Sovcombank Group

Consolidated financial statements

for the year ended 31 December 2014

Contents

Independent auditors' report

Consolidated financial statements

Notes to the consolidated financial statements

Совершенствуя бизнес,
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Independent auditor's report

To the shareholders and Board of Directors of PJSC Sovcombank

We have audited the accompanying consolidated financial statements of PJSC Sovcombank and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our 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 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 of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Ernst & Young LLC

29 April 2015

Moscow, Russia

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	Notes	2014 RUR'000	2013 RUR'000
Interest income	6	29,962,311	18,530,685
Interest expense	6	(12,374,143)	(7,831,536)
Net interest income		**17,588,168**	**10,699,149**
Provision for loan impairment	11	(11,135,583)	(6,358,447)
Net interest income after allowances for loan impairment and other impairment		**6,452,585**	**4,340,702**
Fee and commission income	7	9,791,606	7,988,057
Fee and commission expense	8	(442,636)	(249,434)
Net fee and commission income		**9,348,970**	**7,738,623**
Net gain/(loss) on financial instruments at fair value through profit or loss		(4,870,233)	16,506
Net foreign exchange gain	9	103,299	87,938
Other impairment and provisions	15	(162,967)	(271,841)
Share of profit in car leasing joint venture	41	68,808	72,212
Other operating income	10	2,658,739	96,439
Operating income		**13,599,201**	**12,080,579**
Revaluation of buildings and investment property	12	(554,568)	112,282
Personnel expenses	13	(5,877,972)	(3,520,655)
Other general administrative expenses	14	(6,577,113)	(4,246,210)
Profit before income tax expense		**589,548**	**4,425,996**
Income tax benefit/(expense)	16	456,147	(885,669)
Profit for the year		**1,045,695**	**3,540,327**
Other comprehensive income			
Revaluation of buildings, net of tax		(111,390)	72,791
Other comprehensive income, net of tax		**(111,390)**	**72,791**
Total comprehensive income		**934,305**	**3,613,118**

Mr. Sergey Khotimsky
Deputy Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer

The consolidated statement of comprehensive income is to be read in conjunction with the notes 1 to 43, and forming part of, the consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2014

	Notes	2014 RUR'000	2013 RUR'000
Assets			
Cash and cash equivalents	17	25,426,274	10,687,670
Mandatory cash balances with the CBR		1,072,389	772,536
Placements with banks			
- Held by the Group	18	2,586,183	2,592,719
- Pledged under sale and repurchase agreements	18	12,278,566	–
Financial instruments at fair value through profit or loss			
- Held by the Group	19	9,103,067	16,621,120
- Pledged under sale and repurchase agreements	26	28,979,546	27,710,336
Loans to customers			
- Held by the Group	20	87,158,410	60,465,515
- Pledged under sale and repurchase agreements	26	29,606,349	–
Investment in associates		–	3,000
Investment in car leasing joint venture	41	451,727	420,752
Investment property	22	75,021	1,829,002
Property, equipment and intangible assets	23	1,385,641	2,628,097
Goodwill	39	283,538	283,538
Deferred tax asset	31	1,579,310	5,492
Other assets	24	1,776,891	489,847
Total assets		**201,762,912**	**124,509,624**
Liabilities			
Amounts due to the CBR	26	62,515,620	24,024,784
Deposits and balances from banks	27	631,144	246,225
Current accounts and deposits from customers	25	117,514,088	80,775,104
Debt securities issued	28	2,740,022	4,077,782
Subordinated debt	29	5,370,536	1,615,734
Deferred tax liability	31	–	212,029
Other liabilities	30	1,389,484	740,358
Total liabilities		**190,160,894**	**111,692,016**
Equity			
Share capital	32	1,906,004	1,906,004
Treasury shares		(190,410)	–
Other capital contributions		2,381,724	2,736,614
Revaluation reserve for property and equipment		22,246	133,637
Retained earnings		7,482,454	8,041,353
Total equity		**11,602,018**	**12,817,608**
Total equity and liabilities		**201,762,912**	**124,509,624**

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Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes 1 to 43, and forming part of, the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2014

	Notes	2014 RUR'000	2013 RUR'000
Cash flows from operating activities			
Interest and fee and commission received		38,570,180	25,693,772
Interest and fee and commission paid		(11,494,871)	(6,579,901)
Net realised gain on other financial instruments at fair value through profit or loss		(473,801)	87,229
Net realised loss/(gain) foreign currencies		(4,676,771)	172,771
Other operating income received		30,853	116,458
Personnel expenses and other general administrative expenses paid		(11,826,211)	(7,511,326)
Cash flows from operating activities		**10,129,379**	**11,979,003**
(Increase)/decrease in operating assets			
Mandatory cash balances with the CBR		(143,985)	4,026
Placements with banks and the CBR		2,568,684	(2,569,253)
Financial instruments at fair value through profit or loss		(34,009,316)	(13,245,564)
Loans to customers		(14,179,313)	(17,774,971)
Other assets		(458,148)	(134,632)
Increase/(decrease) in operating liabilities			
Current accounts and deposits from customers		19,292,612	16,025,652
Deposits and balances from CBR and other banks		31,275,475	6,134,086
Promissory notes issued		223,920	281,870
Other liabilities		791,820	114,273
Net cash provided from operating activities before taxes paid		**15,491,128**	**814,490**
Taxes paid		(1,144,742)	(883,426)
Cash flows from operations		**14,346,386**	**(68,936)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash received		(3,080,775)	–
Sales of subsidiaries and associates, net of cash disposed		3,000	2,880
Purchases of property, equipment and intangible assets		(306,793)	(604,761)
Proceeds from disposal of property, equipment and intangible assets		2,302,890	775
Purchases of investment property		(20,052)	(165,006)
Cash flows from investing activities		**(1,101,730)**	**(766,112)**
Cash flows from financing activities			
Extinguishment of shareholder's share		(1,795,005)	–
Proceeds from bonds issued		–	1,995,695
Redemption of bonds issued		(2,112,560)	–
Subordinated debt received		2,484,061	732,918
Subordinated debt repaid		(1,322,333)	(1,145,191)
Distributions to shareholders		(354,890)	–
Cash flows from financing activities		**(3,100,727)**	**1,583,422**
Net increase/(decrease) in cash and cash equivalents		**10,143,929**	**748,374**
Effect of changes in exchange rates on cash and cash equivalents		4,594,675	516,787
Cash and cash equivalents at the beginning of the year		10,687,670	9,422,509
Cash and cash equivalents at the end of the year	17	**25,426,274**	**10,687,670**

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Deputy Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer

The consolidated statement of cash flows is to be read in conjunction with the notes 1 to 43, and forming part of, the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Share/charter capital RUR'000	*Treasury shares RUR'000*	*Additional paid-in capital RUR'000*	*Revaluation reserve for property RUR'000*	*Retained earnings (accumulated losses) RUR'000*	*Total equity/ net assets RUR'000*
Balance as at 1 January 2013	**1,906,004**	**–**	**2,736,614**	**60,846**	**4,501,026**	**9,204,490**
Total comprehensive income	–	–	–	72,791	3,540,327	**3,613,118**
Balance as at 31 December 2013	**1,906,004**	**–**	**2,736,614**	**133,637**	**8,041,353**	**12,817,608**
Total comprehensive income	–	–	–	**(111,391)**	**1,045,696**	**934,305**
Dividends paid	–	–	(354,890)	–	–	**(354,890)**
Net result from treasury shares operations (Note 32)	–	(190,410)	–	–	**(1,604,595)**	**(1,795,005)**
Balance as at 31 December 2014	**1,906,004**	**(190,410)**	**2,381,724**	**22,246**	**7,482,454**	**11,602,018**

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Deputy Chief Executive Officer

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Chief Financial Officer

The consolidated statement of changes in equity is to be read in conjunction with the notes 1 to 43, and forming part of, the consolidated financial statements.

(In thousands of Russian Rubles, unless otherwise indicated)

1. Background

Principal activities

These consolidated financial statements include the financial statements of Public join-stock company Sovcombank (the "Bank" or "Sovcombank") and its subsidiaries (together referred to as the "Group" or "Sovcombank Group"). The list of principal consolidated subsidiaries of Sovcombank Group is disclosed in Note 42.

Sovcombank, the parent company of the Group, was originally established in Kostroma as a limited liability company ("LLC"; Russian: Общество с ограниченной ответственностью; abbreviated Russian: ООО) in 1990. In September 2014, the Bank changed its legal form from LLC to an Open joint-stock company ("OJSC"; Russian: Открытое акционерное общество; abbreviated Russian: ОАО). There was no change in principal activities or shareholders as a result of the change to OJSC. In December 2014, the Bank changed its legal form from OJSC to a Public joint-stock company ("PJSC"; Russian: публичное акционерное общество; abbreviated Russian: ПАО) in accordance with changes in Russian legislation.

Bank's registered legal address is 156000, Kostroma, Russia, 46 Tekstilschikov prospect. The Bank operates under general banking license № 963 issued by the Central Bank of the Russian Federation (the "CBR"). The Bank also has licenses for operations with securities and custody services issued by the Federal Securities Market Commission (the "FSMC") on 7 February 2006. Since 2005, the Bank is a member of the deposit insurance system of the State Deposit Insurance Agency.

The Bank takes deposits from the public and extends credit, transfers payments in Russia and abroad, exchanges currencies and provides other banking services to its retail and commercial customers.

As at 31 December 2014, the Bank operates in 901 cities, towns and villages across 49 subjects of Russian Federation. The Bank had 7,850 employees as at 31 December 2014 (6,673 as at 31 December 2013).

Shareholders

As at 31 December 2014 and as at 31 December 2013, the Group's ownership was as follows:

	Ownership % ***31 December 2014***	***Ownership %*** ***31 December 2013***
SovCo Capital Partners B.V.	100.00%	100.00%

There is no single ultimate legal entity or individual that exercised control over the Group as at 31 December 2014 and as at 31 December 2013 (Note 32).

SovCo Capital Partners B.V., a legal entity incorporated in the Netherlands, is the shareholder of the Group since 2003. SovCo Capital Partners B.V. is controlled by a group of Russian businessmen, including key members of Management.

Russian business environment

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis and recent political events have resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group is required to maintain its records and prepare its financial statements for regulatory purposes in Russian Rubles in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These consolidated financial statements are based on the Group's RAL books and records, as adjusted and reclassified in order to comply with IFRS.

(In thousands of Russian Rubles, unless otherwise indicated)

2. Basis of preparation (continued)

General (continued)

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These consolidated financial statements are presented in thousands of Russian Rubles ("RUR") unless otherwise indicated.

Inflation accounting

The Russian economy was considered hyperinflationary until 31 December 2002. As such, the Group applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. The effect of applying IAS 29 is that non-monetary items, including components of net assets attributable to shareholders, were restated to the measuring units current as at 31 December 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

3. Significant accounting policies

Changes in accounting policies

The Group has adopted the following amended IFRS during the year:

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, since none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Group's financial position.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This IFRIC had no impact on the Group's consolidated financial statements as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment is not relevant to the Group, since the Group has not novated its derivatives during the current period.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

These amendments had no impact on the Group's financial position or performance.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Basis of consolidation

Subsidiaries, entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group looses control over a subsidiary, the Group derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair value. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the uniting of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the "Predecessor") at the date of the transfer. Related goodwill inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to the net assets attributable to shareholders.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Business combinations (continued)

These consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group’s share of net assets of the associate. The Group’s share of its associates’ profits or losses is recognised in the consolidated income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

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

Jointly controlled entitis are joint ventures that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A venturer shall recognise its interest in a jointly controlled entity using proportionate consolidation. The application of proportionate consolidation means that the statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The statement of comprehensive income of the venturer includes its share of the income and expenses of the jointly controlled entity. The venturer combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in subsidiaries. When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other venturers. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Cash and cash equivalents

The Group classifies cash, nostro accounts with the CBR and other banks, placements with other banks and other credit institutions with an original maturity less than 90 days as “cash and cash equivalents”. The minimum mandatory reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its use by the Group.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is an evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Financial instruments (continued)

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale; or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale; or,
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial asset that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments that are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Financial instruments (continued)

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price in active markets at the reporting date without any deduction for transaction costs. Active market means a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

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

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

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- ► a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- ► a gain or loss on an available-for-sale asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale asset is recognised as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Sale and repurchase and reverse sale and repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within placements with banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated income statement as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies dealing, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated income statement.

Offsetting

Financial assets and liabilities are offset and the net amount reported in consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property, equipment and intangible assets

Owned assets

Items of property, equipment and intangible assets are stated at cost less accumulated depreciation and impairment losses, except for buildings which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Buildings of the Group are measured at revalued amounts. The frequency of revaluation depends on the movements in fair values of the buildings being revalued. A revaluation increase on an item of building is recognised directly in other comprehensive income (in equity) except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in other comprehensive income (in equity).

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20-50 years
Computers and ATMs	2-5 years
Motor vehicles	3-5 years
Furniture and equipment	3-7 years
Intangible assets	2-10 years

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary and joint venture is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Repossessed assets

The assets repossessed by the Group following litigation to recover amounts due under loans and held for sale in the near term to cover losses arising from lending activities are classified as inventories in accordance with IAS 2. In accordance with IAS 2, the Group measures these assets at the lower of cost and net realisable value.

Leases

i. Finance – Group as lessee

The Group recognises finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

ii. Finance – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Leases (continued)

iii. Operating – Group as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iv. Operating – Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Promissory notes

Promissory notes purchased are included in trading securities, or in amounts due from credit institutions or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include current accounts and deposits from customers, deposits and balanced from banks, promissory notes, subordinated debts. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the borrowings are derecognised as well as through the amortisation process.

Impairment

Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (“loans and receivables”). The Group reviews its loans and receivables, to assess impairment on a regular basis using the traditional conservative approach. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group’s internal credit grading system that mainly considers credit risk characteristics such as asset type, industry, past-due status.

If there is an objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Impairment (continued)

In some cases, the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when the Management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and can not be reversed.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a ‘Day 1’ profit) in the consolidated income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

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

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

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Impairment (continued)

Renegotiated loans

In certain circumstances, the Group renegotiates the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower.. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

- if the currency of the loan has been changed the old loan is derecognised and the new loan is recognised;
- if the loan restructuring is not caused by the financial difficulties of the borrower the Group uses the same approach as for financial liabilities described below;
- if the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Group recognises the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Provisions

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

Credit related commitments

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

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

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement on a straight-line basis over the life of the guarantee.

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

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Bank purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Share capital (continued)

Dividends

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

Taxation

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, associates and joint ventures where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Russia also has various operating taxes, that are related to the Group's various business activities. These taxes are included as a component of other operating expenses.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

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

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

Fee and commission income

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

- *Fee income earned from services that are provided over a certain period of time*

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

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Taxation (continued)

- *Fee income from providing transaction services*

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

Dividend income

Revenue is recognised when the Groups' right to receive the payment is established.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Segment reporting

The Bank's operations are highly integrated and constitute a single industry segment, retail banking. Assets and liabilities of the Bank are primarily concentrated in the Russian Federation and a major Bank's revenues and financial result is derived from the operations within the Russian Federation.

Standards and interpretations issued but not yet effective

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

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

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

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

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

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

IFRS 7 Financial Instruments: Disclosures – servicing contracts

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

(In thousands of Russian Rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

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

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

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

IAS 19 Employee Benefits – regional market issue regarding discount rate

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

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

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Expected that these amendments will have no material impact on the Group.

4. Significant accounting judgments and estimates

Judgments

In the process of applying the Group's accounting policies, Management makes the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of a subsidiary where ownership percentage is 50% or less

Group controls subsidiaries partly through direct ownership. Group controls LLC "Regionalnaya Lisingovaya Compania" by virtue of an agreement with other shareholders.

Estimation uncertainty

In the process of applying the Group's accounting policies, Management used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(In thousands of Russian Rubles, unless otherwise indicated)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Determining of an active market for debt securities

The Group uses a number of criteria to assess whether an active market for the debt securities exists. The absence of an active market for the debt securities and the Management decision to keep these securities to maturity are the principal reasons for reclassification of debt securities from "Financial instruments at fair value through profit or loss" to "Loans to customers" and "Placements with banks" depending on the industry of the security issuer.

Allowance for loan impairment

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgment and significant accumulated knowledge to estimate the impairment losses in cases where a borrower is in 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 the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired annually or more frequently, if required. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was RUR 283,538 thousand as at 31 December 2014 (RUR 283,538 thousand as at 31 December 2013). More details are provided in Note 39.

Revaluation of buildings and investment property

Buildings are initially recorded at cost and are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Revaluation is performed annually based on reports by independent appraisers which have an appropriate recognized professional qualification and experience in property valuation, in order to avoid significant differences between the fair value of a revalued asset and its book value.

Deferred tax

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. In the context of the Group’s current structure, tax losses and current tax assets of different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, a deferred tax asset of one company of the Group may not be offset against a deferred tax liability of another Group company.

(In thousands of Russian Rubles, unless otherwise indicated)

5. Reclassification

As at 1 October 2014, the Group reclassified certain financial assets that met the definition of loans and receivables from the financial instruments at fair value through profit or loss to loans and due from other banks. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial instruments as determined on the reclassification date ranged from 5.14% to 29.13%. The present value of the estimated cash flows the Group expects to recover equals to the fair value of the reclassified financial assets at the date of reclassification.

	Loans to customers RUR'000	***Due from other banks RUR'000***	***Total RUR'000***
Fair value as at the date of reclassification	29,641,762	14,904,258	44,546,020
Carrying amount as at 31 December	28,251,671	14,782,044	43,033,715
Fair value as at 31 December	27,800,722	14,517,714	42,318,436
Fair value gain/(loss) recognized up to the date of reclassification	(795,553)	(241,783)	(1,037,336)
Fair value loss that would have been recognized on the instruments reclassified in 2014 for the period if the reclassification had not been made	(2,696,483)	(612,750)	(3,309,232)
Interest income recognized in profit or loss for the year	2,587,739	1,157,439	3,745,178
Provision charge recognized after reclassification	(159,740)	(42,523)	(202,263)

6. Net interest income

	2014 RUR'000	***2013 RUR'000***
Interest income		
Loans to individuals	23,790,063	14,391,733
Financial instruments at fair value through profit or loss	5,064,556	3,239,939
Loans to corporate entities and finance lease receivables	496,101	804,813
Placements with banks	611,591	94,200
	29,962,311	**18,530,685**
Interest expense		
Current accounts and deposits from customers	(8,365,282)	(6,024,969)
Deposits and balances from banks	(3,099,806)	(1,403,291)
Debt securities issued	(119,882)	(145,579)
Subordinated debt	(494,383)	(134,875)
Domestic bonds issued	(294,790)	(122,822)
	(12,374,143)	**(7,831,536)**
Net interest income	**17,588,168**	**10,699,149**

7. Fee and commission income

	2014 RUR'000	***2013 RUR'000***
Financial protection program membership activation fees	7,986,296	6,954,543
Credit card operations	1,106,912	643,427
Insurance agent's commission	268,222	–
Settlement operations	146,299	98,226
Guarantee issuance	116,053	26,145
Cash withdrawal	80,325	69,875
Pension funds	37,946	152,519
Foreign exchange operations	20,519	16,423
Operations with securities	6,109	6,509
Cash transfers	4,615	4,812
Other	18,310	15,578
	9,791,606	**7,988,057**

(In thousands of Russian Rubles, unless otherwise indicated)

8. Fee and commission expense

	2014 *RUR'000*	*2013* *RUR'000*
Credit card operations	(270,461)	(141,126)
Settlement operations	(63,645)	(22,308)
Cash transactions	(47,675)	(48,028)
Depository services	(19,027)	(21,434)
Agency services	(8,277)	(6,255)
Borrowings	(1,305)	(583)
Other	(32,246)	(9,700)
	(442,636)	**(249,434)**

9. Net foreign exchange gain

	2014 *RUR'000*	*2013* *RUR'000*
Dealing	(4,434,102)	169,567
Translation difference	4,537,401	(81,629)
	103,299	**87,938**

Dealing represents gains and losses from spot contracts in foreign currency which the Group concluded in order to manage currency positions and to comply with requirements of the Central Bank of Russia in terms of open currency position.

10. Other operating income

	2014 *RUR'000*	*2013* *RUR'000*
Bargain purchase gain (Note 38)	2,507,307	–
Disposal of fixed assets	100,488	1,163
Operating lease (Note 22)	23,607	4,425
Disposal of foreclosed property	10,071	67,011
Income from operating sublease	4,463	10,233
Penalties recieved	2,858	949
Other	9,945	12,658
	2,658,739	**96,439**

11. Provision for loan impairment

	2014 *RUR'000*	*2013* *RUR'000*
Provision charge for loans to individuals (Note 20)	(10,916,263)	(6,484,781)
Reversal of provision/(charge) for loans to corporate entities and finance lease receivables (Note 20)	(219,320)	126,334
	(11,135,583)	**(6,358,447)**

12. Revaluation of buildings and investment property

	2014 *RUR'000*	*2013* *RUR'000*
Investment property (Note 22)	(380,370)	89,184
Buildings (Note 23)	(174,198)	23,098
	(554,568)	**112,282**

(In thousands of Russian Rubles, unless otherwise indicated)

13. Personnel expenses

	2014 *RUR'000*	*2013* *RUR'000*
Employee compensation, including bonuses	(4,699,530)	(2,798,377)
Payroll related taxes	(1,178,442)	(722,278)
	(5,877,972)	**(3,520,655)**

14. Other general administrative expenses

	2014 *RUR'000*	*2013* *RUR'000*
Rent	(1,460,239)	(751,317)
Advertising and marketing	(1,194,912)	(1,009,117)
Professional and encashement sevices	(855,920)	(530,541)
Miscellaneous IT expenses	(476,428)	(88,424)
Communications and information services	(437,049)	(249,650)
Depreciation and amortisation (Note 23)	(414,329)	(331,524)
Obligatory deposits insurance	(354,754)	(240,091)
Maintenance	(336,636)	(245,860)
Office stationary	(288,755)	(251,191)
Security	(231,401)	(181,687)
Transport	(209,311)	(124,846)
Taxes other than income tax	(78,312)	(110,376)
Property insurance	(76,279)	(27,773)
Other	(162,788)	(103,813)
	(6,577,113)	**(4,246,210)**

15. Other impairment and provisions

	2014 *RUR'000*	*2013* *RUR'000*
Other assets (Note 21)	(67,678)	(97,016)
Litigations (Note 21)	(55,557)	(95,414)
Placements with banks	(50,636)	–
Repossessed assets	10,904	(17,006)
Goodwill impairment (Note 39)	–	(62,405)
	(162,967)	**(271,841)**

16. Income tax expense

	2014 *RUR'000*	*2013* *RUR'000*
Current tax expense	(746,067)	(880,780)
Origination of temporary differences (Note 31)	1,202,214	(4,889)
	456,147	**(885,669)**

Deferred tax relates to items charged or credited to other comprehensive income during the year was as follows:

	2014 *RUR'000*	*2013* *RUR'000*
Revaluation of buildings	27,848	(18,198)
Income tax charged to other comprehensive income (Note 31)	**27,848**	**(18,198)**

(In thousands of Russian Rubles, unless otherwise indicated)

16. Income tax expense (continued)

Russian legal entities have to file individual corporate income tax declarations. Corporate income tax rate for companies (including banks) was 20% for 2014 and 2013. Corporate income tax rate applicable to interest (coupon) income on state and mortgage-backed bonds was 15% in 2014 and 2013. Corporate income tax rate applicable to interest (coupon) income on municipal bonds was 9% in 2014 and 2013. Dividends are taxed at the corporate income tax rate of 9% which could be reduced to 0% subject to certain criteria.

Reconciliation of effective tax rate

	2014 RUR'000	*2013 RUR'000*
Income before tax	**589,548**	**4,425,996**
Income tax (expense)/benefit at the applicable tax rate	(117,910)	(885,199)
Tax exempt income	515,223	–
Effect of non-deductible expenses	(90,070)	(25,025)
Income on state securities taxed at different rates	84,756	4,823
Other	64,148	19,732
	456,147	**(885,669)**

17. Cash and cash equivalents

	2014 RUR'000	*2013 RUR'000*
Cash on hand	9,941,744	3,892,148
Nostro accounts with Russian banks	6,683,533	524,307
Due from the CBR	6,345,591	2,413,582
Nostro accounts with OECD banks	1,960,338	3,225,387
Short-term placements and reverse REPO deals less than 90 days with Russian banks	495,068	632,246
	25,426,274	**10,687,670**

18. Placements with banks

As at 31 December 2014, placements with banks were represented by deposits of RUR 387,810 thousand with two domestic banks (RUR 2,592,719 thousand with two domestic banks as at 31 December 2013), and bonds of Russian Banks of RUR 14,527,575 thousand (nil as at 31 December 2013), for which an allowance in the amount of RUR 50,636 thousand or 0.3% was formed (nil as at 31 December 2013) including amount of bonds of RUR 12,278,566 thousand pledged under sale and repurchase agreements with the Central Bank of the Russian Federation (Note 26).

19. Financial instruments at fair value through profit or loss

	2014 RUR'000	*2013 RUR'000*
Held by the Group		
Corporate bonds	5,655,222	7,871,518
Bonds of companies with the State participation	3,447,845	3,511,250
Government and municipal bonds	–	5,238,352
Total financial instruments at fair value through profit or loss held by the Group	**9,103,067**	**16,621,120**
Pledged under sale and repurchase agreements		
Bonds of companies with the State participation	14,916,294	10,335,029
Corporate bonds	14,063,252	8,705,177
Government and municipal bonds	–	8,670,130
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	**28,979,546**	**27,710,336**
Total financial instruments at fair value through profit or loss	**38,082,613**	**44,331,456**

(In thousands of Russian Rubles, unless otherwise indicated)

19. Financial instruments at fair value through profit or loss (continued)

The breakdown of corporate bonds and bonds of companies with the State participation by sector as at 31 December 2014 and 31 December 2013 is presented in the table below:

	2014		*2013*	
	Amount RUR'000	***%***	***Amount RUR'000***	***%***
Russian banks and financial institutions	24,237,321	63.5%	19,189,122	63.1%
Metallurgy	6,193,271	16.3%	1,704,955	5.6%
Oil-produsing and oil-refining	2,550,247	6.7%	547,216	1.8%
Communications service	2,346,328	6.2%	717,704	3.0%
Petrochemical	1,490,988	3.9%	1,095,485	3.6%
Companies of energy sector	176,190	0.5%	1,734,957	5.7%
Russian post	–	–	1,747,064	5.7%
Manufacturing	–	–	1,538,978	5.1%
Construction and development	–	–	1,259,045	4.1%
Other	1,088,268	2.9%	888,448	2.3%
	38,082,613	**100.00%**	**30,422,974**	**100.00%**

As at 31 December 2014, the maturity of these securities was ranging from March 2015 to September 2045 (from February 2014 to September 2045 as at 31 December 2013) and coupon rates were ranging from 3.7% to 10.8% on debt securities nominated in US dollars, from 3.4% to 5.5% on debt securities nominated in Euro, from 7.6% to 16% on debt securities nominated in Rubles (from 4.95% to 15.0% on debt securities nominated in US dollars, from 7.6% to 14% on debt securities nominated in Rubles as at 31 December 2013).

As at 31 December 2014, the most significant share of a single issuer was 14.25% (8.7% as at 31 December 2013) in the total portfolio of corporate bonds and bonds of companies with the State participation. These bonds were maturing in April 2017 – October 2020 (April 2018 – September 2045 as at 31 December 2013) and bearing coupon rate of 6.0%-6.88% (7.6%-10.8% as at 31 December 2013).

20. Loans to customers

	2014 RUR'000	***2013 RUR'000***
Loans to individuals		
Consumer loans	76,298,895	56,498,908
Credit cards	9,687,076	4,804,139
Mortgage loans	406,386	164,620
Total loans to individuals	**86,392,357**	**61,467,667**
Loans to corporate entities and finance lease receivables		
Loans to corporate entities	9,111,701	4,676,021
SME and other loans to customers	472,010	710,143
State and municipal bonds	22,530,163	–
Corporate bonds	9,338,029	–
Total loans to corporate entities and finance lease receivables	**41,451,903**	**5,386,164**
Gross loans to customers	**127,844,260**	**66,853,831**
Less: provision for loan impairment	(11,079,501)	(6,388,316)
Net loans to customers	**116,764,759**	**60,465,515**

As at 31 December 2014, the carrying value of loans to the ten largest borrowers was RUR 8,011,139 thousand which represented 6.3% of gross loan portfolio (or 4.0% of total assets). As at 31 December 2013, the carrying value of loans to the ten largest borrowers was RUR 4,382,213 thousand which represented 6.6% of gross loan portfolio (or 3.5% of total assets).

As at 31 December 2014, the Group recorded an impairment provision of RUR 76,419 thousand against these loans (RUR 77,566 thousand as at 31 December 2013).

As at 31 December 2014 loans to customers were represented by State and municipal bonds and corporate bonds, RUR 29,606,349 thousand of which were pledged under sale and repurchase agreements with the Central Bank of the Russian Federation (Note 26).

(In thousands of Russian Rubles, unless otherwise indicated)

20. Loans to customers (continued)

Industry analysis of the loans to corporate entities

Loans to corporate entities were issued to legal entities residing only in the Russian Federation and operating in the following economic sectors:

	2014 RUR'000	*2013 RUR'000*
Commercial real estate (operating and leasing)	6,946,914	3,412,778
Manufacturing	2,539,029	344,633
Oil production and oil refining	1,915,645	–
Finance	1,679,306	–
Energetics	1,506,729	–
Trade	912,061	249,183
Construction	781,000	270,711
Telecommunications	756,602	–
Metallurgy	623,668	–
Other rentals	281,364	270,535
Leasing	144,341	18,181
Insurance	108,683	30,000
Public sector	83,500	–
Agriculture	80,000	80,000
Other	90,888	–
	18,449,730	**4,676,021**

Movements in the loan impairment provision for the years ended 31 December 2014 and 31 December 2013 were as follows:

	Corporate	*SME and other loans to customers and debt securities*	*Consumer lending*	*Credit cards*	*Mortgage*	*Total*
At 1 January 2014	**(81,620)**	**(71,140)**	**(5,572,181)**	**(659,122)**	**(4,253)**	**(6,388,316)**
(Charge)/reversal for the year	(232,739)	13,419	(9,267,480)	(1,581,518)	(67,265)	**(11,135,583)**
Recoveries	(190)	(26,111)	(83)	–	(13,991)	**(40,375)**
Loans written off as uncollectible	1,879	68,070	5,747,564	626,603	40,657	**6,484,773**
At 31 December 2014	**(312,670)**	**(15,762)**	**(9,092,180)**	**(1,614,037)**	**(44,852)**	**(11,079,501)**
Individual impairment	(42,316)	–	–	–	–	**(42,316)**
Collective impairment	(270,354)	(15,762)	(9,092,180)	(1,614,037)	(44,852)	**(11,037,185)**
	(312,670)	**(15,762)**	**(9,092,180)**	**(1,614,037)**	**(44,852)**	**(11,079,501)**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**352,493**	–	–	–	–	**352,493**

	Corporate	*SME and other loans to customers*	*Consumer lending*	*Credit cards*	*Mortgage*	*Total*
At 1 January 2013	**(283,506)**	**(101,109)**	**(3,203,795)**	**(489,984)**	**(7,820)**	**(4,086,214)**
(Charge)/reversal for the year	88,042	38,292	(5,837,218)	(659,191)	11,628	**(6,358,447)**
Recoveries		(40,690)	(1,198)	–	(21,816)	**(63,704)**
Loans written off as uncollectible	113,844	32,367	3,470,030	490,053	13,755	**4,120,049**
At 31 December 2013	**(81,620)**	**(71,140)**	**(5,572,181)**	**(659,122)**	**(4,253)**	**(6,388,316)**
Individual impairment	(31,829)	–	–	–	–	(31,829)
Collective impairment	(49,791)	(71,140)	(5,572,181)	(659,122)	(4,253)	(6,356,487)
	(81,620)	**(71,140)**	**(5,572,181)**	**(659,122)**	**(4,253)**	**(6,388,316)**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**315,526**	–	–	–	–	**315,526**

(In thousands of Russian Rubles, unless otherwise indicated)

20. Loans to customers (continued)

Industry analysis of the loans to corporate entities (continued)

Interest income accrued on individually impaired loans was RUR 8,011 thousand for the year ended 31 December 2014 (RUR 5,118 thousand for the year ended 31 December 2013).

Analysis of collateral

The breakdown of loans to customers (net of impairment) by type of collateral as at 31 December 2014 was as follows:

RUR'000	*Corporate*	*SME and other loans to customers*	*Consumer loans*	*Credit cards*	*Mortgage loans*	*Debt securities*	*Total*
Real estate	2,858,788	147,331	–	–	351,496	–	**3,357,615**
Motor vehicles	2,858	52,275	–	–	–	–	**55,133**
Goods and materials	–	–	–	–	–	–	**–**
Securities and equity investments	851,840	162,137	–	–	–	–	**1,013,977**
Other collateral	103,740	801	–	–	1,538	–	**106,079**
No collateral	5,206,163	93,704	67,206,715	8,073,039	8,500	31,643,834	**112,231,955**
Total loans to customers	**9,023,389**	**456,248**	**67,206,715**	**8,073,039**	**361,534**	**31,643,834**	**116,764,759**

As at 31 December 2014 and 31 December 2013, the loans secured by Other collateral were mainly secured by guarantees issued by third parties.

The breakdown of loans to customers (net of impairment) by type of collateral as at 31 December 2013 was as follows:

RUR'000	*Corporate*	*SME and other loans to customers*	*Consumer loans*	*Credit cards*	*Mortgage loans*	*Total*
Real estate	3,657,281	241,176	–	–	155,018	**4,053,475**
Motor vehicles	4,792	13,044	–	–	–	**17,836**
Goods and materials	–	98,406	–	–	–	**98,406**
Securities and equity investments	538,625	97,738	–	–	–	**636,363**
Other collateral	224,932	–	–	–	1,579	**226,511**
No collateral	168,771	188,639	50,926,727	4,145,017	3,770	**55,432,924**
Total loans to customers	**4,594,401**	**639,003**	**50,926,727**	**4,145,017**	**160,367**	**60,465,515**

The amounts shown in the tables above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Finance lease receivables

The breakedown of finance lease receivables as at 31 December 2014 was as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Total*
Gross investment in finance leases	43,021	13,302	**56,323**
Unearned future finance income on finance leases	(2,673)	(3,288)	**(5,961)**
Net investment in finance leases	**40,348**	**10,014**	**50,362**

The breakedown of finance lease receivables as at 31 December 2013 was as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Total*
Gross investment in finance leases	81,289	46,761	**128,050**
Unearned future finance income on finance leases	(6,573)	(13,469)	**(20,042)**
Net investment in finance leases	**74,716**	**33,292**	**108,008**

(In thousands of Russian Rubles, unless otherwise indicated)

21. Movements in other impairment and provisions

Movements in Other impairment allowances and provisions were as follows:

	Other assets (Note 24)	*Provision (Note 30)*	*Total*
31 December 2012	**23,525**	**37,364**	**60,889**
Charge (note 15)	97,016	95,414	**192,430**
Write-offs	(33,152)	–	**(33,152)**
Redemption of obligations	–	(81,796)	**(81,796)**
31 December 2013	**87,389**	**50,982**	**138,371**
Charge (note 15)	67,678	55,557	**123,235**
Write-offs	(47,017)	–	**(47,017)**
Redemption of obligations	–	(73,778)	**(73,778)**
31 December 2014	**108,050**	**32,761**	**140,811**

As at 31 December 2014, the Group created a provision of RUR 10,076 thousand (RUR 50,982 thousand as at 31 December 2013) for litigation against the Group in accordance with IAS 37.

22. Investment property

The Group owns a number of other real estate properties, part of which is occupied by the Group and the excess space is typically rented out. Real estate occupied by the Group forms a part of Property, equipment and intangible assets (Note 23) and the remaining (rented out) real estate forms a part of Investment property.

Management estimates the fair value of all real estate properties based on the results of annual independent appraisals.

	2014 RUR'000	*2013 RUR'000*
Fair value at the beginning of the year	1,829,002	1,679,713
Additions	20,053	165,006
Transfer to assets held for sale	(1,369,722)	–
Transfer to property and equipment (note 23)	(23,942)	(104,901)
Revaluation (note 12)	(380,370)	89,184
Fair value at the end of the year	**75,021**	**1,829,002**

During 2014, the Group recognised rental income in relation to investment property in the amount of RUR 23,607 thousand (RUR 4,425 thousand as at 31 December 2013) (Note 10).

(In thousands of Russian Rubles, unless otherwise indicated)

23. Property, equipment and intangible assets

	Land and buildings RUR'000	Leasehold improvements RUR'000	Computers RUR'000	ATMs RUR'000	Motor Vehicles RUR'000	Furniture and equipment RUR'000	Intangible assets RUR'000	Total RUR'000
Cost/revalued amount								
As at 1 January 2014	**1,709,233**	**4,056**	**288,101**	**827,424**	**53,766**	**289,677**	**275,430**	**3,447,687**
Impact of business combination	–	–	53,477	4,320	–	17,030	–	**74,827**
Additions	20,649	872	66,046	44,736	32,220	104,465	37,805	**306,793**
Disposals	(138)	(2,819)	(42,695)	(24,594)	(8,665)	(43,460)	(14,725)	**(137,096)**
Transfer to assets held for sale	(873,982)	–	–	–	–	(17,145)	–	**(891,127)**
Transfer from investment property (Note 22)	23,942	–	–	–	–	–	–	**23,942**
Revaluation	(313,435)	–	–	–	–	–	–	**(313,435)**
Elimination of accumulated depreciation on revalued assets	(10,867)	–	–	–	–	–	–	**(10,867)**
As at 31 December 2014	**555,402**	**2,109**	**364,929**	**851,886**	**77,321**	**350,567**	**298,510**	**2,500,724**
Depreciation and impairment								
As at 1 January 2014	–	**(2,413)**	**(144,619)**	**(359,050)**	**(21,018)**	**(157,577)**	**(134,913)**	**(819,590)**
Depreciation charge	(22,746)	(1,088)	(76,296)	(172,729)	(11,100)	(67,862)	(62,508)	**(414,329)**
Disposals	23	2,819	27,163	16,114	4,852	27,390	14,711	**93,072**
Transfer to assets held for sale	269,446	–	–	–	–	3,041	–	**272,487**
Elimination of accumulated depreciation on revalued assets	10,867	–	–	–	–	–	–	**10,867**
Impairment	(257,590)	–	–	–	–	–	–	**(257,590)**
As at 31 December 2014	**–**	**(682)**	**(193,752)**	**(515,665)**	**(27,266)**	**(195,008)**	**(182,710)**	**(1,115,083)**
Carrying value as at 31 December 2014	**555,402**	**1,427**	**171,177**	**336,221**	**50,055**	**155,559**	**115,800**	**1,385,641**
Carrying value as at 31 December 2013	**1,709,233**	**1,643**	**143,482**	**468,374**	**32,748**	**132,100**	**140,517**	**2,628,097**

	Land and buildings RUR'000	Leasehold improvements RUR'000	Computers RUR'000	ATMs RUR'000	Motor Vehicles RUR'000	Furniture and equipment RUR'000	Intangible assets RUR'000	Total RUR'000
Cost/revalued amount								
As at 1 January 2013	**1,419,076**	**51,790**	**181,865**	**680,120**	**40,310**	**216,991**	**224,798**	**2,814,950**
Additions	104,577	884	128,790	152,920	16,169	90,274	111,147	**604,761**
Disposals	(8,438)	(48,618)	(22,278)	(5,616)	(2,713)	(17,403)	(60,515)	**(165,581)**
Disposals of subsidiaries	–	–	(276)	–	–	(185)	–	**(461)**
Transfer from investment property (Note 22)	104,901	–	–	–	–	–	–	**104,901**
Revaluation	114,085	–	–	–	–	–	–	**114,085**
Elimination of accumulated depreciation on revalued assets	(24,968)	–	–	–	–	–	–	**(24,968)**
As at 31 December 2013	**1,709,233**	**4,056**	**288,101**	**827,424**	**53,766**	**289,677**	**275,430**	**3,447,687**
Depreciation								
As at 1 January 2013	**–**	**(49,791)**	**(134,859)**	**(207,086)**	**(15,645)**	**(140,071)**	**(128,941)**	**(676,393)**
Depreciation charge	(33,406)	(1,240)	(31,997)	(156,161)	(7,504)	(34,729)	(66,487)	**(331,524)**
Disposals	8,438	48,618	21,969	4,197	2,131	17,097	60,515	**162,965**
Disposals of subsidiaries	–	–	268	–	–	126	–	**394**
Elimination of accumulated depreciation on revalued assets	24,968	–	–	–	–	–	–	**24,968**
As at 31 December 2013	–	**(2,413)**	**(144,619)**	**(359,050)**	**(21,018)**	**(157,577)**	**(134,913)**	**(819,590)**
Carrying value as at 31 December 2013	**1,709,233**	**1,643**	**143,482**	**468,374**	**32,748**	**132,100**	**140,517**	**2,628,097**
Carrying value as at 31 December 2012	**1,419,076**	**1,999**	**47,006**	**473,034**	**24,665**	**76,920**	**95,857**	**2,138,557**

On 4 July 2014, the Group sold to a third party an office building with total area of more than 12 thousand square metres, located at the address: Krasnopresnenskaya emb., 14, block 1, Moscow, Russian Federation for RUR 2.3 billion. As at 30 June 2014, the total value of the building was RUR 2.9 billion recognised in the statement as of financial position as follows:

- Property, equipment and intangible assets: RUR 1,185,620 thousand;
- Investment property: RUR 1,745,682 thousand.

As the result of the sale, the Group recognised an impairment loss of RUR 497,227 thousand in statement of profit and loss and decrease of revaluation reserve by RUR 109,058, net of tax, thousand in statement of other comprehensive income. In addition, the Group paid a finding fee and an agency commission of total RUR 54,050 thousand to a third party. The finding fee and agency commission were recognised together with the impairment loss in statement of profit and loss.

(In thousands of Russian Rubles, unless otherwise indicated)

23. Property, equipment and intangible assets (continued)

Revalued assets

As at 31 December 2014, the Group recognised:

- a positive revaluation of RUR 1,118 thousand through the profit and loss (RUR 23,098 thousand as at 31 December 2013);
- a negative revaluation of RUR 2,915 thousand through other comprehensive income and revaluation reserve (RUR 90,987 thousand as at 31 December 2013).

As at 31 December 2014, the carrying value of land and buildings if the land and buildings were not revalued would be RUR 619,234 thousand (RUR 1,634,945 thousand as at 31 December 2013).

24. Other assets

	2014 RUR'000	*2013 RUR'000*
Current income tax assets	875,384	5,159
Advances to suppliers	367,123	337,460
Requirements for the delivery of cash and securities	326,630	–
Security deposit placed in MasterCard Europe	174,401	75,277
Foreclosed assets	33,183	61,300
Advances for taxes other than VAT and income tax	23,584	989
Settlements with personnel	16,903	5,363
VAT receivables on leasing operations	12,930	21,937
Receivables for settlement services	9,991	9,216
VAT receivables on non-Banking operations	–	58,080
Other	44,812	2,455
	1,884,941	**577,236**
Impairment allowance in respect of advances to suppliers (Note 21)	(108,050)	(87,389)
	1,776,891	**489,847**

As a result of collection efforts on defaulted loans, the Group repossessed real estate and other collateral. These assets were classified as inventory according to IAS 2 and were measured at the lower of cost and net realisable value.

According to IAS 2, the Group recognised a decrease of RUR 8,260 thousand in the value of repossessed residential real estate collateral as at 31 December 2014 (RUR 18,255 thousand as at 31 December 2013).

25. Current accounts and deposits from customers

	2014 RUR'000	*2013 RUR'000*
Individuals		
Current accounts and demand deposits	2,516,784	1,663,078
Term deposits	98,666,591	72,433,317
Corporates		
Current accounts and demand deposits	12,651,223	4,112,173
Term deposits	3,679,490	2,537,624
Liabilities under sale and repurchase agreements	–	28,912
	117,514,088	**80,775,104**

The ten largest customers placed RUR 13,093,249 thousand and RUR 3,774,042 thousand in total in current accounts and term deposits with the Bank as at 31 December 2014 and 31 December 2013 respectively. These balances represented 11.1% and 4.7% of the total amount of current accounts and deposits from customers as at 31 December 2014 and 31 December 2013 respectively.

As at 31 December 2014 and 31 December 2013, the Group did not have customers whose holdings with the Bank exceeded 10% of the total amount of current accounts and deposits from customers.

According to the Russian legislation, the Group is obliged to repay amounts placed by individuals in term deposit accounts upon request of a customer. In case a term deposit is repaid upon request of a customer prior to maturity, interest is typically calculated based on the interest rate on demand deposits, unless a different interest rate is specified in the agreement.

(In thousands of Russian Rubles, unless otherwise indicated)

26. Amounts due to the CBR

	2014 RUR'000	*2013 RUR'000*
Sale and repurchase agreements	62,515,620	22,446,018
Loans secured by guarantee	–	973,212
Lombard loans received from the CBR	–	605,554
	62,515,620	**24,024,784**

As at 31 December 2014 and 31 December 2013 the Group has provided securities as collateral under repurchase agreements and collateral loans to CBR:

	2014	*2013*	
	Amounts owed to the CBR RUR'000	*Current accounts and deposits from customers RUR'000*	*Amounts owed to the CBR RUR'000*
Financial instruments at fair value through profit or loss pledged under sale and repurchase agreements			
Corporate eurobonds	14,063,252	32,037	8,662,606
Bonds of companies with the State participation	14,916,294	–	9,056,241
Government and municipal bonds	–	–	9,959,452
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	**28,979,546**	**32,037**	**27,678,299**
Loans to customers pledged under sale and repurchase agreements			
Corporate bonds	8,424,402	–	–
Government and municipal bonds	21,181,947	–	–
Total loans to customers pledged under sale and repurchase agreements	**29,606,349**	**–**	**–**
Placements with banks pledged under sale and repurchase agreements			
Corporate bonds	11,044,162	–	–
Government and municipal bonds	1,234,404	–	–
Total placements with banks pledged under sale and repurchase agreements	**12,278,566**	**–**	**–**
The corresponding liability	**62,515,620**	**28,912**	**22,446,018**

In accordance with IFRS (IFRS) 12 corporate bonds accounted for as unconsolidated structured entities. The maximum amount of such Bonds equals to the carrying value of corporate eurobonds.

27. Deposits and balances from banks

	2014 RUR'000	*2013 RUR'000*
Loro accounts	606,871	138,783
Deposits	24,273	107,442
	631,144	**246,225**

As at 31 December 2014, the Group had two counterparties whose balance of RUR 573,179 thousand (RUR 212,895 thousand as at 31 December 2013) exceeded 10% of total deposits and balances from banks. This balance represents 90.8% (86.5% as at 31 December 2013) of deposits and balances from banks.

(In thousands of Russian Rubles, unless otherwise indicated)

28. Debt securities issued

	2014 RUR'000	*2013 RUR'000*
Promissory notes	2,562,097	2,082,087
Domestic bonds issued	177,925	1,995,695
	2,740,022	**4,077,782**

On 13 February 2014, the Group issued non-convertible domestic bonds BO-01 series of RUR 2,000,000 thousand with the nominal coupon rate of 12% and effective coupon rate of 12.36% maturing in February 2019.

On 23 June 2014 a part of the domestic non-convertible bonds in the amount of RUR 1,241,127 thousand, including accrued coupon income RUR 1574 thousand was repurchased by the Group.

On 19 August 2014, in accordance with the terms of the Prospectus, the Board of Directors approved the purchase of RUR 1.9 billion inconvertible domestic bonds BO-01 series.

29. Subordinated debt

During the twelve months ended 31 December 2014, the Group received from SovCo Capital Partners B.V. three tranches of subordinated loan of total USD 72,170 thousand with an annual interest rate of 14%

Principal USD'000	*Currency*	*Counterparty*	*Interest rate*	*Issue date*	*Maturity date*	*2014 RUR'000*	*2013 RUR'000*
94,470	USD	SovCo Capital Partners B.V.	14.0%	16.12.2013	16.12.2073	5,370,536	734,119
25,000	USD	FMO*	3m Libor+ 4.5%**	24.10.2008 22.01.2009	15.10.2018	–	881,615
						5,370,536	**1,615,734**

* Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden N.V.("FMO").

** According to the Subordinated term facility agreement with FMO the interest rate was 3 Month LIBOR + 4.5 per cent. per annum until and including 31 December 2013 and 3 Month LIBOR + 6.5 per cent. per annum thereafter.

On 15 July 2014, the Group repaid prior to maturity the subordinated term facility of USD 25,425 thousand, including accumulated interest of USD 425 thousand, to FMO. In accordance with the subordinated term facility agreement, the Group paid to FMO prepayment fees of RUR 17,156 thousand (2% of the subordinated term facility amount).

In 2013, the Group repaid prior to maturity four subordinated loans of USD 33,000 thousand, borrowed from SovCo Capital Partners B. V.

30. Other liabilities

	2014 RUR'000	*2013 RUR'000*
Payables to personnel	558,690	288,763
Payables to suppliers	454,224	140,665
Accrued expenses on obligatory deposit insurance	96,557	66,565
Taxes payable other than VAT and income tax	90,541	127,363
VAT payable	34,832	1,602
Provision for legal claims and contingent liabilities (Note 21)	32,761	50,982
Current income taxes payable	24,935	20,650
Obligations under lease payments	–	825
Other	96,944	42,943
	1,389,484	**740,358**

(In thousands of Russian Rubles, unless otherwise indicated)

31. Deferred tax

Movements in temporary differences during the twelve-months period ended 31 December 2014 and 31 December 2013 were as follows:

		Origination and reversal of temporary differences				*Origination and reversal of temporary differences*				
	2012	*In the income statement*	*In other compre-hensive income*	*Disposed in business deconso-lidation*	*2013*	*In the income statement*	*In other compre-hensive income*	*Effect of business combi-nation*	*Disposed in business deconso-lidation*	*2014*
Tax effect of deductible temporary differences:										
Financial instruments at fair value through profit or loss	(31,773)	9,061	–	–	**(22,712)**	749,229	–	–	–	**726,517**
Loans to customers	(23,710)	172,821	–	(9,954)	**139,157**	13,898	–	517,825	(7,431)	**663,449**
Other assets	2,251	(126,313)	–	(6,695)	**(130,757)**	202,183	–	75,096	–	**146,522**
Debt securities issued	(5,363)	4,945	–	–	**(418)**	24,722	–	–	–	**24,304**
Other liabilities	71,203	(16,329)	–	3,014	**57,888**	(25,151)	–	39,957	7,136	**79,830**
Deferred tax asset	**12,608**	**44,185**	**–**	**(13,635)**	**43,158**	**964,881**	**–**	**632,878**	**(295)**	**1,640,622**
Tax effect of taxable temporary differences:										
Cash and cash equivalents	–	–	–	–	**–**	(703)	–	–	–	**(703)**
Due from other banks	–	–	–	–	**–**	(7,239)	–	–	–	**(7,239)**
Investment property	(10,300)	(592)	–	5,025	**(5,867)**	882	–	–	–	**(4,985)**
Property, equipment and intangible assets	(168,647)	(48,608)	(18,198)	(7,497)	**(242,950)**	246,626	27,848	(75,763)	–	**(44,239)**
Current accounts and deposits from customers	–	–	–	–	**–**	(3,111)		(1,035)	–	**(4,146)**
Subordinated debt	(1,004)	126	–	–	**(878)**	878			–	**–**
Deferred tax liability	**(179,951)**	**(49,074)**	**(18,198)**	**(2,472)**	**(249,695)**	**237,333**	**27,848**	**(76,798)**	**–**	**(61,312)**
Deferred tax asset	**69,173**	**(63,681)**	**–**	**–**	**5,492**	**990,185**	**27,848**	**556,080**	**(295)**	**1,579,310**
Deferred tax liability	**(236,516)**	**58,792**	**(18,198)**	**(16,107)**	**(212,029)**	**212,029**	**–**	**–**	**–**	**–**

32. Equity

In September 2014, the Bank changed its legal form from a limited liability company into an Open Joint Stock Company and in December 2014 into a Public Joint Stock Company.

As at 31 December 2014 and 31 December 2013, the share capital was RUR 1,906,004 thousand.

The number of authorised ordinary shares is 19,060,040,773 as at 31 December 2014 with a nominal value per share of RUR 0.1.

On 5 September and 8 December 2014, the Board of Directors approved the buy-back of 1,904,098,073 shares with a nominal value of RUR 190,410 thousand, or 9.99% of total number of shares from SovCo Capital Partners B.V. for RUR 1,795,005 thousand. The buy-back was executed on 19 September and 8 December 2014.

The share capital of the Bank was contributed by the shareholders in Russian Rubles and they are entitled to dividends and any capital distribution in Russian Rubles.

33. Commitments

At any time, the Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

(In thousands of Russian Rubles, unless otherwise indicated)

33. Commitments (continued)

The breakdown of commitments by category was as follows:

*Contractual amount**	*2014 RUR'000*	*2013 RUR'000*
Guarantees	4,906,831	1,442,702
Loan and credit line commitments	6,683,583	4,080,686
	11,590,414	**5,523,388**

* The contractual amounts reflected in the table assume that commitments are advanced in full.

The total outstanding contractual commitments to extend loans do not necessarily represent future cash outflows, as these commitments may expire or terminate without being funded.

The Group did not have any non-cancellable operating leases as at 31 December 2014 and as at 31 December 2013.

34. Contingencies

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the results of future operations of the Group. From 2011 thought 2014, the Group was subject to litigations mainly in relation to up-front lending commission which the Group charged the borrowers until 2010 and third party insurance policy sold by the Group to the borrowers at the loan origination.

The Group created provisions for litigations in relation to the unsettled amount of RUR 10 million and of RUR 50 million as at 31 December 2014 and as at 31 December 2013 (Note 30). Management believes that the amount of potential future claims against the Group cannot be measured with sufficient reliability.

Taxation contingencies

Russian tax, currency and customs legislation as currently in effect is subject to varying interpretations, selective and inconsistent application and changes, which may occur frequently, at short notice and may apply retrospectively. Management interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances, tax reviews may cover longer periods.

As at 31 December 2014, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

35. Risk management

Risk management is one of the most important Group's internal processes. The ultimate goal of Group risk management policy is to ensure that all significant types of risk are identified early and are appropriately mitigated.

Risk management policies and procedures

The Group manages the identification, assessment and mitigation of current and emerging risks through a rigorous governance process and robust risk management tools and processes. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered as well as emerging best market practices.

The Board of Directors of the Group (the "Board") has overall responsibility for the establishing risk management framework, overseeing the management of key risks, reviewing the Group risk management policies and procedures and approving significant counterparty exposures.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Risk management policies and procedures (continued)

The Management Board is responsible for implementation of risk management and risk mitigation measures and making sure that the Group operates within the established risk limits.

Application of risk management policies is subject to a regular review by the Internal Audit Department.

Financial risks, such as credit, market and liquidity risks, are managed through the Credit Committees and the Asset-Liability Committee ("ALCO").

The primary types of risks affecting the Group are:

- market risk (which includes interest rate, currency and prepayment risks);
- credit risk;
- liquidity and funding risk;
- operating risk.

Market risk

Market risk is defined as the risk that unfavourable market moves (including changes in and increased volatility of interest rates, market-implied inflation rates, credit spreads and prices for bonds, foreign exchange rates, equity, property and commodity prices and other instruments) lead to reductions in Group's earnings and/or net asset value.

The Group has a number of market risks, the principal ones being: interest rate, currency and prepayment risks.

Market risk is managed within a Management Board approved framework using a range of metrics to monitor the Group's profile against its stated risk appetite and potential market conditions. High level market risk exposure is reported regularly to appropriate committees for monitoring and oversight by the senior members of Management.

Matching assets and liabilities are offset against each other and interest rate swaps are also used to manage the residual exposure to within the non-traded market risk appetite. Exposure arising from the margin of interbank rates over Central bank rates is monitored and managed within the non-traded market risk appetite through appropriate hedging.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows from financial instruments. The Group sets limits on the level of mismatch of interest rate repricing that may be undertaken. The sensitivity of the fair value of such instruments includes the effect of the reasonably possible changes in risk-free interest rates for one year. The above parameter is measured by reference to the effect of the fair value of such fixed-rate instruments held as at 31 December 2014 and 31 December 2013. Such measurement envisages applying the assumption of a parallel shift of the yield curve.

Currency	*Increase in basis points*	*Change in net interest income 2014*	*Change in equity 2014*	*Change in net interest income 2013*	*Change in equity attributable to shareholders 2013*
RUR	100	(1,428,765)	(1,428,765)	(1,383,179)	(1,383,179)
USD	100	(1,107,774)	(1,107,774)	(98,738)	(98,738)
EUR	100	(6,771)	(6,771)	–	–

Currency	*Decrease in basis points*	*Change in net interest income 2014*	*Change in equity 2014*	*Change in net interest income 2013*	*Change in equity attributable to shareholders 2013*
RUR	100	1,428,765	1,428,765	1,383,179	1,383,179
USD	100	1,107,774	1,107,774	98,738	98,738
EUR	100	6,771	6,771	–	–

The table below shows Group's non-trading financial assets and liabilities with interest rate risk exposure. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Market risk (continued)

The position as at 31 December 2014, was as follows:

	Less than 1 month RUR'000	*1 to 3 months RUR'000*	*3 months to 1 year RUR'000*	*1 to 5 years RUR'000*	*More than 5 years RUR'000*	*Non-interest bearing RUR'000*	*Overdue RUR'000*	*Total RUR'000*
Assets								
Cash and cash equivalents	–	–	–	–	–	25,426,274		**25,426,274**
Mandatory cash balances with the CBR	–	–	–	–	–	1,072,389		**1,072,389**
Placements with banks	14,481,101	7,137	369,144	7,343	–		24	**14,864,749**
Loans to customers	36,505,700	11,547,055	21,711,151	40,756,404	1,353,190		4,891,259	**116,764,759**
Investment in car leasing joint venture	–	–	–	–	–	451,727	–	**451,727**
Investment property	–	–	–	–	–	75,021	–	**75,021**
Property, equipment and intangible assets	–	–	–	–	–	1,385,641	–	**1,385,641**
Goodwill	–	–	–	–	–	283,538	–	**283,538**
Deferred tax asset	–	–	–	–	–	1,579,310		**1,579,310**
Other assets	–	–	–	–	–	1,776,891		**1,776,891**
Total assets	**50,986,801**	**11,554,192**	**22,080,295**	**40,763,747**	**1,353,190**	**32,050,791**	**4,891,283**	**163,680,299**
Liabilities								
Amounts due to the CBR	62,515,620	–	–	–	–	–	–	**62,515,620**
Deposits and balances from banks	–	24,273	–	–	–	606,871	–	**631,144**
Current accounts and deposits from customers	14,917,042	25,168,260	30,844,134	33,933,408	8	12,651,236	–	**117,514,088**
Debt securities issued	91,943	511,653	439,016	1,324,942	372,468		–	**2,740,022**
Subordinated debt	–	–	–	–	5,370,536		–	**5,370,536**
Other liabilities	–	–	–	–	–	1,389,484	–	**1,389,484**
Total liabilities	**77,524,605**	**25,704,186**	**31,283,150**	**35,258,350**	**5,743,012**	**14,647,591**	**–**	**190,160,894**
Net position as at 31 December 2014	**(26 537 804)**	**(14 149 994)**	**(9 202 855)**	**5 505 397**	**(4 389 822)**	**17,403,200**	**4,891,283**	**(26,480,595)**

The position as at 31 December 2013, was as follows:

	Less than 1 month RUR'000	*1 to 3 months RUR'000*	*3 months to 1 year RUR'000*	*1 to 5 years RUR'000*	*More than 5 years RUR'000*	*Non-interest bearing RUR'000*	*Overdue RUR'000*	*Total RUR'000*
Assets								
Cash and cash equivalents	3,847	628,973	–	–	–	10,054,850	–	**10,687,670**
Mandatory cash balances with the CBR	–	–	–	–	–	772,536	–	**772,536**
Placements with banks	15,916	24,161	1,725,914	826,602	–	–	126	**2,592,719**
Loans to customers	2,131,911	5,098,073	17,547,487	33,102,386	121,755	–	2,463,903	**60,465,515**
Investment in associates	–	–	–	–	–	3,000	–	**3,000**
Investment in car leasing joint venture	–	–	–	–	–	420,752	–	**420,752**
Investment property	–	–	–	–	–	1,829,002	–	**1,829,002**
Property, equipment and intangible assets	–	–	–	–	–	2,628,097	–	**2,628,097**
Goodwill	–	–	–	–	–	283,538	–	**283,538**
Deferred tax asset	–	–	–	–	–	5,492	–	**5,492**
Other assets	–	–	–	–	–	489,847	–	**489,847**
Total assets	**2,151,674**	**5,751,207**	**19,273,401**	**33,928,988**	**121,755**	**16,487,114**	**2,464,029**	**80,178,168**
Liabilities								
Amounts due to the CBR	23,051,572	–	973,212	–	–	–	–	**24,024,784**
Deposits and balances from banks	–	65,458	133,366	13,351	–	34,050	–	**246,225**
Current accounts and deposits from customers	10,771,532	4,963,914	19,414,294	45,625,289	75	–	–	**80,775,104**
Debt securities issued	667,755	404,111	2,610,810	388,121	6,985	–	–	**4,077,782**
Subordinated debt	–	–	–	881,615	734,119	–	–	**1,615,734**
Deferred tax liabilities	–	–	–	–	–	212,029	–	**212,029**
Other liabilities	–	–	–	–	–	740,358	–	**740,358**
Total liabilities	**34,490,859**	**5,433,483**	**23,131,682**	**46,908,376**	**741,179**	**986,437**	**–**	**111,692,016**
Net position as at 31 December 2013	**(32,339,185)**	**317,724**	**(3,858,281)**	**(12,979,388)**	**(619,424)**	**15,500,677**	**2,464,029**	**(31,513,848)**

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets denominated in a foreign currency mismatch the liabilities in the same currency. Group's policy requires that total currency risk exposure must not exceed 10% of net assets attributable to shareholders.

The sensitivity of the Group's profit or loss for the year and net assets attributable to shareholders relative to changes in the foreign currency exchange rates as at 31 December 2014 and 31 December 2013 is as follows:

	2014		***2013***	
	Profit or loss RUR'000	***Change in equity RUR'000***	***Profit or loss RUR'000***	***Change in net assets attributable to shareholders RUR'000***
20% appreciation of USD against RUR	(613,360)	(613,360)	(12,139)	(12,139)
20% depreciation of USD against RUR	613,360	613,360	12,139	12,139
20% appreciation of EUR against RUR	(2,326)	(2,326)	(7,345)	(7,345)
20% depreciation of EUR against RUR	2,326	2,326	7,345	7,345

The following table shows the breakdown of assets and liabilities by currency as at 31 December 2014:

	RUR RUR'000	***USD RUR'000***	***EUR RUR'000***	***Other RUR'000***	***Total RUR'000***
Assets					
Cash and cash equivalents	13,775,218	6,778,319	4,872,737	–	**25,426,274**
Mandatory cash balances with the CBR	1,072,389	–	–	–	**1,072,389**
Placements with banks	14,513,134	351,615	–	–	**14,864,749**
Financial instruments at fair value through profit or loss					
- Held by the Group	1,231,837	7,731,536	139,694	–	**9,103,067**
- Pledged under sale and repurchase agreements	3,603,066	25,357,364	19,116	–	**28,979,546**
Loans to customers	112,748,578	4,014,197	1,984	–	**116,764,759**
Investment in car leasing joint venture	451,727	–	–	–	**451,727**
Investment property	75,021	–	–	–	**75,021**
Property, equipment and intangible assets	1,385,641	–	–	–	**1,385,641**
Goodwill	283,538	–	–	–	**283,538**
Deferred tax asset	1,579,310	–	–	–	**1,579,310**
Other assets	1,519,894	256,982	15	–	**1,776,891**
Total assets	**152,239,353**	**44,490,013**	**5,033,546**	**–**	**201,762,912**
Liabilities					
Amounts due to the CBR	43,384,475	19,131,145	–	–	**62,515,620**
Deposits and balances from banks	406,969	224,159	16	–	**631,144**
Current accounts and deposits from customers	103,128,028	9,739,184	4,644,816	2,060	**117,514,088**
Debt securities issued	2,123,286	445,169	171,567	–	**2,740,022**
Subordinated debt	–	5,370,536	–	–	**5,370,536**
Other liabilities	1,372,763	16,698	23	–	**1,389,484**
Total liabilities	**150,415,521**	**34,926,891**	**4,816,422**	**2,060**	**190,160,894**
Net balance sheet position as at 31 December 2014	**1,823,832**	**9,563,122**	**217,124**	**(2,060)**	**11,602,018**
Net off-balance sheet position as at 31 December 2014	**12,858,677**	**(12,629,922)**	**(228,755)**	**–**	**–**
Net position as at 31 December 2014	**14,682,509**	**(3,066,800)**	**(11,631)**	**(2,060)**	**11,602,018**
Credit related commitments	**11,520,117**	**46,136**	**24,161**	**–**	**11,590,414**

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Currency risk (continued)

The following table shows the breakdown of assets and liabilities by currency as at 31 December 2013:

	RUR RUR'000	*USD RUR'000*	*EUR RUR'000*	*Other RUR'000*	*Total RUR'000*
Assets					
Cash and cash equivalents	6,731,872	1,893,343	2,062,455	–	**10,687,670**
Mandatory cash balances with the CBR	772,536	–	–	–	**772,536**
Placements with banks	200,450	2,392,269	–	–	**2,592,719**
Financial instruments at fair value through profit or loss					
- Held by the Group	16,150,886	470,234	–	–	**16,621,120**
- Pledged under sale and repurchase agreements	25,642,376	2,067,960	–	–	**27,710,336**
Loans to customers	58,324,534	2,140,133	848	–	**60,465,515**
Investment in associates	3,000	–	–	–	**3,000**
Investment in car leasing joint venture	420,752	–	–	–	**420,752**
Investment property	1,829,002	–	–	–	**1,829,002**
Property, equipment and intangible assets	2,628,097	–	–	–	**2,628,097**
Goodwill	283,538	–	–	–	**283,538**
Deferred tax asset	5,492	–	–	–	**5,492**
Other assets	414,267	75,580	–	–	**489,847**
Total assets	**113,406,802**	**9,039,519**	**2,063,303**	**–**	**124,509,624**
Liabilities					
Amounts due to the CBR	24,024,784	–	–	–	**24,024,784**
Deposits and balances from banks	14,986	212,720	18,519	–	**246,225**
Current accounts and deposits from customers	71,437,285	6,337,715	2,997,388	2,716	**80,775,104**
Debt securities issued	3,551,703	219,855	306,224	–	**4,077,782**
Subordinated debt	–	1,615,734	–	–	**1,615,734**
Deferred tax liability	212,029	–	–	–	**212,029**
Other liabilities	737,107	3,251	–	–	**740,358**
Total liabilities	**99,977,894**	**8,389,275**	**3,322,131**	**2,716**	**111,692,016**
Net balance sheet position as at 31 December 2013	**13,428,908**	**650,244**	**(1,258,828)**	**(2,716)**	**12,817,608**
Net off-balance sheet position as at 31 December 2013	**(511,163)**	**(710,939)**	**1,222,102**	**–**	**–**
Net position as at 31 December 2013	**12,917,745**	**(60,695)**	**(36,726)**	**(2,716)**	**12,817,608**
Credit related commitments	**5,284,176**	**231,566**	**7,646**	**–**	**5,523,388**

Prepayment risk

Prepayment risk is the risk that the Group may not receive the projected return from its assets because some customers repay loans earlier or later than expected.

The Group identifies the prepayment risk only for consumer loans. During 2014, the amount of consumer loans repaid prior to maturity was RUR 4,719,699 thousand or 9.56% of expected payments (during 2013, the amount of consumer loans repaid prior to maturity was RUR 10,895,549 thousand or 32.03% of expected payments). The Group's current year financial results and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates.

Credit risk

Credit risk is defined as the risk that parties with whom the Group has contracted fail to meet their obligations (both on- or off-balance sheet). Adverse changes in the credit quality of the Group's borrowers and counterparties, or in their behaviour, would be expected to reduce the value of the Group's assets and increase the Group's write-downs and allowances for impairment losses.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Credit risk (continued)

Over the last five years, the global banking crisis and economic downturn has driven cyclically high bad debt charges, arising from the Group's lending to both retail and corporate customers. Group performance will remain strongly linked to the macroeconomic environment and other factors, including, inter alia, decelerating economic growth in Russian Federation, lower consumer spending, consumer over-indebtedness, unemployment increases and rising interest rates being possible impacts to the Group's exposures. The possibility of further macroeconomic downside risk remains.

The Group takes many mitigating actions with respect to this principal risk. The Group manages its credit risk in a variety of ways such as:

- through prudent and through the cycle credit risk appetite and policies;
- clearly defined levels of authority (including sound credit scoring models and credit policies for retail customers and independently sanctioned and controlled credit limits for commercial customers and counterparties);
- robust credit processes and controls; and
- well-established Group committees that ensure distressed and impaired loans are identified, considered, controlled and appropriately escalated and appropriately impaired (taking account of the Group's latest view of current and expected market conditions, as well as refinancing risk).

The Credit Committee is a standing body of the Group, authorised to make decisions on all issues relating to the credit operations of the Group. Credit risk policy is defined by Group's Credit Committee with input from the Risk Department and approved by the Management Board. The Risk Department is generally responsible for applicatoin the operating procedures and policies established by the Credit Committee, 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 renewal of the credit application.

The Group has policies and procedures for the management of credit exposures (both for on-balance sheet and off-balance sheet) including guidelines to limit commercial portfolio concentration. The Group's Credit policy establishes:

- procedures for review and approval process of different kinds of credit products;
- methodology for the credit assessment of lessees under leasing contracts;
- methodology for the credit assessment of borrowers (commercial and retail);
- methodology for the credit assessment of issuers and insurance companies;
- methodology for the evaluation and monitoring of collateral;
- procedures for the ongoing monitoring of loans and other credit exposures;
- procedures for collection process for different borrowers and lessees.

Reviews of the policies, methodologies and procedures are undertaken at least annually and incorporate internal and external audit review and challenge.

All retail loan applications are reviewed by the Risk Department through the statistical models, loan application data verification procedures and other factors, including, inter alia, applicant's indebtedness, source of income, history with the Bank etc. Some retail loan application are subject to additional verification conducted by Economic Security Department. All underwriting procedures are approved by the Credit Committee.

The Group does not consider commercial lending as strategic and takes a highly selective approach to commercial lending, particularly to the new to the Bank corporate borrowers. Commercial loan applications are checked by client managers and then are passed on to the Risk Department. The Risk Department produces an independent report based on structured analysis focusing on the customer's business, reputation, history with the Bank and financial performance. Financial Monitoring Department and Economic Security Department independently review every commercial loan application and produce a report reflecting their opinion, in particular whether the Credit policy requirements are met. During the loan 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. Every commercial loan application must be approved by the Credit Committee and/or the Board depending on the amount of the loan.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements (for legal entities), income reference (for individuals) and other information submitted by the borrower or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or the Group's specialists. In the event of negative movements in market prices the borrower is usually requested to put up additional security.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and off balance sheet credit related commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives. The maximum exposure is presented on gross basis before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	*Maximum exposure 2014*	*Maximum exposure 2013*
Cash and cash equivalents (excluding cash on hand)	17	15,484,530	6,795,522
Placements with banks		14,864,749	2,592,719
Financial instruments at fair value through profit or loss	19	38,082,613	44,331,456
Loans to customers	20	116,764,759	60,465,515
Other assets (less settlements with tax authorities)	24	864,993	403,682
		186,061,644	**114,588,894**
Credit related commitments	33	11,590,414	5,523,388
Total credit risk exposure		**197,652,058**	**120,112,282**

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

The effect of collateral and other risk mitigation techniques is shown in Note 20.

Credit quality of loans to individuals

The credit quality of loans to individuals is assessed and managed by the Group based on the number of days overdue. The tables below show the credit quality of loans to individuals based on the number of days overdue as at 31 December 2014 and 31 December 2013.

As at 31 December 2014:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Consumer loans				
- Not past due	61,420,162	(632,071)	60,788,091	1.03%
- Overdue less than 30 days	3,792,573	(718,194)	3,074,379	18.94%
- Overdue 30-89 days	2,556,292	(1,348,137)	1,208,155	52.74%
- Overdue 90-179 days	3,038,510	(2,094,710)	943,800	68.94%
- Overdue 180-360 days	5,491,358	(4,299,068)	1,192,290	78.29%
Total consumer loans	**76,298,895**	**(9,092,180)**	**67,206,715**	**11.92%**
Credit cards				
- Not past due	7,358,608	(97,553)	7,261,055	1.33%
- Overdue less than 30 days	539,122	(110,637)	428,485	20.52%
- Overdue 30-89 days	396,645	(220,168)	176,477	55.51%
- Overdue 90-179 days	483,754	(368,883)	114,871	76.25%
- Overdue 180-360 days	908,947	(816,796)	92,151	89.86%
Total credit cards loans	**9,687,076**	**(1,614,037)**	**8,073,039**	**16.66%**
Mortgage loans				
- Not past due	198,137	(1,982)	196,155	1.00%
- Overdue less than 30 days	66,513	(3,326)	63,187	5.00%
- Overdue 30-89 days	54,777	(5,478)	49,299	10.00%
- Overdue 90-179 days	20,481	(4,096)	16,385	20.00%
- Overdue 180-360 days	16,341	(4,902)	11,439	30.00%
- Overdue more than 360 days	50,137	(25,068)	25,069	50.00%
Total mortgage loans	**406,386**	**(44,852)**	**361,534**	**11.04%**
Total loans to individuals	**86,392,357**	**(10,751,069)**	**75,641,288**	**12.44%**

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Credit quality of loans to individuals (continued)

As at 31 December 2013:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Consumer loans				
- Not past due	47,463,967	(467,049)	46,996,918	0.98%
- Overdue less than 30 days	2,647,498	(422,708)	2,224,790	15.97%
- Overdue 30-89 days	1,666,728	(849,659)	817,069	50.98%
- Overdue 90-179 days	1,778,849	(1,311,124)	467,725	73.71%
- Overdue 180-360 days	2,941,866	(2,521,641)	420,225	85.72%
Total consumer loans	**56,498,908**	**(5,572,181)**	**50,926,727**	**9.86%**
Credit cards				
- Not past due	3,785,863	(50,657)	3,735,206	1.34%
- Overdue less than 30 days	269,036	(46,809)	222,227	17.40%
- Overdue 30-89 days	203,729	(109,042)	94,687	53.52%
- Overdue 90-179 days	205,211	(156,507)	48,704	76.27%
- Overdue 180-360 days	340,300	(296,107)	44,193	87.01%
Total credit cards loans	**4,804,139**	**(659,122)**	**4,145,017**	**13.72%**
Mortgage loans				
- Not past due	144,184	(1,442)	142,742	1.00%
- Overdue less than 30 days	10,590	(529)	10,061	5.00%
- Overdue 30-89 days	1,272	(127)	1,145	9.98%
- Overdue 90-179 days	4,672	(934)	3,738	19.99%
- Overdue 180-360 days	3,651	(1,095)	2,556	29.99%
- Overdue more than 360 days	251	(126)	125	50.20%
Total mortgage loans	**164,620**	**(4,253)**	**160,367**	**2.58%**
Total loans to individuals	**61,467,667**	**(6,235,556)**	**55,232,111**	**10.14%**

As at 31 December 2014, the gross amount of NPL (Non-Performing Loans – overdue more than 90 days) the respective total impairment and the NPL coverage ratio of consumer loans and credit cards were as follows:

	NPL gross amount RUR'000	*Total impairment RUR'000*	*NPL coverage ratio %*
Consumer loans	8,529,868	(9,092,180)	106.6%
Credit cards	1,392,701	(1,614,037)	115.9%

Had the Group not applied IFRS 3 as at 31 December 2014, the gross amount of NPL, total impairment and the NPL coverage ratio of consumer loans and credit cards would have been as follows:

	NPL gross amount RUR'000	*Total impairment RUR'000*	*NPL coverage ratio %*
Consumer loans	8,785,254	(10,775,875)	122.7%
Credit cards	1,392,758	(1,614,460)	115.9%

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Credit quality of loans to corporate entities

The following table provides information on the credit quality of the loans to legal entities and finance lease receivables as at 31 December 2014:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Loans to corporate entities and finance lease receivables				
Unimpaired loans and finance lease receivables	41,045,590	(277,157)	40,768,433	0.68%
Impaired loans and finance lease receivables:				
- Overdue less than 90 days	16,760	(637)	16,123	3.80%
- Overdue more than 90 days and less than 1 year	382,965	(44,418)	338,547	11.60%
- Overdue more than 1 year	6,588	(6,220)	368	94.41%
Total impaired loans and finance lease receivables	**406,313**	**(51,275)**	**355,038**	**12.62%**
Individual impairment	352,493	(42,316)	310,177	12.00%
Collective impairment	53,820	(8,959)	44,861	16.65%
Total loans to corporate entities and finance lease receivables	**41,451,903**	**(328,432)**	**41,123,471**	**0.79%**

The following table provides information on the credit quality of the loans to legal entities and finance lease receivables as at 31 December 2013:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Loans to corporate entities and finance lease receivables				
Unimpaired loans and finance lease receivables	4,387,993	(53,324)	4,334,669	1.22%
Impaired loans and finance lease receivables:				
- Overdue less than 90 days	893,472	(39,439)	854,033	4.41%
- Overdue more than 90 days and less than 1 year	46,197	(22,556)	23,641	48.83%
- Overdue more than 1 year	58,502	(37,441)	21,061	64.00%
Total impaired loans and finance lease receivables	**998,171**	**(99,436)**	**898,735**	**9.96%**
Individual impairment	315,526	(31,829)	283,697	10.09%
Collective impairment	682,645	(67,607)	615,038	9.90%
Total loans to corporate entities and finance lease receivables	**5,386,164**	**(152,760)**	**5,233,404**	**2.84%**

Impairment assessment

Collectively assessed allowances

Impairment allowances are assessed collectively for losses on loans to customers that are not individually significant (including car loans, mortgage loans, consumer loans, and loans to corporate entities and finance lease receivables) and for individually significant loans where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review. The Group estimates impairment allowances for loans to individuals based on statistics in relation to past historical losses and, in some cases where there is sufficient statistical data available, based on peer group statistics for comparable loan groups. The Group estimates impairment allowace for commercial loans based on an analysis of the future cash flows for impaired loans or based on the statistics in relation to past losses on loan portfolios for which no indication of impairment is identified.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Credit quality of loans to corporate entities (continued)

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in business environment, negative changes in the borrower's markets.

Individually assessed allowances

The Group determines appropriate allowances for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy occur, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date unless unforeseen circumstances require more careful attention.

Allowances created in respect of securities reclassified to corporate loans

An allowance for corporate bonds is calculated on the basis of the lowest long-term issuer rating assigned by international rating agencies (S&P, Fitch and Moody's) to each issuer of bonds, and the probability of default of the issuer within one year. The probability of default of each issuer within one year is determined on the basis of the Fitch Ratings research agency in "Global Corporate Finance 2013 Transition and Default Study" as the average probabilities of default of the issuer of each rating in the developing countries within one year during the period 1990-2013. The allowance varies from 0.19% to 2.90%.

Liquidity and funding risk

Liquidity risk is defined as the risk that the Group has insufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Funding risk is defined as the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Liquidity and funding risk appetite is set by the Board and this statement of the Group's overall appetite for liquidity risk is reviewed and approved annually by the Management Board.

The Group's liquidity and funding position is underpinned by its significant customer deposit base, and has been supported by stable funding from the wholesale markets and Central Bank of Russian Federation as well as by the diversified portfolio of highly liquid assets, which the Group maintains in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Daily monitoring and control processes are in place to address regulatory liquidity requirements. The Group monitors a range of market and internal early warning indicators on a daily basis for early signs of liquidity risk in the market or specifi c to the Group; The Bank was in compliance with these ratios throughout the years ended 31 December 2014 and 31 December 2013.

The Group carries out stress testing of its liquidity position against a range of scenarios on monthly basis. The results of stress testing are reviewed by ALCO monthly. The Group's liquidity risk appetite is also calibrated against a number of stressed liquidity metrics.

The liquidity management policy of the Group requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Liquidity risk and funding (continued)

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of shortterm liquid assets to be maintained, largely made up of shortterm liquid trading securities, loans to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The following tables show the undiscounted cash flows on the Group's financial liabilities, guarantees and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the table is the contractual, undiscounted cash flow related to the financial asset, liability or commitment. The Group's expected cash flows related to these financial liabilities and unrecognised loan commitments may vary significantly from this analysis.

Financial liabilities As at 31 December 2014	***Demand and less than 1 month***	***From 1 to 3 months***	***From 3 months to 1 year***	***From 1 to 5 years***	***More than 5 years***	***Total gross amount outflow***	***Carrying amount***
Amounts due to the CBR	62,822,065		-	-	-	**62,822,065**	**62,515,620**
Deposits and balances from banks	606,871	24,480	-	-	-	**631,351**	**631,144**
Current accounts and deposits from customers	21,575,769	28,997,411	32,937,918	41,725,335	9	**125,236,442**	**117,514,088**
Debt securities issued	92,228	686,915	483,186	1,338,928	683,514	**3,284,771**	**2,740,022**
Subordinated debt	62,005	120,273	560,595	2,978,288	45,522,637	**49,243,798**	**5,370,536**
Other liabilities	1,378,287	1,121	10,076	-	-	**1,389,484**	**1,389,484**
Total financial liabilities	**86,537,225**	**29,830,200**	**33,991,775**	**46,042,551**	**46,206,160**	**242,607,911**	**190,160,894**
Credit related commitments	**7,618,972**	**1,101,653**	**974,133**	**1,895,656**	**-**	**11,590,414**	**11,590,414**

Financial liabilities As at 31 December 2013	***Demand and less than 1 month***	***From 1 to 3 months***	***From 3 months to 1 year***	***From 1 to 5 years***	***More than 5 years***	***Total gross amount outflow***	***Carrying amount***
Amounts due to the CBR	23,051,572	–	1,048,007	–	–	**24,099,579**	**24,024,784**
Deposits and balances from banks	34,049	65,458	136,199	14,231	–	**249,937**	**246,225**
Current accounts and deposits from customers	10,844,429	5,028,562	20,468,494	54,741,213	77	**91,082,775**	**80,775,104**
Debt securities issued	670,345	407,530	2,753,370	456,564	12,875	**4,300,684**	**4,077,782**
Subordinated debt	7,497	22,995	106,134	595,133	5,331,066	**6,062,825**	**1,615,734**
Other liabilities	93,925	646,433	–	–	–	**740,358**	**740,358**
Total financial liabilities	**34,701,817**	**6,170,978**	**24,512,204**	**55,807,141**	**5,344,018**	**126,536,158**	**111,479,987**
Credit related commitments	**2,892,671**	**687,039**	**953,396**	**990,282**	**–**	**5,523,388**	**5,523,388**

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Liquidity risk and funding (continued)

The following table shows the breakdown of monetary assets and liabilities by remaining contractual maturity dates as at 31 December 2014:

	Less than 1 month RUR'000	*1 to 3 months RUR'000*	*3 months to 1 year RUR'000*	*Subtotal Less than 1 year RUR'000*	*1 to 5 years RUR'000*	*More than 5 years RUR'000*	*Subtotal More than 1 year RUR'000*	*No maturity and overdue RUR'000*	*Total RUR'000*
Assets									
Cash and cash equivalents	25,426,274	–	–	**25,426,274**	–	–	–	–	**25,426,274**
Mandatory cash balances with the CBR	1,072,389	–	–	**1,072,389**	–	–	–	–	**1,072,389**
Placements with banks	14,481,101	7,137	369,144	**14,857,382**	7,343	–	7,343	24	**14,864,749**
Financial instruments at fair value through profit or loss									
Held by the Group	9,103,067	–	–	**9,103,067**	–	–	–	–	**9,103,067**
Pledged under sale and repurchase agreements	28,979,546	–	–	**28,979,546**	–	–	–	–	**28,979,546**
Loans to customers	36,505,700	11,547,055	21,711,151	**69,763,906**	40,756,404	1,353,190	42,109,594	4,891,259	**116,764,759**
Investment in car leasing joint venture	–	–	–	–	–	–	–	451,727	**451,727**
Other assets	1,732,337	3,299	38,684	**1,774,320**	2,571		2,571		**1,776,891**
Total assets	**117,300,414**	**11,557,491**	**22,118,979**	**150,976,884**	**40,766,318**	**1,353,190**	**42,119,508**	**5,343,010**	**198,439,402**
Liabilities									
Amounts due to the CBR	62,515,620	–	–	**62,515,620**	–	–	–	–	**62,515,620**
Deposits and balances from banks	606,871	24,273	–	**631,144**	–	–	–	–	**631,144**
Current accounts and deposits from customers	14,917,042	31,218,260	30,844,133	**76,979,435**	33,933,409	8	33,933,417	6,601,236	**117,514,088**
Debt securities issued	91,943	511,653	439,016	**1,042,612**	1,324,942	372,468	1,697,410	–	**2,740,022**
Subordinated debt	–	–	–	–	–	5,370,536	5,370,536	–	**5,370,536**
Other liabilities	1,378,287	1,121	10,076	**1,389,484**	–	–	–	–	**1,389,484**
Total liabilities	**79,509,763**	**31,755,307**	**31,293,225**	**142,558,295**	**35,258,351**	**5,743,012**	**41,001,363**	**6,601,236**	**190,160,894**
Net position as at 31 December 2014	**37 790 651**	**(20 197 816)**	**(9 174 246)**	**8 418 589**	**5 507 967**	**(4 389 822)**	**1 118 145**	**(1 258 226)**	**8 278 508**
Cumulative gap as at 31 December 2014	**37 790 651**	**17 592 835**	**8 418 589**	**8 418 589**	**13 926 556**	**9 536 734**	**1 118 145**	**(140 081)**	**–**
Credit related commitments	**7,618,972**	**1,101,653**	**974,133**	**9,694,758**	**1,895,656**	**–**	**1,895,656**	**–**	**11,590,414**

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Liquidity risk and funding (continued)

The following table shows the breakdown of monetary assets and liabilities by remaining contractual maturity dates as at 31 December 2013:

	Less than 1 month RUR'000	*1 to 3 months RUR'000*	*3 months to 1 year RUR'000*	*Subtotal Less than 1 year RUR'000*	*1 to 5 years RUR'000*	*More than 5 years RUR'000*	*Subtotal More than 1 year RUR'000*	*No maturity and overdue RUR'000*	*Total RUR'000*
Assets									
Cash and cash equivalents	10,058,697	628,973	–	**10,687,670**	–	–	**–**	–	**10,687,670**
Mandatory cash balances with the CBR	103,019	47,475	185,679	**336,173**	436,363	–	**436,363**	–	**772,536**
Placements with banks	15,915	24,161	1,725,915	**1,765,991**	826,602	–	**826,602**	126	**2,592,719**
Financial instruments at fair value through profit or loss	–	–	–	–	–	–	–	–	–
Held by the Group	16,621,120	–	–	**16,621,120**	–	–	**–**	–	**16,621,120**
Pledged under sale and repurchase agreements	27,710,336	–	–	**27,710,336**	–	–	**–**	–	**27,710,336**
Loans to customers	2,131,911	5,098,073	17,547,487	**24,777,471**	33,102,386	121,755	**33,224,141**	2,463,903	**60,465,515**
Investment in associates	–	–	–	**–**	–	–	**–**	3,000	**3,000**
Investment in car leasing joint venture	–	–	–	**–**	–	–	**–**	420,752	**420,752**
Other assets	354,501	16,348	94,334	**465,183**	24,664	–	**24,664**	–	**489,847**
Total assets	**56,995,499**	**5,815,030**	**19,553,415**	**82,363,944**	**34,390,015**	**121,755**	**34,511,770**	**2,887,781**	**119,763,495**
Liabilities									
Amounts due to the CBR	23,051,572	–	973,212	**24,024,784**	–	–	**–**	–	**24,024,784**
Deposits and balances from banks	34,049	65,458	133,367	**232,874**	13,351	–	**13,351**	–	**246,225**
Current accounts and deposits from customers	10,771,532	4,963,914	19,414,294	**35,149,740**	45,625,289	75	**45,625,364**	–	**80,775,104**
Debt securities issued	667,755	404,111	2,610,810	**3,682,676**	388,121	6,985	**395,106**	–	**4,077,782**
Subordinated debt	–	–	–	**–**	881,615	734,119	**1,615,734**	–	**1,615,734**
Other liabilities	93,925	646,433	–	**740,358**	–	–	**–**	–	**740,358**
Total liabilities	**34,618,833**	**6,079,916**	**23,131,683**	**63,830,432**	**46,908,376**	**741,179**	**47,649,555**	**–**	**111,479,987**
Net position as at 31 December 2013	**22,376,666**	**(264,886)**	**(3,578,268)**	**18,533,512**	**(12,518,361)**	**(619,424)**	**(13,137,785)**	**2,887,781**	**8,283,508**
Cumulative gap as at 31 December 2013	**22,376,666**	**22,111,780**	**18,533,512**	**18,533,512**	**6,015,151**	**5,395,727**	**(13,137,785)**	**(10,250,004)**	
Credit related commitments	**2,892,671**	**687,039**	**953,396**	**4,533,106**	**990,282**	**–**	**990,282**	**–**	**5,523,388**

The table presented above shows assets and liabilities of the Group by their remaining contractual maturity as at 31 December 2014 and 31 December 2013, with the exception of securities included into financial instruments at fair value through profit or loss as at 31 December 2014 and 31 December 2013. As at 31 December 2014 and 31 December 2013, securities included into financial instruments at fair value through profit or loss are shown in the category "Less than 1 month", because Management believes that all of these financial instruments could be sold within one month in the normal course of business or the Group can pledge these financial instruments as a collateral for loans from the CBR.

The amounts in all the tables shown above represent carrying value of the assets and liabilities as at the reporting date and do not include future interest payments

According to the Russian legislation, term deposits of individuals may be withdrawn before maturity. However Management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding for the Group.

The Group has undrawn lines of credit with the CBR. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR.

(In thousands of Russian Rubles, unless otherwise indicated)

35. Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, fraud or external events.

The principal operational risks currently facing the Group are:

- IT systems and resilience: the risk of loss resulting from the failure to develop, deliver or maintain effective IT solutions. The resilience of IT in terms of its availability to customers and colleagues is of paramount importance to the Group;
- information security: the risk of information leakage, loss or theft. The threat profile is rapidly changing; in particular increasingly sophisticated attacks by cybercrime groups;
- external fraud: the risk of loss to the Group and/or its customers resulting from an act of deception or omission;
- customer process: the risk of new issues, process weaknesses and control deficiencies within the Group's customer facing processes as the business continues to evolve.

The Group operates a robust control environment with regular review and investment. Significant investment has been made in IT infrastructure and systems to ensure their resilience and to enhance the services they support, in recognition of the importance of the ongoing availability of the Group's services to its customers. The Group continues to invest in IT and information security control environments including user access management and records management to address evolving threats.

The Group adopts a risk based approach to external fraud management, reflecting the current and emerging external fraud risks within the market. This approach drives an annual programme of enhancements to the Group's technology, process and people related controls; with emphasis on preventative controls, supported by real time detective controls – wherever feasible. The Group has developed a mature and robust fraud operating model with Group-wide policies and operational control frameworks.

Material operational risks are reported regularly to appropriate committees, attracting senior management visibility, and are managed via a range of strategies: avoidance, mitigation, transfer (including insurance), and acceptance.

36. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by International Financial Reporting Standard IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Total remuneration included in employee compensation (refer Note 13):

	2014 RUR'000	*2013 RUR'000*
Members of the Board of Directors	22,923	31,856
Management	143,823	173,673
	166,746	**205,529**

(In thousands of Russian Rubles, unless otherwise indicated)

36. Related party transactions (continued)

The outstanding balances with related parties as at 31 December 2014 were as follows:

	Shareholders of Parent Group RUR'000	*Joint venture* RUR'000*	*Key management personnel** RUR'000*	*Other related parties RUR'000*	*Total RUR'000*
Loans outstanding at 1 January, gross	**–**	**13,856**	**65,896**	**725,234**	**804,986**
Loans issued during the year	–	1,002,219	300,343	5,265,212	**6,567,774**
Loan repayments during the year	–	(874,055)	(32,438)	(504,486)	**(1,410,979)**
Other movements	–	(641)	(62,229)	(77,279)	**(140,149)**
Loans outstanding at 31 December, gross	**–**	**141,379**	**271,572**	**5,408,681**	**5,821,632**
Less: allowance for impairment at 31 December	–	(1,697)	3,146	6,050	**7,499**
Loans outstanding at 31 December, net	**–**	**139,682**	**274,718**	**5,414,731**	**5,829,131**
Deposits at 1 January	**–**	**–**	**257,342**	**385,402**	**642,744**
Deposits received during the year	8,911,925	–	105,968	174,718	**9,192,611**
Deposits repaid during the year	(7,611,744)	–	(320,048)	(199,251)	**(8,131,043)**
Other movements	(684,929)	–	30,332	(186,121)	**(840,718)**
Deposits at 31 December	**615,252**	**–**	**73,594**	**174,748**	**863,594**
Financial instruments at fair value through profit or loss at 1 January	**8,264**	**–**	**–**	**–**	**8,264**
Financial instruments at fair value through profit or loss bought	–	–	–	–	**–**
Financial instruments at fair value through profit or loss sold	–	–	–	–	**–**
Other movements	**(8,264)**	–	–	–	**(8,264)**
Financial instruments at fair value through profit or loss at 31 December	**–**	**–**	**–**	**–**	**–**
Current accounts at 31 December	**4,969,088**	**2,076**	**74,665**	**114,460**	**5,160,289**
Subordinated debt at 1 January	**734,119**	**–**	**–**	**–**	**734,119**
Subordinated debt received during the year	2,484,061	–	–	–	**2,484,061**
Subordinated debt repaid during the year	–	–	–	–	**–**
Other movements	2,152,356	–	–	–	**2,152,356**
Subordinated debt at 31 December	**5,370,536**	**–**	**–**	**–**	**5,370,536**
Guarantees received	–	–	151,016	1,255,000	**1,406,016**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers–Finance" (Note 41).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

(In thousands of Russian Rubles, unless otherwise indicated)

36. Related party transactions (continued)

The outstanding balances with related parties as at 31 December 2013 were as follows:

	Shareholders of Parent Group RUR'000	*Joint venture* RUR'000*	*Key management personnel** RUR'000*	*Other related parties RUR'000*	*Total RUR'000*
Loans outstanding at 1 January, gross	**–**	**106,806**	**96,455**	**381,138**	**584,399**
Loans issued during the year	23,024	887,465	456,387	1,005,484	**2,372,360**
Loan repayments during the year	(23,024)	(981,056)	(485,708)	(984,601)	**(2,474,389)**
Other movements	–	641	(1,238)	323,213	**322,616**
Loans outstanding at 31 December, gross	**–**	**13,856**	**65,896**	**725,234**	**804,986**
Less: allowance for impairment at 31 December	–	(159)	(813)	(9,644)	**(10,616)**
Loans outstanding at 31 December, net	**–**	**13,697**	**65,083**	**715,590**	**794,370**
Deposits at 1 January	**17,149**	–	**76,466**	**134,643**	**228,258**
Deposits received during the year	–	–	239,343	284,582	**523,925**
Deposits repaid during the year	(17,162)	–	(76,772)	(191,441)	**(285,375)**
Other movements	13	–	18,305	157,618	**175,936**
Deposits at 31 December	**–**	**–**	**257,342**	**385,402**	**642,744**
Financial instruments at fair value through profit or loss at 1 January	**–**	**–**	**–**	**–**	**–**
Financial instruments at fair value through profit or loss bought	**2,979,347**	–	–	–	**2,979,347**
Financial instruments at fair value through profit or loss sold	**(2,971,083)**	–	–	–	**(2,971,083)**
Financial instruments at fair value through profit or loss at 31 December	**8,264**	**–**	**–**	**–**	**8,264**
Current accounts at 31 December	**82,770**	**1,693**	**81,277**	**369,811**	**535,551**
Subordinated debt at 1 January	**1,014,360**	**–**	**–**	**–**	**1,014,360**
Subordinated debt received during the year	732,918	–	–	–	**732,918**
Subordinated debt repaid during the year	(1,010,900)	–	–	–	**(1,010,900)**
Other movements	(2,259)	–	–	–	**(2,259)**
Subordinated debt at 31 December	**734,119**	**–**	**–**	**–**	**734,119**
Guarantees received	–	–	–	388	**388**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers–Finance" (Note 41).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

Amounts included in the consolidated income statement for the year ended 31 December 2014 in relation to related party transactions were as follows:

	Shareholders of Parent Group RUR'000	*Joint Venture* RUR'000*	*Key management personnel** RUR'000*	*Other RUR'000*	*Total RUR'000*
Interest income	–	10,172	17,771	90,594	**118,537**
Interest expense on deposits	(3,459)	–	(18,788)	(17,423)	**(39,670)**
Interest expense on subordinated loans	(405,155)	–	–	–	**(405,155)**
Provision for loans impairment	–	(9,429)	617	20,496	**11,684**
Fee and commission income	822	110	1,886	940	**3,758**
Other income	62,563	–	4,503	5,628	**72,694**
General administrative expenses	(1,198)	–	(2,314)	(5,496)	**(9,008)**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers–Finance" (Note 41).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

(In thousands of Russian Rubles, unless otherwise indicated)

36. Related party transactions (continued)

Amounts included in the consolidated income statement for the year ended 31 December 2013 in relation to related party transactions were as follows:

	Shareholders of Parent Group RUR'000	***Joint Venture* RUR'000***	***Key management personnel** RUR'000***	***Other RUR'000***	***Total RUR'000***
Interest income	1,980	6,208	15,788	87,541	**111,517**
Interest expense on deposits	(36)	–	(9,343)	(16,274)	**(25,653)**
Interest expense on subordinated loans	(63,993)	–	–	–	**(63,993)**
Provision for loans impairment	–	–	(762)	36,771	**36,009**
Fee and commission income	176	101	1,027	618	**1,922**
Other income	4,132	–	52	2,159	**6,343**
General administrative expenses	(12,071)	–	(1,432)	(28)	**(13,531)**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers–Finance" (Note 41).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

37. Fair value of financial instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IFRS 7 *Financial Instruments: Disclosures*. 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 forced sale or liquidation. As no readily available market exists for a large part of the Group's financial instruments (specifically extended loans) at which such financial assets would be traded on a regular basis, judgment is necessary in arriving at fair value based on current economic conditions and the specific risks attributable to a given instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

The financial instruments carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy as follows:

Level 1: instruments valued using quoted prices in active markets are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's balance sheet.

Level 2: instruments valued with valuation techniques using observable market data are instruments where the fair value can be determined by reference to similar instruments trading in active markets, or where a technique is used to derive the valuation but where all inputs to that technique are observable.

Level 3: instruments valued using valuation techniques using market data which is not directly observable are instruments where the fair value cannot be determined directly by reference to market-observable information, and some other pricing technique must be employed. Instruments classified in this category have an element which is unobservable and which has a significant impact on the fair value.

(In thousands of Russian Rubles, unless otherwise indicated)

37. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2014 and 31 December 2013:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value				
Financial instruments at fair value through profit or loss	1,535,749	36,546,864	–	**38,082,613**
Assets for which fair values are disclosed				
Cash and cash equivalents	25,426,274	–	–	**25,426,274**
Mandatory reserves with the Central Bank of the Russian Federation	–	–	1,072,389	**1,072,389**
Placements with banks and other financial institutions	–	14,198,829	387,810	**14,586,639**
Loans to customers	–	30,104,617	85,002 457	**115,107,074**
Other assets	–	–	1,776,891	**1,776,891**
Liabilities for which fair values are disclosed				
Amounts due to the CBR	–	–	62,515,620	**62,515,620**
Deposits and balances from banks	–	–	631,144	**631,144**
Current accounts and deposits from customers	–	–	110,599,761	**110,599,761**
Debt securities issued	188,571	–	2,562,097	**2,750,668**
Subordinated debt	–	–	5,370,536	**5,370,536**
Other liabilities	–	–	1,389,484	**1,389,484**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value				
Financial instruments at fair value through profit or loss	38,660,408	5,671,048	–	**44,331,456**
Assets for which fair values are disclosed				
Cash and cash equivalents	10,687,670	–	–	**10,687,670**
Mandatory reserves with the Central Bank of the Russian Federation	–	–	772,536	**772,536**
Placements with banks and other financial institutions	–	–	2,592,719	**2,592,719**
Loans to customers	–	–	60,345,030	**60,345,030**
Other assets	–	–	489,847	**489,847**
Liabilities for which fair values are disclosed				
Amounts due to the CBR	–	–	24,024,784	**24,024,784**
Deposits and balances from banks	–	–	246,225	**246,225**
Current accounts and deposits from customers	–	–	78,573,796	**78,573,796**
Debt securities issued	2,000,000	–	2,082,087	**4,082,087**
Subordinated debt	–	–	1,615,734	**1,615,734**
Other liabilities	–	–	740,358	**740,358**

(In thousands of Russian Rubles, unless otherwise indicated)

37. Fair value of financial instruments (continued)

The following table shows transfers from Level 1 to Level 2 of financial assets and liabilities which were recorded at fair value:

	2014 RUR'000
Financial instruments at fair value through profit or loss	
Bonds of companies with the State participation	716,427

The financial assets presented above were transferred from Level 1 to Level 2 as they ceased to be actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs.

Financial assets at fair value through profit or loss

Trading securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and nonobservable 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.

Movements in level 3 financial instruments measured at fair value

During the year ended 31 December 2013 and 31 December 2012, the Group had no transfers of financial instruments from level 1 and level 2 to level 3 of the fair value hierarchy.

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

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of nonfinancial assets and nonfinancial liabilities.

	Carrying value 2014	*Fair value 2014*	*Unrecognised gain/(loss) 2014*	*Carrying value 2013*	*Fair value 2013*	*Unrecognised gain/(loss) 2013*
Financial assets						
Cash and cash equivalents	25,426,274	25,426,274	–	10,687,670	10,687,670	–
Mandatory reserves with the CBR	1,072,389	1,072,389	–	772,536	772,536	–
Placements with banks and other financial institutions	14,864,749	14,586,639	(278,110)	2,592,719	2,592,719	–
Loans to customers	116,764,759	115,107,074	(1,657,685)	60,465,515	60,345,030	(120,485)
Other assets	1,776,891	1,776,891	–	489,847	489,847	–
Financial liabilities						
Amounts due to the CBR	62,515,620	62,515,620	–	24,024,784	24,024,784	–
Deposits and balances from banks	631,144	631,144	–	246,225	246,225	–
Current accounts and deposits from customers	117,514,088	110,599,761	6,914,327	80,775,104	78,573,796	2,201,308
Debt securities issued	2,740,022	2,750,668	(10,646)	4,077,782	4,082,087	(4,305)
Subordinated debt	5,370,536	5,370,536	–	1,615,734	1,615,734	–
Other liabilities	1,389,484	1,389,484	–	740,358	740,358	–
Total unrecognised change in fair value			**4,967,886**			**2,076,518**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Cash and accounts with the Central Bank of Russia

The carrying value of cash and accounts with the CBR approximates their fair value due to relatively shortterm maturity of these financial instruments.

Amounts due from and to credit institutions

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three month) it is assumed that the carrying amounts approximate to their fair value.

(In thousands of Russian Rubles, unless otherwise indicated)

37. Fair value of financial instruments (continued)

Loans and advances to customers

The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year end.

Debt securities issued

Fair value of debt securities issued is assed based on the available market quotes of bonds issued at the year end.

Due to customers

The estimate was made by discounting of scheduled future cash flows of the term deposits through the estimated maturity using prevailing market rates as at the respective year end.

38. Business combination and disposal of subsidiaries

During the 4th quarter 2013, following Group's strategy for reduction of non-core business operations LLC "Leasing Company Razvitie" and LLC "Regionalnaya Lisingovaya Compania" have exchanged their participatory shares of one another. As the result of such exchange the Group deconsolidated its subsidiaries LLC "Leasing Company Razvitie" and LLC "BKA" as they ceased to comply with criteria of consolidation. The financial result from such deconsolidation is immaterial.

In the first quarter of 2014 the Group sold its 25% stake of OJSC "Kostroma mortgage operator" nominal value of RUR 3,000 thousand to third party. Calculations of the transaction have been completed in the first quarter of 2014.

Acquisition of CJSC "GE Money Bank"

Background

On 6 February 2014 (the "acquisition date"), the Bank acquired from DRB Holdings B.V. 100% of the voting shares of CJSC GE Money Bank ("GEMB") following required regulatory approvals by Federal Antimonopoly Service and the Central Bank of the Russian Federation. DRB Holdings B.V. is a wholly owned subsidiary of GE Capital International Financing Corporation, located in Stamford, Connecticut, United States of America. This company in turn is ultimately owned by General Electric Company, located at Fairfield, United States of America.

GEMB specialises in unsecured consumer lending, credit cards and deposit products. At the acquisition date, GEMB's network comprised 51 offices and 90 points of sale and was present in 52 Russian predominantly large cities (Moscow, Saint Petersburg, Nizhny Novgorod, Kazan, Ekaterinburg, Krasnodar, Novosibirsk, Samara, Rostov-on-Don, Chelyabinsk, Ufa and others).

For the Bank, the rationale for the acquisition was to become a federal bank present in the majority of federal subjects of Russian Federation, procure high quality, low risk retail loan portfolio, acquire a range of intellectual properties, IT technologies and market leading retail banking practices (corporate governance, risk, etc.) as well as increase capital.

As at the acquisition date, the Bank had two interbank deposits of RUR 2,558,734 thousand in total placed with GEMB, which are not included in calculation of the identifiable net assets.

(In thousands of Russian Rubles, unless otherwise indicated)

38. Business combination and disposal of subsidiaries (continued)

Acquisition of CJSC "GE Money Bank" (continued)

Fair value of GEMB's net identifiable assets and liabilities

The Bank estimated the fair value of GEMB net identifiable assets and liabilities based on the results of an independent valuation to ensure that the identification of assets and liabilities was complete and that measurements appropriately reflected consideration of all available information in compliance with IFRS 3 *Business Combinations*. The fair value of GEMB net identifiable assets and liabilities acquired as at the acquisition date was:

	RUR'000
Assets	
Cash and cash equivalents	2,214,134
Mandatory cash balances with the Central Bank of the Russian Federation	155,868
Placements with banks	107,183
Loans to customers	25,635,998
Allowance to loan impairment	(3,106,202)
Property, equipment and intangible assets	74,827
Tax prepayment	231,677
Deferred tax asset	556,079
Other assets	78,244
Total assets	**25,947,808**
Liabilities	
Deposits and balances from banks	714,662
Current accounts and deposits from customers	7,803,915
Other borrowed funds	6,922,636
Other liabilities	145,645
Total liabilities	**15,586,858**
Identifiable net assets	**10,360,950**

Bargain purchase gain

Because the fair value of GEMB net identifiable assets exceeded consideration transferred to DRB Holdings B.V., the Bank recognised "bargain purchase gain" in profit or loss as a part of Other operating income (Note 10). The bargain purchase gain from the acquisition as at the acquisition date was:

	RUR'000
Consideration transferred	5,294,909
Interbank deposits placed in GEMB	2,558,734
GEMB's identifiable net assets as at the acquisition date	(10,360,950)
Bargain purchase gain (Note 10)	**(2,507,307)**

Consideration transferred is presented by cash paid to DRB Holdings B.V.

GEMB profit and loss statement for the nine months ended 31 December 2014

Starting from the acquisition date, the Bank began the process of post-merger integration ("PMI") of GEMB into the Bank. The PMI included:

- transfer of financial assets and liabilities;
- optimisation of headcount and transfer of personnel;
- transfer of IT and certain business processes etc.;
- unwinding contracts (mainly IT and funding) with the former parent of GEMB etc.

The PMI process was fully completed in July 2014. In the process of the PMI project, income and losses, economically related to GEMB, were split between the Bank and GEMB. While the financial result of GEMB is a part of the Group's consolidated statement of comprehensive income for the year ended 31 December 2014, it is impracticable to estimate separately the amount of revenue and profit contributed by GEMB into consolidated statement of comprehensive income of the Group for the year ended 31 December 2014.

(In thousands of Russian Rubles, unless otherwise indicated)

38. Business combination and disposal of subsidiaries (continued)

Acquisition of CJSC “GE Money Bank” (continued)

Cash outflow on acquisition of the subsidiary

Net cash acquired with the subsidiary(included in cash flows from investing activities)	2,214,314
Cash paid (included in cash flows from investing activities)	(5,294,729)
Net cash outflow	**(3,080,775)**

As required by the share purchase agreement between the Bank and DRB Holdings B.V., GEMB changed the name to CJSC “Sovremenniy Kommercheskiy Bank” (Sovremenniy Kommercheskiy Bank) in accordance with the decision of the General meeting of shareholders on 27 March 2014.

On 5 December 2014 PJSC "Sovcombank" completed the legal merger of CJSC "Modern Commercial Bank", which ceased to exist as an independent business unit: it is excluded from the state register of legal entities, its banking license revoked.

39. Goodwill

The goodwill held in the Group’s balance sheet is tested at least annually for impairment in compliance with IAS 36 *Impairment of Assets*.

Goodwill acquired through business combinations with indefinite lives have been allocated to one cash–generating unit (Retail Banking).

The carrying amount and movements of goodwill allocated to each of the cash-generating units were as follows:

	Retail banking RUR’000
Goodwill as at 31 December 2012	**345,943**
Impairment	(62,405)
Goodwill as at 31 December 2013	**283,538**
Impairment	–
Goodwill as at 31 December 2014	**283,538**

Identified impairment of goodwill relates to extinguishing loan portfolios which were acquired by the Group as a part of LLC Credit Island “Primorye” in March 2008.

40. Capital adequacy

The Group maintains and actively manages capital base to cover risks inherent in the business. The adequacy of the Group’s capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBR in supervising the Group.

During 2014, the Group complied in full with all its externally imposed capital requirements.

In accordance with the Basel Capital Accord 1988, regulatory capital consist of Tier 1 capital, which comprises charter capital, retained earnings, including current year profit, less goodwill. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to shareholders, return capital to shareholders. No changes were made in the objectives, policies and processes from the previous years.

CBR capital adequacy ratio

The CBR requires banks to maintain a capital adequacy ratio of 10% of risk–weighted assets, computed based on RAL. As at 31 December 2014 and 31 December 2013, the Bank’s capital adequacy ratio on this basis was above the established minimum level of CBR.

(In thousands of Russian Rubles, unless otherwise indicated)

40. Capital adequacy (continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Group's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December 2014 and 31 December 2013, comprised:

	2014	*2013*
Tier 1 capital	11,318,477	12,534,065
Tier 2 capital	5,370,536	1,615,734
Total capital	**16,689,014**	**14,149,799**
Risk weighted assets	**143,557,072**	**86,545,330**
Tier 1 capital ratio	7.9%	14.5%
Total capital ratio	11.6%	16.3%

41. Share of investments in a joint venture

The Group has a 50% interest in LLC "Sollers-Finance" which provides car leasing services for the legal entities in Russian Federation. Under IAS 31 *Investment in Joint Ventures* (prior to the transition to IFRS 11), the Group's interest in LLC "Sollers-Finance" was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method.

The summarised financial information of Sollers Finance LLC is presented below:

	As at 31 December 2014 RUR'000	*As at 31 December 2013 RUR'000*
Cash and cash equivalents	8,086	3,790
Loans to customers	1,938,797	2,133,605
Property and equipment	47,957	47,876
Other assets	214,851	143,165
Total assets	**2,209,691**	**2,328,436**
Due to credit institutions	1,260,829	1,439,026
Amounts due to customers	–	116
Other liabilities	131,627	134,009
Total liabilities	**1,392,456**	**1,573,151**
Net assets	**817,235**	**755,285**
Group's share in net assets	408,618	377,643
Goodwill included in the carrying amount of the investment	43,109	43,109
Carrying value of the investment in car leasing joint venture	**451,727**	**420,752**

	For the year ended 31 December 2014 RUR'000	*For the year ended 31 December 2013 RUR'000*
Interest income	533,414	575,113
Interest expense	(143,870)	(154,817)
Allowance for loan impairment	(55,539)	(61,569)
Non-interest income	84,193	61,742
Non-interest expense	(280,582)	(255,747)
Profit for the year	**137,616**	**164,722**
Dividends received from the car leasing joint venture during the year	37,833	20,020

(In thousands of Russian Rubles, unless otherwise indicated)

42. Principal consolidated subsidiaries

Included in the table below is the list of the principal consolidated subsidiaries and joint ventures of the Group as at 31 December 2014 and 31 December 2013:

		Voting rights	
	Relationship	***2014***	***2013***
LLC "Regionalnaya Lisingovaya Compania"	Subsidiary	100.00%	100.00%
LLC "Investicii v nedvizhimost"	Subsidiary	–	100.00%
LLC "Sollers–Finance"	Joint venture	50.00%	50.00%
LLC "Avtozaim"	Special purpose entity	100.00%	100.00%
OJSC "Kostromskoy ipotechniy operator"	Associate	–	25.00%

43. Events subsequent to the balance sheet date

Additional capital provided by the State Deposit Insurance Agency ("DIA")

In 2015, the State Deposit Insurance Agency selected 27 Russian banks including Sovcombank to participate in the State "Action plan for sustainable economic development and social stability in 2015" (hereinafter – the "Anti-crisis plan"). The Anti-crisis plan was approved by the Governmental Decree No. 98-R dated 27 January 2015. The list of banks participating in the Anti-crisis plan was approved by the Board of Directors of the State Deposit Insurance Agency on 23 January 2015 and further approved by the Russian Government on 2 February 2015.

Banks selected by the DIA for the Anti-crisis plan have the right (but not the obligation) to receive additional capital through the Federal loan bonds ("FLB") of total RUR 1 trillion. The maximum limit of additional capital which may be provided to a bank is 25% of its capital according to the RAS financials as at 1 January 2015. Banks will be able to include provided FLB in Tier I capital.

Upon a receipt of the additional capital, participating banks commit themselves to increase the total volume of mortgage lending, lending to small and medium-sized business or Russian corporattions in the most important economic sectors (as defined by the Government of the Russian Federation) fo at least 1% per month for the three years following the increase in capital. In addition, shareholders of the credit institutions participating in the Anti-crisis program must increase their capital for at least 50% of the funds received from the DIA. Within three years, the banks will not be able to increase the management remuneration and the payroll of bank employees and must comply with a number of other obligations.

On 28 April 2015, the Bank recieved FLB of five issues (№ 29006RMFS, № 29007RMFS, № 29008RMFS, № 29009RMFS, № 29010RMFS) of total nominal value of RUR 6,272.75 million.

The acquisition of LLC "ICICI Bank Eurasia" ("ICICI Bank")

On 17 March 2015, the Group acquired from ICICI Bank Limited 100% of the voting shares of ICICI Bank following required regulatory approvals by Federal Antimonopoly Service and the Central Bank of the Russian Federation. ICICI Bank Limited, whose headquarters is located in Mumbai, Maharashtra, India Republic, is one of the largest universal banks in India.

ICICI Bank focuses mainly on the issuance and servicing of mortgage loans to individuals as well as money transfers from Russia to India. At the acquisition date, ICICI Bank Eurasia LLC had two branches in Moscow and St. Petersburg.

The main reasons for the acquisition of ICICI Bank Eurasia LLC were the opportunity to gain skills in issuing and servicing of mortgage loans and the acquisition of high-quality portfolio of retail mortgage loans of ICICI Bank.

The Bank does not plan a legal merger with "ICICI Bank Eurasia". In 2015, the Bank plans to re-name ICICI Bank to "Sovremenny Kommercheskiy Ipotechniy Bank" and to further develop mortgage lending to individuals.

As at the acquisition date, the Bank had a short-term interbank deposit totalling RUR 1,000,000 thousand, placed with ICICI Bank which is not included in the calculation of the net identifiable assets.

(In thousands of Russian Rubles, unless otherwise indicated)

43. Events subsequent to the balance sheet date (continued)

The acquisition of LLC "ICICI Bank Eurasia" ("ICICI Bank") (continued)

Acquired assets and liabilities

The fair value of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition was:

	RUR'000
Assets	
Cash and cash equivalents	1,173,221
Mandatory cash balances with the Central Bank of the Russian Federation	17,861
Financial instruments available for sale	295,331
Loans to customers	1,872,301
Allowance for loan impairment	(1,111,268)
Property, equipment and intangible assets	14,884
Other assets	27,060
Total assets	**2,289,390**
Liabilities	
Deposits and balances from banks	236,069
Current accounts and deposits from customers	965,709
Debt securities issued	333
Other liabilities	3,327
Total liabilities	**1,205,438**
Net identifiable assets and liabilities	**1,083,952**
Goodwill	–
Consideration paid	1,083,952
Cash and cash equivalents acquired	1,173,221
Net cash inflow	**89,269**

Mr. Sergey Khotimskiy
Deputy Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer