Translation of the original Russian version

Joint Stock Company
“Russian Agency for Export Credit and Investment Insurance” (JSC “EXIAR”)

Separate financial statements

for the year ended 31 December 2015
together with independent auditors’ report

Contents

Translation of the original Russian version

Independent auditors' report

To the shareholders and Board of Directors of
Russian Agency for Export Credit and Investment Insurance JSC

We have audited the accompanying separate financial statements of Russian Agency for Export Credit and Investment Insurance JSC, which comprise the separate statement of financial position as at 31 December 2015, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Russian Agency for Export Credit and Investment Insurance JSC as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

25 March 2016

Moscow, Russia

Separate statement of financial position
(in thousands of Russian rubles)

	Notes	2015	2014
Assets			
Cash	3	45,718	35,071
Amounts due from credit institutions	4	26,084,159	21,633,937
Financial assets at fair value through profit or loss	5	307,149	305,418
Insurance receivables	6	1,182,914	860,061
Loans and receivables	7	12,737,583	12,734,938
Reinsurance assets	12	–	7,093
Income tax prepayment		46,281	54,177
Deferred tax assets	14	36,486	39,202
Property and equipment	8	1,408,132	1,393,366
Investments in subsidiary	9	12,363,830	2,155,072
Intangible assets	10	1,500	1,723
Other assets	11	117,838	68,531
Total assets		**54,331,590**	**39,288,589**
Liabilities			
Insurance contract liabilities	12	3,831,046	2,253,289
Insurance payables	13	2,185	5,438
Payables	13	20,585	2,182,422
Other liabilities	15	177,319	191,321
Total liabilities		**4,031,135**	**4,632,470**
Equity	16		
Share capital		43,529,913	31,376,437
Reserve capital		164,083	102,278
Other reserves		920,363	–
Retained earnings		5,686,096	3,177,404
Total equity		**50,300,455**	**34,656,119**
Total liabilities and equity		**54,331,590**	**39,288,589**

Signed and authorized for release on behalf of:

____________________ A.A. Tyupanov
CEO

____________________ M.A. Lenina
Chief Accountant

25 March 2016

Separate statement of profit or loss and other comprehensive income
(in thousands of Russian rubles)

	Notes	2015	2014
Insurance			
Gross premiums written		2,429,576	872,699
Premiums ceded		–	(12,459)
Net premiums written	17	**2,429,576**	**860,240**
Gross change in unearned premium reserve	12	(2,402,232)	(1,129,262)
Change in unearned premium reserve ceded		(6,540)	6,540
Claims paid		(24,270)	(2)
Gross change in loss reserve	12	824,475	(221,765)
Change in loss reserves ceded		(553)	553
Net fee and commission income (expense)	18	(33,247)	1,267
Other insurance income	19	179,844	251,956
Insurance result		**967,053**	**(230,473)**
Interest income	20	4,030,874	2,588,844
Fair value gains		1,140	1,860
Other income/(expenses)		(366)	1,944
Other operating and administrative expenses	21	(1,227,464)	(1,220,951)
Operating and investment income less expenses		**2,804,184**	**1,371,697**
Net gains/(losses) from foreign currencies	22	393,835	415,400
Profit before tax		**4,165,072**	**1,556,624**
Income tax expense	14	(674,212)	(321,063)
Net profit for the period		**3,490,860**	**1,235,561**
Other comprehensive income for the period, net of tax		–	–
Comprehensive income		**3,490,860**	**1,235,561**

Separate statement of changes in equity
(in thousands of Russian rubles)

	Notes	Share capital	Retained earnings	Other reserves	Reserve capital	Total equity
At 31 December 2013		**30,000,000**	**1,978,355**	**–**	**65,766**	**32,044,121**
Profit for the year		–	1,235,561	–	–	**1,235,561**
Issue of share capital		1,376,437	–	–	–	**1,376,437**
Reserve capital charge		–	(36,512)	–	36,512	**–**
Charge of other reserves		–	–	–	–	**–**
At 31 December 2014		**31,376,437**	**3,177,404**	**–**	**102,278**	**34,656,119**
Profit for the year		–	3,490,860	–	–	**3,490,860**
Issue of share capital		12,153,476	–	–	–	**12,153,476**
Reserve capital charge		–	(61,805)	–	61,805	**–**
Charge of other reserves		–	(920,363)	920,363	–	**–**
At 31 December 2015	16	**43,529,913**	**5,686,096**	**920,363**	**164,083**	**50,300,455**

Separate statement of cash flows
(in thousands of Russian rubles)

	Notes	2015	2014
Cash flows from operating activities			
Profit for the period before tax		4,165,072	1,556,624
Adjustments for non-monetary items included in profit before tax			
Depreciation and amortization	21	85,495	42,417
Loss on disposal of property and equipment		–	2,687
Deferred income tax	14	2,716	–
Changes in unrealized revaluation of financial instruments		(1,140)	–
Accrued but not received interest income on amounts due from credit institutions		(26,729)	(4,033)
Accrued but not received interest income on financial assets at fair value through profit or loss		(591)	(185,138)
Accrued but not received interest income on loans and receivables		(2,645)	(6,558)
Changes in insurance contract liabilities		1,577,757	1,351,027
Other non-monetary adjustments		(4,312)	–
Cash flows from operating activities before changes in operating assets and liabilities		**5,795,623**	**2,757,026**
Net (increase)/decrease in operating assets			
Insurance receivables		(322,853)	(769,275)
Reinsurance assets		7,093	(7,093)
Change in investments in subsidiary due to subordinated deposit revaluation		(208,758)	–
Other assets		(49,307)	(25,891)
Net increase/(decrease) in operating liabilities			
Insurance payables		(3,253)	5,438
Other liabilities		(20,767)	96,465
Income tax paid		(663,600)	(195,136)
Net change in cash from operating activities		**4,534,178**	**1,861,534**
Cash flows from investment activities			
Deposits placed		(26,343,932)	(25,650,590)
Deposits repaid		21,920,439	20,048,632
Loans and receivables		–	(5,000,720)
Financial assets at fair value through profit or loss		–	(298,860)
Purchase of shares in subsidiaries	9	(10,000,000)	–
Purchase of property and equipment		(100,038)	(10,175)
Purchase of intangible assets		–	–
Net change in cash from investment activities		**(14,523,531)**	**(10,911,713)**
Cash flows from financing activities			
Issue of share capital	16	10,000,000	–
Net change in cash from financing activities		**10,000,000**	**–**
Net increase in cash		**10,647**	**(9,050,179)**
Cash, beginning	3	35,071	9,085,250
Cash, ending	3	**45,718**	**35,071**

The accompanying notes on pages 7 to 38 are an integral part of these separate financial statements.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

1. Principal activities

Russian Agency for Export Credit and Investment Insurance (short name – JSC "EXIAR") (the "Agency") is a joint stock company incorporated pursuant to provisions of Federal Law No. 82-FZ of the Russian Federation, *On Bank for Development*, dated 17 May 2007.

The primary objective of the Agency's activities is to provide insurance services in connection with exports of Russian goods (work, services) and Russian investments abroad.

The Agency operates in pursuance of the above Law without obtaining a special permit (license) and its activity is not subject to Federal Law of the Russian Federation *On Organization of Insurance in Russian Federation*. The Agency is guided by the Rules approved by Resolution No. 964 of the Government of the Russian Federation dated 22 November 2011.

State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" was the sole shareholder of the Agency till December 2015. In 2015, Joint Stock Company Russian Export Center (state institute for export support) was created within the structure of the Vnesheconombank Group under the support of the Russian government. As a part of implementing the one-stop-shop service for work with exporters, it was decided to change the structure of the Vnesheconombank Group. As a result, in December 2015, the sole shareholder of the Agency was replaced by a new shareholder, JSC Russian Export Center.

In 2015, the Agency opened two branches: in Vladivostok and Minsk, Republic of Belarus (31 December 2014: no branches).

In accordance with the requirements of Federal Law No. 99-FZ *On Amending Chapter 4 of Part 1 of the Civil Code of the Russian Federation, and on Recognizing Certain Provisions of Russian Legislative Acts to be Void*, dated 5 May 2014 and effective from 1 September 2014, the Agency introduced changes to its foundation documents to bring them in compliance with Chapter 4 of the Civil Code of the Russian Federation. The Agency changed its legal form from open joint-stock company ("OJSC") to joint-stock company ("JSC"). Those changes were introduced based on the decision of the general shareholders' meeting No. 24 dated 27 January 2015 and registered in the Unified State Register of Legal Entities on 4 February 2015 under main state registration number 2157746631623.

The Agency is the parent of JSC EXIMBANK OF RUSSIA:

Company, place of state registration and/or place of business, business activity	Equity interest held	Voting interest held (if equity and voting interests are different)
JSC EXIMBANK OF RUSSIA	100%	100%

The Agency is located (registered) at: 1st Zachatievsky Pereulok, 3, bld. 1, 119034 Moscow, Russian Federation.

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia by several countries in 2014. The ruble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, despite the subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding the future economic growth, which could negatively affect the Agency's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Agency's business in the current circumstances.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies

2.1. Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Agency applied the exemption from preparing consolidated financial statements envisaged by IFRS 10.4(a) *Consolidated Financial Statements*. The consolidated financial statements are prepared at the level of the Vnesheconombank Group. The IFRS consolidated financial statements prepared by Vnesheconombank and incorporating both the Agency and its subsidiary, ROSEXIMBANK, are available on its corporate website at www.veb.ru.

The Agency is required to maintain its accounting records and prepare its statutory financial statements in accordance with Russian accounting legislation and related instructions ("RAL"). These separate financial statements are based on RAL, as adjusted and reclassified in order to comply with IFRS.

These separate financial statements have been prepared on a historical cost convention unless disclosed otherwise in the accounting policies below. These separate financial statements are presented in thousands of Russian rubles ("RUB"), unless otherwise indicated. The ruble is used as the presentation currency since the majority of the Agency's transactions are denominated, measured or funded in Russian rubles (functional currency).

The accounting policies applied in the preparation of these separate financial statements are set out below. The accounting policies were not changed and applied consistently to all reporting periods presented in these separate financial statements.

Preparation of these separate financial statements under the IFRS requires the management to use estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and contingent liabilities as at the date of the financial statements, and the reported amounts of income and expenses of the reporting period. Although these estimates are based on management's best knowledge of current events and operations, actual results ultimately may differ from those estimates (Note 2.4).

2.2. Summary of significant accounting policies

Financial assets

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

Financial assets of the Agency comprise cash and cash equivalents, amounts due from banks (deposits), insurance receivables, loans, quoted and unquoted financial instruments and the loss reserves ceded.

Financial assets are initially recognized at fair value, i.e. at fair value of the compensation paid, taking into account transaction costs directly attributable to the origination of an asset or a liability, except for financial instruments designated as instruments carried at fair value through profit or loss. Such transaction costs are not included in the cost of initial recognition of an instrument, but immediately expensed within profit (loss) for the period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a voluntary transaction between market participants at the measurement date. Fair value is best evidenced by the quoted price in an active market. Active market means a market in which transactions for the asset or liability take place with sufficient frequency and in sufficient volume so as to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or reference to the current market value of the investees are used to fair value certain financial instruments for which external market pricing information is not available.

These valuation techniques may require professional judgment not supported by observable market data. Changing any such judgments to a reasonably possible alternative would result in significantly different profit, income, total assets or liabilities.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.2. Summary of significant accounting policies (continued)

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

Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or storage costs.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future loan losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The subsequent measurement of financial assets depends on their classification as follows:

Category of asset/liability	Subsequent accounting	Profit (loss) recognized in determining fair value	Amortization	Impairment test (recognition)
Financial instruments at fair value through profit or loss	Fair value	Statement of profit or loss	No	No
Investments held to maturity	Amortized cost	No	Statement of profit or loss	Yes (statement of profit or loss)
Loans and receivables	Amortized cost	No	Statement of profit or loss	Yes (statement of profit or loss)
Available-for-sale financial assets	Fair value	Equity	No	Yes (statement of profit or loss)

Financial instruments are subsequently recognized based on reasonable professional judgments of responsible persons with regard to each category of financial assets and financial liabilities as described in accounting policies.

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

At each reporting date, the Agency assesses 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 have occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event 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 the 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 reorganization 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.

2. Accounting policies (continued)

2.2. Summary of significant accounting policies (continued)

For financial assets carried at amortized cost, the Agency 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 Agency 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, recognized 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 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 recognized 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 and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Agency. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the separate statement of profit or loss.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Cash

Cash comprises cash on settlement (current) accounts.

Amounts due from credit institutions (deposits)

Amounts due from banks represent cash provided by the Agency to counterparty banks under deposit agreements. Amounts due from banks are carried at amortized cost less provision for impairment.

Insurance receivables

Insurance receivables are recognized when insurance premium is accrued under the respective contract and measured on initial recognition and subsequent accounting at the amortized cost of cash received or receivable. Insurance receivables comprise settlements with insurers and brokers, as well as settlements on subrogation and regressions.

If the Agency has sufficient evidence that the receivables will not be repaid, the Agency accrues an allowance for impairment, which is credited to the present value of receivables. The impairment of receivables is recognized through profit or loss of the current year in the statement of profit or loss and other comprehensive income. The Agency obtains evidence of impairment under insurance and reinsurance receivables using methods and estimates similar to those which are used to review impairment of financial assets recognized at the amortized cost taking into account the specifics of the Agency's core activities.

Reinsurance

The Agency cedes insurance risks in the normal course of business. Reinsurance assets represent balances due from reinsurers.

Reinsurance assets are tested for impairment at each reporting date or more often, if there are indicators of impairment during the reporting period.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.2. Summary of significant accounting policies (continued)

Impairment occurs when objective evidence exists, being a result of an event that occurred after the initial recognition of the reinsurance asset, that the Agency may not recover all the outstanding amounts under the contract, and when the impact on the amounts that the Agency will receive from the reinsurer can be measured reliably. Impairment loss is recognized in the statement of profit or loss. Reinsurance acquisition gains and losses are recognized immediately in profit or loss at the date of acquisition and are not amortized. Ceded reinsurance arrangements do not relieve the Agency from its obligations to policyholders.

The Agency also assumes reinsurance risks in the normal course of business. Premiums and losses on reinsurance risks assumed by the Agency are recognized within revenue or losses in the same manner as if reinsurance had been direct insurance. Reinsurance liabilities represent balances due to reinsurance companies. The estimate of the amounts payable depends on the respective reinsurance arrangements.

Premiums and losses on the ceded and assumed reinsurance arrangements are presented on a gross basis.

Reinsurance assets or liabilities are derecognized upon termination of the contractual rights or their expiry, or assignment of a contract to a third party.

Property and equipment

Property and equipment, including real estate, are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment losses. Replacement or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably.

Assets with the cost of less than RUB 40 thousand per unit are not recognized within property and equipment.

Property and equipment are depreciated using the straight-line method based on the useful life of 2-10 years set for furniture and equipment and 15-60 years for buildings.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

At each reporting date, the Agency assesses whether there is any indication of impairment of property and equipment. If any such indication exists, the Agency estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down to the recoverable amount and the difference is charged to the statement of profit or loss and other comprehensive income. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the recoverable amount.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Intangible assets

Intangible assets of the Agency have definite useful life and mainly include expenses for software development. Intangible assets are amortized on a straight-line basis over their useful lives. The useful lives of intangible assets are assessed based on the terms of validity of the Agency’s rights for the means of individualization (trademarks) or expected useful life of the asset (website).

2. Accounting policies (continued)

2.2. Summary of significant accounting policies (continued)

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for in the separate financial statement by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with a finite life is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Insurance contract liabilities

The Agency accrues insurance reserves to ensure performing its obligations on insurance and reinsurance. Accrual of insurance reserves means an actuarial estimate of the Agency's obligations to guarantee future insurance payments under insurance and reinsurance contracts and other activities under these contracts (insurance liabilities).

The insurance reserves accrued by the Agency include the following types of reserves:

- **Unearned premium reserve** is a part of insurance premium accrued under the insurance contract that relates to the contract term after the reporting date (hereinafter, "unearned premium") and is used for the purpose of performing obligations to guarantee insurance payments in case of insured events which may occur under the insurance contract after the reporting date. In order to calculate unearned premium reserve, accrued insurance premium is reduced by the amount of accrued commission fee. The Agency does not recognize deferred acquisition costs due to specifics of the insurance products sold.
- **Premium deficiency reserve** is made when the insurance premium is insufficient to perform the Agency's obligations to guarantee insurance payments in case of insured events which may occur after the reporting date.
- **Realized claims reserve** is made in order to recognize the Agency's obligations to perform insurance payments on the claims realized before the reporting date.
- **Loss reserve** is made in order to recognize the Agency's unpaid or partially unpaid obligations to make insurance claim payment:
  - On realized claims, for which the waiting period expired before the reporting date.
  - On claims realized before the reporting date, for which the waiting period is not specified.

The share of a reinsurer (reinsurers) in insurance contract liabilities is determined for each contract (group of contracts) subject to the conditions of the reinsurance contract (contracts) in accordance with the methods specified in the Agency's internal documents.

Financial liabilities

All financial liabilities are initially recognized at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Agency's financial liabilities include insurance and other payables, and provisions (for unused vacations and annual bonuses). Payables are carried at amortized cost and are recognized on an accrual basis.

Reinsurance receivables and payables are offset if there are a legally enforceable right and intent to set off. Insurance payables represent the Agency's debt to insurance brokers on settlements related to entering into insurance contracts and payment of commissions for insurance contracts. Reinsurance payables represent payables of the reinsurance policyholders and reinsurers under reinsurance contracts.

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. Accounting policies (continued)

2.2. Summary of significant accounting policies (continued)

A financial liability is derecognized in the separate statement of financial position when the obligation under the liability is discharged or canceled, or expires. When an existing financial liability is replaced by another 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities.

The tax rates and tax laws used for calculation of this amount are those that are enacted or substantively enacted in Russian Federation by the reporting date. Current income tax assets and liabilities also include adjustments for taxes expected to be paid or recovered in respect of previous periods.

Deferred tax

Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, unused tax benefits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax benefits and unused tax losses can be utilized, except where a deferred tax asset relating to a deductible temporary difference arises from the initial recognition of an asset or liability which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Foreign currency translation

The separate financial statements are presented in Russian rubles, which is the Agency’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange 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 insurance contract liabilities and reinsurers’ share in insurance contract liabilities denominated in foreign currencies are recognized in the corresponding lines of the statement of profit or loss. Gains and losses resulting from the translation of insurance and reinsurance receivables and payables on premiums denominated in foreign currencies are recognized in profit or loss as a component of other insurance income and expenses. Gains and losses resulting from the translation of foreign currency transactions (other than stated above) are recognized in the statement of profit or loss as “Net gains/(losses) from foreign currencies”.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.2. Summary of significant accounting policies (continued)

The official CBR exchange rates at 31 December 2015 and 2014 were RUB 72.8827 and RUB 56.2584 to USD 1, respectively, and RUB 79.6972 and RUB 68.3427 to EUR 1, respectively.

Share capital and reserves

The share capital consists of ordinary shares. The Agency issued ordinary shares classified as equity instruments. Additional external costs directly related to issue of these shares are recognized as equity net of tax.

Reserve capital is formed in accordance with the Russian legislation to cover losses of the Agency, to redeem its bonds and buy back its shares when other funds are not available. In accordance with the Agency's Charter, reserve capital is formed as an annual allocation of net profit in the amount of 5% until the reserve reaches 5% of the share capital.

The Agency accrues other (insurance) reserves to comply with the requirements of clause 43 of the "Rules on insurance coverage for export credits and investments against entrepreneurial and political risks" approved by Resolution No. 964 of the Russian Government dated 22 November 2011. The Agency's Board of Directors determines the minimum level of insurance premiums to insurance reserves in accordance with these Rules. The Agency recognizes this reserve as equity in the separate financial statements in accordance with paragraphs BC89 and BC93 of IFRS 4 *Insurance Contracts*.

Income recognition

Gross insurance premiums written comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period, and are recognized at the later of the contract liability inception date or the date on which the contract is signed. Premiums comprise all adjustments made in the reporting period with regard to the premiums receivable under the policies sold in previous reporting periods. Partial repayments of the funds, which are a part of insurance premiums, are deducted from gross premiums; other repayments are recognized as expenses.

Interest income is recognized in the statement of profit or loss as it accrues and is calculated using the effective interest rate method. Commissions that are an integral part of the actual rate of return on the financial asset or liability are recognized as an adjustment of the effective interest rate on the instrument.

Expense recognition

Insurance losses include all claim losses occurring during the year, whether reported or not, the related internal and external settlement costs directly attributable to handling and covering losses, and all adjustments to claims outstanding from previous years.

Commission fee on acquired insurance contracts is recognized within expenses simultaneously with recognition of insurance premium on such contracts and is calculated by applying the respective commission fee rate to the amount of accrued insurance premium. Deferred acquisition costs are not recognized due to specifics of unearned premium reserve calculation.

Administrative and other operating expenses are generally recognized on an accrual basis when the product is received or the service is provided. Payroll expenses, contributions to the State Pension Fund and Social Insurance Fund, paid annual vacations and sick leaves, as well as bonuses and non-cash benefits are accrued when the relevant services are rendered by the Agency's employees. The Agency has no legal or constructive obligation to make pension or similar benefit payments beyond defined contribution plan payments.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosure principles

The accounting policies adopted are consistent with those of previous reporting years except that the Agency has adopted the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not relevant to the Agency, since the Agency does not have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 cycle

These improvements will become effective on 1 July 2014. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

These amendments had no significant impact on the separate financial statements of the Agency.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). These adjustments had no significant impact on the separate financial statements of the Agency.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’;
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

These adjustments had no significant impact on the separate financial statements of the Agency.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosures (continued)

IFRS 13 Fair Value Measurement

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Agency's current accounting policy, and thus this amendment has no impact on the Agency's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. These amendments had no significant impact on the separate financial statements of the Agency.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment has no impact on the separate financial statements of the Agency.

Annual improvements 2011-2013 cycle

These improvements are effective on 1 July 2014. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

These adjustments had no significant impact on the separate financial statements of the Agency.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Agency does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods the Agency has not applied IFRS 3 and IAS 40. These amendments had no impact on the separate financial statements of the Agency.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the separate financial statements of the Agency.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Agency's financial statements are disclosed below. The Agency intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 becomes effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Agency's financial assets, but no impact on the classification and measurement of the Agency's financial liabilities. The Agency expects a significant impact on its equity due to the adoption of IFRS 9 impairment requirements, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early application permitted. The Agency is currently assessing the impact of IFRS 15.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 becomes effective for annual periods beginning on or after 1 January 2016. These amendments had no impact on the separate financial statements of the Agency.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosures (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with earlier adoption permitted. These amendments are not expected to have any impact to the Agency.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Agency given that the Agency has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016.

Early adoption is permitted. These amendments had no impact on the separate financial statements of the Agency.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Agency currently considers whether to apply these amendments for preparation of its separate 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 address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosures (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the separate financial statements of the Agency.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early application permitted. These amendments had no significant impact on the separate financial statements of the Agency.

Annual improvements 2012-2014 cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the separate financial statements of the Agency. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with early application permitted.

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosures (continued)

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment becomes effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted. The amendment is to be applied so that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "[A]n entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment becomes effective for annual periods beginning on or after 1 January 2016, with early application permitted.

IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

2. Accounting policies (continued)

2.3. Changes in accounting policies and disclosures (continued)

Changes in comparative data

In its statement of cash flows for 2015, the Agency adjusted its presentation of comparative data for 2014, which had no effect on its financial results. More detailed disclosures of the above changes are presented below.

Adjustments for non-cash items included in profit before tax	Initial amount	Effect of adjustment	Amount after the adjustment
Deposits placed	25,650,590	(51,301,180)	(25,650,590)
Deposits repaid	(31,252,547)	51,301,180	20,048,632

In its income statement for 2014, the Agency made a technical error when calculating the amount recorded as operating and investment income less expenses. The respective line amounted to RUB 1,141,224 thousand and included the insurance result of RUB (230,473) thousand. In the statement of profit and loss and other comprehensive income for 2015, the Agency amended its comparative data for 2014 and excluded the insurance result of RUB (230,473) thousand from calculation of operating and investment income less expenses, which amounted to RUB 1,371,697 thousand. This amendment had no effect on the financial results of the Agency.

2.4. Significant accounting judgments, estimates and assumptions

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities, as well as to the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates. The most significant estimates and assumptions used by the management in preparing the financial statements include:

Insurance reserves

Unearned premium reserve is a part of insurance premium accrued under the insurance contract that relates to the contract term after the reporting date (hereinafter, "unearned premium") and is used for the purpose of performing obligations to guarantee insurance payments in case of insured events which may occur under the insurance contract after the reporting date. Unearned premium reserve is calculated separately for each insurance program designated under the insurance contract for the purpose of calculating insurance reserves. In order to calculate unearned premium reserve, accrued insurance premium is reduced by the amount of accrued commission fee.

In order to calculate unearned premium reserve, it is assumed that the underlying insurance risk expires as follows:

- In case of single risk insurance − on the expected end date of the loan period determined based on all the available information about the covered transaction using expert judgment, where necessary;
- In case of whole turnover insurance − at the end of the loan period of each delivery whereas deliveries made during the period for which the Agency has not been provided with declarations on actual sales turnover are assumed to be of the same value and made daily in line with the expected sales turnover;
- In case of other insurance programs − on a straight-line basis throughout the insurance period.

The unearned premium reserve is released as the underlying insurance risk expires on a *pro rata* basis. At settlement dates following the expiry date of the insurance program, including early termination of the insurance contract, the unearned premium reserve is deemed to be nil.

Loss reserve is made in order to recognize the Agency's unpaid or partially unpaid obligations to make insurance claim payment:

- On realized claims, for which the waiting period expired before the reporting date;
- On claims realized before the reporting date, for which the waiting period is not specified.

(in thousands of Russian rubles)

2. Accounting policies (continued)

2.4. Significant accounting judgments, estimates and assumptions (continued)

The amount of claim is subject to an expert assessment when the Agency receives information on the realized insurance risk before the reporting date and the amount of claim to be covered by the Agency in accordance with the insurance contract terms is not determined. The expert assessment of the amount of claim should take into account all the information on the insured event available at the reporting date and statistical data on insured events accumulated by the Agency. The expert assessment of the amount of claim cannot exceed the amount of insurance coverage stipulated in the insurance contract.

Deferred tax asset recognition

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 utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Provision for impairment of financial assets

The Agency regularly reviews its loans and receivables to assess impairment. The Agency uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Agency estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the groups of loans and receivables. The Agency uses its experienced judgment to adjust observable data for a group of financial assets that are collectively evaluated for impairment to reflect current circumstances.

3. Cash

	31 December 2015	**31 December 2014**
Cash on RUB-denominated current accounts with banks of Vnesheconombank Group	21,354	28,159
Cash on USD-denominated current accounts with banks of Vnesheconombank Group	3,969	5,407
Cash on EUR-denominated current accounts with banks of Vnesheconombank Group	20,395	1,505
Total cash	**45,718**	**35,071**

The carrying amount of cash approximates its fair value.

For cash by currency, maturity and credit rating, please refer to Note 24. Information on related party transactions is disclosed in Note 26.

Notes to the separate financial statements – 31 December 2015
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4. Amounts due from credit institutions

	31 December 2015	31 December 2014
Term RUB-denominated deposits for more than 90 days	22,240,152	19,214,777
including a subordinated deposit	307,789	–
Term USD-denominated deposits for more than 90 days	2,094,333	1,268,064
Term EUR-denominated deposits for more than 90 days	1,749,674	1,151,096
Total amounts due from credit institutions	**26,084,159**	**21,633,937**

At 31 December 2015, all amounts due from credit institutions were placed with the banks of the Vnesheconombank Group. Interest rates on RUB-denominated deposits ranged from 10% to 17.35% (31 December 2014: from 11.30% to 17.50%). Interest rates on USD-denominated deposits and EUR-denominated deposits were 2.08% and 1.56%, respectively (31 December 2014: 3.01% and 2.76%, respectively).

At 31 December 2015, amounts due from the Agency's credit institutions include a subordinated deposit of RUB 307,789 thousand with ROSEXIMBANK. The Agency placed the subordinated deposit in 2015 at an interest rate which differs from market interest rates. Therefore, at the date of issuance, the Agency revalued this deposit at fair value, which comprises future interest payments and the amount of deposit discounted using market interest rates for similar deposits. The effect of initial recognition of the financial instrument was recorded in the statement of financial position as an increase in investment in a subsidiary of RUB 208,758 thousand.

For amounts due from credit institutions by currency, maturity and credit rating, please refer to Note 24. Fair value of amounts due from credit institutions is disclosed in Note 25. Information on related party transactions is disclosed in Note 26.

5. Financial assets at fair value through profit or loss

	31 December 2015	31 December 2014
Bonds of Sviaz-Bank	307,149	305,418
Total financial assets at fair value through profit or loss	**307,149**	**305,418**

Bonds of Sviaz-Bank mature in April 2022 and bear a coupon rate of 12.25% (31 December 2014: 9.75%). Bonds are quoted on an active market; they are current, unsecured and not impaired.

Securities at fair value through profit or loss by currency, maturity and credit rating are disclosed in Note 24. Information on related party transactions is disclosed in Note 26.

6. Insurance receivables

	31 December 2015	31 December 2014
Due from policyholders	1,131,165	857,179
Due from reinsurers	–	2,882
Due from reinsured	51,749	–
Total insurance receivables	**1,182,914**	**860,061**

The Agency controls its receivables through monitoring the payment schedule and informing the debtors of the payment thus avoiding the past due receivables.

The Agency's credit risk in respect of the receivables is also partially mitigated by the fact that in accordance with the Russian Civil Code the insurer may terminate the insurance agreement, i.e. stop bearing insurance risks, in case of untimely payment of the insurance premium.

For insurance receivables by currency, maturity and credit rating, please refer to Note 24. Information on related party transactions is disclosed in Note 26.

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

7. Loans and receivables

	31 December 2015	31 December 2014
Amortized cost		
Vnesheconombank bonds	7,552,263	7,550,672
JSC VEB-Leasing bonds	5,185,320	5,184,266
Total loans and receivables	**12,737,583**	**12,734,938**

The Agency's loans and receivables include:

- JSC VEB-Leasing bonds with nominal value of RUB 1,000 each bearing a coupon rate of 8.65% p.a.; coupon income is paid semi-annually. Bonds mature in 10 years, the next offer date is 16 January 2019.
- Vnesheconombank bonds with nominal value of RUB 1,000 each bearing a coupon rate of 8.35% p.s.; coupon income is paid quarterly. Bonds mature in 7 years, the next offer date is 24 November 2020. The Agency purchased all bonds placed through the initial public offering.

For loans and receivables by currency, maturity and credit rating, please refer to Note 24. Information on related party transactions is disclosed in Note 26.

8. Property and equipment

	Building	Equipment	Leasehold improvements	Construction in progress	Total
Cost					
At 31 December 2014	**1,376,452**	**85,190**	**–**	**–**	**1,461,642**
Additions	29,793	36,233	1,831	100,100	**167,957**
Disposal	–	–	–	(46)	**(46)**
Recorded as property and equipment	–	–	–	(67,857)	**(67,857)**
At 31 December 2015	**1,406,245**	**121,423**	**1,831**	**32,197**	**1,561,696**
Accumulated depreciation and impairment					
At 31 December 2014	**11,012**	**57,264**	**–**	**–**	**68,276**
Depreciation charge	66,320	18,510	458		**85,288**
Disposal	–	–	–	–	**–**
At 31 December 2015	**77,332**	**75,774**	**458**	**–**	**153,564**
Carrying amount					
At 31 December 2014	**1,365,440**	**27,926**	**–**	**–**	**1,393,366**
At 31 December 2015	**1,328,913**	**45,649**	**1,373**	**32,197**	**1,408,132**

Notes to the separate financial statements – 31 December 2015
(in thousands of Russian rubles)

8. Property and equipment (continued)

	Building	Equipment	Leasehold improvements	Total
Cost				
At 31 December 2013	**–**	**75,808**	**16,829**	**92,637**
Additions	1,376,452	10,160	–	**1,386,612**
Disposal	–	(778)	(16,829)	**(17,607)**
At 31 December 2014	**1,376,452**	**85,190**	**–**	**1,461,642**
Accumulated depreciation and impairment				
At 31 December 2013	**–**	**31,699**	**9,303**	**41,002**
Depreciation charge	11,012	26,163	5,018	**42,193**
Disposal	–	(598)	(14,321)	**(14,919)**
At 31 December 2014	**11,012**	**57,264**	**–**	**68,276**
Carrying amount				
At 31 December 2013	**–**	**44,109**	**7,526**	**51,635**
At 31 December 2014	**1,365,440**	**27,926**	**–**	**1,393,366**

At 31 December 2015, the gross carrying amount of fully depreciated property and equipment was RUB 57,452 thousand (31 December 2014: RUB 2,929 thousand).

9. Investments in subsidiary

At the reporting date, the Agency's equity financial investments comprise investments in EXIMBANK OF RUSSIA (its subsidiary) of RUB 12,363,830 thousand (31 December 2014: RUB 2,155,072 thousand). During the reporting period, the Agency increased capitalization of its subsidiary for RUB 10,000,000 thousand.

Investments in the subsidiary include effect of initial recognition of subordinated deposit of RUB 208,758 thousand placed with the subsidiary.

10. Intangible assets

	Licenses	Software	Total
Cost			
At 31 December 2014	**473**	**1,717**	**2,190**
Additions	–	–	**–**
Disposal	–	(16)	**(16)**
At 31 December 2015	**473**	**1,701**	**2,174**
Accumulated depreciation and impairment			
At 31 December 2014	**130**	**337**	**467**
Depreciation charge	51	156	**207**
Disposal	–	–	**–**
Impairment	–	–	**–**
At 31 December 2015	**181**	**493**	**674**
Carrying amount			
At 31 December 2014	**343**	**1,380**	**1,723**
At 31 December 2015	**292**	**1,208**	**1,500**

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10. Intangible assets (continued)

	Licenses	Computer software	Total
Cost			
At 31 December 2013	**473**	**1,717**	**2,190**
Additions	–	–	**–**
Disposal	–	–	**–**
At 31 December 2014	**473**	**1,717**	**2,190**
Accumulated depreciation and impairment			
At 31 December 2013	**79**	**164**	**243**
Depreciation charge	51	173	**224**
Disposal	–	–	**–**
Impairment	–	–	**–**
At 31 December 2014	**130**	**337**	**467**
Carrying amount			
At 31 December 2013	**394**	**1,553**	**1,947**
At 31 December 2014	**343**	**1,380**	**1,723**

Licenses of RUB 292 thousand represent the Agency’s registered trademark; software of RUB 1,208 thousand represents the Agency’s information website.

11. Other assets

	31 December 2015	31 December 2014
Advances to suppliers	108,578	62,087
Inventories	2,614	2,324
Other receivables	6,646	4,120
Total other assets	**117,838**	**68,531**

Advances for suppliers comprise prepayments of administrative expenses, as well as advances for the right to use intellectual property (software) that cannot be classified as intangible assets as the Agency has no control over the respective resource.

Other assets have neither credit ratings nor collateral.

12. Insurance contract liabilities

	31 December 2015	31 December 2014
Unearned premium reserve *(a)*	3,741,968	1,339,736
Including reinsurers’ share	–	(7,093)
Loss reserve *(b)*	89,078	913,553
Total insurance contract liabilities	**3,831,046**	**2,253,289**

(a)	31 December 2015	31 December 2014
Unearned premium reserve at 1 January	**1,339,736**	**210,474**
Gross written premium under insurance contracts for the year	2,429,576	872,699
Accrued inwards reinsurance commission	(30,180)	(603)
Accrued insurance commission	(3,067)	–
Change in reserve	5,903	257,166
Total change in reserve	**2,402,232**	**1,129,262**
Unearned premium reserve at 31 December	**3,741,968**	**1,339,736**

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12. Insurance contract liabilities (continued)

(b)	31 December 2015	31 December 2014
Loss reserve at 1 January	**913,553**	**691,788**
Charge	155,387	753,554
Reversal	(1,122,701)	(923,006)
Revaluation of reverse for contracts denominated in foreign currencies	142,839	391,217
Total change in reserves	**(824,475)**	**221,765**
Realized loss reserve at 31 December	**89,078**	**913,553**

In 2015, the Agency reversed RUB 1,122,701 thousand on the reserve for losses incurred due to canceling of the insurable event notification.

13. Payables

	31 December 2015	31 December 2014
Payables to the shareholder	–	2,153,476
Insurance payables	2,185	–
Trade payables	16,268	12,455
Settlements with employees	–	8,272
Taxes and levies payable	4,317	8,219
Total payables	**22,770**	**2,182,422**

The information on payables by currency and maturity is disclosed in Note 24. The information on related party transactions is disclosed in Note 26.

14. Taxation

	2015	2014
Current tax charge	671,496	161,477
Deferred tax charge/(credit) – origination and reversal of temporary differences	2,716	159,586
Income tax expense	**674,212**	**321,063**

Russian legal entities must file their income tax declarations to the tax authorities. In 2015, the standard income tax rate for companies was 20%.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with the actual tax expense is as follows:

	2015	2014
Profit before tax	**4,165,072**	**1,556,624**
Statutory tax rate	20%	20%
Theoretical income tax expense/(benefit) at the statutory rate	**833,014**	**311,325**
Non-deductible expenditures	(186,789)	(10,110)
Non-taxable income	27,987	372
Income tax expense	**674,212**	**321,063**

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14. Taxation (continued)

At 31 December 2015, deferred tax assets and their movements for the respective period comprise:

	2014	Origination and reversal of temporary differences: In the statement of profit or loss	Origination and reversal of temporary differences: In other comprehen-sive income	2015
Tax effect of deductible temporary differences				
Property and equipment	1,598	(1,598)	–	–
Payables	457	(47)	–	410
Other liabilities	37,110	(1,132)	–	35,978
Financial assets at fair value through profit or loss	38	82	–	120
Deferred tax assets	**39,203**	**(2,695)**	**–**	**36,508**
Deferred tax liability	**1**	**21**	**–**	**22**
Property and equipment	1	–	–	1
Other assets	–	21	–	21
Deferred tax asset, net	**39,202**	**(2,716)**	**–**	**36,486**

15. Other liabilities

	31 December 2015	31 December 2014
Provision for annual bonuses	172,689	185,549
Provision for unused vacations	4,630	5,772
Other liabilities	**177,319**	**191,321**

As at 31 December 2015, provision for annual bonuses is accrued against expenses to pay year-end bonuses for 2015 based on the estimates of fulfillment of corporate performance indicators and actual number of employees entitled to such bonus.

Movements in provisions were as follows:

	Balance at 1 January 2015	Accrued in 2015	Paid in 2015	Balance at 31 December 2015
Provision for annual bonuses	185,549	186,394	(199,254)	172,689
Provision for unused vacations	5,772	47,062	(48,204)	4,630
Other liabilities	**191,321**	**233,456**	**(247,458)**	**177,319**

	Balance at 1 January 2014	Accrued in 2014	Paid in 2014	Balance at 31 December 2014
Provision for annual bonuses	85,575	185,549	(85,575)	185,549
Provision for unused vacations	9,505	37,104	(40,837)	5,772
Other liabilities	**95,080**	**222,653**	**(126,412)**	**191,321**

The information on other liabilities by currency and maturity is disclosed in Note 24. The information on related party transactions is disclosed in Note 26.

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16. Equity and reserves

Movements in shares outstanding, issued and fully paid were as follows:

	Number of shares Ordinary	Nominal value Ordinary	Total
At 31 December 2013	**30,000,000**	**30,000,000**	**30,000,000**
Increase in share capital	1,376,437	1,376,437	**1,376,437**
At 31 December 2014	**31,376,437**	**31,376,437**	**31,376,437**
Increase in share capital	12,153,476	12,153,476	**12,153,476**
At 31 December 2015	**43,529,913**	**43,529,913**	**43,529,913**

The total number of authorized ordinary shares is 43,529,913 (2014: 31,376,437) with the nominal value of RUB 1 thousand each. All authorized shares have been issued and fully paid. The share capital of the Agency was contributed by the shareholders in Russian rubles, and they are entitled to dividends and any capital distribution in Russian rubles.

In 2015, the sole shareholder approved an additional issue of 12,153,476 ordinary shares. Assets of RUB 10,000,000 thousand received as a result of the issue were used to increase capitalization of EXIMBANK OF RUSSIA (subsidiary).

The Agency did not declare dividends for the reporting year ended 31 December 2015, as well as for the reporting year ended 31 December 2014.

Charges to reserves for 2015 amounted to RUB 61,805 thousand (2014: RUB 36,512 thousand).

In 2015, the Agency made other (insurance) reserve of RUB 920,363 thousand (31 December 2014: none) in order to ensure fulfillment of liabilities under insurance and reinsurance contract in accordance with requirements of Resolution No. 964 of the Government of the Russian Federation, *On Procedures for Export Credit and Investment Insurance against Business and Political Risks*, dated 22 November 2011.

17. Gross premium written

In 2015, premiums written on 233 insurance contracts, including inwards reinsurance, amounted to RUB 2,429,576 thousand (2014: 175 contract amounting to RUB 872,699 thousand). The aggregate sum insured / limit of liability under 333 exporter risk insurance contracts and bank credit risk insurance contracts effective at the reporting date totaled RUB 203,755 million; the portfolio insurance terms vary from 4 to 150 months.

In 2015, the Agency did not enter into outwards reinsurance contracts (2014: premium written on one outwards reinsurance contract amounted to RUB 12,459 thousand).

18. Net fee and commission expense

	2015	2014
Insurance commission expenses	(3,067)	–
Reinsurance commission income	–	1,870
Reinsurance commission expenses	(30,180)	(603)
Total commission income/(expenses)	**(33,247)**	**1,267**

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19. Other insurance income

	2015	2014
Revaluation of insurance receivables	132,929	253,584
Prior year income identified in the reporting period	40,967	–
Compensation envisaged by international legislation	5,948	4,990
Losses from writing off insurance receivables	–	(6,618)
Total other income/(expenses)	**179,844**	**251,956**

20. Interest income

	2015	2014
Interest income on amounts due from credit institutions	2,937,231	1,515,282
Interest (coupon) income on loans and receivables	1,058,545	1,025,389
Interest (coupon) income on financial assets at fair value through profit or loss	34,847	2,436
Interest income on current accounts	251	45,737
Total interest income	**4,030,874**	**2,588,844**

21. Other operating and administrative expenses

	2015	2014
Salaries, wages and bonuses	447,570	448,927
Provision for annual bonuses	172,689	185,549
Employment taxes	75,194	46,694
Provision for unused vacations	47,062	5,772
Social contributions	27,141	6,717
Total employee benefit expenses	**769,656**	**693,659**
Depreciation and amortization	85,496	42,417
Professional services	70,013	166,865
Communication, information systems and software	58,054	36,165
Advertising	47,471	43,885
Rent	41,903	101,314
Operating expenses	41,458	41,480
Travel expenses	41,052	37,496
Personnel hiring and training	37,540	25,853
Other administrative expenses	21,877	12,752
Inventories	12,016	10,576
Taxes other than income tax	928	8,489
Total other operating and administrative expenses	**1,227,464**	**1,220,951**

22. Net gains/(losses) from foreign currencies

	2015	2014
Translation differences	409,029	472,061
Dealing	(15,194)	(56,661)
Total net gains	**393,835**	**415,400**

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23. Commitments and contingencies

Legal

In the ordinary course of business, the Agency may be subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Agency. As at 31 December 2015 and 31 December 2014, the Agency is not involved in litigation proceedings.

Taxation

As at 31 December 2015, the Agency's management believes that its interpretation of the relevant legislation is appropriate and that the Agency's positions in respect of tax, currency and customs legislation will be sustained.

24. Risk management

The Board of Directors approved the key documents defining the role, purpose and tasks of risk management in the Agency.

The main purposes of risk management in the Agency are as follows:

- To ensure compliance of the Agency's risk profiles to the risk appetite approved by the Board of Directors in order to provide security and effective use of actual capital;
- To introduce risk management principles into the Agency's strategy and into the decision-making processes at all levels.

Risk management tasks include:

- Timely identification, assessment, management, monitoring and communication of information concerning risks which may have an impact on the Agency's activities;
- Provision of relevant, reliable and consistent information concerning risks to be used in decision-making processes;
- Implementation and development of risk awareness and risk acceptance discipline.

Internal control system

The Agency's system of internal control has a three-level organizational structure:

- 1st level: General Shareholders' meeting, Board of Directors, Audit Commission, Audit and Control Committee and other committees established under the Board of Directors;
- 2nd level: the Agency's executive bodies − the Management Board and CEO;
- 3rd level: collegiate bodies of the Agency, risk officer, officer carrying out internal audit and control functions, Chief accountant, special officer responsible for the implementation of internal control rules on anti-money laundering and countering the financing of terrorism, unit managers and other employees of the Agency.

Capital management

The Board of Directors approved the Procedure for calculating the regulatory solvency capital of JSC "EXIAR", which establishes regulatory requirements to the Agency's equity amount. The results of calculation of the Agency's regulatory solvency capital and deviation of the actual solvency margin from the statutory solvency margin (% of the statutory solvency margin) are included in the Agency's performance report prepared in accordance with the requirements of Section 5 of Decree No. 964 of the Government of the Russian Federation dated 22 November 2011.

At 31 December 2015, the Agency's regulatory solvency capital amounts to RUB 12.2 billion (31 December 2014: RUB 6.3 billion), the actual capital is RUB 50.3 billion (31 December 2014: RUB 34.7 billion), therefore actual solvency margin exceeds the regulatory solvency margin by RUB 38.1 billion (31 December 2014: RUB 28.4 billion).

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24. Risk management (continued)

Key risk categories within the Agency's activity

Insurance risk

The Company is exposed to insurance risk, which is defined as the risk that ultimate claims and benefit payments under insurance contracts or the timing thereof may differ significantly from the Company's estimates. In other words, the amount of liabilities will exceed the amount of insurance reserves due to a number of factors (frequency of claims, severity of claims, or subsequent development of long-term claims). The nature of insurance contract suggests that the risk is incidental and therefore cannot be predicted.

Therefore, the key objective of the Company is to ensure that sufficient reserves are available to cover the liabilities under insurance contracts.

Taking into account the above, the Company is developing insurance risk management policies that will cover all stages from the development of methodologies for setting insurance tariffs to the actual handling of claims. The Company manages insurance risks by diversification across the portfolio of insurance contracts, application of underwriting procedures to control losses related to each insurance product, as well as the use of reinsurance arrangements in order to limit its exposure to claims exceeding the established amount of risk assumed by the Company.

In accordance with the Russian legislation, the risk exposure of the Agency may not at any time exceed the higher of the following:

- ► The amount which is ten times the Agency's equity;
- ► RUB 300 billion.

As at 31 December 2015, the aggregate nominal amount of the Agency's risk exposure (provided insurance capacity) is RUB 237,634 million (as at 31 December 2014: RUB 85,880 million).

Below are insurance premiums broken by insurance product:

	Insurance of individual export transactions	**Complex insurance of export loans**	**Total**
2015			
Total premium on insurance contracts	2,197,817	231,759	**2,429,576**
2014			
Total premium on insurance contracts	795,192	77,507	**872,699**

Market risk

Market risk is the risk of incurring losses as a result of adverse changes on financial markets and low liquidity of financial assets.

As at 31 December 2015, the Agency believes the impact of market risks on its activities is limited due to:

- ► The placement of assets by the Agency to cover insurance reserve with regard to insurance liabilities in financial instruments considering currency structure of reserves;
- ► Conservative investment policy in 2015;
- ► High level of liquidity of the Agency's asset portfolio as at 31 December 2015, specifically: current liquidity is secured by deposits with Vnesheconombank and SVIAZ-BANK, the terms of calculation and repayment imply monthly transfer of interest income to the Agency's current account;
- ► All Agency's deposit agreements provide for early repayment of deposits as agreed with the bank.

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24. Risk management (continued)

Key risk categories within the Agency's activity (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	At 31 December 2015				
	Less than 1 year	**From 1 year**	**From 3 to 5 years**	**More**	**Total**
Assets					
Cash and cash equivalents	45,718	–	–	–	**45,718**
Amounts due from credit institutions	25,776,370	–	–	307,789	**26,084,159**
Financial assets at fair value through profit or loss	–	–	–	307,149	**307,149**
Insurance receivables	261	235,895	32,976	913,782	**1,182,914**
Loans and receivables	–	–	7,552,263	5,185,320	**12,737,583**
Total	**25,822,349**	**235,895**	**7,585,239**	**6,714,040**	**40,357,523**
Liabilities					
Loss reserves	89,078	–	–	–	**89,078**
Insurance payables	–	2,185	–	–	**2,185**
Payables	20,585	–	–	–	**20,585**
Other liabilities	177,319	–	–	–	**177,319**
Total	**286,982**	**2,185**	**–**	**–**	**289,167**
Excess/(deficit) of liquidity on financial and insurance liabilities	**25,535,367**	**233,710**	**7,585,239**	**6,714,040**	**40,068,356**
Cumulative excess of liquidity	**25,535,367**	**25,769,077**	**33,354,316**	**40,068,356**	

	At 31 December 2014				
	Less than 1 year	**From 1 year**	**From 3 to 5 years**	**More**	**Total**
Assets					
Cash and cash equivalents	35,071	–	–	–	**35,071**
Amounts due from credit institutions	10,633,937	11,000,000	–	–	**21,633,937**
Financial assets at fair value through profit or loss	–	–	–	305,418	**305,418**
Insurance receivables	233	43,629	–	816,199	**860,061**
Loans and receivables	–	–	–	12,734,938	**12,734,938**
Reinsurers' share of loss reserves	553	–	–	–	**553**
Total	**10,669,794**	**11,043,629**	**–**	**13,856,555**	**35,569,978**
Liabilities					
Loss reserves	913,553	–	–	–	**913,553**
Insurance payables	5,438	–	–	–	**5,438**
Payables	2,182,422	–	–	–	**2,182,422**
Other liabilities	191,321	–	–	–	**191,321**
Total	**3,292,734**	**–**	**–**	**–**	**3,292,734**
Excess/(deficit) of liquidity on financial and insurance liabilities	**7,377,060**	**11,043,629**	**–**	**13,856,555**	**32,277,244**
Cumulative excess of liquidity	**7,377,060**	**18,420,689**	**18,420,689**	**32,277,244**	

<u>Price risk</u>

Price risk is the risk that the value of assets, liabilities and financial instruments will be sensitive to the level or volatility of market prices of instruments within the trading portfolio and derivative financial instruments. As at 31 December 2015 and 31 December 2014, the impact of the market risk on the Agency's financial position is insignificant.

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24. Risk management (continued)

Key risk categories within the Agency's activity (continued)

<u>Currency risk</u>

Currency risk is the risk of losses due to adverse changes in foreign exchange rates. The Agency's exposure to currency risk relates primarily to the Agency's insurance activities: being engaged in export credit and investment insurance operations, the Agency enters into insurance agreements in the currency of the export contract, mainly in euro and US dollars.

The table below shows financial assets and liabilities broken down by currency:

	At 31 December 2015			
	RUB	**USD**	**EUR**	**Total**
Assets				
Cash and cash equivalents	21,354	3,969	20,395	**45,718**
Amounts due from credit institutions	22,240,152	2,094,333	1,749,674	**26,084,159**
Financial assets at fair value through profit or loss	307,149	–	–	**307,149**
Insurance receivables	439,727	253,249	489,938	**1,182,914**
Loans and receivables	12,737,583	–	–	**12,737,583**
Total	**35,745,965**	**2,351,551**	**2,260,007**	**40,357,523**
Liabilities				
Loss reserves	46,395	40,835	1,848	**89,078**
Insurance payables	2,185	–	–	**2,185**
Payables	17,858	2,720	7	**20,585**
Other liabilities	177,319	–	–	**177,319**
Total	**243,757**	**43,555**	**1,855**	**289,167**
Net position	**35,502,208**	**2,307,996**	**2,258,152**	**40,068,356**

	At 31 December 2014			
	RUB	**USD**	**EUR**	**Total**
Assets				
Cash and cash equivalents	28,159	5,407	1,505	**35,071**
Amounts due from credit institutions	19,214,777	1,268,064	1,151,096	**21,633,937**
Financial assets at fair value through profit or loss	305,418	–	–	**305,418**
Insurance receivables	50,915	45,211	763,935	**860,061**
Loans and receivables	12,734,938	–	–	**12,734,938**
Reinsurers' share of loss reserves	553	–	–	**553**
Total	**32,334,760**	**1,318,682**	**1,916,536**	**35,569,978**
Liabilities				
Loss reserves	3,054	905,201	5,298	**913,553**
Insurance payables	5,294	144	–	**5,438**
Payables	2,177,826	4,596	–	**2,182,422**
Other liabilities	191,321	–	–	**191,321**
Total	**2,377,495**	**909,941**	**5,298**	**3,292,734**
Net position	**29,957,265**	**408,741**	**1,911,238**	**32,277,244**

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24. Risk management (continued)

Key risk categories within the Agency's activity (continued)

As at 31 December 2015, all foreign currency denominated liabilities of the Agency were secured by assets denominated in the same currency. The table below shows the effect of a possible movement of exchange rates against the Russian ruble on the statement of profit or loss (due to non-trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

	At 31 December 2015	
	Change in currency rate	**Effect on profit before tax**
Currency		
USD	+13%	300,040
EUR	+15%	338,723
USD	-29%	(669,319)
EUR	-30%	(677,446)

	At 31 December 2014	
	Change in currency rate	**Effect on profit before tax**
Currency		
USD	+28.54%	116,655
EUR	+29.58%	565,344
USD	-28.54%	(116,655)
EUR	-29.58%	(565,344)

<u>Interest rate risk</u>

Interest rate risk is the risk of losses due to adverse changes in interest rates. The Agency's exposure to interest rate risk relates to investments made in debt securities.

The table below shows the effect of a possible movement of the market interest rates on the statement of profit or loss and equity (due to trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

	At 31 December 2015	
	Change in interest rates	**Effect on profit before tax**
Financial assets at fair value through profit or loss	+6.00%	(4,983)
	-5.00%	4,153

	At 31 December 2014	
	Change in interest rates	**Effect on profit before tax**
Financial assets at fair value through profit or loss	+9.32%	(21,767)
	-9.32%	21,767

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24. Risk management (continued)

Key risk categories within the Agency's activity (continued)

Credit risk

Credit risk is the risk that counterparties may default on their obligations to the Agency.

	BBB	BBB	BB	BB-	Not rated	Total
Cash and cash equivalents	–	3,780	–	41,938	–	**45,718**
Amounts due from credit institutions	–	17,500,000	–	8,584,159	–	**26,084,159**
Financial assets at fair value through profit or loss	–	–	–	307,149	–	**307,149**
Insurance receivables	–	428,343	–	156,561	598,010	**1,182,914**
Loans and receivables	–	12,737,583	–	–	–	**12,737,583**
Total at 31 December 2015	**–**	**30,669,706**	**–**	**9,089,807**	**598,010**	**40,357,523**
Cash and cash equivalents	1,397	–	33,674	–	–	**35,071**
Amounts due from credit institutions	17,500,000	–	3,630,240	503,697	–	**21,633,937**
Financial assets at fair value through profit or loss	–	–	305,418	–	–	**305,418**
Insurance receivables	684,317	–	–	–	175,744	**860,061**
Loans and receivables	12,734,938	–	–	–	–	**12,734,938**
Reinsurers' share of loss reserves	–	–	–	–	553	**553**
Total at 31 December 2014	**30,920,652**	**–**	**3,969,332**	**503,697**	**176,297**	**35,569,978**

The current credit risk is limited due to the following:

- The insignificant amount of current receivables unrelated to the planned payments of the insurance premium or the receipt of interest and coupon income;
- Conservative management of the equity invested only into the deposits and debt liabilities of Vnesheconombank and banks of the Vnesheconombank Group for a total amount of RUB 50,300 million as at 31 December 2015 (31 December 2014: RUB 34,674 million);
- The Agency's assets are neither impaired nor pledged as collateral.

25. Fair value of financial instruments

Fair value hierarchy

The Agency uses the following hierarchy for determining and disclosing fair values of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs having a significant effect on the reported fair value are observable in active markets, either directly or indirectly; and
- Level 3: techniques, which use inputs having a significant effect on the reported fair value not observable in active markets.

The following table shows an analysis of financial instruments recorded at fair value measurement at the end of reporting period by level of the fair value hierarchy:

	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Financial assets at fair value through profit or loss	307,149	–	–	**307,149**	305,418	–	–	**305,418**

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25. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Assets and liabilities are not measured at fair value, however, their fair values are disclosed. The following table shows the fair value analysis by the level of the fair value hierarchy. The table also presents the carrying amounts of assets, not measured at fair value.

	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Amounts due from credit institutions	–	–	26,084,159	**26,084,159**	–	–	21,633,937	**21,633,937**
Loans and receivables	–	–	12,737,583	**12,737,583**	–	–	12,734,938	**12,734,938**
Insurance receivables	–	–	1,182,914	**1,182,914**	–	–	860,061	**860,061**
Total assets	**–**	**–**	**40,004,656**	**40,004,656**	**–**	**–**	**35,228,936**	**35,228,936**

As at 31 December 2015 and 31 December 2014, the fair value of financial assets and liabilities recorded at amortized cost approximates their carrying amount.

26. Related party disclosures

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 its substance of the relationship, not merely the legal form.

Related parties include Vnesheconombank, its subsidiaries and key management personnel of the Agency.

Since Vnesheconombank is controlled by the Russian Federation through the Government of the Russian Federation, the Group is also controlled by the Russian Federation.

In the course of its business, the Agency carries out transactions with entities controlled or significantly influenced by the state. The Agency enters export credit and investment insurance contracts with entities controlled by the state, whereas transactions with entities controlled by the state account for a minor portion of all transactions performed by the Agency.

The volumes of related party transactions and related expenses and income for the year are as follows (in thousands of Russian rubles):

	Vnesheconom-bank, its subsidiaries and associates	Key management personnel	Total related parties	Total amounts per statement of financial position
At 31 December 2015				
Investments in subsidiary	12,363,830	–	**12,363,830**	**12,363,830**
Loans and receivables	12,737,583	–	**12,737,583**	**12,737,583**
Amounts due from credit institutions	26,084,159	–	**26,084,159**	**26,084,159**
Financial assets at fair value through profit or loss	307,149	–	**307,149**	**307,149**
Insurance receivables	73,636	–	**73,636**	**1,182,914**
Cash and cash equivalents	45,718	–	**45,718**	**45,718**
Payables	–	–	**–**	**–**
Insurance contract liabilities	697,158	–	**697,158**	**3,831,046**

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26. Related party disclosures (continued)

	Vnesheconom-bank, its subsidiaries and associates	Key management personnel	Total related parties	Total amounts per statement of financial position
At 31 December 2014				
Investments in subsidiary	2,155,072	–	**2,155,072**	**2,155,072**
Loans and receivables	12,734,938	–	**12,734,938**	**12,734,938**
Amounts due from credit institutions	21,633,937	–	**21,633,937**	**21,633,937**
Financial assets at fair value through profit or loss	305,418	–	**305,418**	**305,418**
Insurance receivables	66,081	–	**66,081**	**860,061**
Cash and cash equivalents	35,071	–	**35,071**	**35,071**
Payables	2,153,481	–	**2,153,481**	**2,182,422**

	Vnesheconom-bank, its subsidiaries and associates	Key management personnel	Total related parties	Total amounts per statement of profit or loss
2015				
Gross premium written	471,354	–	**471,354**	**2,429,576**
Interest income	4,030,874	–	**4,030,874**	**4,030,874**
Other operating and administrative expenses	(192,643)	(304,152)	**(496,795)**	**(1,227,464)**
2014				
Gross premium written	132,171	–	**132,171**	**872,699**
Interest income	2,588,844	–	**2,588,844**	**2,588,844**
Other operating and administrative expenses	(67,784)	(276,052)	**(343,836)**	**(1,220,951)**

	2015	2014
Salaries, wages and bonuses	179,700	157,232
Contributions to non-budget funds	26,160	21,510
Social contributions	13,431	1,157
Provision for annual bonuses	84,861	94,693
Total compensation to key management personnel	**304,152**	**274,592**

In 2015 and 2014, no compensation was accrued or paid to the members of the Board of Directors. In 2015, no compensation was paid for expenses incurred in connection with the participation in the work of the Boards of Directors and its bodies.