17 for details).

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These securities are presented as "pledged under sale and repurchase agreements" in Notes 6 and 10. In addition, the Group recognises a financial liability for cash received as collateral included in deposits and balances due to credit institutions and customers (see Notes 16 and 17 for details).

These transactions are conducted under terms that are usual and customary to standard lending, as well as requirements determined by exchanges.

As at 31 December 2015 and 31 December 2014 the breakdown by portfolio of transferred financial assets that are not derecognized in their entirety is as follows:

	31 December 2015		31 December 2014	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Available-for-sale securities	14 841 932	13 428 975	21 815 961	20 590 914
Trading securities	-	-	263 368	244 320
Total	**14 841 932**	**13 428 975**	**22 079 329**	**20 835 234**

As at 31 December 2015 and 31 December 2014 the breakdown by issuer of transferred financial assets that are not derecognized in their entirety is as follows:

	31 December 2015		31 December 2014	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Government bonds	14 841 932	13 428 975	764 753	754 356
Bank bonds	-	-	11 683 711	10 972 093
Corporate bonds	-	-	9 630 865	9 108 785
Total	**14 841 932**	**13 428 975**	**22 079 329**	**20 835 234**

12. Fixed assets

The movements in fixed assets were as follows:

	Buildings	Computers and equipment	Other fixed assets	Total
Cost				
1 January 2015	**6 577 320**	**4 187 516**	**608 946**	**11 373 782**
Additions	-	290 403	39 995	330 398
Disposals	-	(122 165)	(31 028)	(153 193)
31 December 2015	**6 577 320**	**4 355 754**	**617 913**	**11 550 987**
Accumulated depreciation				
1 January 2015	**(1 590 697)**	**(3 254 881)**	**(526 840)**	**(5 372 418)**
Depreciation charge	(225 082)	(458 036)	(33 813)	(716 931)
Disposals	-	120 319	30 283	150 602
31 December 2015	**(1 815 779)**	**(3 592 598)**	**(530 370)**	**(5 938 747)**
Net book value				
31 December 2015	**4 761 541**	**763 156**	**87 543**	**5 612 240**

	Buildings	Computers and equipment	Other fixed assets	Total
Cost				
1 January 2014	**6 592 862**	**4 007 384**	**617 365**	**11 217 611**
Additions	-	312 273	53 390	365 663
Disposals	(15 542)	(163 074)	(69 112)	(247 728)
Acquisition of subsidiary under common control	-	30 933	7 303	38 236
31 December 2014	**6 577 320**	**4 187 516**	**608 946**	**11 373 782**
Accumulated depreciation				
1 January 2014	**(1 376 640)**	**(2 967 443)**	**(545 185)**	**(4 889 268)**
Depreciation charge	(226 915)	(421 925)	(42 615)	(691 455)
Disposals	12 858	148 550	65 457	226 865
Acquisition of subsidiary under common control	-	(14 063)	(4 497)	(18 560)
31 December 2014	**(1 590 697)**	**(3 254 881)**	**(526 840)**	**(5 372 418)**
Net book value				
31 December 2014	**4 986 623**	**932 635**	**82 106**	**6 001 364**

13. Intangible assets

The movements in intangible assets were as follows:

	2015	2014
Cost of intangible assets		
1 January	**6 463 743**	**4 505 264**
Additions of intangible assets	2 786 607	1 958 483
Disposals of intangible assets	(997)	(4)
31 December	**9 249 353**	**6 463 743**
Accumulated amortisation of intangible assets		
1 January	**(3 019 912)**	**(2 300 371)**
Amortisation charge of intangible assets	(879 794)	(719 545)
Disposals of intangible assets	990	4
31 December	**(3 898 716)**	**(3 019 912)**
Net book value of intangible assets		
31 December	**5 350 637**	**3 443 831**

14. Taxation

The corporate income tax expense comprises:

	2015	2014
Current tax charge	407 448	2 071 362
Deferred tax charge – origination of temporary differences	3 057 655	2 694 812
Income tax expense	**3 465 103**	**4 766 174**

Russian legal entities must file individual tax declarations. The tax rate for banks and companies for profits other than on state securities was 20% for 2015 and 2014. The tax rate for interest income on state securities was 15% for 2015 and 2014.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the effective income tax rate and the statutory income tax rate is as follows:

	2015	2014
Profit before tax	**18 983 097**	**23 585 515**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**3 796 619**	**4 717 103**
Effect of income taxed at lower tax rates	(166 368)	(137 504)
Non-deductible costs and non-taxable income	(165 148)	186 575
Income tax expense	**3 465 103**	**4 766 174**

Deferred tax assets and liabilities as at 31 December 2015 and 31 December 2014 comprise:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Fixed and intangible assets	975 679	893 873	(2 404 594)	(1 853 186)	**(1 428 915)**	**(959 313)**
Trading securities and derivatives	2 333 917	3 190 231	(6 148 441)	(3 545 841)	**(3 814 524)**	**(355 610)**
Available-for-sale securities	624 303	2 267 557	-	-	**624 303**	**2 267 557**
Loan impairment and credit related commitments	1 205 338	738 612	(6 297 159)	(5 319 921)	**(5 091 821)**	**(4 581 309)**
Tax losses carried forward	1 436 353	-	-	-	**1 436 353**	**-**
Other items	883 988	1 049 691	-	(18 165)	**883 988**	**1 031 526**
Total deferred tax assets/ (liabilities)	**7 459 578**	**8 139 964**	**(14 850 194)**	**(10 737 113)**	**(7 390 616)**	**(2 597 149)**

Movement in deferred tax assets and liabilities during the year ended 31 December 2015 is presented in the table below:

	1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2015
Fixed and intangible assets	(959 313)	(469 602)	-	(1 428 915)
Trading securities and derivatives	(355 610)	(3 264 927)	(193 987)	(3 814 524)
Available-for-sale securities	2 267 557	(101 429)	(1 541 825)	624 303
Loan impairment and credit related commitments	(4 581 309)	(510 512)	-	(5 091 821)
Tax losses carried forward	-	1 436 353	-	1 436 353
Other items	1 031 526	(147 538)	-	883 988
	(2 597 149)	**(3 057 655)**	**(1 735 812)**	**(7 390 616)**

Movement in deferred tax assets and liabilities during the year ended 31 December 2014 is presented in the table below:

	1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition of subsidiary	31 December 2014
Fixed and intangible assets	(722 403)	(236 910)	-	-	(959 313)
Trading securities and derivatives	(783 114)	332 011	95 493	-	(355 610)
Available-for-sale securities	158 187	(55 233)	2 164 603	-	2 267 557
Loan impairment and credit related commitments	(1 195 020)	(3 386 289)	-	-	(4 581 309)
Other items	331 017	651 609	-	48 900	1 031 526
	(2 211 333)	**(2 694 812)**	**2 260 096**	**48 900**	**(2 597 149)**

According to Russian legislation tax losses can be utilized during next 10 years. It is planned that tax losses will be off set against taxable profit in 2016.

Tax effect relating to components of other comprehensive income comprises:

	2015			2014		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	969 934	(193 987)	775 947	(477 459)	95 493	(381 966)
Revaluation reserve for available-for-sale securities	7 709 123	(1 541 825)	6 167 298	(10 823 013)	2 164 603	(8 658 410)
Other comprehensive income	8 679 057	(1 735 812)	6 943 245	(11 300 472)	2 260 096	(9 040 376)

15. Other assets and liabilities

Other assets comprise:

	31 December 2015	31 December 2014
Advances, prepayments and deferred expenses	2 446 138	1 809 280
Accrued income other than income capitalised in related financial assets	577 314	371 852
Repossessed collateral	473 061	557 514
VAT receivables on leases	23 234	199 742
Other	926 096	1 143 586
Other assets	**4 445 843**	**4 081 974**

Other liabilities comprise:

	31 December 2015	31 December 2014
Accrued compensation expense	2 981 550	2 878 443
Accounts payable	2 867 976	2 224 210
Liability arising on initial designation of fair value macro hedge	840 271	1 052 530
Deferred income	365 442	541 953
Taxes payables	237 086	242 667
Transit accounts	193 185	436 817
Other provisions	185 348	4 373
Other	252 122	936 960
Other liabilities	**7 922 980**	**8 317 953**

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2015	31 December 2014
Current accounts	15 490 125	25 254 271
Time deposits and loans	114 574 175	150 113 612
Repurchase agreements with credit institutions (Note 11)	12 766 312	20 835 234
Subordinated debt (Note 19)	51 091 697	13 753 224
Amounts due to credit institutions	**193 922 309**	**209 956 341**

As at 31 December 2015, the ten largest deposits, excluding subordinated debt, represented 79% of total amounts due to credit institutions (31 December 2014: 85%).

As at 31 December 2015, the Group had two counterparties with aggregate balances that individually exceeded 10% of equity (31 December 2014: two counterparties). As at 31 December 2015, the aggregate amount of these balances is RUB 55 732 422 thousand (31 December 2014: RUB 133 848 120 thousand).

As at 31 December 2015 included in subordinated debt is subordinated deposit received in March 2015 from the sole Group's shareholder UniCredit Bank Austria AG in the amount of USD 480 900 thousand with quarterly interest payment at annual interest rate Libor plus 10.08% and maturity date in March 2025 (see Note 19 for details).

As at 31 December 2015 the Group has term deposits due to the CBR in the amount of RUB 38 292 939 thousand (31 December 2014: RUB 60 258 238 thousand) which are secured by a pool of corporate loans (see Note 9 for details).

As at 31 December 2015 the Group has no repurchase agreements with the CBR (31 December 2014: RUB 20 835 234 thousand).

As at 31 December 2015 fair value of securities pledged under repurchase agreements with credit institutions is RUB 14 145 980 thousand (31 December 2014: RUB 22 079 329 thousand) (see Notes 6, 10 and 11 for details).

17. Amounts due to customers

The amounts due to customers include the following:

	31 December 2015	31 December 2014
Current accounts	146 655 702	125 598 853
Time deposits	784 025 324	685 021 652
Repurchase agreements with customers (Note 11)	745 962	-
Amounts due to customers	**931 426 988**	**810 620 505**

As at 31 December 2015, approximately 59% of total amounts due to customers was placed with the Group by its ten largest customers (31 December 2014: 53%).

Analysis of customer accounts by type of customers is as follows:

	31 December 2015	31 December 2014
Corporate		
Current accounts	60 292 671	54 412 163
Time deposits	645 936 117	604 318 805
Repurchase agreements with customers (Note 11)	745 962	-
Total corporate accounts	**706 974 750**	**658 730 968**
Retail		
Current accounts	86 363 031	71 186 690
Time deposits	138 089 207	80 702 847
Total retail accounts	**224 452 238**	**151 889 537**
Amounts due to customers	**931 426 988**	**810 620 505**

Included in retail time deposits are deposits of individuals in the amount of RUB 119 174 751 thousand (31 December 2014: RUB 63 001 635 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. The remaining part of retail time deposits in the amount of RUB 18 914 456 thousand (31 December 2014: RUB 17 701 212 thousand) is represented by deposits placed by SME.

As at 31 December 2015 fair value of own securities pledged under repurchase agreements with customers is RUB 695 952 thousand (31 December 2014: none) (see Notes 6, 10 and 11 for details).

As at 31 December 2015 included in repurchase agreements with customers are agreements in the amount of RUB 83 299 thousand (31 December 2014: none) which are secured by Russian government bonds with fair value of RUB 94 422 thousand obtained under reverse repurchase agreements with credit institutions (see Note 7 for details).

18. Debt securities issued

Debt securities issued consisted of the following bonds:

Issue	Date of issue	Maturity date	Currency	Coupon rate, %	Carrying value at 31 December 2015	Carrying value at 31 December 2014
UniCredit Bank, BO-10	26.11.2013	20.11.2018	RUR	8.10	10 082 110	10 079 890
UniCredit Bank, BO-06	14.02.2013	11.02.2016	RUR	8.60	5 166 110	5 164 932
UniCredit Bank, BO-07	14.02.2013	11.02.2016	RUR	8.60	5 166 110	5 164 932
UniCredit Bank, 01-IP	14.09.2011	07.09.2016	RUR	8.20	5 122 775	5 112 705
UniCredit Bank, 02-IP	23.09.2015	16.09.2020	RUR	12.35	4 133 989	-
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUR	10.75	2 839 802	5 057 534
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUR	10.50	192 057	10 106 301
UniCredit Bank, BO-08	26.02.2013	23.02.2016	RUR	14.00	141 048	5 141 788
UniCredit Bank, BO-09	26.02.2013	23.02.2016	RUR	14.00	74 246	5 141 788
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUR	10.50	60 838	10 397 890
UniCredit Bank, 05	07.09.2010	01.09.2015	RUR	6.75	-	256 837
UniCredit Bank, BO-04	26.10.2012	23.10.2015	RUR	10.15	-	216 178
UniCredit Bank, BO-02	02.03.2012	27.02.2015	RUR	5.75	-	80 549
UniCredit Bank, BO-05	30.10.2012	27.10.2015	RUR	10.15	-	34 367
UniCredit Bank, BO-03	07.03.2012	04.03.2015	RUR	5.75	-	31 233
UniCredit Bank, 04	16.11.2010	10.11.2015	RUR	8.00	-	20 243
Debt securities issued					**32 979 085**	**62 007 167**

As at 31 December 2015 mortgage-backed bonds (UniCredit Bank, 01-IP and UniCredit Bank, 02-IP) with the carrying value of RUB 9 256 764 thousand (31 December 2014: RUB 5 125 808 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 7 541 188 thousand (31 December 2014: RUB 4 428 583 thousand) and by cash in the amount of RUB 2 050 000 thousand (31 December 2014: RUB 1 000 000) (see Notes 5 and 9 for details).

19. Subordinated debt

	31 December 2015	31 December 2014
UniCredit Bank Austria AG, Vienna		
USD 480 900 thousand, quarterly interest payment, maturing March 2025	35 059 691	-
EUR 100 000 thousand, semi-annual interest payment, maturing November 2017	8 016 505	6 877 042
EUR 100 000 thousand, semi-annual interest payment, maturing February 2018	8 015 501	6 876 182
Subordinated Debt	**51 091 697**	**13 753 224**

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

20. Shareholder's equity

As at 31 December 2015 and 31 December 2014, the authorised, issued and paid share capital comprises 2 404 181 ordinary shares with a par value of RUB 16 820 each.

21. Commitments and contingencies

Credit related commitments and contingencies

	31 December 2015	31 December 2014
Undrawn loan commitments	124 924 548	259 196 477
Guarantees issued	130 012 623	125 789 656
Letters of credit	47 271 329	46 498 812
Undrawn commitments to issue documentary instruments	-	140 828 238
Gross credit related commitments and contingencies	**302 208 500**	**572 313 183**
Provisions for credit related commitments and contingencies	-	(11 781)
Total credit related commitments and contingencies	**302 208 500**	**572 301 402**

The undrawn loan commitments are of revocable nature for which the Group does not undertake any substantial liability. In 2015 the Group renewed the agreements with customers and credit institutions withdrawing legally binding commitments to finance documentary instruments and overdraft facilities. As a result, the Group has no undrawn commitments to issue documentary instruments to customers and undrawn loan commitments for overdraft facilities with credit institutions as at 31 December 2015.

The Group issues guarantees and letters of credit for its customers. These instruments bear a credit risk similar to that of loans issued. With respect to the documentary instruments shown above, as at 31 December 2015, collateral deposits of RUB 14 814 945 thousand were held by the Group (31 December 2014: RUB 12 896 998 thousand). Most of guarantees issued and letters of credits are irrevocable payment undertakings by the Group.

Operating lease commitments

	31 December 2015	31 December 2014
Not later than 1 year	874 122	1 053 905
Later than 1 year but not later than 5 years	2 074 433	2 480 617
Later than 5 years	143 543	168 680
	3 092 098	**3 703 202**

Operating environment. Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

Taxation. Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that

21. Commitments and contingencies (Continued)

transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Fiduciary activities. The Group also provides depositary services to its customers. As at 31 December 2015 and 31 December 2014, the Group had customer securities totaling 84 428 551 717 items and 47 049 929 180 items, respectively, in its nominal holder accounts.

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. As at 31 December 2015 the provision for legal proceedings in the amount of RUB 185 348 thousand (31 December 2014: RUB 4 373 thousand) was recognized in other liabilities in the consolidated statement of financial position.

22. Gains/ (losses) on financial assets and liabilities held for trading

Gains/ (losses) on financial assets and liabilities held for trading comprise:

	2015	2014
Net gains/ (losses) from trading securities	261 203	(786 939)
Net gains/ (losses) from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	4 996 260	(1 263 982)
Gains/ (losses) on financial assets and liabilities held for trading	**5 257 463**	**(2 050 921)**

23. Fee and commission income and expense

Fee and commission income comprises:

	2015	2014
Retail services	2 953 618	2 606 685
Customer accounts handling and settlements	2 862 004	3 090 617
Documentary business	2 542 590	1 788 035
Loan fees that are not part of the effective interest rate	338 496	334 805
Other	7 368	5 882
Fee and commission income	**8 704 076**	**7 826 024**

Fee and commission expense comprises:

	2015	2014
Documentary business	(2 570 263)	(201 878)
Retail services	(952 432)	(669 118)
Accounts handling and settlements	(742 593)	(465 635)
Other	(59 408)	(69 123)
Fee and commission expense	**(4 324 696)**	**(1 405 754)**

24. Personnel and other administrative expenses

Personnel and other administrative expenses comprise:

	2015	2014
Salaries and bonuses	5 922 923	5 561 858
Social security costs	374 446	347 260
Other compensation expenses	117 609	117 320
Other employment taxes	1 378 040	1 116 181
Personnel expenses	**7 793 018**	**7 142 619**
Rent, repairs and maintenance	1 545 984	1 539 521
Communication and information services	1 417 190	996 169
Advertising and marketing	533 139	540 008
Security expenses	328 245	293 767
Insurance	156 065	121 243
Legal, audit and other professional services	143 424	119 845
Other taxes	106 557	146 334
Other	1 322 882	891 212
Other administrative expenses	**5 553 486**	**4 648 099**

25. Acquisition of subsidiary

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are outside the scope of IFRS 3 Business Combinations, and there is no other guidance for such situations under IFRS. The Group elects to account for such transactions prospectively as of the date when common control was established. The assets and liabilities acquired are recognized at the carrying amounts. The difference between the consideration paid and the net assets acquired is accounted for directly in equity. The consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows are not restated.

The following table presents information on net assets of the subsidiary based on IFRS financial statements as at the date of acquisition, which took place in February 2014 (see Note 1 for details):

Assets	
Amounts due from credit institutions	1 244 351
Lease receivables	9 004 670
Fixed assets	19 676
Deferred income tax	48 900
Current income tax	98 928
Other assets	1 178 209
Total assets	**11 594 734**
Liabilities	
Amounts due to credit institutions	8 423 741
Other liabilities	792 174
Total liabilities	**9 215 915**
Net assets	**2 378 819**
Consideration paid	(1 163 400)
Fair value of previous 40% shareholding	(973 059)
Less: Net assets	2 378 819
Result from acquisition of subsidiary, recognized in equity	**242 360**

26. Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of capital is monitored using, among other measures, principles and approaches established by Basel II and Basel III, Regulation and Directive of the European Parliament and the Council (CRD IV), the CBR regulation.

The primary objectives of capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Capital and capital adequacy ratio under the CBR requirements. The CBR requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed using amounts in statutory financial statements prepared in accordance with Russian banking legislation and regulation of the CBR.

Capital (own funds) under the requirements of the CBR regulation N 395-P "Calculation of own funds (Basel III) by credit institutions" as at 31 December 2015 and 31 December 2014 was as follows:

	31 December 2015	31 December 2014
Core equity Tier I	125 780 138	118 209 092
Tier I	125 780 138	118 209 092
Additional capital	48 200 692	15 373 802
Total capital	**173 980 830**	**133 582 894**

Core equity Tier I and Tier I comprise share capital, share premium, reserve fund and retained earnings including current year profit. Additional capital includes subordinated debt, current year profit not included in the main capital and revaluation reserves.

The Capital adequacy ratios, computed in accordance with the CBR Regulation N 139- I "Obligatory banking ratios", as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Total capital adequacy ratio H1.0 (minimum 10%)	12.9%	13.2%
Core equity Tier I capital adequacy ratio H1.1 (minimum 5%)	9.4%	11.7%
Tier 1 capital adequacy ratio H1.2 (minimum 6%)	9.4%	11.7%

Due to the introduction of restrictive political and economic measures affecting the situation in the financial markets, as well as to reduce the regulatory risks due to the volatility of the exchange rate, the CBR in December 2014 introduced a relief for the calculation of capital adequacy ratios and regulations.

In the calculation of capital, the Bank reclassified certain debt securities from available for sale category to held to maturity category at fair value prevailing as at 1 October 2014. In calculating the ratios, as at 31 December 2014 the Bank used the official exchange rates of foreign currencies against the Rouble set by the CBR as at 1 October 2014.

Capital and capital adequacy ratio under Basel III and Basel II requirements (unaudited). Starting from the reporting period 1 January 2009 the Group calculates risk weighted assets under Basel II requirements following UniCredit Bank Austria AG internal policies.

Starting from 2014, the Group calculates risk weighted assets in accordance with the requirements of CRD IV. Subordinated loans, received by the Group might be considered as loss absorbtion capacity of the Bank and as a result can be included in Tier II capital.

The capital and capital adequacy ratios computed in accordance with the Basel III and Basel II requirements as at 31 December 2015 and 31 December 2014 were as follows (unaudited):

	31 December 2015	31 December 2014
Core equity Tier 1 capital	141 889 980	117 755 188
Tier II capital	34 202 071	-
Total capital	**176 092 051**	**117 755 188**
Risk weighted assets	**1 369 639 149**	**1 268 832 782**
Core equity Tier 1 capital ratio	10.4%	9.3%
Total capital ratio	12.9%	9.3%

27. Risk management

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The Group has exposure to risks, which include credit, market, foreign exchange, liquidity, and operational risks. The Group's aim is to maintain an appropriate balance between risks and return and to minimise potential adverse effect on the Group's financial performance.

Risk management structure. The Group's risk management policies aim to identify, analyse, measure and manage the risks taken by the Group, to establish appropriate risk limits and methods of monitoring, and to continuously monitor risk levels and compliance with the established limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice in risk management.

The operational risk management functions are aimed at developing and ensuring proper functioning of internal processes and procedures that minimise the Group's exposure to internal and external risk factors.

The Supervisory Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks. It also approves internal documentation for strategic areas of activity, including those concerning management of capital and risk.

The Board of Management has overall responsibility for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

The Chief Risk Officer (hereinafter – "CRO") is responsible for the overall risk management function, ensuring the implementation of common principles and methods for identifying, underwriting, measuring, managing and risk reporting for both financial and non-financial risks. The CRO is a Member of the Board of Management.

Credit, market and liquidity risks, both at portfolio and transactional levels, are managed through a system of Credit Approval Authorities as well as an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Group has established a hierarchy of Credit Approval Authorities, which includes four credit committees, including Large Credit Committee, Small Credit Committee, Special Credit Committee and Credit Committee of Retail Business as well as several levels of joint and single personal approval authority, depending on the amount of exposure, risk type and risk associated with a customer (internal ratings).

Credit risk policies and underwriting guidelines are under the CRO's responsibility. Internal local policies, rules, guidelines and operational instructions for lending to individuals and to the Small and Medium Enterprises (hereinafter – "SME") are in line with UniCredit Group Credit Policies, agreed with the CRO and approved by the Board of Management/Supervisory Board (excluding operational instructions which are approved by the Heads of the responsible Units). The four-eyes principle is applied for the credit decision-making process. Credit approval authority is exercised through the submission and approval of a credit application. For standardized products in the lending process to individuals decision-making is done by the Operations Function, to which the CRO Function delegates authority through respective underwriting guidelines and rules and/or implementation of credit scoring. For standardized products in the lending process to SMEs decision-making is done by the Business Function, to which the CRO Function delegates authority through respective guidelines, rules and decision matrix for applications. All deviations/exceptions from standardized products have to be approved by the CRO.

The Group's risk underwriting, assessment, reporting and control procedures vary by risk type, but share a common principle to be concentrated under the supervision of the CRO.

Credit risk. Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group and arises principally from the Group's loans to customers and credit institutions and other credit exposures.

For risk management purposes, credit risk arising from positions in trading securities is managed and reported on a daily basis.

Credit risk governance. Credit risk management policies, procedures and manuals are approved by the Board of Management.

The following credit committees are responsible for approving corporate and retail credit risk exposures:
- The Large Credit Committee reviews and approves all loan/ credit applications from customers and issuers above EUR 40 million or equivalent in other currencies. It is chaired by the President of the Board of Management or the CRO and meets on a weekly basis;
- The Small Credit Committee reviews and approves all loan/ credit applications from customers in the amount up to EUR 15 million or equivalent in other currencies. It is chaired by the Head of Credit Underwriting Department and meets on a weekly basis;
- Loan/credit applications from customers in the amount in the range from EUR 15 to 40 million or equivalent in other currencies may be approved either by the Large or the Small Credit Committee depending on the rating of the borrower;
- The Credit Committee of Retail Business is responsible for approval of the loan applications of SME in the amount up to 60 million RUR (including) and also for approval of the loan applications of Private Individual clients in the amount up to 100 million RUR or equivalent in other currencies. The Committee meets at least once in a two-week period;
- The Special Credit Committee is responsible for considerations of the applications related to restructuring/refinancing of problem debts.

There is also a system of personal credit approval authorities with the four-eyes principle in place. For SME and private individuals lending process proposal is done by business function and approval is done by competent authority body according to decision matrix for applications.

All credit exposures above EUR 50 million or equivalent in other currencies as well as restructuring/refinancing applications above EUR 25 million have to be approved by the UniCredit Group (by the authorized members of the Supervisory Board).

The Group limits concentrations of exposure to individual customers, counterparties and issuers (for securities), as well as groups of related customers. Exposure to credit risk is managed through regular analysis of the borrower's creditworthiness and by changing/adjusting lending limits where appropriate.

The Group's credit policies and product guidelines establish:
- Procedures and standards for approval and review of loan/ credit applications;
- Methodology for the credit assessment of borrowers (corporate, retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

The relevant relationship managers and Corporate Lending Department or Financing Department originate corporate loan/credit applications jointly. The application could be solely prepared by relationship managers, depending on the respective authority granted to a given relationship manager. The credit applications consist of a structured complex analysis focusing on the customer's business, financial performance and risks. The loan/credit applications are then independently reviewed by the Credit Underwriting Department and a second opinion in respect of risks is given accompanied by a check that credit policy requirements have been met. The relevant Approval Authority reviews the loan/credit application accompanied by the Credit Underwriting opinion.

In order to provide better assessment of customers' creditworthiness, separate units specialising on analysis of different industries were created within the Credit Underwriting Department. This business model allows the Group to quickly and thoroughly analyse changes in various industries, adjust strategies and take adequate decisions. Along with the industry divisioning there is also a set of regional risk managers that monitor the situation in the main regions of Group's operations. This allows the Group to manage its credit portfolio both on industry and regional levels.

Credit portfolio diversification by client types (large corporate clients, SME, individual clients) and industries allows to maintain high credit portfolio quality. In order to provide an adequate risk assessment, the Group uses various internal rating models which take into account specifics of different client segments, provides effective differentiation of clients by credit risk level and precise assessment of their probability of default in accordance with Basel II principles. Internal ratings are used in credit decision-making, pricing, capital allocation and risk management processes.

All existing credit deals/approved limits for corporate clients are subject to annual review procedures.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. As the result of the review, the borrower's internal credit rating may be changed. The Group monitors concentrations of credit risk by industry/sector and by the exposure to top 10, 50 and 100 borrowers.

Retail loan applications are approved according to internal local policies, rules, guidelines and operational instructions for lending to individuals and SME. Information is obtained on every customer. The extent of the information required and frequency of its update depend on the regulatory requirements, the customer category, creditworthiness of the customer and type of a transaction. The business unit obtains and analyzes the information from different sources (information from the customer, on-site visits, internal/external sources).

In order to reduce the risk of potential losses in the Group's credit transactions a Monitoring Unit was established which implements procedures for systematic identification and assessment of negative signals, analysis and situation monitoring as well as strategies and action plans for potentially troubled corporate borrowers.

Property risk. Due to the nature of leasing activity, in case of default events, the Group is exposed to property risk which is the risk that it will be impossible to sell property repossessed from defaulted clients or selling price won't cover credit exposure of the client.

The Group minimizes this risk by analyzing the leasing objects as well as lessees before entering into a leasing transaction, in case of increased risk additional collateral is demanded, other measures to handle credit risk are also used.

Settlement risk. The Group's activities may give rise to settlement risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through settlement/clearing agents to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Acceptance of settlement risk on free settlement transactions requires transaction specific and/or counterparty specific settlement limits that form part of the counterparty limit approval/monitoring process described above.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	Maximum gross exposure 31 December 2015	Maximum gross exposure 31 December 2014
Cash and cash balances (excluding cash on hand)	5	8 374 378	23 799 335
Trading securities:	6		
- held by the Group		3 652 106	4 184 948
- pledged under repurchase agreements		-	263 368
Amounts due from credit institutions	7	336 744 808	332 555 937
Derivative financial assets	8	65 526 002	81 685 033
Derivative financial assets designated for hedging	8	7 042 056	12 003 652
Loans to customers	9	867 295 074	826 851 401
Investment securities:	10		
- available-for-sale			
- held by the Group		54 895 759	32 553 782
- pledged under repurchase agreements		14 841 932	21 815 961
- held-to-maturity		16 130 748	-
Other financial assets	15	2 446 138	1 809 280
		1 376 949 001	**1 337 522 697**
Financial commitments and contingencies	21	302 208 500	572 301 402
Total credit risk exposure		**1 679 157 501**	**1 909 824 099**

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.

Notes to Consolidated Financial Statements (Continued)

27. Risk management (Continued)

The following tables provide the analysis of assets based on credit quality of respective counterparts as at 31 December 2015.

	Notes	Neither past due nor impaired		Past due or impaired	Total 2015
		High grade	Standard		
Cash and cash balances (excluding cash on hand)	5	8 374 378	-	-	8 374 378
Trading securities	6				
- held by the Group		3 337 071	315 035	-	3 652 106
Amounts due from credit institutions	7	315 610 217	21 134 591	-	336 744 808
Derivative financial assets	8	40 686 232	24 839 770	-	65 526 002
Derivative financial assets designated for hedging	8	7 042 056	-	-	7 042 056
Loans to customers	9	374 598 665	455 265 455	37 430 954	867 295 074
Investment securities:	10				
- available for sale					
- held by the Group		44 539 196	10 356 563	-	54 895 759
- pledged under repurchase agreement		14 841 932	-	-	14 841 932
- held-to-maturity		16 130 748	-	-	16 130 748
Total		**825 160 495**	**511 911 414**	**37 430 954**	**1 374 502 863**

The following tables provide the analysis of assets based on credit quality of respective counterparts as at 31 December 2014.

	Notes	Neither past due nor impaired		Past due or impaired	Total 2014
		High grade	Standard		
Cash and cash balances (excluding cash on hand)	5	23 799 335	-	-	23 799 335
Trading securities	6				
- held by the Group		3 501 004	683 944	-	4 184 948
- pledged under repurchase agreement		263 368	-	-	263 368
Amounts due from credit institutions	7	303 023 643	29 532 294	-	332 555 937
Derivative financial assets	8	71 847 626	9 837 407	-	81 685 033
Derivative financial assets designated for hedging	8	11 960 832	42 820	-	12 003 652
Loans to customers	9	402 057 195	398 533 005	26 261 201	826 851 401
Investment securities available-for-sale:	10				
- held by the Group		31 431 250	1 122 532	-	32 553 782
- pledged under repurchase agreement		15 871 439	5 944 522	-	21 815 961
Total		**863 755 692**	**445 696 524**	**26 261 201**	**1 335 713 417**

The Standard grade category includes exposures with internal ratings from 4- to 8, where probability of default ranges from 1.1% to 99%. The High grade category includes exposures with internal rating from 1+ to 4. Only exposures with low probability of default (less than 1%) fit this category.

54% of exposures included in the tables above are rated as AAA/AA/A/BBB/BB/B by external rating agencies (Moody's, S&Ps, Fitch) as at 31 December 2015 (49% as at 31 December 2014). As at 31 December 2015 46% of the exposures (51% as at 31 December 2014) are not rated due to the fact that small entities and private inidviduals are not externally rated.

Geographical concentration. Asset and Liability Management Committee exercises control over the risk in the legislation and regulatory area and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Russian Federation.

As at 31 December 2015 and 31 December 2014 assets and liabilities of the Group are concentrated mainly in the Russian Federation except for the amounts due from credit institutions and derivative financial assets and liabilities (including those designated for hedging) which are mainly concentrated in OECD countries.

Liquidity risk and funding management. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions. It is unusual for financial institutions ever to be completely matched since a lot of business transactions are of uncertain term and different types. An unmatched position could potentially enhance profitability, but also could increase the risk of failure to meet obligations.

The approach to liquidity management is to ensure, as far as possible, that the Group always has sufficient liquidity to meet its obligations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

Assets and Liabilities Committee (hereinafter – "ALCO") is responsible for management of liquidity risk. ALCO delegates to the Finance Department and Markets Department the responsibility to monitor and maintain the liquidity profile within limits on a daily basis. At the same time Market Risk Unit controls compliance with liquidity limits and informs ALCO in case of limit breaches. Both Finance Department and Market Risk Unit report to local and to the UniCredit Group ALCO on a weekly basis.

According to the liquidity management policy:

1. The approach to funding and structural liquidity is described in the annual funding plan, which is based on the annual budget data. On a monthly basis, the funding plan is updated taking into account the current recognised and unrecognised positions, changes in the asset and liability mismatches of the Group, available funding sources and market analysis. The Group has adopted contingency funding plans, the UniCredit Group standard risk management instrument, which describes potential funding sources in case of crisis situation. The contingency funding plan is updated in the event of crisis, but at least once a year by ALCO, after annual funding plan approval. In addition to Contingency funding plans UniCredit Group develops Recovery and Resolution Plan which covers extreme stress scenario management.

2. Structural liquidity is analyzed by Finance Department and Market Risk Unit using the liquidity gap approach and reported to local ALCO and to the UniCredit Group on daily basis. Liquidity limits and requirements both established by the UniCredit Group and the CBR are taken into account.

3. Short-term liquidity is monitored on the basis of cash flow models in total and separately by major currencies according to UniCredit Group approach and local approach. Differences in the two approaches are explained by necessity to control liquidity taking into account the Group's strategy and features of the local market environment.
   - Scenarios (going concern, market crisis, foreign exchange market crisis scenario, etc.) are assessed to forecast future cash flows and corresponding liquidity needs for the nearest three months. Market crisis scenario includes "haircuts" to liquid security positions, failure of the Group's counterparties to meet their obligations with regard to money market deals, run on retail deposits, inability to make swaps at reasonable prices, etc. Decisions with regard to switches between going-concern and crisis scenarios are taken by ALCO;
     UniCredit Group sets limits on cash flow positions that depend on available liquidity sources and level of liquid assets (portfolio of assets that can be quickly liquidated to meet obligations without significant price decline). Additionally local ALCO sets limits on local approach to cash flow model.

4. Funding structure concentration is monitored and managed on a constant basis:
   - ALCO sets an internal limit on the maximum volume of borrowings from a single group of clients;
   - Reports on customer funds concentration are presented to management and analyzed on a weekly basis.

5. Liquidity ratios in line with regulatory requirements established by the CBR are to be monitored and met:
   - Instant liquidity Ratio (N2) is the ratio of liquid assets to sight and overnight liabilities;
   - Current liquidity ratio (N3) is the ratio of liquid assets to liabilities maturing within 30 calendar days;
   - Long-term liquidity ratio (N4) is the ratio of assets maturing after one year to the sum of capital and liabilities maturing after one year.

Finance Department makes a forecast of N4 ratio for a one month horizon on a daily basis. Markets Department projects N2, N3 ratios for a one month horizon.

As at 31 December 2015 and 31 December 2014, these ratios were as follows:

	2015, %	2014, %
N2 "Instant liquidity Ratio" (minimum 15%)	107.5	114.4
N3 "Current Liquidity Ratio" (minimum 50%)	282.7	66.9
N4 "Long-Term Liquidity Ratio" (maximum 120%)	65.6	97.0

Notes to Consolidated Financial Statements (Continued)

27. Risk management (Continued)

The following tables shows the liquidity gap profile as at 31 December 2015 and 31 December 2014. This information is prepared using the internal Assets and Liabilities Management system according to the approved internal approach. The mapping approach is compliant with the requirements of the UniCredit Group liquidity policy. For example, debt securities are mapped according to the nearest put-date (if any) or to maturity date, loans to corporate customers are mapped based on facilities' types, for retail loans statistical model for prepayment simulation is implemented, sight items (both on assets and liabilities side) are mapped based on UniCredit Group statistical model according to historical pattern corresponding items' behavior, derivative instruments are recorded in other assets and other liabilities, amounts due to and due from banks are mapped based on maturity dates. This information is used internally for risk management purposes and differs from financial statement amounts.

The table below presents the liquidity gap profile according to the Group's approved internal approach as at 31 December 2015:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	No stated maturity	Total
Assets								
Cash and cash balances	22 742 000	-	-	-	-	-	-	22 742 000
Trading securities	-	2 391 205	-	-	319 228	940 854	-	3 651 287
Amounts due from credit institutions	134 386 001	-	45 788 553	38 441 350	88 959 240	29 153 080	-	336 728 224
Loans to customers	280 853 675	45 388 165	58 291 514	150 524 209	184 873 087	146 430 490	-	866 361 140
Investment securities								
- available-for-sale	613 583	3 109 068	1 180 184	685 084	9 924 377	54 225 395	-	69 737 691
- held-to-maturity	-	-	-	-	-	16 130 748	-	16 130 748
Fixed assets	-	-	-	-	-	-	5 608 081	5 608 081
Other assets	-	-	-	85 222 178	-	-	-	85 222 178
Total assets	**438 595 259**	**50 888 438**	**105 260 251**	**274 872 821**	**284 075 932**	**246 880 567**	**5 608 081**	**1 406 181 349**
Liabilities								
Amounts due to credit institutions	79 492 522	39 110 070	10 226 373	1 263 268	28 517 436	35 700 460	-	194 310 129
Amounts due to customers								
- current accounts	36 132 105	15 288 074	11 532 588	12 275 411	19 186 264	51 660 882	-	146 075 324
- time deposits	154 051 002	41 007 088	83 213 767	134 234 160	300 809 483	71 702 383	-	785 017 883
Debt securities issued	719 779	10 205 218	189 818	17 868 426	4 000 000	-	-	32 983 241
Other liabilities	83 267 509	-	-	-	-	-	-	83 267 509
Equity	-	-	-	-	-	-	164 527 263	164 527 263
Total liabilities and equity	**353 662 917**	**105 610 450**	**105 162 546**	**165 641 265**	**352 513 183**	**159 063 725**	**164 527 263**	**1 406 181 349**
Net position	**84 932 342**	**(54 722 012)**	**97 705**	**109 231 556**	**(68 437 251)**	**87 816 842**	**(158 919 182)**	**-**
Accumulated gap	**84 932 342**	**30 210 330**	**30 308 035**	**139 539 591**	**71 102 340**	**158 919 182**	**-**	

The table below presents the liquidity gap profile according to the approved internal approach as at 31 December 2014:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	No stated maturity	Total
Assets								
Cash and cash balances	42 873 396	-	-	-	-	-	-	42 873 396
Trading securities	-	-	-	-	2 834 430	1 622 831	-	4 457 261
Amounts due from credit institutions	192 338 776	3 021 274	6 300 000	57 122 683	2 276 670	71 496 911	-	332 556 314
Loans to customers	237 586 826	37 782 001	50 464 869	140 244 427	217 486 989	143 271 623	-	826 836 735
Investment securities available-for-sale	-	2 619 856	219 538	1 793 579	10 156 127	39 795 743	-	54 584 843
Fixed assets	-	-	-	-	-	-	6 001 364	6 001 364
Other assets	-	-	-	93 284 706	-	-	-	93 284 706
Total assets	**472 798 998**	**43 423 131**	**56 984 407**	**292 445 395**	**232 754 216**	**256 187 108**	**6 001 364**	**1 360 594 619**
Liabilities								
Amounts due to credit institutions	95 146 506	53 232 385	20 858 185	9 651 168	18 484 918	13 373 699	-	210 746 861
Amounts due to customers								
- current accounts	54 654 910	4 750 217	4 750 217	5 543 125	12 344 185	43 204 647	-	125 247 301
- time deposits	287 766 814	62 796 607	10 329 495	29 348 024	164 568 640	130 212 713	-	685 022 293
Debt securities issued	1 391 081	10 109 664	10 000 000	15 517 149	25 000 000	-	-	62 017 894
Other liabilities	135 494 246	-	-	-	-	-	-	135 494 246
Equity	-	-	-	-	-	-	142 066 024	142 066 024
Total liabilities and equity	**574 453 557**	**130 888 873**	**45 937 897**	**60 059 466**	**220 397 743**	**186 791 059**	**142 066 024**	**1 360 594 619**
Net position	**(101 654 559)**	**(87 465 742)**	**11 046 510**	**232 385 929**	**12 356 473**	**69 396 049**	**(136 064 660)**	**-**
Accumulated gap	**(101 654 559)**	**(189 120 301)**	**(178 073 791)**	**54 312 138**	**66 668 611**	**136 064 660**	**-**	

27. Risk management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities. The tables below summarise the maturity profile of financial assets and liabilities as at 31 December 2015 and 31 December 2014 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The tables do not reflect the expected cash flows indicated by the Group's deposit retention history.

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 to 12 months	1 year to 3 years	More than 3 years	Total
Financial assets as at 31 December 2015							
Cash and cash balances	22 730 813	-	-	-	-	-	22 730 813
Trading securities							
- held by the Group	3 652 106	-	-	-	-	-	3 652 106
Amounts due from credit institutions	164 022 504	482 224	15 949 036	41 216 391	100 167 119	33 139 833	354 977 107
Derivative financial assets:							
- Contractual amounts payable	(9 382 522)	(25 266 950)	(6 265 613)	(12 493 570)	(31 991 727)	(22 570 894)	(107 971 276)
- Contractual amounts receivable	9 599 093	27 106 928	11 432 221	20 887 047	57 540 996	44 120 104	170 686 389
Derivative financial assets designated for hedging:							
- Contractual amounts payable	(997 774)	(6 254 920)	(1 732 887)	(9 002 645)	(20 896 099)	(23 946 255)	(62 830 580)
- Contractual amounts receivable	1 660 654	8 618 387	3 154 509	10 087 598	22 974 397	25 337 056	71 832 601
Loans to customers	31 032 345	45 914 935	80 611 584	145 242 159	268 026 260	485 542 563	1 056 369 846
Investment securities:							
available-for-sale							
- held by the Group	230 136	3 973 526	2 191 529	2 376 912	15 936 653	50 902 829	75 611 585
- pledged under repurchase agreements	484 373	484 598	62 364	752 282	2 862 603	21 902 381	26 548 601
held-to-maturity	-	1 080 750	-	1 080 750	4 323 000	23 657 250	30 141 750
Total undiscounted financial assets	**223 031 728**	**56 139 478**	**105 402 743**	**200 146 924**	**418 943 202**	**638 084 867**	**1 641 748 942**
Financial liabilities as at 31 December 2015							
Amounts due to credit institutions	88 162 743	40 468 335	2 869 496	3 458 906	36 801 697	59 090 584	230 851 761
Derivative financial liabilities:							
- Contractual amounts payable	14 686 632	41 581 806	14 603 782	44 044 562	69 194 159	10 118 536	194 229 477
- Contractual amounts receivable	(11 326 124)	(39 617 146)	(9 845 824)	(30 473 403)	(57 177 103)	(5 715 180)	(154 154 780)
Derivative financial liabilities designated for hedging:							
- Contractual amounts payable	545 377	8 998 862	5 446 343	36 616 517	35 475 374	5 306 194	92 388 667
- Contractual amounts receivable	(1 722 582)	(6 613 744)	(3 059 846)	(31 372 979)	(27 276 428)	(3 218 373)	(73 263 952)
Amounts due to customers	266 981 977	49 224 935	90 889 675	147 604 409	317 798 375	78 939 162	951 438 533
Debt securities issued	-	11 104 650	566 003	6 021 070	13 264 281	4 364 418	35 320 422
Total undiscounted financial liabilities	**357 328 023**	**105 147 698**	**101 469 629**	**175 899 082**	**388 080 355**	**148 885 341**	**1 276 810 128**

The maturity profile of the financial assets and liabilities at 31 December 2014 was the following:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 to 12 months	1 year to 3 years	More than 3 years	Total
Financial assets as at 31 December 2014							
Cash and cash balances	42 873 396	-	-	-	-	-	**42 873 396**
Trading securities							
- held by the Group	4 184 948	-	-	-	-	-	**4 184 948**
- pledged under repurchase agreements	263 368	-	-	-	-	-	**263 368**
Amounts due from credit institutions	195 079 900	3 748 655	9 473 421	55 601 316	9 692 654	70 420 970	**344 016 916**
Derivative financial assets:							
- Contractual amounts payable	(30 309 003)	(23 403 949)	(24 387 736)	(12 734 098)	(26 854 086)	(36 310 163)	**(153 999 035)**
- Contractual amounts receivable	48 075 653	29 343 823	34 592 172	14 907 679	40 759 994	57 800 110	**225 479 431**
Derivative financial assets designated for hedging:							
- Contractual amounts payable	(114 648)	(1 322 962)	(2 573 265)	(4 588 452)	(19 528 498)	(6 113 495)	**(34 241 320)**
- Contractual amounts receivable	967 946	3 332 359	5 464 639	7 154 065	24 519 725	6 117 645	**47 556 379**
Loans to customers	43 752 196	64 955 283	98 774 668	159 752 901	383 583 142	261 313 455	**1 012 131 645**
Investment securities available-for-sale:							
- held by the Group	53 783	748 463	958 941	1 840 719	10 216 211	50 349 131	**64 167 248**
- pledged under repurchase agreements	48 705	3 088 463	493 389	2 331 059	9 848 266	16 739 218	**32 549 100**
Total undiscounted financial assets	**304 876 244**	**80 490 135**	**122 796 229**	**224 265 189**	**432 237 408**	**420 316 871**	**1 584 982 076**
Financial liabilities as at 31 December 2014							
Amounts due to credit institutions	96 022 796	54 776 529	21 130 441	10 123 108	19 336 613	13 444 956	**214 834 443**
Derivative financial liabilities:							
- Contractual amounts payable	56 610 504	34 293 250	77 562 217	71 539 208	64 995 086	14 899 361	**319 899 626**
- Contractual amounts receivable	(42 287 190)	(27 672 222)	(52 196 012)	(49 110 347)	(44 610 557)	(10 814 599)	**(226 690 927)**
Derivative financial liabilities designated for hedging:							
- Contractual amounts payable	268 311	4 540 006	1 956 220	40 309 334	16 993 486	20 228 361	**84 295 718**
- Contractual amounts receivable	(517 633)	(3 986 284)	(1 404 055)	(28 805 375)	(11 574 943)	(17 645 081)	**(63 933 371)**
Amounts due to customers	387 305 063	78 392 654	30 437 027	44 039 139	281 034 631	25 685 121	**846 893 635**
Debt securities issued	-	1 678 795	1 203 281	3 286 408	33 067 500	40 525 000	**79 760 984**
Total undiscounted financial liabilities	**497 401 851**	**142 022 728**	**78 689 119**	**91 381 475**	**359 241 816**	**86 323 119**	**1 255 060 108**

The maturity analysis does not reflect the historical pattern of stable balances on current accounts. Withdrawals of current accounts historically are taking place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above.

Included in due to customers are term deposits of individuals. In accordance with the Russian legislation, the Group is obliged to repay such deposits upon demand (please refer to Note 17).

The table below shows the contractual expiry by maturity of financial commitments and contingencies.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Total
2015	11 688 510	22 657 301	45 689 107	64 418 564	128 772 488	28 982 530	302 208 500
2014	23 682 800	42 504 644	87 245 124	163 680 983	174 981 329	80 206 522	572 301 402

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Group distinguishes four market risk categories:
1. Interest Rate Risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments;
2. Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates;
3. Spread Risk is the risk that changes in credit spreads will affect bond prices;
4. Residual Risk is the risk that a price of a particular instrument will change due to its specific characteristics.

On a daily basis the Group assesses interest rate and currency risks for both the trading portfolio and banking book. Moreover, spread and residual risks are calculated for fixed income positions.

The Group applies a Value-at-Risk (hereinafter – "VaR") methodology for the measuring of all risks mentioned above. VaR measure adopted by the Group estimates the potential negative change in the market value of a portfolio at a 99% confidence level over a 1-day horizon. In addition, the Group calculates SVaR, a measure of the potential negative change in the market value of a portfolio at a 99% confidence level over a 1-day horizon in a period of market stress. The Group distinguishes the following types of VaR:
1. Total VaR is calculated for all risk factors taken in aggregate;
2. Interest Rate VaR is originated from interest rate risk exposure of the portfolio;
3. Foreign exchange VaR is originated from currency risk exposure of the portfolio;
4. Spread VaR is originated from spread risk exposure of the bond portfolio;
5. Residual VaR is originated from other factors exposure of the bond portfolio.

The Group also calculates an Incremental Risk Charge (hereinafter – "IRC") that complements additional standards being applied to VaR modelling framework according to amendments to Basel II. IRC is an estimate of the default and migration risks of unsecured credit products over a one year capital horizon at 99.9% confidence level.

For interest rate risk management and control the Group also uses a Basis Point Value (hereinafter – "BPV") measure, which shows a change of present value of the Group's position if interest rate changes by one basis point. The measure is calculated for all currencies in which the Group has interest rate exposures. In addition, for bonds the Group calculates a Credit Point Value (hereinafter – "CPV") measure that reflects a change of the bond position present value in case of credit spread changes by one basis point.

Starting in 2014, the Group additionally calculates (and includes in VaR calculation as a component of interest rate risk) the change of present value of the Group's position if cross-currency basis swap rates change by one basis point.

Since monitoring of VaR, BPV and CPV is an integral part of the risk management procedures, VaR, CPV and BPV limits and warning levels have been established and exposures are reviewed daily against the limits and warning levels by Market Risk Unit (hereinafter – "MRU"). IRC exposure is reviewed weekly.

The Group has adopted the following limits:
- Total VaR limit for the trading portfolio, and a warning level for total VaR for the whole portfolio;
- Total SVaR limit for the trading portfolio;
- IRC limit for total bond position;
- Total BPV limit for the whole portfolio;
- BPV limits split by currencies;
- Open foreign exchange position limits;
- CPV limit for total bond position.

In addition, local ALCO sets limits for BPV by timeband and business segment (ALM and Markets) and VaR warning levels for subportfolios.

Usage of VaR enables management of a position taking into consideration complex relationships and interdependencies between different risk factors. Typically MRU analyses VaR figures and sets BPV limits which help traders and the Finance Department to optimize risk profiles in volatile market environment. On a daily basis MRU performs stress-testing of all four market risk categories, in other words, the estimation of total portfolio present value change according to several predefined scenarios of market risk factor movements. In addition, MRU monitors on a daily basis the financial result of the trading operations and thoroughly investigates any significant variances.

The control of economic and regulatory open foreign currency position is performed by MRU on a daily basis against the established limits.

All limit violations are analyzed by MRU on a daily basis, and all limit breaches are escalated and reported to local ALCO and to UniCredit Bank Austria AG.

According to Basel III regulatory standards the Credit Valuation Adjustment (modification of derivatives market value taking into account counterparty credit risk) and corresponding impact on capital are calculated monthly by the Group. Additionally, the requirements of minimum mark-up of derivative transactions with corporate counterparties are applied.

In 2014 the Group implemented a new IT system for Market risk measurement, which has considerably increased MRU's capability to perform stress tests. The new system also enables to calculate sensitivities to basis spread movements. Interest rate risk model for non-performing loans has been implemented.

In an effort to control the Group's trading strategy the sensitivity analysis of statement of comprehensive income in terms of risk factors is performed monthly and presented to ALCO. In 2014, the analysis was expanded to include historical impact of the risk factors.

In 2015 Group continued to improve its VaR model by introduction of more detailed risk factors on interest rate curves distinguishing different curve types for every currency.

Interest rate risk management of the banking book. The Group uses the active interest rate risk management concept, which aims to minimize the net interest income volatility of the banking book.

In the banking book interest rate risk position there is a discrepancy between economic (behavioural) and contractual maturities of financial instruments. It concerns both instruments with fixed contractual maturities (loans and time deposits) and instruments without contractual maturities (current accounts, capital). Based on the historical observation, the Group developed models that allowed applying a behavioural approach to such kinds of banking book items for construction of interest rate risk position with the aim of better interest rate risk management by means of preventing over-hedging and encouraging self-hedging. The Group applies behavioural models to current accounts, short-term customer time deposits and time deposits with auto-rollover option as well as to capital. The Group has developed a prepayment model for retail loans and implemented it in interest rate risk position. For avoiding an accounting discrepancy between hedged items of the banking book calculated on an accrual basis and hedging instruments calculated on a mark-to-market basis and, as a result, to stabilize net interest income, the Group uses hedge accounting methodology. Currently, Macro Cash Flow Hedge and Portfolio Fair Value Hedge are used.

Objectives and limitation of VaR methodology (unaudited). The Group uses Basel II compliant VaR methodology based on historical simulations. Historical simulation is a method that allows to calculate VaR without making any assumptions about the statistical distribution of the portfolio value movements. This approach involves the construction of the hypothetical distribution of the yields (profit and losses) of a portfolio of financial instruments directly by means of the historical fluctuations of the market prices. Once the hypothetical distribution has been calculated, the VaR is given by the percentile evaluation with the 99% confidence interval.

VaR estimates are based on historical data and therefore have some limitations. The volatility of interest and exchange rates observed in the past might not match the current market conditions, which could lead to an underestimation of future losses. The VaR measure does not account for any losses that may occur beyond the 99% confidence level.

The adequacy of the models used by the Group is controlled using a back-testing method, which compares VaR measures with realized mark-to-market revaluation for traded instruments and mark-to-model revaluation for non-traded instruments. This analysis is provided by MRU on a monthly basis.

One single model is used to estimate VaR for all purposes (regulatory, market risk disclosures, etc.). Changes to VaR model/parameters (if any are required) are validated using the back-testing approach mentioned above. Regulatory requirements for approval, if any, are handled at the UniCredit Group level.

Computational results (unaudited). The following table shows an estimation of the potential losses that could occur on all risk positions as a result of movements in market rates and prices:

	2015	**2014**
Total VaR	1 803 975	1 476 262
Interest Rate VaR	1 427 374	1 154 759
Spread VaR	1 728 019	356 283
Foreign exchange VaR	19 295	37 279

The banking book includes corporate and retail loans and bonds from the investment portfolio on the asset side and deposits and debt securities issued on the liability side offset by interest rate swaps.

The following table shows estimation of the potential losses that could occur on the banking book risk positions as a result of movements in market rates and prices:

	2015	2014
Total VaR	1 782 603	1 299 447
Interest Rate VaR	1 395 248	1 174 907
Spread -VaR[1]	1 702 358	341 452
Foreign exchange VaR[2]	-	-

[1] Spread risk in the banking book arises from bonds comprising investment portfolio.
[2] Foreign exchange risk is defined as the risk arising from the net open position of the Group and allocated to the trading book. The foreign exchange risk component of the banking book is therefore considered to be zero.

The following table shows estimation of the potential losses that could occur on the trading book risk positions as a result of movements in market rates and prices:

	2015	2014
Total VaR	230 752	186 151
Interest Rate VaR	214 123	137 614
Spread VaR	26 654	14 831
Foreign exchange VaR	19 295	37 279

Operational risk

Operational risk definition and risk management principles. The Group defines as "operational" the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of operational risk includes legal risk but excludes strategic and reputation risk. Legal risk includes but is not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions as well as private settlements.

The management of operational risk as defined above is based on the following fundamental principles:
- Involvement of corporate governing bodies in all the relevant decisions regarding the operational risk management framework;
- Independence of operational risk management function from the risk taking functions;
- Effective system of controls at different control levels (line, second level and third level);
- Clear separation between the operational risk management framework development and validation functions;
- Involvement of operational risk management function in the evaluation of the risks within new products, processes, systems and markets;
- Effective and efficient escalation and decision-making process;
- Adequate and periodical disclosure and reporting process.

Operational risk management framework. The Group follows the UniCredit Group's operational risk management framework in its guiding standards and principles as well as with the legislation of the Russian Federation.

The implementation of the standards and principles is substantially supported by the exhaustive set of internally approved normative documents being constantly maintained and updated in accordance with both external and internal requirements.

The Board of Management holds the responsibility for the establishment, governance and continuous monitoring of the effective and efficient operational risk management system. The Board of Management establishes the general policies of the Group's operational risk management system and has control over its due implementation and its actual operations including but not limiting to:
- Approval of the operational risk framework and any essential changes to it as well as all internal normative documents of the Bank guiding the operational risk management system;
- Establishment of an operational risk management function being of appropriate independence of judgement and having the adequate personnel and other resources;
- Assurance that the tasks and responsibilities of the functions involved in the operational risk management system are assigned in a clear and appropriate manner with special regard to avoidance of conflicts of interest;
- Establishment of informing and reporting system providing accurate, complete and timely information on operational risk exposure and other significant operational risk management issues.

For further enforcement of the operational risk management system, Operational Risk Committee being a governing body primarily is responsible for making decisions on operational risk topics and ongoing monitoring of developments affecting the Group's business and promoting the exchange of information among the divisions and individual operating functions (Retail Banking, CIB, CFO, Legal, HR, Security) representing line controls.

The Operational Risk Management Unit (hereinafter – "ORM Unit") performing the second level controls is fully independent from risk taking functions performing the line level controls. The ORM Unit's main methodologies, tools and activities to identify, assess, monitor and mitigate operational risk are focused on but not limited to:
- Loss in data collection including general ledger analysis, accounts reconciliation, transitory and suspense accounts monitoring, data quality control;
- Key operational risk indicators;
- Scenario analysis;
- Operational risk limits control;
- Insurance coverage;
- Capital at risk allocation according to the Basel II Standardized Approach;
- New products/processes analysis from the operational risk impact perspective;
- Credit bureaus cooperation;
- Reporting and escalating any of the essential operational risk issues to the Board of Management, Internal Audit Department and competent UniCredit Group functions.

In order to assure and sustain the efficacy of the Operational Risk identification and mitigation processes, a Permanent Workgroup is operating which aims at identifying the source of Operational Risk and reduce the Operational Risk exposure, leveraging mainly on the expertise of the ORM Unit and Organization Department.

The Internal Audit Department performing the third level controls cooperates with the ORM Unit in terms of setting, development, implementation and maintenance of the operational risk management system, operational risk identification and the inherent local internal validation process.

28. Fair values of financial instruments

Fair value is defined as 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 values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, deposits by banks and customers, promissory notes issued, subordinated debt, other borrowing funds and other financial assets and liabilities, there is no reliable market value available for these portfolios. In order to present fair value for these financial instruments a separate recalculation procedure is performed by a special routine which uses cash flows of each individual deals as a basis. The cash flows are multiplied with the respective discount factor per time bucket, currency and risk product (asset or liability).
  In accordance with the Group methodology discount factors include:
  - for assets: Risk free rate + expected loss + unexpected loss
  - for liabilities: Risk free rate + own credit spread (liquidity spreads)
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value valuation of derivative instruments is based on discounted cash flow analysis and performed using the management's best estimates and applicable interest rates. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Notes to Consolidated Financial Statements (Continued)

28. Fair values of financial instruments (Continued)

For the purpose of calculation fair value of financial instruments the Group applies ratios calculating by UniCredit Bank Austria AG.

Except as detailed in the following table, the Group consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair value.

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	336 744 808	321 744 421	332 555 937	327 034 093
Loans to customers	867 295 074	885 729 267	826 851 401	852 715 500
Investment securities held-to-maturity	16 130 748	16 305 248	-	-
Financial liabilities				
Amounts due to credit institutions	193 922 309	211 690 450	209 956 341	210 922 593
Amounts due to customers	931 426 988	944 180 736	810 620 505	827 401 485
Debt securities issued	32 979 085	32 582 136	62 007 167	59 722 181

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at amortized cost, grouped into Levels 1 to 3.

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	-	321 744 421	321 744 421
Loans to customers	-	-	885 729 267	885 729 267
Investment securities held-to-maturity	8 128 470	8 176 778	-	16 305 248
Financial liabilities				
Amounts due to credit institutions	-	-	211 690 450	211 690 450
Amounts due to customers	-	-	944 180 736	944 180 736
Debt securities issued	-	32 582 136	-	32 582 136

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	-	327 034 093	327 034 093
Loans to customers	-	-	852 715 500	852 715 500
Financial liabilities				
Amounts due to credit institutions	-	-	210 922 593	210 922 593
Amounts due to customers	-	-	827 401 485	827 401 485
Debt securities issued	-	59 722 181	-	59 722 181

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading securitites				
- held by the Group	437 860	3 214 246	-	3 652 106
Derivative financial assets	-	65 526 002	-	65 526 002
Derivative financial assets designated for hedging	-	7 042 056	-	7 042 056
Investment securities available-for-sale				
- held by the Group	36 936 733	17 839 374	-	54 776 107
- pledged under repurchase agreements	14 390 682	451 250	-	14 841 932
Total	**51 765 275**	**94 072 928**	**-**	**145 838 203**
Financial liabilities at FVTPL				
Derivative financial liabilities	-	49 246 075	-	49 246 075
Derivative financial liabilities designated for hedging	-	19 306 086	-	19 306 086
Total	**-**	**68 552 161**	**-**	**68 552 161**

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading securitites				
- held by the Group	1 326 696	2 858 252	-	4 184 948
- pledged under repurchase agreements	-	263 368	-	263 368
Derivative financial assets	-	81 685 033	-	81 685 033
Derivative financial assets designated for hedging	-	12 003 652	-	12 003 652
Investment securities available-for-sale				
- held by the Group	26 451 655	6 093 587	-	32 545 242
- pledged under repurchase agreements	-	21 815 961	-	21 815 961
Total	**27 778 351**	**124 719 853**	**-**	**152 498 204**
Financial liabilities at FVTPL				
Derivative financial liabilities	-	104 534 651	-	104 534 651
Derivative financial liabilities designated for hedging	-	20 464 088	-	20 464 088
Total	**-**	**124 998 739**	**-**	**124 998 739**

The table above does not include AFS equity investments of RUB 119 652 thousand (31 December 2014: RUB 8 540 thousand) which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently the Group does not intend to dispose of these investments.

During the year ended 31 December 2015 the transfers from levels 1 to level 2 for available-for-sale securities amounted to RUB 451 851 thousand (2014: no transfers from level 1 to level 2). During the year ended 31 December 2015 the transfers from level 2 to level 1 category amounted to RUB 2 183 088 thousand for available-for-sale securities (2014: transfers from level 2 to level 1 amounted to RUB 720 168 thousand). During the year ended 31 December 2015 and 31 December 2014 there were no transfers for trading securities.

29. Related party disclosures

The Group's ultimate shareholder is the UniCredit S.P.A, the parent company of UniCredit Group. The Bank's immediate parent is UniCredit Bank Austria AG. Both entities produce publicly available financial statements.

In accordance with IAS 24 Related Party Disclosures, 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be conducted on the same terms, conditions and amounts as transactions between unrelated parties.

Balances and transactions with UniCredit Bank Austria AG (the immediate parent) and UniCredit S.P.A (ultimate parent) were as follows:

	31 December 2015	Weighted average interest rate, %	31 December 2014	Weighted average interest rate, %
Amounts due from credit institutions				
- In EUR	560 100	0.0%	519 897	0.0%
- In USD	210 655 001	3.1%	119 834 946	3.3%
Derivative financial assets	65 775		3 661	
Derivative financial assets designated for hedging	302 860		-	
Other assets	115 505		126 927	
Amounts due to credit institutions				
- In Russian Roubles	4 893 570	8.0%	4 872 000	6.4%
- In EUR	20 119 736	1.9%	17 621 039	2.1%
- In USD	46 409 005	8.5%	44 510 280	2.2%
Derivative financial liabilities	13 320 617		17 342 174	
Derivative financial liabilities designated for hedging	4 144 017		10 224	
Other liabilities	632 275		448 834	
Commitments and guarantees issued	13 025 828		10 441 771	
Commitments and guarantees received	97 532 631		98 489 972	

	2015	2014
Interest income	9 930 446	2 593 831
Interest expense	(3 561 859)	(2 797 227)
Fee and commission income	29 193	25 036
Fee and commission expense	(2 522 053)	(206 024)
Losses on financial assets and liabilities held for trading	(9 332 902)	(18 997 951)
Fair value adjustments in portfolio hedge accounting	6 126	347
Personnel expenses	(10 425)	(19 642)
Other administrative costs	(117 309)	-

Balances and transactions with other companies controlled by the UniCredit Group or related with UniCredit Group are as follows:

	31 December 2015	Weighted average interest rate, %	31 December 2014	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	12 596 181	14.2%	10 994 784	13.0%
- In EUR	10 567 575	0.4%	8 193 844	0.4%
- In USD	1 466 189	4.1%	1 139 014	4.1%
- In other currencies	4 822	0.0%	2 736	0.0%
Derivative financial assets	7 491 744		6 801 297	
Derivative financial assets designated for hedging	4 761 503		3 067 860	
Loans to customers				
- In Russian Roubles	864 197	5.0%	731 662	5.0%
- In EUR	-		2 675 568	6.1%
Intangible assets	1 175 070		886 550	
Other assets	17 791		39 162	
Amounts due to credit institutions				
- In Russian Roubles	2 683 006	7.9%	2 286 350	22.2%
- In EUR	5 394 160	0.0%	2 709 370	0.0%
- In USD	379 645	0.0%	5 663 104	2.3%
- In other currencies	1 413	0.0%	1 967	0.0%
Derivative financial liabilities	10 639 021		12 052 242	
Derivative financial liabilities designated for hedging	7 492 424		15 000 188	
Amounts due to customers				
- In Russian Roubles	10 867	8.6%	22 482	19.2%
- In EUR	332 508	0.0%	391 218	2.1%
Other liabilities	811 259		976 985	
Commitments and guarantees issued	5 915 263		16 872 379	
Commitments and guarantees received	980 193		6 441 018	

	2015	2014
Interest income	9 619 072	4 841 878
Interest expense	(4 634 398)	(3 679 654)
Fee and commission income	81 758	20 193
Fee and commission expense	(80 401)	(51 683)
Gains /(losses) on financial assets and liabilities held for trading	877 608	(3 795 653)
Fair value adjustments in portfolio hedge accounting	(3 405 693)	(274 845)
Other income	443	808
Personnel expenses	(50 271)	(58 653)
Other administrative expenses	(112 681)	(100 382)

Notes to Consolidated Financial Statements (Continued)

29. Related party disclosures (Continued)

Balances and transactions with key management personnel are as follows:

	31 December 2015	31 December 2014
Amounts due to customers	296 028	102 556
Other liabilities	22 018	17 025

	2015	2014
Interest expense	(11 360)	(4 051)
Personnel expenses, including:	(312 530)	(345 922)
short-term benefits	(163 236)	(168 708)
long-term benefits	(148 146)	(176 181)
post-employment benefits	(1 148)	(1 033)

Subordinated loans from the members of the UniCredit Group were as follows for 2015 and 2014:

	2015	2014
	UniCredit Bank Austria AG	UniCredit Bank Austria AG
Subordinated loans at the beginning of the year	13 753 224	12 326 113
Subordinated debt repaid during the year	-	(3 503 430)
Subordinated debt received during the year	27 761 347	-
Accrual of interest, net of interest paid	18 283	255 981
Effect of exchange rates changes	9 558 843	4 674 560
Subordinated loans at the end of the year	**51 091 697**	**13 753 224**

Notes to Consolidated Financial Statements (Continued)

29. Related party disclosures (Continued)