ROSBANK Group

Consolidated Financial Statements
Year Ended 31 December 2014

ROSBANK GROUP

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ROSBANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of ROSBANK (Public Joint Stock Company) and its subsidiaries (collectively the "Group") as at 31 December 2014, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issue on 10 April 2015 by the Management Board of ROSBANK (Public Joint Stock Company).

On behalf of the Board:

Chairman of the Management Board

10 April 2015
Moscow

Deputy Chairman
of the Management Board

10 April 2015
Moscow

ZAO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047
Russia

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and the Board of Directors of ROSBANK (Public Joint Stock Company):

We have audited the accompanying consolidated financial statements of ROSBANK (Public Joint Stock Company, hereinafter "the Bank") and its subsidiaries (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

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

According to Article 42 of the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990 (the "Federal Law") in the course of our audit of the Group's consolidated financial statements for 2014 we performed procedures with respect to the Group's compliance with the obligatory ratios as at 1 January 2015 and compliance of its internal control and risk management systems with the CBRF requirements.

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

We report our findings below:

1. With respect to the Group's compliance with the obligatory ratios: the obligatory ratios as at 1 January 2015 were within the limits established by the CBRF.

   We have not performed any procedures with respect to the Group's financial information other than those we considered necessary to express our opinion on whether the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Group as at 31 December 2014, its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

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

   (a) In accordance with the CBRF requirements and recommendations as at 31 December 2014 the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors and the Bank's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the CBRF;

   (b) As at 31 December 2014, the Bank had duly approved in accordance with the CBRF requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

   (c) As at 31 December 2014, the Bank had a reporting system with regard to the Group's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Group's capital;

(d) Frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2014 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;

(e) As at 31 December 2014, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Group's risk management policies, during 2014 the Bank's Board of Directors and the Bank's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

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

Deloitte & Touche

10 April 2015
Moscow, Russian Federation

Ponomarenko E., General Director
(certificate no. 01-000190 dated 28 November 2011)

ZAO Deloitte & Touche CIS

The Entity: ROSBANK (Public Joint Stock Company)

Certificate of state registration № 2272 of 02.03.1993.

Certificate of registration in the Unified State Register № 1027739460737 of 25.10.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Address: 34 Mashi Poryvaevoy, Moscow, 107078

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

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

ROSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014
(in millions of Russian Roubles)

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and balances with the Central Bank of the Russian Federation	7	78,230	73,472
Financial assets at fair value through profit or loss	8, 35	158,075	34,039
Due from banks	9, 35	106,172	49,175
Loans to customers	11, 35	676,632	612,258
Investments available-for-sale	12, 35	4,993	54,489
Investments held to maturity	13	65,318	-
Property and equipment	14	25,302	25,351
Current income tax assets		1,550	505
Deferred income tax assets	32	8,886	4,108
Other assets	15, 35	11,869	10,744
Total assets		**1,137,027**	**864,141**
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	16, 35	129,770	9,261
Due to the Central Bank of the Russian Federation	17	44,027	6,119
Due to banks	18, 35	134,894	175,090
Customer accounts	19, 35	485,676	381,998
Debt securities issued	20	146,049	115,278
Other provisions	25	1,032	1,943
Current income tax liabilities		117	158
Deferred income tax liabilities	32	7,713	3,280
Other liabilities	21, 35	11,662	8,981
Subordinated debt	22, 35	46,443	33,286
Total liabilities		**1,007,383**	**735,394**
EQUITY:			
Share capital	23	17,587	17,587
Share premium	23	59,707	59,707
Cumulative translation reserve		1,982	979
Property and equipment revaluation reserve		9,362	9,362
Investments available-for-sale fair value reserve		(2,176)	447
Cash flow hedge		(677)	(11)
Retained earnings		43,859	40,676
Total equity		**129,644**	**128,747**
TOTAL LIABILITIES AND EQUITY		**1,137,027**	**864,141**

On behalf of the Board:

Chairman of the Management Board

10 April 2015
Moscow

Deputy Chairman of the Management Board

10 April 2015
Moscow

РОСБАНК

The notes on pages 10-85 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Continuing operations			
Interest income	24, 35	89,922	84,651
Interest expense	24, 35	(41,522)	(36,807)
Net interest income before provision for impairment losses on interest bearing assets		48,400	47,844
Provision for impairment losses on interest bearing assets	25, 35	(18,246)	(10,516)
Net interest income		30,154	37,328
Net loss on financial assets and liabilities at fair value through profit or loss	26, 35	(1,546)	(374)
Net loss on foreign exchange operations	27, 35	(165)	(1,841)
Net loss on precious metals operations	28	(337)	(115)
Net realized gain on sale of investments available-for-sale		-	3,824
Fee and commission income	29, 35	13,945	13,359
Fee and commission expense	29, 35	(2,198)	(1,922)
Other provisions	25	(137)	(1,858)
Dividend income		290	401
Other income	30, 35	1,250	1,319
Net non-interest income		11,102	12,793
Operating income		41,256	50,121
Operating expenses	31, 35	(36,199)	(31,890)
Profit before income tax		5,057	18,231
Income tax expense	32	(1,874)	(4,289)
Profit for the year from continuing operations		**3,183**	**13,942**
Net profit for the year		**3,183**	**13,942**
EARNINGS PER SHARE			
Basic and diluted (in RUB)	33	2.05	8.99

On behalf of the Board:

Chairman of the Management Board

10 April 2015
Moscow

Deputy Chairman of the Management Board

10 April 2015
Moscow

The notes on pages 10-85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Russian Rubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Net profit for the year		**3,183**	**13,942**
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss:			
Net gain resulting on revaluation of property		-	1,576
Income tax		-	(315)
		-	**1,261**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1,003	75
Cash flow hedge		(824)	177
Net loss resulting on revaluation of available-for-sale financial assets during the year		(3,386)	(2,967)
Amounts recycled to profit and loss relating to available-for-sale financial assets		107	(3,824)
Income tax		814	1,358
		(2,286)	**(5,181)**
Other comprehensive expense after income tax		**(2,286)**	**(3,920)**
Total comprehensive income		**897**	**10,022**

On behalf of the Board:

Chairman of the Management Board

10 April 2015
Moscow

Deputy Chairman of the Management Board

10 April 2015
Moscow

Публичное акционерное общество РОСБАНК
РОСБАНК
г. Москва

The notes on pages 10-85 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Russian Roubles)

	Share capital	Share premium	Cumulative translation reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve	Cash flow hedge	Retained earnings	Total equity
31 December 2012	**17,587**	**59,707**	**904**	**8,101**	**5,880**	**(188)**	**26,734**	**118,725**
Net profit for the year	-	-	-	-	-	-	13,942	13,942
Other comprehensive income/(expense) for the year	-	-	75	1,261	(5,433)	177	-	(3,920)
Total comprehensive income for the year	**-**	**-**	**75**	**1,261**	**(5,433)**	**177**	**13,942**	**10,022**
31 December 2013	**17,587**	**59,707**	**979**	**9,362**	**447**	**(11)**	**40,676**	**128,747**
Net profit for the year	-	-	-	-	-	-	3,183	3,183
Other comprehensive income/(expense) for the year	-	-	1,003	-	(2,623)	(666)	-	(2,286)
Total comprehensive income for the year	**-**	**-**	**1,003**	**-**	**(2,623)**	**(666)**	**3,183**	**897**
31 December 2014	**17,587**	**59,707**	**1,982**	**9,362**	**(2,176)**	**(677)**	**43,859**	**129,644**

On behalf of the Board:

Chairman of the Management Board

10 April 2015
Moscow

Deputy Chairman of the Management Board

10 April 2015
Moscow

The notes on pages 10-85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities:			
Interest received		93,551	84,290
Interest paid		(38,363)	(33,406)
Fees and commissions received		13,724	13,486
Fees and commissions paid		(2,198)	(1,862)
Payment for financial assets at fair value through profit or loss		(1,637)	(149)
Payment for trading in foreign currencies		(3,741)	(5,039)
Other operating income received		1,240	1,277
Receipts from/(payment for) precious metals operations		50	(367)
Administrative and other operating expenses paid		(32,566)	(30,175)
Income tax paid		(2,491)	(4,117)
Cash flows from operating activities before changes in operating assets and liabilities		**27,569**	**23,938**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(35)	251
Net decrease in financial assets at fair value through profit or loss		25,824	3,239
Net decrease/(increase) in due from banks		13,424	(4,162)
Net increase in loans to customers		(30,659)	(47,962)
Net (increase)/decrease in other assets		(358)	975
Net (decrease)/increase in financial liabilities at fair value through profit or loss		(1,097)	450
Net increase/(decrease) in due to the Central Bank of the Russian Federation		37,787	(23,470)
Net (decrease)/increase in due to banks		(69,619)	698
Net increase in customer accounts		19,453	42,205
Net decrease in debt securities issued		(4,587)	(4,779)
Net increase/(decrease) in other liabilities		2,020	(3,105)
Net decrease in other provisions		(499)	(240)
Net cash from/(used in) operating activities		**19,223**	**(11,962)**
Cash flows from investing activities			
Purchase of available for sale financial assets		(5,453)	(18,945)
Proceeds from disposal and redemption of available for sale financial assets		748	6,236
Purchase of property and equipment		(2,988)	(1,682)
Proceeds from disposal of property and equipment		694	892
Dividend income received		290	401
Net cash used in investing activities		**(6,709)**	**(13,098)**
Cash flows from financing activities			
Redemption of bonds issued by the Group		(15,599)	(29,139)
Issue of bonds		50,065	57,884
Net cash from financing activities		**34,466**	**28,745**
Effect of exchange rate changes on the balance of cash held in foreign currencies		24,556	2,802
Net increase in cash and cash equivalents		**71,536**	**6,487**
CASH AND CASH EQUIVALENTS, beginning of the year	7	**100,239**	**93,752**
CASH AND CASH EQUIVALENTS, end of of the year	7	**171,775**	**100,239**

On behalf of the Board:

Chairman of the Management Board

10 April 2015
Moscow

Deputy Chairman of the Management Board

10 April 2015
Moscow

РОСБАНК

The notes on pages 10-85 form an integral part of these consolidated financial statements.

1. ORGANIZATION

ROSBANK (initially named "Nezavisimost") is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank "MFK Bank", specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia's largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies will keep acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks Rosbank and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in Rosbank equity from VTB Group, increasing it up to 92.4%. As part of the agreement Rosbank sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2014 Societe Generale acquired further 7% of Rosbank's share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group's stake in Rosbank.

ROSBANK is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 December 2014 and 2013 ROSBANK had 14 branches operating in the Russian Federation.

ROSBANK is the parent company of a banking group (the "Group") which consists of the following enterprises as of 31 December 2014 and 2013:

Name	Country of incorporation	Group's ownership interest/voting rights, % 31 December 2014	31 December 2013	Type of operations
Delta Credit Bank CJSC	Russia	100/100	100/100	Banking
Rusfinance Bank LLC	Russia	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	Issue of loans to individuals
Stolichny Express LLC	Russia	Liquidated	100/100	Recovery of bad debts
Red and Black Prime Russia MBS No.1 Limited LLC	Ireland	0/100	0/100	Issue of notes
BSGV Leasing LLC	Russia	100/100	100/100	Leasing
RB Factoring LLC	Russia	100/100	100/100	Factoring
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	Banking
RosInvest SA	Luxembourg	99.97/99.97	99.97/99.97	Reorganization of UNEXIM Finance Company
Processing Company NICKEL LLC	Russia	100/100	100/100	Processing of card operations
RB LEASING LLC	Russia	100/100	100/100	Leasing
INKAHRAN OJSC	Russia	100/100	100/100	Cash collection services
ORS OJSC	Russia	100/100	100/100	Processing
Kapital i zdanie OJSC	Russia	Merged	100/100	Real estate operations
PMD Service CJSC	Russia	Merged	100/100	Lease services
AVTO LLC	Russia	100/100	100/100	Transportation services
RB Securities LLC	Russia	100/100	100/100	Operations with securities
Inkahran Service LLC	Russia	99.60/100	99.60/100	Transportation services
Valmont LLC	Russia	100/100	100/100	Asset holding company
RBS Avto LLC	Russia	100/100	100/100	Asset holding company

In addition to the above listed companies the Group controls a number of special purpose entities. The main activity of these special purpose entities is hard recovery process.

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. The liquidation process is subject to authorisation by Swiss banking authorities. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

The Group is not expecting any significant impact in terms of statement of comprehensive income in its consolidated statements coming from this liquidation process.

In January 2014 Group's subsidiary PMD Service CJSC was merged with Kapital i zdanie OJSC.

In December 2014 Stolichny Express LLC was liquidated and Kapital i zdanie OJSC subsidiary was merged with the Bank.

As of 31 December 2014 and 2013, the following shareholders owned the issued shares of ROSBANK:

Shareholder	31 December 2014 %	31 December 2013 %
Societe Generale S.A.	99.49	92.40
PHARANCO HOLDINGS CO. LIMITED	-	7.03
Others	0.51	0.57
Total	**100.00**	**100.00**

As of 31 December 2014 and 2013, the ultimate controlling parties of the Group are:

Shareholder	31 December 2014 %	31 December 2013 %
Societe Generale S.A.	99.49	92.40
Mr. Potanin V. O.	-	7.03
Others	0.51	0.57
Total	**100.00**	**100.00**

These consolidated financial statements were authorised for issue on 10 April 2015 by the Management Board of ROSBANK.

2. GOING CONCERN

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

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

3. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Other basis of presentation criteria

These consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

These consolidated financial statements are presented in millions of Russian Roubles (“mRUB”), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 “Property, plant and equipment” (“IAS 16”). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 41.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary of the economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentational currency of the consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million Rubles, except when otherwise indicated.

Offset of financial assets and liabilities

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements incorporate the financial statements of ROSBANK and entities controlled by ROSBANK (its subsidiaries). Control is achieved when the Bank:

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

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

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

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

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

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

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

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

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), in particular, performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated statement of comprehensive income.

Business combinations involving entities or businesses under common control

For the purpose of accounting of business combinations involving entities or businesses under common control (excluded from the scope of IFRS 3 'Business combinations") the Group considers pooling of interest as the most appropriate method to be used. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are utlimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

The pooling of interest method assumed the folllowing rules:

- Assets and liabilities of the combined entities are stated at their net book value;
- No new goodwill is recorded as a result of the business combination, but is adjusted against equity;
- The income statement is drawn up from the date of the business combination;
- Comparative data is not restated.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

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

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

Recognition of income and expense

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the income statement based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of income – other

Recognition of fee and commission income

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Recognition of rental income

The Bank's policy for recognition of income as a lessor is set out in the "leases" section of this footnote.

Recognition of trustee (fiduciary) services income

Income is recognized as services are provided.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets at fair value through profit or loss. The fair value adjustment on financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive income for the period. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other gains and losses' and 'interest income' line item, respectively, in the statement of profit or loss. The Group does not reclassify financial instruments in or out of this category while they are held (except the cases of reclassification in accordance with amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosure").

The Group enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. These instruments include forwards on foreign currency, precious metals and securities.

Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the consolidated statement of financial position as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash flow hedges (see below), are recognized in the consolidated statement of comprehensive income for the period.

Financial derivatives are divided into two categories:

- Trading financial derivatives.

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the consolidated statement of financial position under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the consolidated statement of comprehensive income under *Net gains and losses on financial instruments at fair value through profit or loss.*

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognized at fair value in the consolidated statement of financial position. Any further impairment on these receivables is recognized under *Provision for impairment losses* in the consolidated statement of comprehensive income.

- Derivative hedging instruments.

To designate an instrument as a derivative hedging instrument, the Group must document the hedging relationship at the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure its effectiveness. The derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the consolidated statement of financial position under *Hedging instruments*.

Depending on the risk hedged, the Group designates the derivative as a fair value hedge, or a cash flow hedge.

Fair value hedge

In a fair value hedge, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported under *Net gains and losses on financial instruments at fair value through profit or loss.* As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. As regards interest rate derivatives, accrued interest income or expenses are booked in the consolidated statement of comprehensive income *under Interest income and expense – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under hedge accounting are amortised over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity or redeemed early.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the consolidated statement of comprehensive income under *Net gains and losses on financial instruments at fair value through profit or loss.*

Amounts directly recognized in equity under the cash flow hedge accounting are reclassified in *Interest income and expenses* in the consolidated statement of comprehensive income at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the consolidated statement of comprehensive income under *Interest income and expenses – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognized directly in equity are reclassified under *Interest income and expenses* in the consolidated statement of comprehensive income over the periods where the interest margin is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the forecast transaction hedged ceases to be highly probable, unrealized gains and losses booked to equity are immediately reclassified in the consolidated statement of comprehensive income.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Held to maturity investments

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the Central Bank of the Russian Federation, due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of comprehensive income according to nature of the losses.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business, the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks/customer accounts.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within balances due from banks/loans to customers.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated statement of comprehensive income.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Russian Federation ("RF") and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss i recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater compared to recorded impairment.

Renegotiated loans

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

Write off of loans and advances

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

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of AFS to HTM financial assets. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of management, and is determined on an instrument by instrument basis.

Any gain or loss previously booked as equity in respect of the securities transferred is amortised on the income statement over the residual term to maturity, as an adjustment to the yield similar to the amortization of a premium.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial liabilities at fair value through profit or loss. The fair value adjustment on financial liabilities at fair value through profit or loss is recognized in the consolidated statement of comprehensive income for the period. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘interest expenses’ line item in the statement of profit or loss.

Other financial liabilities

Other financial liabilities (including depository instruments with the Central Bank of the Russian Federation, deposits by banks and customers, repurchase agreements, debt securities issued, other borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. Where 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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and term deposit accounts with the Central Bank of the Russian Federation and amounts due from credit institutions with original maturity within 90 days, which are free from contractual encumbrances.

Minimum reserve deposits with the Central Bank of the Russian Federation

Minimum reserve deposits with the Central Bank of the Russian Federation represent the amount of obligatory reserves deposited with the Central Bank of the Russian Federation in accordance with requirements established by the Central Bank of the Russian Federation, which subject to restrictions on their availability. In view of the above the amount of the minimum reserve deposit required by the Central Bank of the Russian Federation is not included as a cash equivalent.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Repossessed assets

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

Property and equipment

Property and equipment, except land and buildings, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property and equipment and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Market value of property is assessed using three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Depreciation on revalued buildings is charged to the consolidated statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings	2%
Equipment	20%
Others	Over useful life of 3-10 years

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net loss on operations with precious metals operations.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

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

Fiduciary activities

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

Share capital, share premium and treasury shares

Contributions to share capital made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares are deducted directly from the Group's equity.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Reporting Period" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation and other countries, which require current contributions by the Group calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by state pension fund. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Share based payments

For cash settled share based payments (compensation indexed on Societe Generale shares), the fair value of the amounts payable is booked to Operational expenses as an expense over the vesting period against a corresponding liability entry booked in the balance sheet under Other liabilities. This payables item is then remeasured at fair value against income until settled. For hedging derivatives, the effective portion of the change in their fair value is booked through profit or loss.

In November 2010, Rosbank Group adopted a share equivalent plan (the “Share Plan”), granting 40 Societe Generale Performance Shares equivalent (“the Performance Shares”) to employees of Rosbank Group, subject to conditions of presence and performance. The purpose of the Share Plan is to offer to Rosbank Group employees a cash bonus payable in local currency equal in value to the performance shares received by employees of Societe Generale Group in other countries through its similar Share Plan launched at the same date. The beneficiaries are all employees and executive corporate officers who are part of Rosbank Group as of the date the Share Plan is adopted. The vesting conditions are as follows:

1. Vesting period:

   (a) For the first tranche, concerning 16 Performance Shares equivalent, the vesting period will expire on 31 March 2015;

   (b) For the second tranche, concerning 24 Performance Shares equivalent, the vesting period will expire on 31 March 2016.

2. Vesting conditions:

The effective vesting of Performance Shares is subject to a continued employment condition as well as to performance conditions. The satisfaction of the continued employment and performance conditions will be reviewed and officially acknowledged at the end of each of the vesting periods.

The fair value of the payable amount is booked as operating expenses over the vesting period against a corresponding liability booked under other liabilities. As of 31 December 2014 and 2013, the total carrying amount of the corresponding liabilities amounted to RUB 1,087 million and RUB 640 million, respectively.

Accounting for the effects of hyperinflation

<u>Russia</u>

In accordance with IAS 29, economy of the Russian Federation was treated as hyperinflationary till the end of 2002. Since 1 January 2003 economy of the Russian Federation ceased to be hyperinflationary, and the costs of non-monetary assets, liabilities and equity, calculated as at 31 December 2002, were used to form the beginning balances as at 1 January 2003.

Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see above for hedge accounting); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, whose functional currency is not the currency of hyperinflationary economy, are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Rates of exchange and commodity prices

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

	31 December 2014	31 December 2013
RUB/1 US Dollar	56.2584	32.7292
RUB/1 Euro	68.3427	44.9699
RUB/Gold (1 ounce)	67,467.89	39,324.13
RUB/Platinum (1 ounce)	68,072.66	44,446.25
RUB/Palladium (1 ounce)	44,894.20	23,270.46
RUB/Silver (1 ounce)	898.45	638.22

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include:

- 'Available-for-sale reserve' which comprises changes in fair value of available-for-sale investments;
- 'Cash flow hedge reserve' which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge;
- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging;
- 'Revaluation reserve' which comprises effect of revaluation of property and equipment.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- Its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Group management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Held to maturity financial assets

The Group management has reviewed the Group's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held to maturity financial assets as of 31 December 2014 is RUB 65,318 million. Details of these assets are set out in Note 13.

Key sources of estimation uncertainty

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

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in RF and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2014 and 2013 the gross amount of loans to customers totalled RUB 734,112 million and RUB 673,923 million, respectively, and allowance for impairment losses amounted to RUB 57,480 million and RUB 61,665 million, respectively.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are missed, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated statement of comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its statement of financial position as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group’s reported net income.

<u>Property and equipment carried at revalued amounts</u>

Certain buildings are measured at revalued amounts. The date of the latest appraisal was 31 December 2013. The next revaluation is preliminary scheduled as of 31 December 2015. The carrying value of revalued property amounted to RUB 19,339 million and RUB 20,444 million as at 31 December 2014 and 2013, respectively.

<u>Recoverability of deferred tax assets</u>

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to RUB 8,886 million and RUB 4,108 million as at 31 December 2014 and 2013, respectively.

<u>Cash flow hedge</u>

The net fair value of cash flow hedge included as part of derivative financial liabilities as of 31 December 2014 and 2013 amounted to RUB 285 million and RUB 29 million, respectively.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STARDARDS (IFRS)

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted, but have not significantly affected the amounts reported in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC 21 *Levies*.

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities.* The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The management of the Group do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities.* The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The management of the Group do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets.* The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*. These amendments affect disclosures only which are presented in the Note 36.

Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting.* These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. There is no effect of these amendments on these financial statements as the Group does not have any hedging derivatives novated to a clearing counterparty or arising from the novation.

IFRIC 21 *Levies.* The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements.

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

New and revised IFRSs in issue but not yet effective

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

- Amendments to IAS 19 - *Defined Benefit Plans: Employee contributions*[1];
- Annual Improvements to IFRSs 2010-2012 Cycle[1];
- Annual Improvements to IFRSs 2011-2013 Cycle[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[2];
- IFRS 14 *Regulatory Deferral Accounts*[2];
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[2];
- Amendments to IAS 27 - *Equity Method in Separate Financial Statements*[2];
- Amendments to IAS 16 and IAS 41 - *Agriculture: Bearer Plants*[2];
- Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*[2];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2];
- IFRS 15 *Revenue from Contracts with Customers*[3];
- IFRS 9 *Financial Instruments*[4].

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Amendments to IAS 19 – *Defined Benefit Plans: Employee contributions.* The amendments to IAS 19 *Employee Benefits* clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The Group's management does not expect any impact of these amendments on the financial statements as the Group does not have defined benefit plans.

IFRS 14 *Regulatory Deferral Accounts.* IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Group's financial statements in the future as the Group is not an IFRS first-time adopter.

IFRS 15 *Revenue from Contracts with Customers.* In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

The five steps in the model are as follows:

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

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group does not anticipate that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition.

IFRS 9 *Financial Instruments.* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss.

- **Impairment.** The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

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

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

The management of the Group does not anticipate that the application of these amendments will have any impact of the Group’s consolidated financial statements, as the Group does not engage in joint operations.

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group does not anticipate that the application of these amendments will have any impact on the Group’s consolidated financial statements.

Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants.* The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41. The management of the Group does not expect any impact of adoption of these amendments on the consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 – *Equity Method in Separate Financial Statements.* The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any material impact of these amendments on the 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 clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

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

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

6. RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2013 and for the year then ended to conform to the presentation as at 31 December 2014 and for the year then ended as current year presentation provides better view of the financial performance of the Group.

Profit or loss item (In mRUB)	As previously reported Year ended 31 December 2013	Reclassification amount	As reclassified Year ended 31 December 2013
Fee and commission expense	(2,866)	944	(1,922)
Operating expenses	(30,946)	(944)	(31,890)

7. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

	31 December 2014 mRUB	31 December 2013 mRUB
Cash	36,591	29,634
Balances with the Central Bank of the Russian Federation	41,639	43,838
Total cash and balances with the Central Bank of the Russian Federation	**78,230**	**73,472**

As of 31 December 2014 and 2013 included in the balances with the Central Bank of the Russian Federation are RUB 5,575 million and RUB 5,540 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central Bank of the Russian Federation. The Group is required to maintain the reserve balances with Central Bank of the Russian Federation at all times.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2014 mRUB	31 December 2013 mRUB
Cash and balances with the Central Bank of the Russian Federation	78,230	73,472
Due from banks with original maturity within 90 days	99,120	32,307
	177,350	**105,779**
Less minimum reserve deposits	(5,575)	(5,540)
Total cash and cash equivalents	**171,775**	**100,239**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014 mRUB	31 December 2013 mRUB
Debt securities	13,792	24,490
Derivative financial instruments (Note 10)	144,283	9,549
Total financial assets at fair value through profit or loss	**158,075**	**34,039**

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 December 2014		31 December 2013	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Debt securities of Russian banks	8-12%	7,993	5.75-11.5%	4,300
Promissory notes of Russian banks	3.18-12.14%	5,563	3.15-11.35%	16,327
Promissory notes of Russian companies	12.14 %	122	11.8-12.7%	284
Debt securities of the Russian Federation	7.00-8.5%	112	7-8.15%	378
Debt securities of local authorities	7.25%	2	7-9.95%	1,263
Debt securities of Russian companies	-	-	7.2-10.1%	1,938
		13,792		**24,490**

As at 31 December 2014 and 2013 included in financial assets at fair value through profit or loss were securities pledged for due to the Central Bank of the Russian Federation in the amount of RUB nil and RUB 5 million, respectively (Note 17). The carrying value of liabilities for which these securities were pledged amounted to RUB nil and RUB 5 million, respectively.

9. DUE FROM BANKS

	31 December 2014 mRUB	31 December 2013 mRUB
Demand deposits in banks	51,192	16,167
Term deposits in banks	50,088	23,574
Loans under reverse repurchase agreements	4,892	9,434
Total due from banks	**106,172**	**49,175**

Movements in allowances for impairment losses on due from banks for the years ended 31 December 2014 and 2013 are disclosed in Note 25.

As of 31 December 2014 the Group had loans and advances to 2 banks totaling RUB 57,553 million, which individually exceeded 10% of the Group’s equity. As of 31 December 2013 the Group had no such loans and advances to banks.

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 December 2014 and 2013 comprise:

	31 December 2014 mRUB		31 December 2013 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Bonds of Russian companies	2,302	2,848	6,833	10,309
Bonds of central government of the Russian Federation	1,749	1,854	1,355	1,419
Bonds of foreign central governments	841	866	-	-
Bonds of Russian banks	-	-	1,146	1,405
Debt securities of local authorities	-	-	100	122
Total loans under reverse repurchase agreements	**4,892**	**5,568**	**9,434**	**13,255**

As at 31 December 2014 and 2013 the assets received as a pledge under the reverse repurchase agreements totaling RUB nil and RUB 273 million were sold and totaling RUB nil and RUB 1,265 million were re-pledged by the Group under repurchase agreements, respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise:

		31 December 2014 Net fair value mRUB			31 December 2013 Net fair value mRUB	
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	163,396	36,425	(21,835)	181,957	2,225	(1,108)
Forwards	9,846	757	(1,725)	11,457	27	(68)
IRS/CIRS	528,947	73,302	(72,564)	251,999	6,484	(6,969)
Cash flow hedge	5,441	14	(285)	1,004	-	(29)
Fair value hedge	2,450	511	-	2,450	-	(4)
Foreign exchange options	125,346	14,384	(14,471)	-	-	-
Total foreign exchange contracts		**125,393**	**(110,880)**		**8,736**	**(8,178)**
Contracts on precious metals and commodities						
Forwards	1,083	112	(112)	1,384	91	(90)
Swaps	671	4	(4)	955	4	(2)
Options	185,447	18,774	(18,774)	17,655	718	(718)
Total contracts on precious metals and commodities		**18,890**	**(18,890)**		**813**	**(810)**
Total		**144,283**	**(129,770)**		**9,549**	**(8,988)**

Cash Flow Hedge

The Group's cash flow hedge is related to its exposure to the variability in the anticipated future cash flows on its financial liabilities related to Société Générale Group share-based payment program for the total amount equivalent to 604,429 shares to be paid during 2015 and 2016 subject to the satisfaction of certain underlying conditions.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

To hedge against the variability in the cash flows on financial liabilities due to the share price risk, the Group used forward contracts at a fixed price of EUR 42.1 per share. As such the Group minimizes the effect of changes in market prices for SG shares on its future cash flows.

Another part of the Cash flow hedge is related to the swap (hedging instrument), which enables the Group to protect itself against negative variations in future cash flows on the variable-rate loans due to a fall in interest rates. This part of the Group's cash flow hedge is related to variable-rate loans for the principal of RUB 3,540 million.

As of 31 December 2014 and 2013 the fair value of the liability arising from the derivative financial instruments classified as hedging instruments is RUB 285 million and RUB 33 million, respectively.

For the year ended 31 December 2014 and 2013 the result from hedge ineffectiveness recognised in the net result on financial instruments at fair value through profit or loss was RUB nil and RUB nil, respectively.

Fair Value Hedge

The Group's fair value hedge is related to its exposure to the variability in changes of fair value of available-for-sale securities for the nominal amount of RUB 2,500 million.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

Embedded derivatives

As at 31 December 2014 and 2013 included in financial liabilities at fair value through profit or loss were Interest rate swaps with embedded derivatives in the amount of RUB 700 million and RUB 238 million, respectively, related to issues of structural bonds.

11. LOANS TO CUSTOMERS

	31 December 2014 mRUB	31 December 2013 mRUB
Loans to legal entities	242,267	214,236
Loans to individuals	484,924	449,817
Net investments in finance lease	6,921	6,968
Loans under reverse repurchase agreements	-	2,902
	734,112	**673,923**
Less allowance for impairment losses	(57,480)	(61,665)
Total loans to customers	**676,632**	**612,258**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2014 and 2013 are disclosed in Note 25.

	31 December 2014 mRUB	31 December 2013 mRUB
Analysis by sector:		
Individuals	484,924	449,817
Manufacturing and engineering	49,716	41,286
Trade	48,380	48,212
Energy industry	34,503	30,568
Oil and gas	21,782	14,569
Real estate and construction	18,699	35,075
Defence industry	14,471	9,926
Transport	13,725	4,479
Metallurgy	10,189	7,024
Telecommunications, media and information technology	8,963	9,726
Precious metals and diamond extraction and manufacturing	7,838	2,890
Finance	7,186	11,144
Government	3,612	3,445
Other	10,124	5,762
	734,112	**673,923**
Less allowance for impairment losses	(57,480)	(61,665)
Total loans to customers	**676,632**	**612,258**

As of 31 December 2014 and 2013 the Group had no loans to any customer which individually exceeded 10% of the Group's equity.

As of 31 December 2014 and 2013 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

During the years ended 31 December 2014 and 2013 the Group received non-financial assets as a repayment on loans. As at 31 December 2014 and 2013 such assets in the amount of RUB 5,004 million and RUB 4,358 million, respectively are included in other assets (Note 15).

Loans to individuals comprise the following products:

	31 December 2014		
	Gross amount mRUB	Less allowance for impairment losses mRUB	Net amount mRUB
Mortgage loans	188,338	(2,112)	186,226
Car loans	146,623	(13,213)	133,410
Consumer loans	114,558	(13,362)	101,196
Overdraft	21,238	(2,920)	18,318
Express-loans	9,824	(2,329)	7,495
Loans to VIP clients and employees	4,343	(1,655)	2,688
	484,924	**(35,591)**	**449,333**

	31 December 2013		
	Gross amount mRUB	Less allowance for impairment losses mRUB	Net amount mRUB
Mortgage loans	149,655	(1,588)	148,067
Car loans	154,498	(13,739)	140,759
Consumer loans	91,426	(8,322)	83,104
Overdraft	20,626	(1,982)	18,644
Express-loans	28,075	(4,608)	23,467
Loans to VIP clients and employees	5,537	(1,682)	3,855
	449,817	**(31,921)**	**417,896**

The table below summarizes an analysis of loans to customers by impairment:

	31 December 2014 mRUB			31 December 2013 mRUB		
	Original carrying amount	Impair-ment allowance	Revised carrying amount	Original carrying amount	Impair-ment allowance	Revised carrying amount
Loans to customers individually determined to be impaired	34,818	(22,231)	12,587	59,341	(30,926)	28,415
Loans to customers individually determined to be unimpaired	198,002	-	198,002	158,496	-	158,496
Loans to customers collectively assessed for impairment, including:						
-loans assessed to be impaired	49,984	(35,249)	14,735	50,937	(30,739)	20,198
-loans assessed to be unimpaired	451,308	-	451,308	405,149	-	405,149
Total	**734,112**	**(57,480)**	**676,632**	**673,923**	**(61,665)**	**612,258**

The components of net investment in finance lease as of 31 December 2014 and 2013 are as follows:

	31 December 2014 mRUB	31 December 2013 mRUB
Not later than one year	3,294	2,938
Later than 1 year and not later than 5 years	5,079	5,959
Minimum lease payments	8,373	8,897
Less: unearned finance income	(1,452)	(1,929)
Net investment in finance lease	**6,921**	**6,968**
Current portion	2,576	2,158
Long-term portion	4,345	4,810
Net investment in finance lease	**6,921**	**6,968**

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 December 2013 comprise:

	31 December 2013 mRUB	
	Carrying value of loan	Fair value of collateral
Bonds of Russian companies	2,155	2,393
Bonds of Russian banks	656	760
Debt securities of local authorities	91	101
Total loans under reverse repurchase agreements	**2,902**	**3,254**

As at 31 December 2013 the assets received as a pledge under the reverse repurchase agreements totaling RUB 2,305 million were re-pledged by the Group under repurchase agreements.

12. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2014 mRUB	31 December 2013 mRUB
Debt securities	4,855	54,353
Equity investments	138	136
Total investments available-for-sale	**4,993**	**54,489**

	31 December 2014		31 December 2013	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Bonds of central government of the Russian Federation	6.5% - 7.5%	4,753	6.9-7.6%	36,870
Bonds of Russian companies	8.3%	102	8.3%	112
Eurobonds of central government of the Russian Federation	-	-	4.5-7.5%	17,371
		4,855		**54,353**

	31 December 2014 Amount mRUB	31 December 2013 Amount mRUB
Equity investments:		
Shares and ADRs of Russian companies	132	132
Shares of international clearing companies	6	4
	138	**136**

During 2013 the Group sold its share in MICEX, as a result a net gain recycled from other comprehensive income to profit or loss amounted to RUB 3,840 million.

In March 2014 and December 2014 the Group reclassified investments available-for-sale in the amount of RUB 29,713 million and RUB 29,648 million, respectively, to investments held to maturity to bring the accounting and presentation in accordance with the management intent.

13. INVESTMENTS HELD TO MATURITY

	31 December 2014	
	Nominal annual interest rate	Amount
Eurobonds of central government of the Russian Federation	4.5-7.5%	35,156
Bonds of central government of the Russian Federation	6.9-7.6%	30,162
Total investments held to maturity		**65,318**

As of 31 December 2014 investments held to maturity represent debt securities reclassified from available-for-sale category in March and December 2014 (Note 12).

14. PROPERTY AND EQUIPMENT

	Land and buildings	Equipment	Intangible assets	Construction in progress	Total
At cost/restated cost/ revalued amount					
31 December 2012	**20,653**	**8,398**	**2,692**	**445**	**32,188**
Additions	2	332	152	1,196	1,682
Disposals	(875)	(584)	(19)	(84)	(1,562)
Revaluation	860	-	-	-	860
Transfer	18	480	374	(872)	-
31 December 2013	**20,658**	**8,626**	**3,199**	**685**	**33,168**
Additions	101	347	261	2,279	2,988
Disposals	(699)	(930)	(61)	(12)	(1,702)
Transfer	(42)	1,554	340	(1,852)	-
31 December 2014	**20,018**	**9,597**	**3,739**	**1,100**	**34,454**

	Land and buildings	Equipment	Intangible assets	Construction in progress	Total
Accumulated depreciation					
31 December 2012	**522**	**5,190**	**1,256**	**-**	**6,968**
Charge for the period	481	1,074	623	-	2,178
Disposals	(30)	(527)	(18)	-	(575)
Revaluation	(716)	-	-	-	(716)
Impairment losses recognized in profit or loss	4	-	-	-	4
Recovery of impairment	(42)	-	-	-	(42)
Transfer	(5)	3	2	-	-
31 December 2013	**214**	**5,740**	**1,863**	**-**	**7,817**
Charge for the period	471	1,246	480	-	2,197
Disposals	(6)	(838)	(8)	-	(852)
Recovery of impairment	-	(10)	-	-	(10)
Transfer	-	1	(1)	-	-
31 December 2014	**679**	**6,139**	**2,334**	**-**	**9,152**
Net book value					
31 December 2014	**19,339**	**3,458**	**1,405**	**1,100**	**25,302**
31 December 2013	**20,444**	**2,886**	**1,336**	**685**	**25,351**

As at 31 December 2014 and 2013 property and equipment included fully depreciated equipment amounting to RUB 2,702 million and RUB 2,600 million, respectively.

During 2013 the Group performed a regular valuation of its land and buildings and booked additional revaluation surplus of RUB 1,576 million, impairment loss of RUB 4 million and recovery of previously booked impairment loss of RUB 42 million.

If buildings were stated at the historical cost, the amounts would be as follows:

	31 December 2014 mRUB	31 December 2013 mRUB
Cost	11,229	11,357
Accumulated depreciation	(1,150)	(850)
Net book value	**10,079**	**10,507**

15. OTHER ASSETS

	31 December 2014 mRUB	31 December 2013 mRUB
Other financial assets:		
Agency operations	586	479
Miscellaneous receivables	2,056	744
	2,642	**1,223**
Less allowance for impairment losses	(52)	(77)
Total other financial assets	2,590	1,146
Other non-financial assets:		
Non-current assets held for resale	5,579	6,480
Due from suppliers and other contractors	2,765	3,182
Taxes, other than income tax, recoverable	862	479
Other	2,354	1,691
	11,560	**11,832**
Less allowance for impairment losses	(2,281)	(2,234)
Total other non-financial assets	9,279	9,598
Total other assets	**11,869**	**10,744**

As at 31 December 2014 and 2013 miscellaneous receivables mainly consist of due from clients for banking services.

Movement of allowance for impairment losses on other assets for the years ended 31 December 2014 and 2013 is disclosed in Note 25.

Taxes recoverable are mainly represented by valued added taxes on leasing transactions.

As at 31 December 2014 and 2013 the non-current assets held for resale comprise:

	31 December 2014 mRUB	31 December 2013 mRUB
Vehicles purchased by the Group for further resale	575	2,122
Buildings	2,843	2,640
Land	498	536
Other	1,663	1,182
Total non-current assets held for resale	**5,579**	**6,480**

The management of the Group believe that the carrying amount of non-current assets held for resale is less than their fair value.

16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014 mRUB	31 December 2013 mRUB
Derivative financial instruments	129,770	8,988
Short position on securities purchased	-	273
Total financial liabilities at fair value through profit or loss	**129,770**	**9,261**

Derivative financial instruments are disclosed in Note 10.

17. DUE TO THE CENTRAL BANK OF THE RUSSIAN FEDERATION

As of 31 December 2014 and 2013 due to the Central Bank of the Russian Federation consisted of the following:

	31 December 2014 mRUB	31 December 2013 mRUB
Term deposits	44,027	3,005
Loans under repurchase agreements	-	3,114
Total due to the Central Bank of the Russian Federation	**44,027**	**6,119**

As of 31 December 2014 and 2013 included in term deposits are RUB 19,500 million and RUB nil, respectively, secured with guarantees from Russian banks.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2013 comprise (Note 8):

	31 December 2013	
	Carrying value of loans	Fair value of collateral
Bonds of Russian companies	2,079	2,305
Bonds of Russian banks	1,035	1,270
Total	**3,114**	**3,575**

As of 31 December 2013 such collateral includes corporate and banks securities received as a collateral from a number of clients under reverse repo deals, with the fair value amounting to RUB 3,570 million.

18. DUE TO BANKS

	31 December 2014 mRUB	31 December 2013 mRUB
Time deposits	83,222	145,911
Demand accounts	51,672	29,179
Total due to banks	**134,894**	**175,090**

The Group is obligated to comply with financial covenants in relation to certain balances deposits by banks disclosed above. These covenants include various financial performance ratios. As of 31 December 2014 and 2013 the Group has not breached any of these covenants.

As at 31 December 2014 and 2013 included in due to banks are RUB 60,824 million and RUB 71,567 million (45% and 41% of total balances due to banks), respectively, that were due to 2 banks, which represents a significant concentration.

One of the term facility received from International Financial Insitution is secured with a guarantee from Société Générale. The balance outstanding as of 31 December 2014 and 2013 amounts to RUB 1,801 million and RUB 3,574 million, respectively.

19. CUSTOMER ACCOUNTS

	31 December 2014 mRUB	31 December 2013 mRUB
Corporate		
Time deposits	243,909	121,211
Repayable on demand	71,597	98,890
Total corporate	**315,506**	**220,101**
Individuals		
Time deposits	132,568	121,988
Repayable on demand	37,602	39,909
Total individuals	**170,170**	**161,897**
Total customer accounts	**485,676**	**381,998**

As of 31 December 2014 and 2013 customer accounts amounting to RUB 273 million and RUB 959 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 December 2014 and 2013 customer accounts amounting to RUB 109 million and RUB 205 million, respectively, were held as security against guarantees issued (Note 34).

Analysis by economic sector/customer type:	31 December 2014 mRUB	31 December 2013 mRUB
Individuals	170,170	161,897
Finance	132,381	97,310
Metallurgy	35,800	20,156
Trade	31,374	24,948
Oil and gas	24,827	11,585
Real estate and construction	22,731	9,795
Manufacturing and engineering	18,237	19,805
Services	13,957	6,774
Transport	9,283	8,425
Telecommunications, media and information technology	8,152	8,123
Precious metals and diamond extraction and manufacturing	6,989	5,179
Energy industry	2,078	2,078
Defence industry	169	311
Other	9,528	5,612
Total customer accounts	**485,676**	**381,998**

20. DEBT SECURITIES ISSUED

	Annual coupon rates %	31 December 2014	Annual coupon rates %	31 December 2013
Bonds of Deltacredit bank due in 2015-2024	8.25%-12.00%	55,276	7.20%-9.15%	39,001
Bonds of Rosbank due in 2014-2024	8.55%-11%	41,154	7.40%-9.30%	38,736
Bonds of Rusfinancebank due in 2014-2019	8.05%-11.7%	30,963	7.7%-10%	25,990
Exchange structural bonds of Rosbank due in 2015-2024	7.75%-11.75%	15,155	7.75%-10.16%	4,355
Discount bearing promissory notes	0.00%-11.46%	2,345	0.00%-11.06%	6,277
Mortgage backed floating rate notes	1.22%-3.52%	1,155	1.22%-3.52%	911
Other instruments	0.00%	1	0.00%	8
Total debt securities issued		**146,049**		**115,278**

21. OTHER LIABILITIES

	31 December 2014 mRUB	31 December 2013 mRUB
Other financial liabilities:		
Accrued bonuses and salary	2,873	2,295
Unused vacations provision	1,118	1,048
Suspense amounts	1,529	990
Settlements on other operations	2,754	1,748
Total other financial liabilities	**8,274**	**6,081**
Other non-financial liabilities:		
Advances received from clients	1,168	927
Taxes, other than income tax, payable	803	882
Other	1,417	1,091
Total other non-financial liabilities	**3,388**	**2,900**
Total other liabilities	**11,662**	**8,981**

22. SUBORDINATED DEBT

	Currency	Maturity year	Interest Rate %	31 December 2014	31 December 2013
Societe Generale S.A.	USD	2020 - 2023	6.5% - 9.3%	33,495	19,517
Societe Generale S.A.	RUB	2016 - 2017 (was 2014 - 2017)	8.0% - 11.3%	4,927	8,844
GENEBANQUE S.A.	USD	2022	6.6%	4,598	2,675
Societe Generale S.A.	EUR	2020	8%	3,423	2,250
Total subordinated debt				**46,443**	**33,286**

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

23. SHARE CAPITAL

As of 31 December 2014 and 2013 the nominal share capital issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote.

As of 31 December 2014 and 2013 share premium totalling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. As of 31 December 2014 and 2013 non-distributable reserves are represented by a general reserve fund, which is created as required by statutory regulations in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with statutory regulations of individual entities that provide for the creation of a reserve for these purposes.

As at 31 December 2014 and 2013 the Bank's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized Share	Share capital authorized but not issued Share	Share capital repurchased Share	Share capital issued and paid in Share
Ordinary shares	1,846,461,466	295,059,613	-	1,551,401,853

24. NET INTEREST INCOME

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Interest income comprises:		
Interest income on financial assets recorded at amortized cost	86,350	80,019
Interest income on financial assets recorded at fair value	3,572	4,632
Total interest income	**89,922**	**84,651**
Interest income on financial assets recorded at amortized cost comprises:		
- interest income on unimpaired financial assets	81,360	77,082
- interest income on impaired financial assets	4,990	2,937
Total interest income on financial assets recorded at amortized cost	**86,350**	**80,019**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to individuals	65,418	62,290
Interest on loans to corporate customers	16,095	16,123
Interest on due from banks	3,048	1,606
Interest on investments held to maturity	1,789	-
Total interest income on financial assets recorded at amortized cost	**86,350**	**80,019**
Interest income on financial assets recorded at fair value comprises:		
Interest income on investments available-for-sale	2,133	3,215
Interest income on financial asets at fair value through profit and loss	1,439	1,417
Total interest income on financial assets recorded at fair value	**3,572**	**4,632**
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	41,522	36,807
Total interest expense	**41,522**	**36,807**
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on corporate customer accounts	13,115	9,778
Interest on debt securities issued	10,601	9,154
Interest on deposits from individuals	6,715	7,140
Interest on deposits from banks	5,679	6,725
Interest on subordinated debt	2,732	2,496
Interest on deposits of the Central Bank of the Russian Federation	2,680	1,514
Total interest expense on financial liabilities recorded at amortized cost	**41,522**	**36,807**
Net interest income before provision for impairment losses on interest bearing assets	**48,400**	**47,844**

25. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest-bearing assets were as follows:

	Due from banks mRUB	Loans to customers mRUB	Total mRUB
31 December 2012	**9**	**62,785**	**62,794**
Net allocations	(9)	10,355	10,346
Forex effect on provision revaluation	-	1,184	1,184
Sales and write-offs of loans	-	(12,540)	(12,540)
Accounting transfer	-	(119)	(119)
31 December 2013	**-**	**61,665**	**61,665**
Net allocations	-	18,461	18,461
Forex effect on provision revaluation	-	3,544	3,544
Sales and write-offs of loans	-	(26,190)	(26,190)
31 December 2014	**-**	**57,480**	**57,480**

As of 31 December 2014 and 2013 the amount of provision for impairment losses on interest bearing assets in consolidated statement of comprehensive income comprise:

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Net allocations	18,461	10,346
Recoveries of loans written off	(316)	(92)
Write offs not covered by provisions	101	262
Provision for impairment losses on interest bearing assets	**18,246**	**10,516**

The movements in other provisions were as follows:

	Other assets mRUB	Provisions for financial guarantees issued, claims and other commitments mRUB	Total mRUB
31 December 2012	**2,374**	**306**	**2,680**
Provision	(39)	1,897	1,858
Write-offs	(163)	(240)	(403)
Accounting transfer	139	(20)	119
31 December 2013	**2,311**	**1,943**	**4,254**
Provision	549	(412)	137
Write-offs	(527)	(499)	(1,026)
31 December 2014	**2,333**	**1,032**	**3,365**

Allowance for impairment losses on assets are deducted from the respective assets. Allowance for impairment losses on financial guarantees issued, claims and other commitments is presented in liabilities.

26. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net loss on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Net loss on operations with financial assets and liabilities held-for-trading comprise:		
Realized (loss)/gain on trading operations	(199)	427
Unrealized loss on fair value adjustment	(809)	(162)
Net loss on operations with derivative financial instruments	(538)	(639)
Total net loss on operations with financial assets and liabilities at fair value through profit or loss	**(1,546)**	**(374)**

27. NET LOSS ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Net gain on foreign exchange operations	1,808	1,254
Effect of foreign currency swap instruments	(1,973)	(3,095)
Total net loss on foreign exchange operations	**(165)**	**(1,841)**

During years 2014 and 2013, the Bank used foreign currency swaps to manage its liquidity between currencies.

28. NET LOSS ON PRECIOUS METALS OPERATIONS

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Dealing, net	47	(366)
Translation differences, net	(384)	251
Total net loss on precious metals operations	**(337)**	**(115)**

29. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Fee and commission income:		
Plastic cards operations	4,028	3,756
Agency operations	2,949	2,990
Cash operations	2,914	2,843
Settlements	2,281	2,179
Other operations	1,773	1,591
Total fee and commission income	**13,945**	**13,359**

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Fee and commission expense:		
Plastic cards operations	825	799
Settlements	573	324
Cash operations	276	161
Agency operations	124	110
Other operations	400	528
Total fee and commission expense	**2,198**	**1,922**

30. OTHER INCOME

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Gain on disposal of property and equipment	547	303
Rental income	337	426
Other	366	590
Total other income	**1,250**	**1,319**

31. OPERATING EXPENSES

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Salary and bonuses	15,753	14,733
Operating lease expense	3,379	3,454
Unified social tax contribution	3,369	3,313
Repairs and maintenance expense	2,791	2,286
Depreciation charge on property and equipment	2,197	2,178
Other	8,710	5,926
Total operating expenses	**36,199**	**31,890**

32. INCOME TAX

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2014 and 2013 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 31 December 2014.

Temporary differences as of 31 December 2014 and 2013 comprise:

	31 December 2014 mRUB	31 December 2013 mRUB
Deferred tax assets/(liabilities) in relation to:		
Financial assets at fair value through profit or loss	(3,412)	(145)
Due from banks and loans to customers	1,414	1,396
Investments available-for-sale	338	(380)
Investments held to maturity	(4,170)	-
Property and equipment	(2,167)	(2,199)
Other assets	945	758
Debt securities issued	(48)	(29)
Other liabilities	961	1,147
Tax losses carried forward	7,312	280
Net deferred tax asset	**1,173**	**828**

The amount of tax losses carried forward as of 31 December 2014 and 2013 relates to the following fiscal years:

	31 December 2014 mRUB	31 December 2013 mRUB
Year ended 31 December 2010	30	30
Year ended 31 December 2011	250	250
Year ended 31 December 2012	-	-
Year ended 31 December 2013	-	-
Year ended 31 December 2014	7,032	-
Deferred tax asset	**7,312**	**280**

Relationships between tax expenses and accounting profit for the years ended 31 December 2014 and 2013 are explained as follows:

	Year ended 31 December 2014 mRUB	Year ended 31 December 2013 mRUB
Profit before income tax	**5,057**	**18,231**
Tax at the statutory tax rate (20%)	1,011	3,646
Tax effect due to different tax rates	(201)	(196)
Tax effect of permanent differences	1,023	690
Other effects	41	149
Income tax expense	**1,874**	**4,289**
Current income tax expense	1,405	3,175
Deferred tax expense	469	1,114
Income tax expense	**1,874**	**4,289**
Deferred tax assets – beginning of the period	4,108	4,937
Deferred tax liabilities – beginning of the period	(3,280)	(4,038)
Changes in deferred income tax balances recognized in other comprehensive income and directly in equity	814	1,043
Changes in deferred income tax balances recognized in consolidated profit or loss	(469)	(1,114)
Deferred tax assets – end of the period	8,886	4,108
Deferred tax liabilities – end of the period	(7,713)	(3,280)

33. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Year ended 31 December 2014	Year ended 31 December 2013
Profit		
Net profit attributable to equity holders of the parent for the period (mRUB)	3,183	13,942
Weighted average number of ordinary shares		
For basic and diluted earnings per share	1,551,401,853	1,551,401,853
Earnings per share – basic and diluted (RUB)	**2.05**	**8.99**

34. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	31 December 2014 mRUB	31 December 2013 mRUB
Litigations and other provisions	772	1,943
Provision for losses on letters of credit and guarantees	260	-
Total other provisions	**1,032**	**1,943**

In October 2013 one of the borrowers of the Bank initiated a legal claim to annul payments made under a loan agreement. The total amount brought under dispute was RUB 1,658 million. This claim was fully provisioned as of 31 December 2013 and fully paid in January 2014 in accordance with a court decision. In April 2014 this court decision was cancelled and the borrower's claim rejected. As of 31 December 2014 the Bank managed to recover RUB 277 million of the total amount paid. The remaining amount to be recovered has been included in loans to customers and fully provisioned, while the Bank will continue its attempts to recover its due amount from the borrower.

In May 2014 the Bank received a legal claim from one of its counterparties to recover damages as a result of the assignment of void receivables under a cession agreement in the amount of RUB 383 million, which was fully provisioned as of 31 December 2014. Legal proceedings are underway.

As of 31 December 2014 and 2013, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 273 million and RUB 959 million, respectively and guarantees issued covered by cash amounted to RUB 109 million and RUB 205 million, respectively.

As of 31 December 2014 and 2013, the nominal or contract amounts were:

	31 December 2014 Nominal amount mRUB	31 December 2013 Nominal amount mRUB
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	82,158	47,672
Letters of credit and other transaction related contingent obligations	8,743	4,754
Commitments on loans and unused credit lines	69,265	125,526
Total contingent liabilities and credit commitments	**160,166**	**177,952**

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 31 December 2014 and 2013 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 238 million and RUB 132 million, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancellable operating leases of buildings and equipment are as follows:

	31 December 2014 mRUB	31 December 2013 mRUB
Not later than 1 year	2,170	2,388
Later than 1 year and not later than 5 years	2,225	2,164
Later than 5 years	1,811	1,599
Total operating lease commitments	**6,206**	**6,151**

Fiduciary activities – In the normal course of its business, the Group enters into agreements with limited rights on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses due to its gross negligence or wilful misconduct until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized gain/loss on the client's position. In the judgment of management, as of 31 December 2014 and 2013 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUB 335 million and RUB 606 million, respectively. These amounts represent customers' funds under the management of the Group as at 31 December 2014 and 2013.

The Group also provides depositary services to its customers. As of 31 December 2014 and 2013, the Group had customer securities totalling 4,848,224,175 items and 597,004,534,332 items, respectively, in its nominal holder accounts.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

The Group is receiving claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. The CBR issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Group, and has established procedures on disclosing additional information in loan agreements in compliance with the CBR instruction.

Taxation – The Russian laws and regulations affecting business continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and as a result, transactions and activities that have not been challenged in the past may be challenged in future tax audits. Fiscal periods remain open to tax audit by the authorities in respect of taxes for the three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable based on its interpretations of the tax legislation. However, the tax authorities may have differing interpretations, and the effects could be significant.

Russian Transfer Pricing Legislation – Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The tax authorities may assess additional tax charges in respect of certain transactions, including but not limited to transactions with related parties, if they consider transactions to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses may have more than one interpretation, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Operating environment – Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In 2014, Russia's sovereign debt was downgraded to lowest investment-grade levels by international rating agencies, and further on downgraded to below investment-grade levels during the first quarter 2015, with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Rouble and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments – The Group engages in cash settled and equity settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares or share options initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares or share options granted is recognized in the consolidated income statement within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled, share-based payments.

35. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2014 mRUB		31 December 2013 mRUB	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
Financial assets at fair value through profit or loss	81,487	158,075	5,121	34,039
- shareholders	81,487		5,121	
Due from banks	42,449	106,172	6,473	49,175
- shareholders	42,243		6,314	
- related parties under common control with the Group	206		159	
Loans to customers, gross	453	734,112	272	673,923
- key management personnel of the Group	51		3	
- related parties under common control with the Group	402		269	
Allowance for impairment losses on loans to customers	-	(57,480)	(39)	(61,665)
- related parties under common control with the Group	-		(39)	
Investments available-for-sale	117	4,993	117	54,489
- related parties under common control with the Group	117		117	
Other assets	328	11,869	504	10,744
- shareholders	297		473	
- related parties under common control with the Group	31		31	
Financial liabilities at fair value through profit or loss	89,063	129,770	4,815	9,261
- shareholders	89,063		4,815	
Due to banks	54,586	134,894	103,446	175,090
- shareholders	52,627		103,445	
- related parties under common control with the Group	1,959		1	
Customer accounts	8,979	485,676	7,782	381,998
- shareholders	580		580	
- key management personnel of the Group	327		440	
- related parties under common control with the Group	8,072		6,762	
Other liabilities	697	11,662	525	8,981
- shareholders	697		525	
Subordinated debt	46,443	46,443	33,286	33,286
- shareholders	41,845		30,611	
- related parties under common control with the Group	4,598		2,675	

	31 December 2014 mRUB		31 December 2013 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Guarantees issued and similar commitments	1,965	82,158	663	47,672
- shareholders	980		589	
- key management personnel of the Group	-		4	
- related parties under common control with the Group	985		70	
Commitments on loans and unused credit lines	6,142	69,265	6,027	125,526
- shareholders	5,000		5,000	
- key management personnel of the Group	6		12	
- related parties under common control with the Group	1,136		1,015	
Guarantees received	4,141	258,456	4,478	367,556
- shareholders	4,141		4,478	

Included in the consolidated statements of profit or loss for the years ended 31 December 2014 and 2013 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2014 mRUB		Year ended 31 December 2013 mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	518	89,922	149	84,651
- shareholders	504		147	
- key management personnel of the Group	6		-	
- related parties controlled by, or under common control with the Group	8		2	
Interest expense	(6,654)	(41,522)	(7,670)	(36,807)
- shareholders	(5,977)		(7,020)	
- key management personnel of the Group	(21)		(14)	
- related parties under common control with the Group	(656)		(636)	
Provision for impairment losses	39	(18,246)	605	(10,516)
- related parties under common control with the Group	39		605	
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(13,868)	(1,546)	733	(374)
- shareholders	(13,868)		733	

	Year ended 31 December 2014 mRUB		Year ended 31 December 2013 mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Net gain/(loss) on foreign exchange operations	5,046	(165)	(1,869)	(1,841)
- shareholders	5,021		(1,869)	
- related parties under common control with the Group	25		-	
Fee and commission income	2,174	13,945	1,996	13,359
- shareholders	203		31	
- key management personnel of the Group	4		2	
- related parties under common control with the Group	1,967		1,963	
Fee and commission expense	(194)	(2,198)	(156)	(1,922)
- shareholders	(194)		(156)	
Operating expense (other than compensation)	(356)	(17,077)	3,148	(13,844)
- shareholders	(356)		3,148	
Other income	45	1,250	24	1,319
- shareholders	13		24	
- related parties under common control with the Group	32		-	
Salary, bonuses and social security contribution	(592)	(19,122)	(562)	(18,046)
- key management personnel	(592)		(562)	

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in a forced or liquidation sale.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, due to banks, customer accounts, promissory notes issued, subordinated debt and other financial assets and liabilities, there is no reliable market value available for these portfolios.
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying rate may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2014		31 December 2013	
	Carrying value, mRUB	Fair value, mRUB	Carrying value, mRUB	Fair value, mRUB
Cash and balances with the Central Bank of the Russian Federation	78,230	78,230	73,472	73,472
Financial assets at fair value through profit or loss	158,075	158,075	34,039	34,039
Due from banks	106,172	106,172	49,175	49,175
Loans to customers	676,632	676,632	612,258	612,258
Investments available-for-sale	4,993	4,993	54,489	54,489
Investments held to maturity	65,318	56,792	-	-
Other financial assets	2,590	2,590	1,146	1,146
Financial liabilities at fair value through profit or loss	129,770	129,770	9,261	9,261
Due to the Central Bank of the Russian Federation	44,027	44,027	6,119	6,119
Due to banks	134,894	134,894	175,090	175,090
Customer accounts	485,676	485,676	381,998	381,998
Debt securities issued	146,049	141,547	115,278	116,228
Other provisions	1,032	1,032	1,943	1,943
Other financial liabilities	8,274	8,274	6,081	6,081
Subordinated debt	46,443	46,443	33,286	33,286

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

Fair value measurements recognised in the consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 31 December 2014, the Group has categorized classes of assets and liabilities into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balance Sheet	31 December 2014, mRUB			31 December 2013, mRUB		
Category	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and balances with the Central Bank of the Russian Federation	-	78,230	-	-	73,472	-
Financial assets at fair value through profit or loss	8,107	149,968	-	7,879	26,160	-
Due from banks	-	106,172	-	-	49,175	-
Loans to customers	-	676,632	-	-	612,258	-
Investments available-for-sale	4,855	138	-	54,353	136	-
Investments held to maturity	56,792	-	-	-	-	-
Property and equipment	-	-	19,339	-	-	20,444
Financial liabilities at fair value through profit or loss	-	129,770	-	273	8,988	-
Due to the Central Bank of the Russian Federation	-	44,027	-	-	6,119	-
Due to banks	-	134,894	-	-	175,090	-
Customer accounts	-	485,676	-	-	381,998	-
Debt securities issued	138,046	3,501	-	109,032	7,196	-
Subordinated debt	-	46,443	-	-	33,286	-

There were no transfers between Level 1 and 2 during 2014.

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10 % to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

37. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

	Impact of offsetting on the statement of financial position		Net amount presented in the statement of financial position	Impact of Master Netting Agreements and similar agreements					
	Gross amount	Amounts offset		Financial instruments recognised in the statement of financial position	Cash collateral received	Financial instruments received as collateral	Net amount	Assets not subject to offsetting	Total assets / liabilities 31 December 2014
ASSETS									
Derivative financial instruments	144,283	-	144,283	105,232	-	-	39,051	-	144,283
Other assets not subject to offsetting	-	-	-	-	-	-	-	992,744	992,744
TOTAL ASSETS	**144,283**	**-**	**144,283**	**105,232**	**-**	**-**	**39,051**	**992,744**	**1,137,027**
LIABILITIES									
Derivative financial instruments	129,770	-	129,770	105,232	-	-	24,538	-	129,770
Other liabilities not subject to offsetting	-	-	-	-	-	-	-	877,613	877,613
TOTAL LIABILITIES	**129,770**	**-**	**129,770**	**105,232**	**-**	**-**	**24,538**	**877,613**	**1,007,383**

	Impact of offsetting on the statement of financial position		Net amount presented in the statement of financial position	Impact of Master Netting Agreements and similar agreements					
	Gross amount	Amounts offset		Financial instruments recognised in the statement of financial position	Cash collateral received	Financial instruments received as collateral	Net amount	Assets not subject to offsetting	Total assets/ liabilities 31 December 2013
ASSETS									
Derivative financial instruments	9,549	-	9,549	8,507	-	-	1,042	-	9,549
Other assets not subject to offsetting	-	-	-	-	-	-	-	854,592	854,592
TOTAL ASSETS	**9,549**	**-**	**9,549**	**8,507**	**-**	**-**	**1,042**	**854,592**	**864,141**
LIABILITIES									
Derivative financial instruments	8,988	-	8,988	8,507	-	-	481	-	8,988
Other liabilities not subject to offsetting	-	-	-	-	-	-	-	726,406	726,406
TOTAL LIABILITIES	**8,988**	**-**	**8,988**	**8,507**	**-**	**-**	**481**	**726,406**	**735,394**

38. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basel Committee.

The following table analyzes the Group’s regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee.

	31 December 2014 mRUB	31 December 2013 mRUB
Tier 1 capital	117,099	118,949
Tier 2 capital	54,269	36,619
Total capital	**171,368**	**155,568**

As at 31 December 2014 and 2013 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

As at 31 December 2014 the Group's total capital amount for Capital Adequacy purposes was RUB 171,368 million and Tier 1 capital amount was RUB 117,099 million with ratios of 19.7% and 13.5%, respectively.

As at 31 December 2013 the Group's total capital amount for Capital Adequacy purposes was RUB 155,568 million and Tier 1 capital amount was RUB 118,949 million with ratios of 19.4% and 14.8%, respectively.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group is obliged to comply with CBR capital adequacy requirements.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 22, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2013.

40. SEGMENT REPORTING

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	Year ended 31 December 2014
Net interest margin	33,401	9,685	(383)	5,697	48,400
Provisions for impairment losses on interest bearing assets	(14,130)	(3,721)	(7)	(388)	(18,246)
Net gain/(loss) on financial transactions	839	-	2,142	(5,029)	(2,048)
Net fee and commission income	6,494	4,966	760	(473)	11,747
Other provisions	-	(137)	-	-	(137)
Dividend income	-	-	-	290	290
Other income	361	15	69	805	1,250
Total operating income	**26,965**	**10,808**	**2,581**	**902**	**41,256**
Operating expenses	(24,858)	(8,732)	(1,636)	(973)	(36,199)
Profit before income tax	2,107	2,076	945	(71)	5,057
Income tax expense	-	-	-	(1,874)	(1,874)
Net profit	**2,107**	**2,076**	**945**	**(1,945)**	**3,183**
Segment assets	**475,365**	**231,346**	**263,843**	**166,473**	**1,137,027**
Segment liabilities	**306,119**	**315,506**	**322,426**	**63,332**	**1,007,383**
Other segment items					
Depreciation charge on property and equipment	(1,148)	(351)	(38)	(660)	(2,197)
Cash and balances with the Central Bank of the Russian Federation	9,598	-	-	68,632	78,230
Financial assets at fair value through profit or loss	-	-	158,075	-	158,075
Due from banks	845	-	105,327	-	106,172
Loans to customers	449,333	227,299	-	-	676,632
Investments available-for-sale	-	-	-	4,993	4,993
Investments held to maturity	-	-	-	65,318	65,318

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	Year ended 31 December 2014
Property and equipment	13,226	4,047	441	7,588	25,302
Financial liabilities at fair value through profit or loss	-	-	129,770	-	129,770
Due to the Central Bank of the Russian Federation	-	-	44,027	-	44,027
Due to banks	46,075	-	88,819	-	134,894
Customer accounts	170,170	315,506	-	-	485,676
Debt securities issued	86,239	-	59,810	-	146,049
Subordinated debt	-	-	-	46,443	46,443
Capital expenditure	1,562	478	52	896	2,988

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	Year ended 31 December 2013
Net interest margin	33,487	9,351	393	4,613	47,844
Provisions for impairment losses on interest bearing assets	(8,421)	(2,128)	1	32	(10,516)
Net gain/(loss) on financial transactions	460	-	1,197	(163)	1,494
Net fee and commission income	6,534	4,866	590	(553)	11,437
Other provisions	(85)	(1,773)	-	-	(1,858)
Dividend income	-	-	-	401	401
Other income	739	(3)	57	526	1,319
Total operating income	**32,714**	**10,313**	**2,238**	**4,856**	**50,121**
Operating expenses	(23,766)	(8,560)	(1,456)	1,892	(31,890)
Profit before income tax	8,948	1,753	782	6,748	18,231
Income tax expense	-	-	-	(4,289)	(4,289)
Net profit	**8,948**	**1,753**	**782**	**2,459**	**13,942**
Segment assets	**442,661**	**198,416**	**81,302**	**141,762**	**864,141**
Segment liabilities	**279,684**	**220,101**	**190,950**	**44,659**	**735,394**
Other segment items					
Depreciation charge on property and equipment	(1,139)	(348)	(38)	(653)	(2,178)
Cash and balances with the Central Bank of the Russian Federation	5,250	-	-	68,222	73,472
Financial assets at fair value through profit or loss	-	-	34,039	-	34,039
Loans and advances to banks	2,354	-	46,821	-	49,175
Loans to customers	417,896	194,362	-	-	612,258
Investments available-for-sale	-	-	-	54,489	54,489
Property and equipment	13,252	4,054	442	7,603	25,351
Financial liabilities at fair value through profit or loss	-	-	9,261	-	9,261
Due to the Central Bank of the Russian Federation	-	-	6,119	-	6,119
Deposits from banks	49,807	-	125,283	-	175,090
Customer accounts	161,897	220,101	-	-	381,998
Debt securities issued	64,991	-	50,287	-	115,278
Subordinated debt	-	-	-	33,286	33,286
Capital expenditure	879	269	29	505	1,682

41. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

Group manages liquidity risk by maintaining appropriate set of transformation and stress test limits as well as a set of dynamic early warning indicators triggering activation of contingency funding plans.

Current liquidity and cash flow risks are commonly managed by the Treasury department and ALM within Finance division. Short term liquidity structure is daily managed by Treasury (priority in decisions with horizon up to 1 month) while general structure and long term horizon is followed by ALM (priority in decisions on horizon over 1 month). Strategic decisions and overall risk monitoring is provided by the Management Board through Assets and Liabilities Management Committee (ALCO).

The Treasury Department produces intra-day forecasts on the Group payment position with short horizon (1-3 days) and performs management and control of the current liquidity position of the Group. The Asset and Liability Management Department (ALM) assesses excess/lack of liquidity on cumulative and individual basis through managerial cash flow gap analysis. It is reported to top and senior management of the Bank weekly, presented on ALCO. Quarterly the Group IFRS cash flow gap table is produced according to standards of the major shareholder and reported via automated system for consolidation. The method used for assessment of the maturity structure is GAP analysis is being constantly revised to ensure integrity with real business profile and standards of the Group. It includes the analysis of absolute characteristics of the individual and cumulative gaps of the periodic structure of assets/liabilities based on basic maturity periods. Maturity is presented according to contractual terms and modeled prepayment impact for explicit maturity items and modeled amortization schedule for non-maturity items, client behaviour regarding contractual options is subject for further implementation in the gaps structure. The Central Bank of the Russian Federation's obligatory ratios are calculated and forecasted in terms of compliance by ALM. Both Treasury and ALM activities are performed with regard to possible impact on regulatory compliance.

The analysis of liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 mRUB Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	72,655	-	-	-	-	5,575	78,230
Financial assets at fair value through profit or loss	20,815	36,525	51,515	28,590	20,630	-	158,075
Due from banks	88,116	8,461	8,189	1,406	-	-	106,172
Loans to customers	40,281	80,984	204,749	277,859	72,759	-	676,632
Investments available-for-sale	4,632	-	136	97	121	7	4,993
Investments held to maturity	-	-	-	7,323	57,995	-	65,318
Property and equipment	277	449	1,992	10,244	12,340	-	25,302
Current income tax asset	-	-	1,550	-	-	-	1,550
Deferred income tax asset	-	-	889	3,555	4,442	-	8,886
Other assets	6,485	1,042	1,143	3,199	-	-	11,869
TOTAL ASSETS	**233,261**	**127,461**	**270,163**	**332,273**	**168,287**	**5,582**	**1,137,027**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 mRUB Total
LIABILITIES							
Financial liabilities at fair value through profit or loss	10,845	29,125	42,089	26,810	20,901	-	129,770
Due to the Central Bank of the Russian Federation	27,627	14,500	1,900	-	-	-	44,027
Due to banks	62,815	402	26,283	45,268	126	-	134,894
Customer accounts	155,960	66,205	129,695	95,926	37,888	2	485,676
Debt securities issued	6,076	3,211	50,175	72,297	14,279	11	146,049
Other provisions	1,032	-	-	-	-	-	1,032
Current income tax liabilities	117	-	-	-	-	-	117
Deferred income tax liabilities	-	-	771	3,085	3,857	-	7,713
Other liabilities	7,650	2,349	1,055	608	-	-	11,662
Subordinated debt	127	288	153	4,681	41,194	-	46,443
TOTAL LIABILITIES	**272,249**	**116,080**	**252,121**	**248,675**	**118,245**	**13**	**1,007,383**
Liquidity gap	(38,988)	11,381	18,042	83,598	50,042	5,569	
Cumulative liquidity gap	**(38,988)**	**(27,607)**	**(9,565)**	**74,033**	**124,075**	**129,644**	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 mRUB Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	67,932	-	-	-	-	5,540	73,472
Financial assets at fair value through profit or loss	26,075	941	1,077	2,054	3,892	-	34,039
Due from banks	32,963	3,956	11,856	400	-	-	49,175
Loans to customers	48,906	63,048	176,497	264,697	59,110	-	612,258
Investments available-for-sale	54,132	4	20	207	121	5	54,489
Property and equipment	230	446	1,999	10,340	12,336	-	25,351
Current income tax asset	-	-	505	-	-	-	505
Deferred income tax asset	64	129	580	1,483	1,852	-	4,108
Other assets	4,782	403	2,876	2,634	49	-	10,744
TOTAL ASSETS	**235,084**	**68,927**	**195,410**	**281,815**	**77,360**	**5,545**	**864,141**
LIABILITIES							
Financial liabilities at fair value through profit or loss	818	598	693	3,089	4,063	-	9,261
Due to the Central Bank of the Russian Federation	5,119	-	1,000	-	-	-	6,119
Due to banks	79,009	7,480	42,546	44,527	1,528	-	175,090
Customer accounts	69,113	34,393	107,144	124,013	47,335	-	381,998
Debt securities issued	886	1,367	44,929	67,488	608	-	115,278
Other provisions	1,943	-	-	-	-	-	1,943
Current income tax liabilities	158	-	-	-	-	-	158
Deferred income tax liabilities	3,280	-	-	-	-	-	3,280
Other liabilities	6,515	1,361	447	658	-	-	8,981
Subordinated debt	168	171	4,031	4,690	24,226	-	33,286
TOTAL LIABILITIES	**167,009**	**45,370**	**200,790**	**244,465**	**77,760**	**-**	**735,394**
Liquidity gap	68,075	23,557	(5,380)	37,350	(400)	5,545	
Cumulative liquidity gap	**68,075**	**91,632**	**86,252**	**123,602**	**123,202**	**128,747**	

Asset and liability maturity periods and the ability to replace interest bearing liabilities at an acceptance cost when they mature are crucial in determining the Group's liquidity and its fluctuation of interest and exchange rates.

The maturity of time deposits of individuals is based on contractual terms. However, time deposits can be withdrawn by individuals on demand.

The equity investments available-for-sale and the equity investments at fair value through profit or loss have no contractual maturity and are classified based on management's intentions.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that deposits are a stable and long-term source of financing for the Group.

The analysis of off-balance liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 mRUB Total
OFF-BALANCE ASSETS							
Interest rate instruments							
Swaps	2,110	17,779	59,079	45,879	131,650	-	256,497
Forex instruments							
Firm instruments	85,425	149,927	238,154	163,851	2,898	-	640,255
Commodity instruments							
Firm instruments	79	151	473	372	-	-	1,075
Options	19,141	18,044	83,759	64,503	-	-	185,447
Other forward market financial exchange Intruments	-	464	-	618	-	-	1,082
Securities receivable	2	-	-	-	-	-	2
Equities & indexes Instruments (assets)							
Futures	-	-	2	-	-	-	2
TOTAL OFF-BALANCE ASSETS	**106,757**	**186,365**	**381,467**	**275,223**	**134,548**	**-**	**1,084,360**
OFF-BALANCE LIABILITIES							
Interest rate instruments							
Swaps	2,110	17,779	59,079	45,879	137,351	-	262,198
Forex instruments							
Firm instruments	87,820	144,905	227,716	162,967	2,898	-	626,306
Commodity instruments							
Firm instruments	79	151	473	372	-	-	1,075
Options	19,141	18,044	83,759	64,503	-	-	185,447
Other forward market financial exchange Intruments	-	-	-	-	-	-	-
Securities deliverable	109	-	-	-	-	-	109
Equities & indexes Instruments (liabilities)							
Futures	-	-	2	-	-	-	2
TOTAL OFF-BALANCE LIABILITIES	**109,259**	**180,879**	**371,029**	**273,721**	**140,249**	**-**	**1,075,137**
NET OFF-BALANCE POSITION	**(2,502)**	**5,486**	**10,438**	**1,502**	**(5,701)**	**-**	**9,223**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 mRUB Total
OFF-BALANCE ASSETS							
Interest rate instruments							
Swaps	-	13,300	33,200	32,481	65,661	-	144,642
Forex instruments							
Firm instruments	35,084	56,326	99,897	121,815	4,228	-	317,350
Commodity instruments							
Firm instruments	306	114	373	426	-	-	1,219
Options	590	1,314	7,380	8,371	-	-	17,655
Other forward market financial exchange Intruments	-	-	-	1,004	-	-	1,004
TOTAL OFF-BALANCE ASSETS	**35,980**	**71,054**	**140,850**	**164,097**	**69,889**	**-**	**481,870**
OFF-BALANCE LIABILITIES							

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 mRUB Total
Interest rate instruments							
Swaps	-	13,300	33,200	32,481	65,661	-	144,642
Forex instruments							
Firm instruments	35,186	56,692	100,292	122,471	4,228	-	318,868
Commodity instruments							
Firm instruments	306	114	373	426	-	-	1,219
Options	590	1,314	7,380	8,371	-	-	17,655
Other forward market financial exchange Intruments	-	-	-	-	-	-	-
TOTAL OFF-BALANCE LIABILITIES	**36,082**	**71,420**	**141,245**	**163,749**	**69,889**	**-**	**482,384**
NET OFF-BALANCE POSITION	**(102)**	**(366)**	**(395)**	**348**	**-**	**-**	**(514)**

The table below presents the cash flow payable by the Group under financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2014 mRUB Total
LIABILITIES						
Financial liabilities at fair value through profit or loss	10,845	29,125	42,089	26,810	20,901	129,770
Due to the Central Bank of the Russian Federation	28,066	14,869	2,018	-	-	44,953
Due to banks	63,058	855	27,576	47,934	336	139,759
Customer accounts	157,191	66,912	131,359	99,873	37,672	493,007
Debt securities issued	5,754	6,670	55,389	83,782	43,587	195,182
Other provisions	1,032	-	-	-	-	1,032
Other financial liabilities	2,647	2,754	2,873	-	-	8,274
Subordinated debt	387	1,050	2,629	10,871	53,502	68,439
Contingent liabilities and credit commitments	28,247	13,923	61,178	53,653	3,042	160,043
Total financial liabilities and commitments	**297,227**	**136,158**	**325,111**	**322,923**	**159,040**	**1,240,459**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2013 mRUB Total
LIABILITIES						
Financial liabilities at fair value through profit or loss	9,140	9	35	75	2	9,261
Due to the Central Bank of the Russian Federation	5,119	-	1,000	-	-	6,119
Due to banks	77,696	7,847	44,255	50,258	2,635	182,691
Customer accounts	69,309	34,573	107,916	129,793	46,823	388,414
Debt securities issued	1,195	7,716	62,003	115,269	504	186,687
Other provisions	1,943	-	-	-	-	1,943
Other financial liabilities	3,399	1,544	468	670	-	6,081
Subordinated debt	374	607	5,134	10,585	32,690	49,390
Contingent liabilities and credit commitments	11,328	17,360	75,218	71,921	2,004	177,831
Total financial liabilities and commitments	**179,503**	**69,656**	**296,029**	**378,571**	**84,658**	**1,008,417**

As at 31 December 2014 and 2013 contingent liabilities and credit commitments included financial guarantee contracts in the amount of RUB 82,158 million and RUB 47,672 million, respectively.

These are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

Structural interest rate risk

Structural interest rate risk is measured within the scope of structural activities (transactions with clients, the associated hedging transactions and proprietary transactions). Structural interest rate risk arises mainly from the residual gaps (surplus or deficit) in each entity's fixed-rate forecasted positions.

The Group's main aim is to reduce each Group entity's exposure to structural interest rate risk as much as possible. Exposure to interest rate risk of banking book is measured through discounted cash flows of balance and off-balance sheet items and is limited by adequate limits framing the sensitivity to market yield curve shifts. In addition to this analysis, the Group also analyses the sensitivity to different yield curve configurations of the fixed rate position (steepening and flattening of the yield curve). The measurement of the net interest income sensitivity is also used by the Group to quantify the structural interest rate risk of significant entities.

To this end, any residual structural interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group as validated by the Finance Committee.

In order to quantify its exposure to structural interest rate risks, the Group analyses all fixed-rate assets and liabilities in the future. These positions come from transactions remunerated or charged at fixed rates and from their maturities.

Assets and liabilities are analysed independently, without any a priori matching. The maturities of outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behaviour patterns (particularly for savings accounts, early loan repayments, etc.), as well as conventional assumptions relating to certain balance sheet items (principally shareholders' equity and sight deposits).

Throughout 2014, the Group's overall sensitivity to interest rate risk remained within the limit.

Sensitivity to interest rate variations of the Group is presented below:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Short term	210	156
Medium term	(1,705)	(807)
Long term	40	338
Total sensitivity to interest rate risk	**(1,455)**	**(313)**

Market risk pertaining to interest rate related instruments

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The Group deals with the instruments subject to interest rate risk (sub-category of the market risk) - the risk of losses in case of changes in market prices caused by interest rates modifications either due to the instruments specific factors or general factors affecting all securities traded in the market (variations in market interest rates).

The Group manages this market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate limits.

The table below represents an analysis of sensitivity to market risk based on the balance sheet position for investments in securities at the reporting date.

The results of the analysis of the sensitivity of the Groups profit before tax and equity for the year to changes in prices of securities on a simplified scenario of 10% symmetrical increase or decrease in all securities prices are given in the table below:

		Reflected in profit or loss		Reflected in total comprehensive income	
	MTM	**10% down**	**10 % up**	**10% down**	**10% up**
31 December 2014					
Total	**18,647**	**(1,379)**	**1,379**	**(1,864)**	**1,864**
Trading portfolio	**13,792**	**(1,379)**	**1,379**	**(1,379)**	**1,379**
Promissory Notes	5,685	(569)	569	(569)	569
Domestic Corporate Bonds	612	(61)	61	(61)	61
Corporate Eurobonds	7,381	(738)	738	(738)	738
Domestic Municipal Bonds	2	-	-	-	-
Government Eurobonds	-	-	-	-	-
Government Domestic Bonds	112	(11)	11	(11)	11
AFS portfolio	**4,855**	**-**	**-**	**(485)**	**485**
Government Domestic Bonds	4,753	-	-	(475)	475
Government Eurobonds	-	-	-	-	-
Domestic Corporate Bonds	102	-	-	(10)	10
31 December 2013					
Total	**78,844**	**(2,449)**	**2,449**	**(7,884)**	**7,884**
Trading portfolio	**24,490**	**(2,449)**	**2,449**	**(2,449)**	**2,449**
Promissory Notes	16,611	(1,661)	1,661	(1,661)	1,661
Domestic Corporate Bonds	4,854	(486)	486	(486)	486
Corporate Eurobonds	1,384	(138)	138	(138)	138
Domestic Municipal Bonds	1,263	(126)	126	(126)	126
Government Eurobonds	278	(28)	28	(28)	28
Government Domestic Bonds	100	(10)	10	(10)	10
AFS portfolio	**54,354**	**-**	**-**	**(5,435)**	**5,435**
Government Domestic Bonds	36,871	-	-	(3,687)	3,687
Government Eurobonds	17,371	-	-	(1,737)	1,737
Domestic Corporate Bonds	112	-	-	(11)	11

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuation in prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	RUB	USD 1 USD = 56.2584 RUB	EUR 1 EUR = 68.3427 RUB	Precious metals	Other currency	31 December 2014 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	71,233	3,770	3,159	-	68	78,230
Financial assets at fair value through profit or loss	100,674	40,684	3,233	-	13,484	158,075
Due from banks	21,894	70,489	7,435	-	6,354	106,172
Loans to customers	527,456	142,779	6,397	-	-	676,632
Investments available-for-sale	4,983	-	10	-	-	4,993
Investments held to maturity	30,162	35,156	-	-	-	65,318
Other financial assets	2,269	22	299	-	-	2,590
TOTAL FINANCIAL ASSETS	**758,671**	**292,900**	**20,533**	**-**	**19,906**	**1,092,010**
Property and equipment	25,302	-	-	-	-	25,302
Current income tax assets	1,550	-	-	-	-	1,550
Deferred income tax asset	8,886	-	-	-	-	8,886
Other non-financial assets	7,452	249	1,551	-	27	9,279
TOTAL NON-FINANCIAL ASSETS	**43,190**	**249**	**1,551**	**-**	**27**	**45,017**
TOTAL ASSETS	**801,861**	**293,149**	**22,084**	**-**	**19,933**	**1,137,027**
LIABILITIES						
Financial liabilities at fair value through profit or loss	79,894	34,468	1,924	-	13,484	129,770
Due to CBR	44,027	-	-	-	-	44,027
Due to banks	54,709	67,688	10,050	1	2,446	134,894
Customer accounts	301,266	153,767	29,436	659	548	485,676
Debt securities issued	144,844	1,189	16	-	-	146,049
Other provisions	1,032	-	-	-	-	1,032
Other financial liabilities	7,111	65	1,098	-	-	8,274
Subordinated debt	4,927	38,094	3,422	-	-	46,443
TOTAL FINANCIAL LIABILITIES	**637,810**	**295,271**	**45,946**	**660**	**16,478**	**996,165**
Current income tax liabilities	117	-	-	-	-	117
Deferred income tax liabilities	7,713	-	-	-	-	7,713
Other non-financial liabilities	1,752	241	888	-	507	3,388
TOTAL NON-FINANCIAL LIABILITIES	**9,582**	**241**	**888**	**-**	**507**	**11,218**
TOTAL LIABILITIES	**647,392**	**295,512**	**46,834**	**660**	**16,985**	**1,007,383**
OPEN BALANCE SHEET POSITION	**154,469**	**(2,363)**	**(24,750)**	**(660)**	**2,948**	

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2014:

	RUB	USD 1 USD = 56.2584 RUB	EUR 1 EUR = 68.3427 RUB	Precious metals	Other currency	31 December 2014 Total
Receivables on spot and derivative contracts	256,286	615,622	82,097	662	128,612	1,083,279
Payables on spot and derivative contracts	(281,337)	(613,462)	(57,056)	(7)	(131,417)	(1,083,279)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(25,051)**	**2,160**	**25,041**	**655**	**(2,805)**	
TOTAL OPEN POSITION	**129,418**	**(203)**	**291**	**(5)**	**143**	

	RUB	USD 1 USD = 32.7292 RUB	EUR 1 EUR = 44.9699 RUB	Precious metals	Other currency	31 December 2013 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	70,244	1,767	1,416	-	45	73,472
Financial assets at fair value through profit or loss	26,899	3,938	(349)	-	3,551	34,039
Due from banks	24,389	18,526	2,722	-	3,538	49,175
Loans to customers	508,853	95,175	8,230	-	-	612,258
Investments available-for-sale	37,114	17,371	4	-	-	54,489
Other financial assets	1,015	17	114	-	-	1,146
TOTAL FINANCIAL ASSETS	**668,514**	**136,794**	**12,137**	**-**	**7,134**	**824,579**
Property and equipment	25,351	-	-	-	-	25,351
Current income tax assets	505	-	-	-	-	505
Deferred income tax asset	4,108	-	-	-	-	4,108
Other non-financial assets	9,062	107	411	-	18	9,598
TOTAL NON-FINANCIAL ASSETS	**39,026**	**107**	**411**	**-**	**18**	**39,562**
TOTAL ASSETS	**707,540**	**136,901**	**12,548**	**-**	**7,152**	**864,141**
LIABILITIES						
Financial liabilities at fair value through profit or loss	4,653	1,377	(320)	-	3,551	9,261
Due to CBR	6,119	-	-	-	-	6,119
Due to banks	81,411	88,228	4,010	18	1,423	175,090
Customer accounts	254,030	105,190	21,835	774	169	381,998
Debt securities issued	114,347	920	11	-	-	115,278
Other provisions	1,943	-	-	-	-	1,943
Other financial liabilities	5,385	31	665	-	-	6,081
Subordinated debt	8,844	22,192	2,250	-	-	33,286
TOTAL FINANCIAL LIABILITIES	**476,732**	**217,938**	**28,451**	**792**	**5,143**	**729,056**
Current income tax liabilities	158	-	-	-	-	158
Deferred income tax liabilities	3,280	-	-	-	-	3,280
Other non-financial liabilities	1,901	45	616	-	338	2,900
TOTAL NON-FINANCIAL LIABILITIES	**5,339**	**45**	**616**	**-**	**338**	**6,338**
TOTAL LIABILITIES	**482,071**	**217,983**	**29,067**	**792**	**5,481**	**735,394**
OPEN BALANCE SHEET POSITION	**225,469**	**(81,082)**	**(16,519)**	**(792)**	**1,671**	

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2013:

	RUB	USD 1 USD = 32.7292 RUB	EUR 1 EUR = 44.9699 RUB	Precious metals	Other currency	31 December 2013 Total
Receivables on spot and derivative contracts	128,378	224,901	45,299	957	82,962	482,497
Payables on spot and derivative contracts	(225,086)	(143,779)	(28,776)	(165)	(84,691)	(482,497)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(96,708)**	**81,122**	**16,523**	**792**	**(1,729)**	
TOTAL OPEN POSITION	**128,761**	**40**	**4**	**-**	**(58)**	

Currency risk sensitivity

The following table details the Group's sensitivity to a 30% increase and decrease in the RUB against the relevant foreign currencies (2013: 10%). The use of a different rate compared to 2013 is to reflect the significant fluctuation of the Russian Rouble observed in 2014. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the period end is adjusted for a 30% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the RUB weakens 30% against the relevant currency. For a 30% strengthening of the RUB against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	USD impact		EUR impact	
	2014	2013	2014	2013
Profit before tax	(61)	4	87	-
Other equity	(53)	-	76	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk

Credit activities are conducted in accordance with the regulatory framework set by the Central Bank of the Russian Federation as well as internationally accepted criteria. Credit Policy is developed in line with the principles set out by its major shareholder Societe Generale and approved by the Group's Management Board. Credit Risk is taken based on the principles of risk adequacy, adequacy of profitability and strategic rationale. Credit operations conducted by the Group include term loans, credit lines, overdraft facilities, syndications, documentary operations and other operations involving credit risk. The credit procedure is structured in line with a strict segregation of duties, based on the approved Credit Manual of the Group.

Credit risk management and control are conducted using differentiated multilevel complex approach to evaluation of credit applications. Credit control is carried out at all stages of credit work and credit portfolio structuring. Credit risk policy is conducted in accordance with the following internal documents:

- Lending policy;
- Direction for credit operations.

The following methods of credit risk management are used:

- Complex credit risk analysis;
- Approval of credit risk limits for individuals and groups of clients;
- Control over maturity structure of assets;
- Limit and decision-making control;
- Planning spread between cash inflow and outflow, plan vs. actual analysis;
- Analysis of borrower's financial position, monitoring of financial position of guarantors;
- Current banking assets monitoring for management decisions-making.

Credit risk is evaluated by the following bodies:

- Credit Risks Department – complex analysis of the counterparty risk level;
- Credit Committee – decision (within local delegations) on Credit request on the basis of information prepared by Commercial block and credit risks assessment prepared by Credit Risks team;
- Risk Committee organized under Board of Directors – posterior control of credit quality of portfolio and credit risk level;
- Responsible department in Head Office, Paris – second level analysis of the counterparty risk level and decision on the credit request above Russia's local delegations.

The procedure for credit risk assumption comprises:

- Gathering of essential documents;
- Assessment of reliability and completeness of documents;
- Complex analysis of all risks which may occur;
- Making decisions about credit risk assumption;
- Legal capacity control of clients and their representatives

Internal ratings

The Group's rating system makes a key distinction between retail customers and corporate, bank and sovereign clients: for retail customer portfolios, internal models are used to measure credit risks. The Group uses calculated borrower's probability of default (PD) within one year and the percentage loss if the counterparty defaults (Loss Given Default, LGD) for credit risk assessment.

In both cases a set of procedures defines the rules and roles relating to ratings (scope, frequency of rating review, rating approval procedure, etc.), split between Rosbank and SG respectively. Among other things, these procedures facilitate human judgement, which provides a critical view of the results and is an essential complement to the models for these portfolios. The Group's internal models thus enable a quantitative assessment of credit risks based on the probability of default of the counterparty and the loss given default. The final Obligor rating is included in the credit applications and incorporated in credit limit delegation policy. Thus, Obligor ratings are one of the criteria for determining the approval limits granted to operational staff and the risk function.

The Group's risks estimates are not excessively sensitive to changes in the economic environment, while being able to detect any deterioration of risks. The PD modelling for large corporates has also been calibrated against long-term default statistics obtained from an external rating agency.

The criteria for determining internal rating category are as follows:

SG OG category	Criteria
1-2	High level of creditworthiness. Financial position is assessed as good and stable in the long term.
3	High level of creditworthiness. Financial position is assessed as good and stable in the long term. Some financial indicators are below 2nd category.
4	Relatively high level of creditworthiness. Financial position is assessed as satisfactory and stable in the long term.
5	Average level of creditworthiness. Financial position is assessed as satisfactory and stable in the short term.
6	Creditworthiness below average. Key financial indicators are assessed as satisfactory and stable in the short term.
7	Creditworthiness below average. Key financial indicators are assessed as satisfactory, but their stability is doubtful.
8	Significant deterioration in the counterparty's financial situation with or without unpaid amount.
9	At least one default on payment has been recorded and a recovery procedure has been initiated.
10	The counterparty is the subject of a legal procedure.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2014 Net exposure after offset and collateral
Balances with the Central Bank of the Russian Federation	41,639	-	41,639	-	41,639
Financial assets at fair value through profit or loss	158,075	-	158,075	-	158,075
Due from banks	106,172	-	106,172	4,892	101,280
Loans to customers	676,632	-	676,632	432,585	244,047
Investments available-for-sale	4,855	-	4,855	-	4,855
Investments held to maturity	65,318	-	65,318	-	65,318
Other financial assets	2,590	-	2,590	-	2,590
Commitments on loans and unused credit lines	69,265	-	69,265	-	69,265
Guarantees and letters of credit	90,901	382	90,519	-	90,519

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2013 Net exposure after offset and collateral
Balances with the Central Bank of the Russian Federation	43,838	-	43,838	-	43,838
Financial assets at fair value through profit or loss	34,039	-	34,039	-	34,039
Due from banks	49,175	-	49,175	9,434	39,741
Loans to customers	612,258	640	611,618	398,321	213,297
Investments available-for-sale	54,353	-	54,353	-	54,353
Other financial assets	1,146	-	1,146	-	1,146
Commitments on loans and unused credit lines	125,526	-	125,526	-	125,526
Guarantees and letters of credit	52,426	1,164	51,262	-	51,262

Collateral management

Collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities and also insurance policies. Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

As of 31 December 2014 and 2013 the loans to customers were collateralized by the following:

	31 December 2014 mRUB	31 December 2013 mRUB
Real estate	203,178	190,985
Vehicles	155,753	162,127
Corporate guarantees	51,704	56,468
Rights of demand	15,282	9,824
Equipment	7,531	5,267
Goods in turnover	3,581	1,328
Securities	18	3,116
Cash and Group’s debt securities	-	640
Others	14,237	7,428
Unsecured loans	282,828	236,740
Total gross loans to customers	**734,112**	**673,923**

The Group proactively manages its risks by diversifying guarantees: physical collateral, personal guarantees and others. In addition, the Group has strengthened its policies relating to the acceptance and management of guarantees and collateral as well as their valuation (data collection on guarantees and collateral, deployment of operational procedures).

During the credit approval process, an assessment of the value of guarantees and collateral, their legal enforceability and the guarantor’s ability to meet its obligations is undertaken.

The Credit Risk Department is responsible for validating the operating procedures established by the business divisions for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, both during the approval phase for a new loan or upon the annual renewal of the credit application.

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets (except loans to customers) that are neither past due nor impaired held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2014 Total mRUB
Financial assets at fair value through profit or loss	-	690	85,921	38,238	23,721	9,505	158,075
Due from banks	-	19,012	48,628	17,024	9,098	12,410	106,172
Investments available-for-sale	-	-	-	4,754	-	101	4,855
Investments held to maturity	-	-	-	65,318	-	-	65,318

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2013 Total mRUB
Financial assets at fair value through profit or loss	-	195	5,541	14,784	9,934	3,585	34,039
Due from banks	36	5,239	9,260	5,139	12,653	16,848	49,175
Investments available-for-sale	-	-	-	54,241	-	112	54,353

As of 31 December 2014 and 2013 the Balances with the Central Bank of the Russian Federation amounted to RUB 41,639 million and RUB 43,838 million, respectively. As of 31 December 2014 and 2013 the credit rating of the Russian Federation according to the international rating agencies corresponded to investment level BBB.

As of 31 December 2014 and 2013 unimpaired loans to customers comprise:

Category	Neither past due nor impaired	Past due but not impared					31 December 2014
		Past due up to 1 month	Past due 1-3 months	Past due 3-6 months	Past due 6 months and over	Total past due but not impaired	Total not impaired mRUB
Loans to individuals	426,009	6,584	3,137	-	-	9,721	435,730
Loans to legal entities	213,168	230	156	26	-	412	213,580
Total loans to customers not impared	**639,177**	**6,814**	**3,293**	**26**	**-**	**10,133**	**649,310**

Category	Neither past due nor impaired	Past due but not impared					31 December 2013
		Past due up to 1 month	Past due 1-3 months	Past due 3-6 months	Past due 6 months and over	Total past due but not impaired	Total not impaired mRUB
Loans to individuals	398,627	6,680	542	-	203	7,425	406,052
Loans to legal entities	157,128	-	-	-	465	465	157,593
Total loans to customers not impared	**555,755**	**6,680**	**542**	**-**	**668**	**7,890**	**563,645**

As of 31 December 2014 and 2013 the credit quality of loans to corporate customers that are neither past due nor impaired is presented below:

Internal rating category	31 December 2014 mRUB	31 December 2013 mRUB
1-2	556	2,434
3	821	1,020
4	48,893	29,378
5	109,324	44,912
6	50,804	36,596
7-10	2,770	42,788
Total	**213,168**	**157,128**

In respect to loans to individuals, the management of the Group bases its judgement for decision-making purposes on information on overdue periods for those loans.

The banking industry is generally exposed to credit risk through its financial assets. Credit risk exposure of the Group is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Renegotiated loans and advances

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2014 Total
ASSETS					
Cash and balances with the Central Bank of the Russian Federation	78,230	-	-	-	78,230
Financial assets at fair value through profit or loss	64,083	-	93,992	-	158,075
Due from banks	35,767	5	67,954	2,446	106,172
Loans to customers	662,558	304	4,779	8,991	676,632
Investments available-for-sale	4,987	-	6	-	4,993
Investments held to maturity	65,318	-	-	-	65,318
Other financial assets	2,590	-	-	-	2,590
TOTAL FINANCIAL ASSETS	**913,533**	**309**	**166,731**	**11,437**	**1,092,010**
Property and equipment	25,302	-	-	-	25,302
Current income tax assets	1,550	-	-	-	1,550
Deferred income tax asset	8,886	-	-	-	8,886
Other non-financial assets	9,252	-	27	-	9,279
TOTAL NON-FINANCIAL ASSETS	**44,990**	**-**	**27**	**-**	**45,017**
TOTAL ASSETS	**958,523**	**309**	**166,758**	**11,437**	**1,137,027**

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2014 Total
LIABILITIES					
Financial liabilities at fair value through profit or loss	38,906	-	90,864	-	129,770
Due to the Central Bank of the Russian Federation	44,027	-	-	-	44,027
Due to banks	53,470	34	78,941	2,449	134,894
Customer accounts	449,395	50	2,668	33,563	485,676
Debt securities issued	144,894	-	1,155	-	146,049
Other provisions	1,032	-	-	-	1,032
Other financial liabilities	7,482	-	792	-	8,274
Subordinated debt	-	-	46,443	-	46,443
TOTAL FINANCIAL LIABILITIES	**739,206**	**84**	**220,863**	**36,012**	**996,165**
Current income tax liabilities	117	-	-	-	117
Deferred income tax liabilities	7,713	-	-	-	7,713
Other non-financial liabilities	2,823	-	565	-	3,388
TOTAL NON-FINANCIAL LIABILITIES	**10,653**	**-**	**565**	**-**	**11,218**
TOTAL LIABILITIES	**749,859**	**84**	**221,428**	**36,012**	**1,007,383**
NET POSITION	**208,664**	**225**	**(54,670)**	**(24,575)**	

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2013 Total
ASSETS					
Cash and balances with the Central Bank of the Russian Federation	73,470	-	2	-	73,472
Financial assets at fair value through profit or loss	28,341	-	5,694	4	34,039
Due from banks	31,529	3	16,057	1,586	49,175
Loans to customers	605,175	596	3,635	2,852	612,258
Investments available-for-sale	54,488	-	1	-	54,489
Other financial assets	1,146	-	-	-	1,146
TOTAL FINANCIAL ASSETS	**794,149**	**599**	**25,389**	**4,442**	**824,579**
Property and equipment	25,351	-	-	-	25,351
Current income tax assets	505	-	-	-	505
Deferred income tax asset	4,108	-	-	-	4,108
Other non-financial assets	9,581	-	17	-	9,598
TOTAL NON-FINANCIAL ASSETS	**39,545**	**-**	**17**	**-**	**39,562**
TOTAL ASSETS	**833,694**	**599**	**25,406**	**4,442**	**864,141**

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2013 Total
LIABILITIES					
Financial liabilities at fair value through profit or loss	3,785	-	5,459	17	9,261
Due to the Central Bank of the Russian Federation	6,119	-	-	-	6,119
Due to banks	46,081	61	127,475	1,473	175,090
Customer accounts	346,490	294	4,845	30,369	381,998
Debt securities issued	114,367	-	911	-	115,278
Other provisions	1,943	-	-	-	1,943
Other financial liabilities	5,369	-	712	-	6,081
Subordinated debt	-	-	33,286	-	33,286
TOTAL FINANCIAL LIABILITIES	**524,154**	**355**	**172,688**	**31,859**	**729,056**
Current income tax liabilities	158	-	-	-	158
Deferred income tax liabilities	3,280	-	-	-	3,280
Other non-financial liabilities	2,537	-	363	-	2,900
TOTAL NON-FINANCIAL LIABILITIES	**5,975**	**-**	**363**	**-**	**6,338**
TOTAL LIABILITIES	**530,129**	**355**	**173,051**	**31,859**	**735,394**
NET POSITION	**303,565**	**244**	**(147,645)**	**(27,417)**	