Expobank LLC

Financial statements

Year ended 31 December 2014

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Independent auditors' report

To the Participants and Board of Directors of Expobank LLC

Report on the financial statements

We have audited the accompanying financial statements of Expobank LLC (the Bank), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting standards.

Ernst & Young LLC

29 April 2015

(in thousands of Russian rubles)	Notes	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	7	8,173,843	6,808,070
Obligatory reserve with the CBR		320,511	248,140
Trading securities, including:	8	6,993,522	8,065,424
- non-pledged trading securities		*4,702,545*	*3,107,958*
- pledged trading securities sold under direct repurchase agreements		*2,290,977*	*4,957,466*
Amounts due from other banks	9	2,884,343	1,085,545
Loans to customers	10	26,472,193	27,803,096
Finance lease receivables	11	400,932	1,443,367
Investment securities available for sale, including:	12	1,070,779	288,865
- non-pledged available-for-sale securities		*1,070,779*	*106,958*
- pledged available-for-sale securities sold under direct repurchase agreements		-	*181,907*
Investment securities held to maturity, including:	12	3,764,762	-
- non-pledged held-to-maturity securities		*326,834*	-
- pledged held-to-maturity securities sold under direct repurchase agreements		*3,437,928*	-
Prepayment for current income tax liabilities		2,435	20,482
Deferred tax assets	25	-	419,195
Intangible assets	14	40,573	81,584
Property and equipment	13	1,618,220	1,638,582
Other assets	15	186,025	115,625
Total assets		**51,928,138**	**48,017,975**
Liabilities			
Amounts due to other banks	16	11,780,109	11,102,390
Amounts due to customers	17	31,259,071	26,135,998
Debt securities issued	19	1,601,904	2,290,773
Deferred tax liabilities	25	19,172	-
Other liabilities	18	333,247	306,744
Total liabilities		**44,993,503**	**39,835,905**
Equity			
Share capital	20	10,413,412	10,413,412
Share premium		548,256	548,256
Accumulated loss		(1.649,137)	(3,204,088)
Dividends to participants of the Bank	20	(2,950,000)	-
Unrealized gains on revaluation of available-for-sale financial assets		117,805	-
Revaluation reserve for property and equipment		454,299	424,490
Total equity		**6,934,635**	**8,182,070**
Total liabilities and equity		**51,928,138**	**48,017,975**

Signed on behalf of the Management Board on 29 April 2015

K.V. Nifontov
Chairman of the Management Board

G.M. Ulanova
Chief Accountant

Общество с ограниченной ответственностью «Экспобанк» * ОГРН 1027739504760 * Москва *
Экспобанк

(in thousands of Russian rubles)	Notes	2014	2013
Interest income	21	5,183,600	4,130,556*
Interest expense	21	(2,539,681)	(1,973,219)*
Net interest income		**2,643,919**	**2,157,337**
Allowance for impairment of loans to customers and finance lease receivables	10, 11	(66,871)	(633,059)
Net interest income after allowance for loan impairment		**2,577,048**	**1,524,278**
Fee and commission income	22	385,240	614,449
Fee and commission expense	22	(84,056)	(159,040)
Losses net of gains from trading securities		(319,402)	(289)
Losses net of gains from derivative financial instruments		(61,301)	(782)
Gains less losses from foreign currencies		734,033	15,943
(Losses net of gains) / gains less losses from foreign currency translation	33	(1,423,275)	228,922
Losses on sale of loans and advances to customers and other banks	10, 11	–	(22,204)
Gains less losses on sale of investment securities available for sale	33	1,302,886	7,647
Other operating income	23	159,591	1,255,523
Other impairment and provisions	15, 18	(39,613)	(61,920)
Administrative and other operating expenses	24	(1,510,522)	(1,921,547)
Excess of acquirees' net assets over cost of investments	33	874,824	–
Disposal of subsidiaries	33	(555,971)	–
Profit before tax		**2,039,482**	**1,480,980**
(Income tax) / income tax benefit	25	(435,044)	(364,705)
Net profit after tax		**1,604,438**	**1,116,275**
Loss on discontinued operations, net of income tax	**33**	(49,487)	–
Profit for the year		**1,554,951**	**1,116,275**
Other comprehensive (loss)/income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains on investment securities available for sale, net of tax		117,805	1,039
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property and equipment	13	37,261	118,459
Income tax recognized directly in other comprehensive income	25	(7,452)	(23,692)
Other comprehensive income for the year		**147,614**	**95,806**
Total comprehensive income for the year		**1,702,565**	**1,212,081**

* Comparative data for 2013 was adjusted (Note 3).

(in thousands of Russian rubles)	**Notes**	**Share capital**	**Share premium**	**Unrealized gains on revaluation of available-for-sale financial assets**	**Revaluation reserve for property and equipment**	**Accumu-lated loss**	**Dividends to partici-pants of the Bank**	**Equity attributable to owners of the Bank**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2013		**10,319,835**	**407,623**	**(1,039)**	**329,723**	**(4,320,363)**	**–**	**6,735,779**	**234,210**	**6,969,989**
Profit for the year		–	–	–	–	1,116,275	–	1,116,275	–	1,116,275
Other comprehensive income for the year		–	–	1,039	94,767	–	–	95,806	–	95,806
Total comprehensive income for the year		**–**	**–**	**1,039**	**94,767**	**1,116,275**	**–**	**1,212,081**	**–**	**1,212,081**
Merger of a subsidiary	20	93,577	140,633	–	–	–	–	234,210	(234,210)	–
Balance at 31 December 2013		**10,413,412**	**548,256**	**–**	**424,490**	**(3,204,088)**	**–**	**8,182,070**	**–**	**8,182,070**
Profit for the year		–	–	–	–	1,554,951	–	1,554,951	–	1,554,951
Other comprehensive income for the year		–	–	117,805	29,809	–	–	147,614	–	147,614
Total comprehensive income for the year		**–**	**–**	**117,805**	**29,809**	**1,554,951**	**–**	**1,702,565**	**–**	**1,702,565**
Dividends to participants of the Bank	20	–	–	–	–	–	**(2,950,000)**	(2,950,000)	–	(2,950,000)
Balance at 31 December 2014		**10,413,412**	**548,256**	**117,805**	**454,299**	**(1,649,137)**	**(2,950,000)**	**6,934,635**	**–**	**6,934,635**

(in thousands of Russian rubles)	Notes	2014	2013
Cash flows from operating activities			
Interest received		5,248,345	4,080,595
Interest paid		(2,594,084)	(2,239,641)
Fees and commissions received		385,240	798,938
Fees and commissions paid		(84,056)	(159,040)
Losses from trading securities		(319,402)	(289)
Gains from dealing in foreign currencies		734,033	15,943
Proceeds from sale of loans to customers and finance lease receivables		55,101	887,631
Other operating income received		96,500	1,268,314
Administrative and other operating expenses paid		(1,417,406)	(1,635,523)
Income tax paid		(15,533)	(21,221)
Cash flows from operating activities before changes in operating assets and liabilities		**2,088,738**	**2,995,707**
Net (increase)/decrease in mandatory cash balances with central banks		(72,371)	49,474
Net decrease/(increase) in trading securities		1,099,346	(2,809,589)
Net decrease/(increase) in amounts due from other banks		3,397,280	(199,374)
Net decrease/(increase) in loans and advances to customers		3,145,409	(13,934,205)
Net (increase)/decrease in other financial and non-financial assets		(18,262)	366,888
Net increase/(decrease) in amounts due to other banks		(3,148,396)	1,085,085
Net increase/(decrease) in amounts due to customers		228,086	5,241,113
Net (decrease)/increase in debt securities issued		(1,388,624)	486,144
Net (decrease)/increase in other financial and non-financial liabilities		(257,272)	(726,097)
Net cash from / (used in) operating activities		**5,073,934**	**(7,444,854)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	33	3,553,798	128,312
Proceeds from disposal of a subsidiary, net of cash disposed	33	(8,181,488)	–
Purchase of investment securities available for sale		(3,124,657)	(101,819)
Proceeds from sale of investment securities available for sale	33	4,001,788	784,277
Proceeds from redemption of investment securities available for sale		106,958	–
Purchase of property and equipment	13	(30,483)	(17,778)
Proceeds from sale of property and equipment		17,370	22,706
Purchase of intangible assets	14	(8,980)	(14,522)
Net cash (used in) / from investing activities		**(3,665,694)**	**801,176**
Cash flows from financing activities			
Dividends paid to participants of the Bank	20	(2,950,000)	–
Bonds issued that were purchased by the Bank for subsequent resale	19	(223,095)	–
Proceeds from bonds issued in the domestic market		–	1,500,000
Net cash (used in) / from financing activities		**(3,173,095)**	**1,500,000**
Effect of exchange rate changes on cash and cash equivalents		**3,130,628**	**564,458**
Net (decrease)/increase in cash and cash equivalents		**1,365,773**	**(4,579,220)**
Cash and cash equivalents, beginning	7	6,808,070	11,387,290
Cash and cash equivalents, ending	7	**8,173,843**	**6,808,070**

1 Introduction

These financial statements of Expobank Limited Liability Company (hereinafter, the Bank) have been prepared in accordance with International Financial Reporting Standards (hereinafter, IFRS) for the year ended 31 December 2014.

The Bank is a commercial bank which is owned by participants whose responsibility is limited with their shares. The Bank was set up in accordance with Russian regulations. As of 31 December 2014 and 2013, the Bank's shares were owned by:

Participant	2014 %	2013 %
Igor Vladimirovich Kim	66.6	68.6
German Alekseevich Tsoy	17.6	17.6
AVTOBAN Road Construction Company, OJSC	8.8	8.8
Kirill Vladimirovich Nifontov	2.5	0.9
Morelam Holdings Limited (Cyprus)	1.8	1.8
Oleg Igorevich Kirillov	1.1	0.0
Yuri Igorevich Koropachinsky	1.1	2.3
Other	0.5	0.0
Total	**100.0**	**100.0**

Principal activities. Business priorities of the Bank include comprehensive services for corporate clients and wealthy individuals, as well as mergers and acquisitions of banking assets. The Bank operates under general banking license No. 2998 issued by the Central Bank of Russia (CBR) on 6 February 2012 (supersedes license No. 2998 issued on 2 December 2008). The Bank is a member of the state deposit insurance program approved by Federal Law No. 177-FZ *On Insurance of Household Deposits in Russian Banks* dated 23 December 2003. The state deposit insurance system guarantees to pay a 100% compensation under deposits totaling up to RUB 1,400 thousand per one individual in case the CBR revokes the banking license or enforces a moratorium on payments.

In 2014, the Bank continued acquiring banking assets for both itself and third-party buyers. One of the most significant transactions was the acquisition of LBBW Bank CZ a.s. (Czech Republic), the controlling interest in which was sold to the participants of Expobank LLC during the reporting period.

As of 31 December 2014, the Bank had no subsidiaries or associates.

As of 31 December 2014, the Bank had 4 branches (31 December 2013: 6 branches). All branches are located in the Russian Federation.

The Bank also operates through its additional offices and operating outlets in the Russian Federation. As of 31 December 2014, the Bank had 15 offices (31 December 2013: 11 offices).

As of 31 December 2014, the Bank employed 482 people (31 December 2013: Expobank Group employed 474 people).

The Bank is rated by major rating agencies. In May 2014, Fitch Ratings (the international rating agency) upgraded the national credit rating of the Bank to BBB and confirmed its international rating at B.

In November 2014, Rus-Rating agency upgraded the international credit rating of the Bank to BBB-, and its national credit rating to AA- with a stable outlook.

Registered address and place of business. The Bank is registered at: Russian Federation 107078, Moscow, Kalanchevskaya ulitsa, 29, building 2.

Presentation currency. These financial statements are presented in thousands of Russian rubles ("RUB thousand"), unless otherwise indicated.

As of 31 December 2014, members of the Board of Directors and Management Board controlled 86.7% shares of the Bank (2013: 87.1%).

2 Basis of preparation

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

The Bank is required to maintain accounting records and prepare financial statements for regulatory purposes in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These financial statements are based on these RAL accounting records and financial statements, as adjusted and reclassified in order to comply with IFRS.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, trading and available-for-sale securities, derivative financial instruments, and buildings have been measured at fair value.

3 Summary of accounting policies

Basis of consolidation. Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has 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 unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of 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 of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences recorded in equity; recognizes 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 recognized 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 that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, either at fair value or at the proportionate share of the acquiree's identifiable net assets. Other components of the non-controlling interest are measured at 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 recognized 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 recognized 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 recognized in profit or loss.

3 Summary of accounting policies (continued)

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.

As of 31 December 2014 and 2013, the Bank had no subsidiaries.

Acquisition of subsidiaries from parties under common control. Acquisitions of subsidiaries from parties under common control are accounted for using the pooling 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 shareholders' equity.

Financial instruments – key measurement approaches. Depending on their classification, financial instruments are carried at fair value or amortized cost as described below. These valuation techniques are described below.

Fair value. The Bank measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31.

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period.

3 Summary of accounting policies (continued)

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees and commissions paid and received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way purchases and sales") are recorded at the trade date, which is the date when the Bank commits to purchase or sell the asset. All other purchases are recognized when the Bank becomes a party to the contractual provisions of the instrument.

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

Reclassification of financial assets. If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost, as applicable.

3 Summary of accounting policies (continued)

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash and cash equivalents comprise interbank deposits with an original maturity of three months or less. The amounts that have any restrictions on use or placed for more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost (Note 7).

Obligatory reserve with the CBR. Obligatory reserves with the CBR are carried at amortized cost and represent non-interest bearing deposits with the CBR which are not available to finance the Bank's day-to-day operations. Accordingly, they are excluded from cash and cash equivalents for the purposes of the statement of cash flows.

Trading securities. Trading securities are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months. Financial assets other than those meeting the definition of loans and receivables are permitted to be reclassified from financial assets at fair value through profit or loss only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income in other operating income when the Bank's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses on trading securities in the period in which they arise (Note 8).

Other securities at fair value through profit or loss. Other securities at fair value through profit or loss include financial assets that have been included in this category at initial recognition. Management classifies financial assets into this category only when (a) this classification eliminates or significantly reduces the accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing relevant gains and losses on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and relevant information is disclosed to and reviewed by key management personnel of the Bank on a regular basis. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Amounts due from other banks. Amounts due from other banks are recorded when the Bank lends money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivables due on fixed or determinable dates. Amounts due from other banks are carried at amortized cost (Note 9).

Loans and advances to customers. Loans and advances to customers are recorded when the Bank lends money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivables.

The Bank classifies purchased Eurobonds (non-derivative financial instruments) that are not quoted in an active market as assets with fixed or determinable payments and recognizes them in loans and advances to customers. The Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Loans and advances to customers are carried at amortized cost (Note 10).

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

3 Summary of accounting policies (continued)

The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any payment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganization;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of a financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset fully or partially have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year (Note 10).

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value and included in property and equipment, other financial assets or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Bank assumes credit related commitments, including letters of credit, financial guarantees and loan commitments. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to originate a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific loan arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, financial guarantees are measured at the higher of (i) the unamortized balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of the reporting period.

3 Summary of accounting policies (continued)

Investment securities available for sale. This category includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in profit or loss for the year. Other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognized in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase transactions and securities lending. Sale and repurchase agreements ("repos") for securities which actually provide a lender's return to the counterparty are treated as lending transactions collaterized by securities. Securities sold under sale and repurchase agreements are continued to be recognized. Securities are not reclassified to a separate item of the statement of financial position. The corresponding liability is presented within amounts due to other banks (Note 16).

Securities purchased under agreements to resell ("reverse repo") which effectively provide a lender's return to the Bank are recorded as amounts due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreement using the effective interest method.

Promissory notes purchased. Promissory notes purchased are included in trading securities, investment securities available for sale, amounts due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the above accounting policies for these categories of assets.

Goodwill. Goodwill is carried at acquisition cost less accumulated impairment losses, if any. Goodwill is tested for impairment at least annually or if there is any indication that it may be impaired. Goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the improvement of performance as a result of business combination. These units or groups of units are treated as the basis for goodwill accounting and do not exceed the operating segment. When an asset is disposed from a cash-generating unit to which goodwill has been allocated, relevant gains and losses on the disposal include the carrying value of goodwill related to the disposed asset and are generally determined in proportion to the share of the disposed asset in the cost of the cash-generating unit.

Property and equipment. Property and equipment, excluding buildings, are stated at cost, restated to the equivalent purchasing power of the Russian ruble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required.

Buildings of the Bank are revaluated with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are recorded in other comprehensive income as gains on revaluation of property and equipment. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. Subsequent increase in the carrying amount is offset against previously recognized impairment losses. In case positive revaluation exceeds previously recognized decrease in cost, this excess is recognized in other comprehensive income. The revaluation reserve for buildings included in other comprehensive income is taken directly to retained earnings upon realization of the gain on revaluation when the asset is written off or disposed of. When no market information about the fair value is available, the fair value is determined based on income approach.

3 Summary of accounting policies (continued)

Management reviewed the carrying amount of buildings, which was determined by independent appraisers in accordance with the revaluation model based on market information at the end of the reporting period. Management believes that sufficient market information is available to confirm the reviewed fair value determined based on market approach.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacement of significant parts of property and equipment are capitalized with subsequent write-off of the replaced part.

At the end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount at the disposal date are recognized (in other operating income or expenses) in profit or loss for the year (Notes 13, 23, 24).

Depreciation. Construction in progress is not subject to depreciation. Depreciation on other items of property and equipment is calculated using the straight-line method to write down the cost or revaluation to their residual values over their estimated useful lives:

	Useful lives (number of years)
Buildings	50
Computer equipment	5
Furniture and office equipment	10
Motor vehicles	10
Leasehold improvements	over the term of the underlying lease

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period (Note 13).

Intangible assets. All the Bank's intangible assets have definite useful lives and primarily include capitalized software and software licenses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is expected. Capitalized costs include expenses related to activities of software programming team and the respective part of overhead expenses. All other costs associated with computer software (e.g., its maintenance) are expensed when incurred. Capitalized computer software is amortized on a straight-line basis over expected useful life of three years (Note 14).

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are recognized in profit or loss for the year (as rental expense in administrative and other operating expenses) on a straight-line basis during the lease term.

Amounts due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. Non-derivative financial liabilities are carried at amortized cost (Note 16).

Amounts due to customers. Amounts due to customers are non-derivative financial liabilities to individuals, state, public or corporate customers and are carried at amortized cost (Note 17).

Debt securities issued. Debt securities issued include promissory notes and bonds issued by the Bank. Debt securities are carried at amortized cost.

3 Summary of accounting policies (continued)

Derivative financial instruments. Derivative financial instruments including foreign exchange contracts, interest swaps, as well as currency options and forwards, are carried at fair value.

All derivative instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative instruments are included in profit and loss for the year (gains less losses on derivative financial instruments). The Bank does not apply hedge accounting (Note 30).

Income tax. Tax expenses were recognized in the financial statements in accordance with legislation at tax rates and legislative provisions enacted or substantively enacted at the end of the reporting period. Income tax expense comprises current tax and deferred tax and is recognized in profit or loss for the year except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorized prior to filing relevant tax returns. Taxes, other than income tax, are recorded within administrative and other operating expenses (Note 24).

Deferred income tax is determined using the balance sheet liability method for deferred tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or deferred tax losses will be realized.

Deferred tax assets for deductible temporary differences and deferred tax losses are recorded only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Uncertain tax positions. The Bank's uncertain tax positions are assessed by management at the end of each reporting period. Tax liabilities are recorded when management believes that additional tax liabilities may arise, if tax position of the Bank is challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted at the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for obligations and charges. Provisions for obligations and charges are non-financial liabilities of uncertain timing or amount. Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events. There is also the possibility of an outflow of economic benefits in settlement and the amount of liability can be reliably measured.

Trade and other accounts payable. Accounts payable are recognized when the counterparty has fulfilled its obligations and are carried at amortized cost (Note 18).

Assets classified as held for sale. The Bank classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

3 Summary of accounting policies (continued)

The Bank measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Income and expense recognition. Interest income and expense are recognized for all debt bearing instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts (Note 21).

Fees and commissions pertaining to the effective interest rate include commissions paid or received from origination or acquisition of a financial asset or issue of a financial liability (e.g., commission for creditworthiness assessment, measurement or recognition of guarantees or collateral, settlement of instruments terms and conditions, and processing transaction documents). Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not classify loan commitments as financial liability at fair value through profit or loss (Note 22).

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows, and interest income is consequently recognized based on the asset's effective interest rate used to discount future cash flows in order to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Syndicated loan fees are recognized as income when syndication is complete, and the Bank does not retain a portion of the loan portfolio, or when the Bank retains a portion of the loan portfolio at the same effective interest rate as other parties to the transaction have. Fee and commission income that relate to transactions on behalf of third parties, e.g. acquisition of loans, shares and other securities received in the course of such transactions are recorded upon transaction closure.

Foreign currency translation. The Bank's functional and presentation currency is the national currency of the Russian Federation, Russian ruble.

Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the CBR at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at year-end official exchange rates of the CBR are recognized in profit or loss for the year (as foreign exchange translation gains less losses). Translation at the year-end rate does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As of 31 December 2014, the official rate of exchange used for translating foreign currency balances was USD 1 = RUB 56.2584 (2013: USD 1 = RUB 32.7292) and EUR 1 = RUB 68.3427 (2013: EUR 1 = RUB 44.9699).

Fiduciary assets. Assets held by the Bank in its own name, but on the account of third parties, are not reported in the statement of financial position. Commissions received from such transactions are shown in fee and commission income.

Offsetting of financial assets. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity or any of its counterparties.

3 Summary of accounting policies (continued)

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Staff costs and related contributions. Salary expenses and contributions to the State Pension Fund and Social Insurance Fund and paid annual vacations and sick leaves, bonuses and non-cash benefits are accrued as the relevant services are rendered by the Bank's employees. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond defined contribution plan payments.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to management to make operational decisions. Segments where revenue, financial performance or combined assets are ten percent or more of revenue, financial performance or combined assets of all segments of the Group are reported separately.

Changes in presentation. Where necessary, corresponding figures have been adjusted to clarify classification of assets, cash flows, income and expense.

The effect of the reclassification on amounts presented in the financial statements was as follows:

- classification of loans to customers by industry sectors and business size was verified;
- provision for credit-related commitments was reclassified to other non-financial liabilities;
- interest income on debt investment securities available for sale was reclassified to interest income on amounts due from other banks;
- interest income on loans to customers was reduced by the amount incorrectly recognized in the income.

	As previously reported at 31 December 2013	**Reclassification**	**After reclassification at 31 December 2013**
Loans to customers			
Medium businesses	4,243,917	(120,319)	4,123,598
Small businesses	3,181,734	120,319	3,302,053
Allowance for loan impairment (medium businesses)	(73,025)	838	(72,187)
Allowance for loan impairment (small businesses)	(415,707)	(838)	(416,545)
Note about economic sectors			
Auto dealer	1,119,809	(1,000,000)	119,809
Oil and gas industry	759,354	275,713	1,035,067
Manufacturing	535,666	724,287	1,259,953
Other financial liabilities			
Provision for credit-related commitments	20,088	(20,088)	–
Other non-financial liabilities			
Provision for credit-related commitments	–	20,088	20,088

	As previously reported at 31 December 2013	**Reclassification**	**After reclassification at 31 December 2013**
Interest income and expense			
Interest income			
Loans to customers	3,595,353	(204,626)	3,390,727
Amounts due from other banks	61,706	42,697	104,403
Debt investment securities available for sale	104,403	(42,697)	61,706
Interest expense			
Current/settlement accounts	(242,500)	204,626	(37,874)

3 Summary of accounting policies (continued)

The reclassification had an effect on information disclosed in Note 10 (Loans to customers), Note 18 (Other liabilities) and Note 21 (Interest income and expense). The reclassification had no effect on information disclosed in other notes.

Also the information about the adjustments was indicated in the Statement of comprehensive income.

4 Significant accounting estimates and judgments in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts and the carrying values of assets and liabilities in the following financial year. Estimates and assumptions are continuously assessed and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loans to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include 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 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in the actual loss compared to the estimated loss would result in an increase or decrease in loan impairment losses of RUB 76,044 thousand (2013: RUB 68,334 thousand), respectively. Impairment loss on individually significant loans is determined based on the estimated amounts of discounted future cash flows on these loans considering loan maturity and sale of assets collateralized under the relevant loan. A 10% increase or decrease in the actual loss compared to the estimated future cash flows, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RUB 54,116 thousand (2013: RUB 50,463 thousand), respectively.

Recognition of a deferred tax asset. A deferred tax asset is the amount of income tax which may be offset against future income taxes and is recorded in the statement of financial position. A deferred tax asset is recorded only to the extent that the realization of the related tax benefit is probable. Future taxable income and tax benefits, which are likely to arise in future, are determined based on the medium-term business plan prepared by management, and the results of its extrapolation. The business plan was developed based on management expectations deemed reasonable under current circumstances. Management concluded that the deferred tax asset in the amount of RUB 419,195 thousand is recoverable as of 31 December 2013 and recognized it in the financial statements in full.

Initial recognition of transactions with related parties. In the normal course of business the Bank enters into transactions with related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 32.

Premises valuation. Bank's premises are recorded at fair value which is determined based on the valuation report prepared by an independent appraiser. The valuation is performed by an independent appraiser engaged in valuation of similar assets in a similar region and of the same category. The market value of property and equipment is determined based on the market approach, because information about offers to sell similar assets is available in the market (Note 13). If, based on the valuation, the fair value of the Bank's premises increases or decreases by 10%, the carrying value of these items of property and equipment will increase or decrease by RUB 152,324 thousand (before deferred tax recognition) as of 31 December 2014 (2013: RUB 154,430 thousand).

4 Significant accounting estimates and judgments in applying accounting policies (continued)

Impairment of property and equipment and intangible assets. The Bank assesses whether there is any indication of impairment of property and equipment and intangible assets on a regular basis. In 2014, when the Bank implemented its strategy to close regional branches exceeding the number of branches required by actual business volumes, the impairment of property and equipment totaling RUB 10 thousand was recognized in categories of office equipment and computers during the reporting period. As of 31 December 2013, no indications of impairment of property and equipment and intangible assets were identified.

Fair values 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. Additional details are provided in Note 31.

Call option. On 5 November 2014, the Bank entered into a call option agreement with its majority participant to purchase a share in LBBW CZ a.s. As of the option agreement date, the Bank recognized disposal of the subsidiary bank LBBW CZ a.s. due to the loss of control. The Bank's expense on disposal of the subsidiary bank LBBW CZ a.s. amounted to RUB 555 971 thousand (Note 33).

5 Adoption of new or revised standards and interpretations

The Bank has adopted the following revised IFRS and interpretations effective for annual reporting periods beginning on 1 January 2014:

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

These amendments are effective for annual periods beginning on or after 1 January 2014 and 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. These amendments are not relevant to the Bank, since the Bank does not qualify to be an investment entity under IFRS 10.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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 are effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Bank.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes 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. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. IFRIC 21 did not have any significant impact on the Bank's financial statements.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. This amendment is not relevant to the Bank, since the Bank has not novated its derivatives during the current period.

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

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 recognized or reversed during the period. These amendments had no impact on the Bank's financial position or performance.

6 New accounting pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2015 and which the Bank has not early adopted, unless otherwise stated:

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 adoption permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 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 Bank's financial assets, but no impact on the classification and measurement of the Bank'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 recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments are effective for annual periods beginning on or after 1 July 2014. It is not expected that these amendments would be relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

6 New accounting pronouncements (continued)

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business 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 on the Bank.

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

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank as the Bank does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Bank currently considers whether to apply these amendments for preparation of its separate financial statements.

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

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognized 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, with early adoption permitted.

6 New accounting pronouncements (continued)

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 2 Share-based Payment

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

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

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

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

Amendments to IFRS 13 Short-term Receivables and Payables

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

6 New accounting pronouncements (continued)

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 3 Business Combinations

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

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

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

The description of ancillary services in IAS 30 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Meaning of Effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided that either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. Since the Bank is an existing IFRS preparer, this standard would not apply.

Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Bank. They include:

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

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with early adoption 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 derecognized in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment is to be applied so that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

6 New accounting pronouncements (continued)

Annual improvements 2012-2014 Cycle (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 "[A]n entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods." The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied for annual periods beginning on or after 1 January 2016, with early adoption 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 early adoption permitted.

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

7 Cash and cash equivalents

(in thousands of Russian rubles)	2014	2013
Cash on hand	911,884	601,788
Cash balances with the CBR (other than obligatory reserve)	1,330,905	2,345,573
Settlement accounts with financial institutions	1,014,122	110,575
Correspondent accounts and overnight deposits with other banks	4,716,815	2,949,996
Loans issued to other banks with original maturities of less than three months	–	800,138
Reverse repurchase agreements with credit institutions up to 90 days	200,117	–
Total cash and cash equivalents	**8,173,843**	**6,808,070**

As of 31 December 2014, settlement accounts with financial institutions are mainly represented by settlements with the National Clearing Center in the amount of RUB 978,936 thousand (2013: RUB 36,844 thousand), settlements with Visa INC. in the amount of RUB 58 thousand (2013: RUB 3,088 thousand) and Master Card International Inc in the amount of RUB 19,570 thousand (2013: RUB 58,941 thousand).

Correspondent accounts and overnight deposits with other banks as of 31 December 2014 and 31 December 2013 are represented by placements with Russian and foreign banks.

As of 31 December 2013, loans issued to other banks with original maturities of less than three months are mainly represented by loans issued to large Russian banks with a contractual interest rate from 6.0% to 6.5% and maturities on 9 January 2014.

As of 31 December 2014, reverse repurchase agreements with credit institutions up to 90 days are represented by deposits with a Russian bank placed for 13 days with an interest rate of 21.5% p.a. These agreements are collateralized by shares of a Russian entity with a fair value of RUB 270,649 thousand.

7 Cash and cash equivalents (continued)

The Bank assesses the quality of cash and cash equivalents on the basis of ratings assigned by Standard and Poor's and, where they are not available, on the basis of ratings assigned by Moody's and Fitch Ratings and adjusted in line with categories of Standard and Poor's based on the reconciliation table.

The table below provides an analysis of cash and cash equivalents, except for cash on hand, by credit quality as of 31 December 2014:

(in thousands of Russian rubles)	**Settlement accounts with financial institutions**	**Cash balances with the CBR other than obligatory reserve**	**Correspon-dent accounts and overnight deposits with other banks**	**Reverse repurchase agreements with credit institutions up to 90 days**	**Total cash and cash equivalents, excluding cash on hand**
Neither past due nor impaired					
- Central Bank of the Russian Federation	–	1,330,905	–	–	1,330,905
- A- to A+ rated	19,627	–	148,833	–	168,460
- BBB- to BBB+ rated	987,058	–	300,752	200,117	1,487,927
- B- to BB+ rated	–	–	2,183,566	–	2,183,566
- unrated	7,437	–	2,083,664	–	2,091,101
Total cash and cash equivalents, excluding cash on hand	**1,014,122**	**1,330,905**	**4,716,815**	**200,117**	**7,261,959**

As of 31 December 2014, unrated counterparties within settlement accounts with financial institutions are mainly represented by settlements with the National Settlement Depository.

As of 31 December 2014, cash and cash equivalents for 4 largest counterparty banks amounted to RUB 3,653,034 thousand (2013: RUB 3,483,216 thousand) or 45% (2013: 51%) of the total amount.

The table below provides an analysis of cash and cash equivalents, except for cash on hand, by credit quality as of 31 December 2013:

(in thousands of Russian rubles)	**Settlement accounts with financial institutions**	**Cash balances with the CBR other than obligatory reserve**	**Correspon-dent accounts and overnight deposits with other banks**	**Amounts placed with other banks**	**Total cash and cash equivalents, excluding cash on hand**
Neither past due nor impaired					
- Central Bank of the Russian Federation	–	2,345,573	–	–	2,345,573
- A- to A+ rated	62,029	–	1,363,045	–	1,425,074
- BBB- to BBB+ rated	46,696	–	1,358,962	800,138	2,205,796
- B- to BB+ rated	382	–	15,816	–	16,198
- unrated	1,468	–	212,173	–	213,641
Total cash and cash equivalents, excluding cash on hand	**110,575**	**2,345,573**	**2,949,996**	**800,138**	**6,206,282**

As of 31 December 2013, unrated counterparties within settlement accounts with financial institutions are mainly represented by settlements with the settlement non-banking credit organization Payment Center (LLC).

Cash and cash equivalents are unsecured.

The analysis of cash and cash equivalents by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. Estimated fair values of each category of cash and cash equivalents are shown in Note 31. Information on related party transactions is disclosed in Note 32.

8 Trading securities

(in thousands of Russian rubles)	**2014**	**2013**
Bonds of banks	3,189,513	2,516,987
Corporate bonds	1,189,803	585,073
Corporate shares	205,679	–
Bonds of subjects of the Russian Federation	117,550	5,898
Total non-pledged trading securities	**4,702,545**	**3,107,958**
Corporate bonds	1,410,229	3,066,514
Bonds of banks	806,132	1,485,039
Bonds of subjects of the Russian Federation	74,616	405,913
Total pledged trading securities sold under direct repurchase agreements	**2,290,977**	**4,957,466**
Total trading securities	**6,993,522**	**8,065,424**

Bonds of banks are represented by RUB-denominated interest-bearing debt securities issued by Russian banks and traded in the Russian market. The analysis by maturity dates and annual coupon rates is presented in the tables below.

Corporate bonds are RUB-denominated interest-bearing securities issued by large Russian companies and traded in the Russian market. The analysis by maturity dates, annual coupon rates and yield to maturity is presented in the tables below.

Bonds of subjects of the Russian Federation are represented by RUB-denominated interest-bearing debt securities issued by regional authorities of the Russian Federation and traded in the Russian market. The analysis by maturity dates and annual coupon rates is presented in the tables below.

Pledged trading securities as of 31 December 2014 are represented by securities in the amount of RUB 2,290,977 thousand (2013: RUB 4,957,466 thousand), which were sold under repurchase agreements and which can be sold or repledged by the counterparty according to contractual terms or established practice. Repurchase agreements were of short-term nature and were fully completed in due time before 14 January 2015. The Central Bank of the Russian Federation is the counterparty bank under the majority of repurchase agreements as of 31 December 2014.

As of 31 December 2014, trading securities represented by bonds of banks with a fair value of RUB 514,912 thousand (31 December 2013: RUB 450,526 thousand) were restricted in use according to the General Loan Agreement with the Bank of Russia with the overdraft limit of RUB 3,500,000 thousand. See Note 34.

The analysis of the non-pledged trading securities and trading securities pledged under direct repurchase agreement as of 31 December 2014 is as follows:

	Maturity		**Annual coupon rate, %**	
	from	**to**	**from**	**to**
Corporate bonds	February 2015	February 2016	7.65	10.70
Bonds of banks	January 2015	July 2016	7.60	12.30
Bonds of subjects of the Russian Federation	June 2015	May 2017	7.49	9.02

The analysis of the Banks's trading securities as of 31 December 2013 is as follows:

	Maturity		**Annual coupon rate, %**	
	from	**to**	**from**	**to**
Corporate bonds	February 2014	November 2015	7.50	9.50
Bonds of banks	January 2014	October 2015	7.20	13.00
Bonds of subjects of the Russian Federation	June 2014	May 2017	7.49	9.02

8 Trading securities (continued)

The analysis of trading securities by credit quality as of 31 December 2014 is as follows:

(in thousands of Russian rubles)	**Corporate bonds**	**Bonds of banks**	**Bonds of subjects of the Russian Federation**	**Corporate shares**	**Total**
Neither past due nor impaired (at fair value)					
- BBB- to BBB+ rated	1,413,350	3,161,308	–	205,679	4,780,337
- B- to BB+ rated	1,186,682	834,337	192,166	–	2,213,185
Total trading securities	**2,600,032**	**3,995,645**	**192,166**	**205,679**	**6,993,522**

The analysis of trading securities by credit quality as of 31 December 2013 is as follows:

(in thousands of Russian rubles)	**Corporate bonds**	**Bonds of banks**	**Bonds of subjects of the Russian Federation**	**Total**
Neither past due nor impaired (at fair value)				
- BBB- to BBB+ rated	834,790	1,780,880	–	2,615,670
- B- to BB+ rated	1,235,322	3,802,621	411,811	5,449,754
Total trading securities	**2,070,112**	**5,583,501**	**411,811**	**8,065,424**

Credit rating is based on the rating assigned by Standard & Poor's (if such rating is available) or the rating assigned by Moody's or Fitch Ratings, which is converted to the nearest equivalent value on Standard & Poor's rating scale.

Debt and equity securities are unsecured.

The analysis of trading securities by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27.

9 Amounts due from other banks

(in thousands of Russian rubles)	**2014**	**2013**
Eurobonds of banks	2,884,343	1,085,545
Total amounts due from other banks	**2,884,343**	**1,085,545**

Eurobonds of banks are represented by interest-bearing debt securities denominated in RUB and foreign currency (USD, EUR), issued by large Russian banks and traded in European stock markets.

The primary factor that the Bank considers in determining whether amounts due from other banks are impaired is their past due status.

Amounts due from other banks are unsecured.

9 Amounts due from other banks (continued)

The analysis of amounts due from other banks by credit quality as of 31 December 2014 is as follows:

(in thousands of Russian rubles)	**Eurobonds of banks**	**Total**
Neither past due nor impaired		
- BBB- to BBB+ rated	2,221,104	2,221,104
- B- to BB+ rated	663,239	663,239
Total amounts due from other banks	**2,884,343**	**2,884,343**

The analysis of amounts due from other banks by credit quality as of 31 December 2013 is as follows:

(in thousands of Russian rubles)	**Eurobonds of banks**	**Total**
Neither past due nor impaired		
- BBB- to BBB+ rated	276,586	276,586
- B- to BB+ rated	808,959	808,959
Total amounts due from other banks	**1,085,545**	**1,085,545**

Estimated fair values of each category of amounts due from other banks are shown in Note 31. The analysis of amounts due from other banks by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. Information on related party transactions is disclosed in Note 32.

10 Loans to customers

(in thousands of Russian rubles)	**2014**	**2013**
Large businesses	2,789,561	7,553,337
Medium businesses	3,313,381	4,123,598
Small businesses	5,506,651	3,302,053
Loans to individuals	15,623,037	13,507,449
Total loans and advances to customers before allowance for loan impairment	**27,232,630**	**28,486,437**
Less: allowance for loan impairment	(760,437)	(683,341)
Total loans and advances to customers	**26,472,193**	**27,803,096**

Loans issued by the Bank are subdivided into:

- Loans to large businesses (annual revenue of more than RUB 2 billion);
- Loans to medium businesses (annual revenue from RUB 400 million to RUB 2 billion);
- Loans to small businesses (annual revenue of up to and including RUB 400 million), and loans that were issued under the regional business lending program which the Bank had implemented before 1 January 2009;
- Retail loans – consumer loans issued to individual customers.

As of 31 December 2014, loans to large businesses comprise accounts receivable under repurchase agreements, which represent claims for repayment of funds under reverse repurchase agreements in the amount of RUB 189,176 thousand (2013: RUB 2,509,485 thousand).

10 Loans to customers (continued)

As of 31 December 2013, loans to large businesses comprise Eurobonds represented by interest-bearing debt securities denominated in foreign currency (USD), issued by large Russian and foreign companies and traded in European stock markets in the amount of RUB 412,188 thousand (31 December 2013: RUB 88,564 thousand).

The analysis of movements in allowance for loan impairment during 2014 is as follows:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**	**Small businesses**	**Loans to individuals**	**Total**
Allowance for loan impairment as of 1 January 2014	**17,904**	**72,187**	**416,545**	**176,705**	**683,341**
Allowance / (reversal of allowance) for impairment during the year	3,485	(36,723)	73,359	44,097	84,218
Write-off against allowance on sale of loans		(268)	(5,331)	(1,523)	(7,122)
Allowance for loan impairment as of 31 December 2014	**21,389**	**35,196**	**484,573**	**219,279**	**760,437**

In 2014, the Bank sold loans with a nominal value of RUB 62,223 thousand and an allowance for impairment of RUB 7,122 thousand for RUB 55,101 thousand.

The analysis of movements in allowance for loan impairment during 2013 is as follows:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**	**Small businesses**	**Loans to individuals**	**Total**
Allowance for loan impairment as of 1 January 2013	**35,048**	**151,439**	**175,093**	**195,746**	**557,326**
Allowance / (reversal of allowance) for impairment during the year	(15,967)	(58,918)	403,019	183,372	511,506
Write-off against allowance on sale of loans	(1,177)	(240)	(161,567)	(202,413)	(365,397)
Loans written off against allowance	–	(20,094)	–	–	(20,094)
Allowance for loan impairment as of 31 December 2013	**17,904**	**72,187**	**416,545**	**176,705**	**683,341**

In 2013, the Bank sold loans with a nominal value of RUB 1,264,764 thousand and an allowance for the loan impairment of RUB 365,397 thousand for RUB 887,631 thousand. The loss on sale amounted to RUB 11,736 thousand.

As of 31 December 2014, loans net of allowance for impairment in the amount of RUB 12,895,192 thousand (2013: RUB 12,145,495 thousand) were purchased from companies that were not under common control. Corporate counterparties guaranteed the repayment of the notional amount of loans transferred and interest accrued thereon in case of borrowers' failure to repay the debt.

In 2014 and in previous periods, the Bank had loans in the amount of RUB 62,223 thousand (2013: RUB 1,264,764 thousand), which were transferred to a party that was not under common control. The Bank is not exposed to non-payment risk as it provided no guarantee for the payment of interest and principal debt. These loans were derecognized in full on the date when the agreement was signed.

10 Loans to customers (continued)

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

	2014		2013	
(in thousands of Russian rubles)	**Amount**	**%**	**Amount**	**%**
Individuals	15,623,037	57.4	13,507,449	47.4
Residential construction	3,201,379	11.8	1,754,855	6.2
Retail real estate	2,264,693	8.3	1,123,328	3.9
Manufacturing	1,924,613	7.1	1,259,953	4.4
Wholesale trade	1,094,631	4.0	1,331,777	4.7
Finance	1,055,323	3.9	5,610,488	19.7
Oil and gas industry	852,874	3.1	1,035,067	3.6
Services	403,738	1.5	1,039,049	3.7
Infrastructure construction	168,946	0.6	274,459	1.0
Auto dealer	109,888	0.4	119,809	0.4
Office real estate	101,776	0.4	743,398	2.6
Telecommunications	83,166	0.3	195,589	0.7
Transport and logistics	82,918	0.3	213,350	0.7
Catering	75,580	0.3	69,864	0.3
Warehousing property	67,056	0.2	95,982	0.3
Other	123,012	0.4	112,020	0.4
Total loans and advances to customers (before allowance for loan impairment)	**27,232,630**	**100%**	**28,486,437**	**100%**

As of 31 December 2014, loans issued to 30 major borrowers amounted to RUB 11,854,510 thousand before deduction of allowance for loans impairment (2013: RUB 12,900,324 thousand), or 44% (2013: 45%) of the total amount of loans to customers.

Information on the loan portfolio by types of collateral as of 31 December 2014 is presented below:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**	**Small businesses**	**Loans to individuals**	**Total**
Unsecured loans	1,017,932	663,553	1,374,846	9,131,985	12,188,316
Loans secured by:					
- cash deposits	1,002,097	604,259	182,000	–	1,788,356
- promissory notes of Expobank	–	50,000	37,934	–	87,934
- securities and interests in share capital	189,716	4,080	294,927	–	488,723
- items of movable property	131,418	211,598	64,484	5,835,467	6,242,967
- items of immovable property	376,133	1,612,965	3,503,857	655,585	6,148,540
- goods for sale	–	–	39,805	–	39,805
- receivables under investment contracts	72,265	166,926	8,798	–	247,989
Total loans and advances to customers	**2,789,561**	**3,313,381**	**5,506,651**	**15,623,037**	**27,232,630**

The disclosures presented above show the lower of the carrying value of the loan and collateral received; the remaining information is disclosed as unsecured loans. The carrying value of loans was allocated based on the liquidity of assets received as collateral.

10 Loans to customers (continued)

Information on the loan portfolio by types of collateral as of 31 December 2013 is presented below:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**	**Small businesses**	**Loans to individuals**	**Total**
Unsecured loans	1,678,184	1,192,973	619,086	2,629,059	6,119,302
Loans secured by:					
- cash deposits	1,769,033	1,012,684	–	–	2,781,717
- promissory notes of Expobank	–	55,000	647,229	–	702,229
- securities and interests in share capital	2,509,485	33,510	37,289	–	2,580,284
- items of movable property	264,464	304,827	131,768	10,176,520	10,877,579
- items of immovable property	1,187,344	1,173,487	1,810,603	701,870	4,873,304
- goods for sale	–	–	45,270	–	45,270
- other guarantees	278	–	–	–	278
- receivables under investment contracts	144,549	351,117	10,808	–	506,474
Total loans and advances to customers	**7,553,337**	**4,123,598**	**3,302,053**	**13,507,449**	**28,486,437**

The analysis of loans by credit quality as of 31 December 2014 is as follows:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**	**Small businesses**	**Loans to individuals**	**Total**
Neither past due nor impaired					
- Loans renegotiated in 2014	–	–	37,313	38,494	75,807
- Standard portfolio	2,377,373	3,313,381	4,840,418	14,995,371	25,526,543
- Eurobonds	412,188	–	–	–	412,188
Total neither past due nor impaired	**2,789,561**	**3,313,381**	**4,877,731**	**15,033,865**	**26,014,538**
Past due but not impaired					
- less than 30 days past due	–	–	–	446,608	446,608
- 31 to 90 days past due	–	–	–	19,719	19,719
Total past due but not impaired	**–**	**–**	**–**	**466,327**	**466,327**
Individually impaired loans more than 90 days past due	–	–	628,920	122,845	751,765
Total individually impaired loans	**–**	**–**	**628,920**	**122,845**	**751,765**
Total loans and advances to customers (before allowance for loan impairment)	**2,789,561**	**3,313,381**	**5,506,651**	**15,623,037**	**27,232,630**
Less: allowance for impairment	(21,389)	(35,196)	(484,573)	(219,279)	(760,437)
Total loans and advances to customers	**2,768,172**	**3,278,185**	**5,022,078**	**15,403,758**	**26,472,193**

10 Loans to customers (continued)

The analysis of loans by credit quality as of 31 December 2013 is as follows:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**	**Small businesses**	**Loans to individuals**	**Total**
Neither past due nor impaired					
- Loans renegotiated in 2013	459,074	–	79,321	22,459	560,854
- Standard portfolio	7,005,699	3,709,720	2,617,260	12,742,576	26,075,255
- Eurobonds	88,564	–	–	–	88,564
Total neither past due nor impaired	**7,553,337**	**3,709,720**	**2,696,581**	**12,765,035**	**26,724,673**
Past due but not impaired					
- less than 30 days past due	–	–	83,932	562,303	646,235
- 31 to 90 days past due	–	–	1,849	68,531	70,380
Total past due but not impaired	**–**	**–**	**85,781**	**630,834**	**716,615**
Individually impaired loans more than 90 days past due	–	413,878	519,691	111,580	1,045,149
Total individually impaired loans	**–**	**413,878**	**519,691**	**111,580**	**1,045,149**
Total loans and advances to customers (before allowance for loan impairment)	**7,553,337**	**4,123,598**	**3,302,053**	**13,507,449**	**28,486,437**
Less: allowance for impairment	(17,904)	(72,187)	(416,545)	(176,705)	(683,341)
Total loans and advances to customers	**7,535,433**	**4,051,411**	**2,885,508**	**13,330,744**	**27,803,096**

Loans renegotiated during the period represent the carrying amount of renegotiated loans that would otherwise be past due or impaired.

Past due but not impaired loans mainly include secured loans, with the fair value of collateral covering past due interest and principal. Amounts recorded as past due but not impaired represent the whole balance of such loans, and not only past due amounts of certain payments.

An allowance was charged for the Bank's loan portfolio in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* to cover losses from impairment identified and impairment which occurred in the reporting period but which was not yet identified as of the end of the reporting period. The Bank's policy is to classify each loan as "neither past due nor impaired" until certain objective evidence of impairment is identified for a given loan. As a result of the application of this policy and the methodology for calculation of impairment of the portfolio, allowance for impairment may exceed the total final amount of individually impaired loans.

For the purposes of assessing the level of loan portfolio risks, identifying impairment and determining the amount of allowance, the Bank relies on internal impairment criteria, and methodologies for assessment of counterparties' financial position and creation of allowances, which are consistent with the requirements of IFRS.

Estimated fair values of each category of amounts due from other banks are shown in Note 31. The analysis of loans and advances to customers by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. Information on related party transactions is disclosed in Note 32.

11 Finance lease receivables

The analysis of finance lease receivables as of 31 December 2014 is as follows:

(in thousands of Russian rubles)	**2014**	**2013**
Gross investment in finance leases	526,430	1,799,972
Unearned future finance income on finance leases	(36,286)	(235,052)
Net investment in finance leases	**490,144**	**1,564,920**
Allowance for impairment	(89,212)	(121,553)
	400,932	**1,443,367**

The analysis of movements in allowance for impairment of finance lease receivables during 2014 is as follows:

Allowance for impairment as of 1 January 2014	**121,553**
Reversal of provision for impairment during the period	(17,347)
Write-off against allowance on sale of lease receivables	(14,994)
Allowance for impairment of finance lease receivables as of 31 December 2014	**89,212**

In 2014, the Bank sold finance lease receivables with a nominal value of RUB 14,996 thousand and allowance for impairment of RUB 14,994 thousand for RUB 2 thousand.

The analysis of movements in allowance for impairment of finance lease receivables during 2013 is as follows:

Allowance for impairment as of 1 January 2013	**–**
Provision charge for impairment during the period	121,553
Allowance for impairment of finance lease receivables as of 31 December 2013	**121,553**

A loss on assignment of receivables under lease agreements for 2013 amounted to RUB 10,468 thousand.

The analysis of finance lease receivables as of 31 December 2014 is as follows:

	Not later than 1 year	**Later than 1 year and not later than 5 years**	**Total**
Finance lease receivables	406,512	119,918	526,430
Unearned future finance income on finance leases	(28,020)	(8,266)	(36,286)
Net investment in finance leases	**378,492**	**111,652**	**490,144**

11 Finance lease receivables (continued)

The analysis of finance lease receivables as of 31 December 2013 is as follows:

	Not later than 1 year	Later than 1 year and not later than 5 years	Total
Finance lease receivables	1,298,147	501,825	1,799,972
Unearned future finance income on finance leases	(211,600)	(23,452)	(235,052)
Net investment in finance leases	**1,086,547**	**478,373**	**1,564,920**

12 Investment securities

Investment securities available for sale comprise the following:

(in thousands of Russian rubles)	2014	2013
Corporate shares	1,070,779	–
Bonds of Russian banks	–	1,082
Promissory notes of Russian banks	–	105,876
Total non-pledged investment securities available for sale	**1,070,779**	**106,958**
Bonds of Russian banks	–	181,907
Total pledged investment securities sold under direct repurchase agreements	**–**	**181,907**
Total investment securities available for sale	**1,070,779**	**288,865**

The analysis of debt securities by credit quality as of 31 December 2014 is as follows:

(in thousands of Russian rubles)	Corporate shares
Neither past due nor impaired (at fair value)	
- BBB- to BBB+ rated	62,251
- unrated	1,008,528
Total debt securities available for sale	**1,070,779**

The analysis of debt securities by credit quality as of 31 December 2013 is as follows:

(in thousands of Russian rubles)	Bonds of banks
Neither past due nor impaired (at fair value)	
- BBB- to BBB+ rated	105,876
- B- to BB+ rated	182,989
Total debt securities available for sale	**288,865**

12 Investment securities (continued)

The fair value of investment securities available for sale is determined based on the current market price as of the end of operations on 31 December.

Credit rating is based on the rating assigned by Standard & Poor's (if such rating is available) or the rating assigned by Moody's or Fitch Ratings, which is converted to the nearest equivalent value on Standard & Poor's rating scale.

The primary factor that the Bank considers in determining whether debt securities are impaired is their past due status. As of 31 December 2014 and 31 December 2013, the Bank had no past-due debt securities available for sale.

As of 31 December 2014, the fair value of debt securities available for sale comprised by shares of Russian and foreign banks equals to RUB 1,070,779 thousand. Estimated fair value of investment securities available for sale are shown in Note 31.

Pledged investment securities available for sale as of 31 December 2013 are represented by securities in the amount of RUB 181,907 thousand, which were sold under repurchase agreements and which can be sold or repledged by the counterparty according to contractual terms or established practice. Repurchase agreements were of short-term nature and were fully completed in due time before 15 January 2014. The Central Bank of the Russian Federation is the counterparty bank under all repurchase agreements as of 31 December 2014.

The analysis by maturity dates, annual coupon rates and yield to maturity as of 31 December 2013 is presented in the table below:

	Maturity		**Annual coupon rate, %**	
	From	**to**	**from**	**to**
Bonds of banks	April 2015	October 2015	8.65	9.40
Promissory notes of banks	January 2014	January 2014	5.89	5.89

The analysis of investment securities available for sale by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. Estimated fair values of investment securities available for sale are shown in Note 31. The information on related party transactions is disclosed in Note 32.

Reclassifications

Following the amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*, during the second half of 2014 the Bank reclassified investment securities available for sale to investments securities held to maturity due to the intention of the Bank to held them to the maturity. The information about the reclassified assets is presented in the table below:

(in thousands of Russian rubles)	**2014**
Carrying amount of reclassified assets as of 31 December	3,764,762
Fair value of reclassified assets as of 31 December	3,525,136
Fair value losses that would have been recognized on the reclassified assets for the year if the reclassification had not been made	(223,678)
Gains recognized in the income statement for the year	9,207

Securities held to maturity comprise:

(in thousands of Russian rubles)	**2014**
Russian Government Federal Bonds (OFZ)	163,718
Bonds of Russian banks	163,116
Total non-pledged investment securities held to maturity	**326,834**
Russian Government Federal Bonds (OFZ)	3,420,826
Bonds of Russian banks	17,102
Total pledged investment securities sold under direct repurchase agreements	**3,437,928**
Total investment securities held to maturity	**3,764,762**

12 Investment securities (continued)

The analysis of debt securities by credit quality as of 31 December 2014 is as follows:

(in thousands of Russian rubles)	**Russian Government Federal Bonds (OFZ)**	**Bonds of banks**	**Total**
Neither past due nor impaired			
- BBB- to BBB+ rated	3,584,544	–	3,584,544
- B- to BB+ rated	–	180,218	180,218
Total investment securities held to maturity	3,584,544	180,218	**3,764,762**

Credit rating is based on the rating assigned by Standard & Poor's (if such rating is available) or the rating assigned by Moody's or Fitch Ratings, which is converted to the nearest equivalent value on Standard & Poor's rating scale.

The primary factor that the Bank considers in determining whether debt securities are impaired is their past due status. As of 31 December 2014, the Bank had no past-due debt securities held to maturity.

Pledged investment securities held to maturity as of 31 December 2014 are represented by securities in the amount of RUB 3,437,928 thousand, which were sold under repurchase agreements and which can be sold or repledged by the counterparty according to contractual terms or established practice. Repurchase agreements were of short-term nature and were fully completed in due time before 20 February 2015. OJSC Sberbank of Russia is the counterparty bank under the majority of repurchase agreements as of 31 December 2014.

The analysis by maturity dates, annual coupon rates and yield to maturity as of 31 December 2014 is presented in the table below:

	Maturity		**Annual coupon rate, %**	
	from	**to**	**from**	**To**
Russian Government Federal Bonds (OFZ)	January 2016	February 2019	5.50	7.50
Bonds of banks	April 2015	April 2015	9.40	9.40

The analysis of investment securities held to maturity by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. Estimated fair values of investment securities available for sale are shown in Note 31. The information on related party transactions is disclosed in Note 32.

13 Property and equipment

(in thousands of Russian rubles)	**Notes**	**Buildings**	**Office and computer equipment**	**Furniture**	**Motor vehicles**	**Leasehold improve-ments**	**Equipment not put into operation**	**Total property and equipment**
Cost or valuation as of 1 January 2013		**1,467,531**	**624,209**	**82,601**	**24,916**	**28,430**	**3,372**	**2,231,059**
Accumulated depreciation		−	(495,150)	(36,610)	(2,660)	(3,723)	−	(538,143)
Carrying amount as of 1 January 2013		**1,467,531**	**129,059**	**45,991**	**22,256**	**24,707**	**3,372**	**1,692,916**
Acquisition of a subsidiary		−	6,854	3,276	8,458	−	−	18,588
Additions		225	77	4,076	12,089	1,311	−	17,778
Disposals		(12,049)	(44,025)	(13,452)	(17,398)	(24,921)	−	(111,845)
Reclassifications		−	618	213	−	−	(831)	−
Depreciation charges	24	(29,470)	(101,946)	(7,722)	(3,251)	(2,485)	−	(144,874)
Accumulated depreciation of disposed property and equipment		127	42,393	5,487	7,232	3,268	−	58,507
Accumulated depreciation for property and equipment of acquired subsidiary at the acquisition date		−	(4,557)	(2,190)	(4,200)	−	−	(10,947)
Recognition of revaluation through revaluation reserve		118,459	−	−	−	−	−	118,459
Carrying amount as of 31 December 2013		**1,544,823**	**28,473**	**35,679**	**25,186**	**1,880**	**2,541**	**1,638,582**
Cost or valuation as of 31 December 2013		**1,544,823**	**587,733**	**76,714**	**28,065**	**4,820**	**2,541**	**2,244,696**
Accumulated depreciation		−	(559,260)	(41,035)	(2,879)	(2,940)	−	(606,114)
Carrying amount as of 31 December 2013		**1,544,823**	**28,473**	**35,679**	**25,186**	**1,880**	**2,541**	**1,638,582**
Additions		265	581	4,713	3,305	21,177	442	30,483
Disposals		(27,700)	(48,333)	(1,822)	(2,436)	(516)	−	(80,807)
Reclassifications		−	684	268	−	−	(952)	−
Depreciation charges	24	(30,951)	(23,802)	(7,195)	(3,218)	(462)	−	(65,628)
Accumulated depreciation of disposed property and equipment		63	56,247	887	893	249	−	58,339
Recognition of revaluation through revaluation reserve		37,261	−	−	−	−	−	37,261
Reversal of impairment through profit or loss		−	(10)	−	−	−	−	(10)
Carrying amount as of 31 December 2014		**1,523,761**	**13,840**	**32,530**	**23,730**	**22,328**	**2,031**	**1,618,220**
Cost or valuation as of 31 December 2014		**1,523,761**	**540,655**	**79,873**	**28,934**	**25,481**	**2,031**	**2,200,735**
Accumulated depreciation		−	(526,815)	(47,343)	(5,204)	(3,153)	−	(582,515)
Carrying amount as of 31 December 2014		**1,523,761**	**13,840**	**32,530**	**23,730**	**22,328**	**2,031**	**1,618,220**

Equipment not put into operation as of 31 December 2014 and as of 31 December 2013 comprises office equipment, computers and furniture purchased, which require additional costs to be prepared for operation. Upon completion of the works, these assets will be transferred to the respective categories.

13 Property and equipment (continued)

The building was revalued to market value as of 31 December 2014 and 31 December 2013 by an independent firm of professional appraisers who have a recognized qualification and recent experience in valuation of similar property in terms of its location and category.

The market value is determined based on the comparable sales method. The market value of buildings is determined based on the price that a third party would pay for an item of property of similar quality and use. The market value of buildings was determined based on the information about sales and comparable properties offered in the market.

The carrying amount of the building as of 31 December 2014 includes the amount of RUB 567,874 thousand (2013: RUB 530,612 thousand), which represents the surplus from revaluation of the Bank's building. Had the assets been carried at cost less depreciation, the carrying amount of buildings as of 31 December 2014 would have been RUB 955,887 thousand (2013: RUB 1,014,211 thousand).

The reconciliation of this amount with the carrying amount of buildings is as follows:

(in thousands of Russian rubles)	**31 December 2014**	**31 December 2013**
Buildings at revalued amount in the statement of financial position	1,523,761	1,544,823
Revaluation reserve presented within equity, before tax	(567,874)	(530,612)
Buildings at cost net of accumulated depreciation	**955,887**	**1,014,211**

14 Intangible assets

(in thousands of Russian rubles)	**Notes**	**Software and licenses**
Carrying amount as of 31 December 2012		**138,225**
Cost		
Balance at the beginning of the period		477,900
Additions		14,522
Disposals		(55,664)
Balance at the end of the period		**436,758**
Accumulated amortization		
Balance at the beginning of the period		339,675
Amortization charges	24	71,158
Disposals		(55,659)
Balance at the end of the period		**355,174**
Carrying amount as of 31 December 2013		**81,584**
Cost		
Balance at the beginning of the period		436,758
Additions		8,980
Disposals		(45,869)
Balance at the end of the period		**399,869**
Accumulated amortization		
Balance at the beginning of the period		355,174
Amortization charges	24	49,927
Disposals		(45,805)
Balance at the end of the period		**359,296**
Carrying amount as of 31 December 2014		**40,573**

14 Intangible assets (continued)

Additions of intangible assets mainly represent the software and licenses purchased by the Bank during 2014 to ensure compliance with the new procedures implemented by the Bank. During 2014, intangible assets in the amount of RUB 8,980 thousand were purchased for cash (2013: RUB 14,522 thousand).

15 Other assets

Other financial assets comprise:

(in thousands of Russian rubles)	**Notes**	**2014**	**2013**
Credit and debit card receivables		84,388	49,094
Guarantee deposits		10,000	12,618
Derivative financial instruments	30	4,928	92
Other		5,021	4,540
Total other financial assets		**104,337**	**66,344**

As of 31 December 2014, credit and debit card receivables include a security deposit for settlements with Master Card International in the amount of RUB 84,388 thousand (2013: RUB 49,094 thousand).

The analysis of other financial assets by credit quality at 31 December 2014 is as follows:

(in thousands of Russian rubles)	**Derivative financial instruments**	**Credit and debit card receivables**	**Guarantee deposits**	**Other**	**Total**
Neither past due nor impaired					
- A- to A+ rated	–	84,388	–	–	84,388
- unrated	4,928	–	10,000	5,021	19,949
Total other financial assets	**4,928**	**84,388**	**10,000**	**5,021**	**104,337**

The analysis of other financial assets by credit quality as of 31 December 2013 is as follows:

(in thousands of Russian rubles)	**Derivative financial instruments**	**Credit and debit card receivables**	**Guarantee deposits**	**Other**	**Total**
Neither past due nor impaired					
- A- to A+ rated	–	49,094	–	–	49,094
- unrated	92	–	12,618	4,540	17,250
Total other financial assets	**92**	**49,094**	**12,618**	**4,540**	**66,344**

The primary factors that the Bank considers in determining whether accounts receivable are impaired are their overdue status and realizability of related collateral, if any. As of 31 December 2014 and 31 December 2013, the Bank had no past-due amounts within other financial assets.

The analysis of other financial assets by structure of currencies and maturities is presented in Note 27. Information on the fair value of each category of other financial assets is disclosed in Note 31. The information on related party transactions is disclosed in Note 32.

15 Other assets (continued)

Other non-financial assets comprise:

(in thousands of Russian rubles)	**2014**	**2013**
Settlements with suppliers and contractors	45,643	7,634
Tax prepayments	30,076	20,979
Receivables related to misappropriated assets	7,378	61,774
Prepayment for services	5,152	9,355
Repossessed collateral	–	241
Other	817	11,072
Less: allowance for impairment	(7,378)	(61,774)
Total other non-financial assets	**81,688**	**49,281**

The analysis of movements in allowance for impairment of other non-financial assets during 2014 and 2013 is as follows:

(in thousands of Russian rubles)	**2014**	**2013**
Allowance for impairment as of 1 January	**61,774**	**57,821**
(Reversal of provision) / Allowance for impairment during the year	407	48,178
Other non-financial assets written off against allowance for impairment during the year	(54,803)	(44,225)
Allowance for impairment as of 31 December	**7,378**	**61,774**

As of 31 December 2013, repossessed collateral represents real estate properties acquired by the Bank in settlement of overdue loans. The Bank intends to sell the assets in the foreseeable future. These assets do not meet the definition of long-term assets held for sale and are classified as inventories in accordance with IAS 2 *Inventories.* These assets were initially recognized at fair value at acquisition.

16 Amounts due to other banks

(in thousands of Russian rubles)	**2014**	**2013**
Direct repurchase agreements with the Bank of Russia	3,988,799	4,768,918
Direct repurchase agreements with other banks	2,554,294	–
Deposits of other banks	754,612	1,739,030
Deposits of the Bank of Russia	–	2,054,155
Correspondent accounts and overnight deposits of other banks	4,482,404	2,540,287
Total amounts due to other banks	**11,780,109**	**11,102,390**

As of 31 December 2014, deposits of other banks include deposits of foreign banks in the amount of RUB 65,405 thousand (2013: RUB 20,610 thousand), maturing in January 2015 (2013: in January 2014) and bearing contractual interest rates of 2.50% (2013: 4.00% and 4.50%).

As of 31 December 2014, amounts due to banks included liabilities in the amount of RUB 3,988,799 thousand (2013: RUB 4,768,918 thousand) under direct repurchase agreements with the Bank of Russia for securities maturing in January 2015 (2013: January 2014) and bearing contractual interest rates of 0.70% and 17.20% (2013: 5.53% and 5.66%).

As of 31 December 2013, deposits from the Bank of Russia bear interest rate of 5.75% and 6.75% and mature from January 2014 to July 2014.

As of 31 December 2014, minimum balances on correspondent accounts of other banks in the amount of RUB 3,833,315 thousand (2013: RUB 2,061,849 thousand) represented collateral under loans to individual.

The analysis of amounts due from other banks by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. The information on the fair value of each category of amounts due from other banks is disclosed in Note 31. The information on related party transactions is disclosed in Note 32.

17 Amounts due to customers

(in thousands of Russian rubles)	**2014**	**2013**
State and public organizations		
- Current/settlement accounts	12,851	11,518
- Time deposits	56,258	42,888
Legal entities		
- Current/settlement accounts	3,811,964	3,163,388
- Time deposits	8,641,973	9,811,868
Individuals		
- Current accounts/demand accounts	2,773,563	1,478,745
- Time deposits	15,962,462	11,627,591
Total amounts due to customers	**31,259,071**	**26,135,998**

State and public organizations do not include commercial enterprises owned by the state.

A breakdown of amounts due to customers by economic sector is as follows:

	2014		**2013**	
(in thousands of Russian rubles)	**Amount**	**%**	**Amount**	**%**
Individuals	18,736,025	59.9	13,106,336	50.2
Construction	2,943,474	9.4	1,718,524	6.6
Financial services	2,325,891	7.5	2,443,375	9.3
Consulting services	2,074,780	6.6	563,327	2.2
Trade	1,983,235	6.4	3,250,516	12.4
Real estate	1,021,634	3.3	1,114,722	4.3
Manufacturing	529,972	1.7	2,512,143	9.6
Transport	245,490	0.8	157,470	0.6
Non-for-profit organizations	104,344	0.3	233,915	0.9
Advertising and mass media	59,648	0.2	83,865	0.3
Food industry	43,540	0.1	75,263	0.3
Mining industry	35,225	0.1	7,245	0.0
Telecommunications	22,136	0.1	55,394	0.2
Other	1,133,677	3.6	813,903	3.1
Total amounts due to customers	**31,259,071**	**100%**	**26,135,998**	**100%**

As of 31 December 2014, amounts due to customers include the amount of RUB 263,429 thousand (2013: RUB 587,592 thousand), which is collateral for irrevocable obligations under letters of credit. Refer to Note 29.

As of 31 December 2014, amounts due to 10 largest customers was RUB 7,597,849 thousand (2013: RUB 7,304,455 thousand) or 24% (2013: 28%) of the total amounts due to customers.

As of 31 December 2014, term deposits of corporate customers amounted to RUB 1,646,955 thousand (2013: RUB 2,781,706 thousand) represented collateral under corporate loans granted by Bank and amounted to RUB 1,636,356 thousand (2013: RUB 2,777,878 thousand).

The analysis by structure of currencies and maturities, and the analysis of interest rates for amounts due to customers are presented in Note 27. The information on the fair value of each category of amounts due to customers is disclosed in Note 31. The information on related party transactions is disclosed in Note 32.

18 Other liabilities

Other financial liabilities comprise the following:

(in thousands of Russian rubles)	Notes	2014	2013
Derivative financial instruments	30	66,229	874
Debit and credit card payables		9,758	2,328
Settlements on currency conversion operations		5,268	–
Deferred fee and commission income		–	2,849
Total other financial liabilities		**81,255**	**6,051**

The analysis of other financial liabilities by structure of currencies and maturities, and the analysis of interest rates are presented in Note 27. The information on the fair value of each category of other financial liabilities is disclosed in Note 31. The information on related party transactions is disclosed in Note 32.

Other non-financial liabilities comprise:

(in thousands of Russian rubles)	2014	2013
Settlements with suppliers and contractors	64,693	89,336
Accrued employee benefit costs	81,863	49,345
Taxes payable other than income tax	65,468	124,090
Provision for credit-related commitments	32,642	20,088
Other	7,326	17,834
Total other non-financial liabilities	**251,992**	**300,693**

The analysis of movements in allowance for credit related commitments during 2014 and 2013 is as follows:

(in thousands of Russian rubles)	2014	2013
Provision for credit-related commitments as of 1 January	**20,088**	**6,346**
Allowance / reversal of allowance for impairment during the year	12,554	13,742
Provision for credit-related commitments as of 31 December	**32,642**	**20,088**

The information on related party transactions is disclosed in Note 32.

19 Debt securities issued

(in thousands of Russian rubles)	2014	2013
Domestic bonds issued	1,276,365	1,502,370
Promissory notes	164,008	788,403
Deposit certificates	161,531	–
Total debt securities issued	**1,601,904**	**2,290,773**

As of 31 December 2014, debt securities issued comprised RUB-denominated bonds in the amount of RUB 1,276,365 thousand (2013: RUB 1,502,370 thousand). The nominal value of bonds issued was RUB 1,275,601 thousand (2013: RUB 1,500,000 thousand). These bonds mature on 3 July 2016 (2013: 3 July 2016) and bear a coupon rate of 11.5% (2013: 11.5%).

20 Share capital

As of 31 December 2014, the authorized, issued and fully paid share capital amounted to RUB 10,413,412 thousand (2013: RUB 10,413,412 thousand).

At the participants' meeting held in December 2014, the Bank declared dividends in respect for the nine months ended 30 September 2014, totaling RUB 2,950,000 thousand. The dividends were distributed among the participants in proportion to their shares.

In accordance with the Russian legislation, dividends may only be declared to the participants of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with RAL. As of 30 September 2014, undistributed and unreserved earnings of the Bank amounted to RUB 3,916,588 thousand.

On 7 March 2013, the Bank increased its capital by RUB 234,210 thousand as a result of the merger with CB Stromcombank LLC, including RUB 93,577 thousand as an increase in the value of share capital and RUB 140,633 thousand as a share premium.

The Bank is a limited liability company. According to applicable Russian legislation, every participant of a limited liability company has the number of votes proportionate to the participant's interest in the company's share capital.

21 Interest income and expense

(in thousands of Russian rubles)	**2014**	**2013**
Interest income		
Loans and advances to customers	4,200,686	3,390,727
Debt trading securities	559,315	573,720
Amounts due from other banks	166,179	104,403
Debt investment securities available for sale	215,751	61,706
Investment securities held to maturity	41,669	–
Total interest income	**5,183,600**	**4,130,556**
Interest expense		
Time deposits of individuals	1,146,284	998,187
Time deposits of other banks	666,870	396,619
Time deposits of legal entities	511,305	400,052
Debt securities issued	191,225	140,487
Current/settlement accounts	23,997	37,874
Total interest expense	**2,539,681**	**1,973,219**
Net interest income	**2,643,919**	**2,157,337**

Interest income for 2014 comprises interest income in the amount of RUB 10,241 thousand (2013: RUB 21,565 thousand) recognized for impaired loans to customers.

22 Fee and commission income and expense

(in thousands of Russian rubles)	2014	2013
Fee and commission income		
- Settlement operations	190,732	207,822
- Cash operations	53,095	48,593
- Guarantees issued	42,350	20,281
- Plastic cards operations	27,775	94,728
- Income from consulting and information services	4,382	188,443
- Other	66,906	54,582
Total fee and commission income	**385,240**	**614,449**
Fee and commission expense		
- Settlement operations	59,740	97,021
- Plastic cards operations	11,552	50,701
- Cash operations	7,232	9,947
- Other	5,532	1,371
Total fee and commission expense	**84,056**	**159,040**
Net fee and commission income	**301,184**	**455,409**

23 Other operating income

(in thousands of Russian rubles)	2014	2013
Gains from changes in the value of financial instruments	50,441	–
Income from operating leases	45,741	40,305
Income from disposal of property	35,033	52,964
Discount on receivables purchased	16,505	1,081,583
Income received under a marketing agreement	–	3,810
Income from sale of acquiring services	–	23,198
Fines and penalties under lease agreements	–	18,150
Other	11,871	35,513
Total other operating income	**159,591**	**1,255,523**

In 2014, the Bank entered into transactions to purchase receivables from credit institutions. As of 31 December 2014, income received by the Bank in the form of discount on receivables purchased amounted to RUB 16,505 thousand (2013: RUB 1,081,583 thousand).

24 Administrative and other operating expenses

(in thousands of Russian rubles)	Notes	2014	2013
Staff costs		851,357	830,280
Rent expenses		117,979	152,402
Taxes other than income tax		81,762	131,619
Depreciation of property and equipment	13	65,628	144,874
Amortization of software and other intangible assets	14	49,927	71,158
Contribution to the state deposit insurance system		46,171	35,756
Other expenses related to property and equipment		42,007	50,107
Telecommunication and information services		27,200	33,924
Expenses related to security services		16,974	18,924
Insurance		15,683	22,344
Professional services		12,492	11,066
Advertising and marketing services		6,419	5,965
Loss from disposal of property and write-off of low-value assets		4,884	166,674
Other		172,039	246,454
Total administrative and other operating expenses		**1,510,522**	**1,921,547**

24 Administrative and other operating expenses (continued)

Staff costs include insurance contributions in the amount of RUB 133,264 thousand (2013: RUB 118,398 thousand), of which RUB 107,286 thousand (2013: RUB 93,986 thousand) represent contributions to the pension fund.

The information on related party transactions is disclosed in Note 32.

25 Income tax

Income tax expense recognized in profit and loss for the year includes the following components:

(in thousands of Russian rubles)	2014	2013
Current income tax expense	33,580	4,237
Deferred income tax expense/(credit)	401,464	360,468
Income tax expense for the year	**435,044**	**364,705**

Deferred tax charged to other comprehensive income is as follows:

(in thousands of Russian rubles)	2014	2013
Net gains from available for sale investment securities	29,451	–
Revaluation of buildings	7,452	23,692
Income tax recognized in other comprehensive income	**36,903**	**23,692**

The current income tax rate applicable to the majority of the Bank's 2014 income is 20% (2013: 20%). A reconciliation of theoretical tax expense with actual is as follows:

(in thousands of Russian rubles)	2014	2013
Profit/(loss) before taxation	**2,039,482**	**1,480,980**
Theoretical tax benefit at the statutory rate (20%)	407,896	296,196
Tax effect of income or expenses which are not deductible for taxation purposes:		
- Non-deductible expenses	40,147	44,326
- Income on government securities taxable at different rates	(11,193)	(1,412)
- Income taxable at different rates	(2,226)	–
- Other permanent differences	420	25,595
Gain from excess of acquired subsidiaries' net assets over cost of investments	–	–
Income tax (benefit)/expense for the year	**435,044**	**364,705**

25 Income tax (continued)

The Bank has potential deferred tax assets for unused tax losses carried forward in the amount of RUB 291,796 thousand (2013: RUB 598,522 thousand). The expiry dates for tax losses carried forward are presented below:

(in thousands of Russian rubles)	**2014**	**2013**
Deferred tax losses which expire		
after 31 December 2019	−	(1,106,478)
after 31 December 2020	−	(251,544)
after 31 December 2021	(1,387,905)	(1,563,515)
after 31 December 2023	(71,073)	(71,073)
Total tax losses carried forward	**(1,458,978)**	**(2,992,610)**

Differences between IFRS and Russian tax legislation give rise to temporary differences between the carrying amount of assets and liabilities for consolidated financial reporting purposes and for the purposes of income tax assessment. Detailed below are the tax effects of the movements in these temporary differences which are recorded at the rate of 20% (2013: 20%), except for income on government securities taxable at the rate of 15% (2013: 15%) and income on dividends taxable at the rate of 9% (2013: 9%).

(in thousands of Russian rubles)	**31 December 2013**	**Reversed/ (charged) to profit and loss**	**Reversed/ (charged) directly to equity**	**Business combinations**	**31 December 2014**
Tax effect of temporary differences decreasing/(increasing) the tax base and tax losses carried forward					
Property and equipment	(267,597)	13,860	(7,452)	−	(261,189)
Intangible assets	28,075	(11,369)	−	−	16,706
Other financial and non-financial liabilities	(41,385)	64,184	−	−	22,799
Loans and advances to customers	46,157	7,931	−	−	54,088
Allowance for loan impairment	(31,388)	(20,369)	−	−	(51,757)
Finance lease receivables	41,975	(22,831)	−	−	19,144
Investment securities available for sale	−	5,200	(29,451)	−	(24,251)
Fair value of trading securities	10,340	7,376	−	−	17,716
Amounts due from banks	−	(149,215)	−	−	(149,215)
Amounts due to banks	−	4,687	−	−	4,687
Amounts due to customers	−	14,775	−	−	14,775
Securities issued	1,287	2,670	−	−	3,957
Other financial and non-financial assets	33,209	(11,637)	−	−	21,572
Tax losses carried forward	598,522	(306,726)	−	−	291,796
Net deferred tax asset/(liability)	**419,195**	**(401,464)**	**(36,903)**	**−**	**(19,172)**
Recognized deferred tax asset/(liability)	419,195	(401,464)	(36,903)	−	(19,172)
Total deferred tax	**419,195**	**(401,464)**	**(36,903)**	**−**	**(19,172)**

The above net deferred tax liabilities were recognized by the Bank in 2014.

25 Income tax (continued)

In the context of the Bank's current structure and the Russian tax legislation, tax losses and current tax assets of certain companies of the Bank may not be offset against current tax liabilities and taxable profits of other companies of the Group and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

(in thousands of Russian rubles)	**31 December 2012**	**Reversed/ (charged) to profit and loss**	**Reversed/ (charged) directly to equity**	**Business combinations**	**31 December 2013**
Tax effect of temporary differences decreasing/(increasing) the tax base and tax losses carried forward					
Property and equipment	(266,781)	22,876	(23,692)	−	(267,597)
Intangible assets	14,190	13,885	−	−	28,075
Other financial and non-financial liabilities	15,557	(56,942)	−	−	(41,385)
Loans and advances to customers	57,870	(11,713)	−	−	46,157
Allowance for loan impairment	(24,094)	(7,294)	−	−	(31,388)
Finance lease receivables	−	61,021	−	(19,046)	41,975
Amounts due from other banks	(9)	9	−	−	−
Fair value of trading securities	16,777	(6,437)	−	−	10,340
Securities issued	225	1,062		−	1,287
Other financial and non-financial assets	(11,833)	45,042	−	−	33,209
Tax losses carried forward	1,020,499	(421,977)	−	−	598,522
Net deferred tax asset/(liability)	**822,401**	**(360,468)**	**(23,692)**	**(19,046)**	**419,195**
Recognized deferred tax asset	829,535	(367,602)	(23,692)	(19,046)	419,195
Recognized deferred tax liability	(7,134)	7,134	−	−	−
Total deferred tax	**822,401**	**(360,468)**	**(23,692)**	**(19,046)**	**419,195**

The above net deferred tax assets were recognized by the Bank in 2013 based on the analysis of expected taxable income in the medium term (see Note 4).

26 Segment analysis

Operating segments are components of the company which are engaged in financial and business activities as a result of which they can receive profit or incur expenses. The results of their operating activity are regularly reviewed by the chief operating decision maker, and separate financial information is available on them. A person or a group of persons responsible for the allocation of resources and assessment of the company's performance may act as the chief operating decision maker. The functions of the chief operating decision maker are performed by the Chairman of the Management Board and executive directors from the Bank's Board of Directors.

(a) Description of products and services that generate income for the reporting segments

The Bank is organized into the following main business segments:

- Corporate banking – this segment includes taking deposits and providing loans to corporate customers, small and medium businesses, and individual entrepreneurs, servicing settlement accounts of organizations, providing credit lines in the form of overdrafts, bank guarantees, documentary and factoring operations, conducting operations with promissory notes, exercising currency control, and conducting cash management operations.
- Retail banking – this segment includes providing banking services to individual customers to open and maintain settlement accounts, take deposits, service debit and credit cards, and provide consumer, mortgage and auto loans, making money transfers, conducting settlement operations, and managing cash.
- Treasury – this business segment includes operations with securities and currencies, interbank lending, repo transactions, correspondent accounts and swap transactions.

26 Segment analysis (continued)

(b) Factors used by management to identify operating segments

The Bank's segments represent strategic business units focusing on various customers. They are managed separately as every business unit requires specific marketing strategies and provides specific services to customers.

(c) Assessment of profit or loss, assets and liabilities of operating segments

Person responsible for making operational decisions analyzes financial information prepared in accordance with Russian regulatory requirements. This financial information in several aspects differs from the information prepared in accordance with the IFRS:

(i) Allowances for loans are recognized on the basis of management's professional judgment rather than on the basis of incurred losses model stipulated by IAS 39;

(ii) Fee and commission income from credit-related transactions is recognized immediately rather than in future periods using the effective interest rate method;

(iii) Income taxes are not allocated to segments;

(iv) Revaluation of property and equipment is performed triennially in accordance with RAP;

(v) Property and equipment and intangible assets are not subject to impairment testing;

(vi) Bank's liabilities related to payments to employees for unused vacations are not recognized.

Person responsible for making operational decisions assesses the results of segment activity in reliance on profit before tax.

(d) Information on profit or loss, assets and liabilities of operating segments

Segment information on reporting segments for the year ended 31 December 2014 is presented in the table below:

(in thousands of Russian rubles)	**Corporate banking**	**Retail banking**	**Treasury**	**Total**
External income				
- Interest income	1,493,486	217,008	3,540,621	5,251,115
- Fee and commission income	370,680	39,886	5,987	416,553
Income from other segments				
- Interest income	(578,786)	1,763,335	(1,184,549)	–
Total income	**1,285,380**	**2,020,229**	**2,362,059**	**5,667,668**
Interest expense	(560,272)	(1,209,518)	(821,967)	(2,591,757)
Allowance for loan impairment	(52,130)	(2,911)	(120,035)	(175,076)
Depreciation and amortization	(48,534)	(26,270)	(27,500)	(102,304)
Fee and commission expense	(22,717)	10,723	(12,466)	(24,460)
Gains less losses from trading securities	–	–	272,372	272,372
Gains less losses from foreign currencies	–	–	881,282	881,282
Gains less losses from foreign currency translation	–	–	(405,381)	(405,381)
Gains less losses on disposal of investment securities available for sale	–	–	–	–
Administrative and other operating expenses	(631,761)	(341,957)	(357,964)	(1,331,682)
Segment results	**(30,034)**	**450,296**	**1,770,400**	**2,190,662**

26 Segment analysis (continued)

(d) Information on profit or loss, assets and liabilities of operating segments (continued)

(in thousands of Russian rubles)	Corporate banking	Retail banking	Treasury	Total
Total segment assets	**14,025,137**	**15,720,992**	**22,035,094**	**51,781,223**
Total segment liabilities	**(12,798,937)**	**(18,482,229)**	**(13,817,008)**	**(45,098,174)**

As of 31 December 2014, the Bank had no contractual capital expenditure commitments for reconstruction of buildings and acquisition of equipment.

Segment information on reporting segments for the year ended 31 December 2013 is presented in the table below:

(in thousands of Russian rubles)	Corporate banking	Retail banking	Treasury	Total
External income				
- Interest income	1,598,228	383,731	1,973,075	3,955,034
- Fee and commission income	525,793	31,403	8,612	565,808
Income from other segments				
- Interest income	(504,288)	1,024,677	(520,389)	–
Total income	**1,619,733**	**1,439,811**	**1,461,298**	**4,520,842**
Interest expense	(458,634)	(986,883)	(495,476)	(1,940,993)
Allowance for loan impairment	304,107	(87,940)	–	216,167
Depreciation and amortization	(69,203)	(37,458)	(39,211)	(145,872)
Fee and commission expense	(31,630)	–	–	(31,630)
Gains less losses from trading securities	–	–	(289)	(289)
Gains less losses from foreign currencies	–	–	45,848	45,848
Gains less losses from foreign currency translation	–	–	160,429	160,429
Gains less losses on disposal of investment securities available for sale	–	–	7,647	7,647
Administrative and other operating expenses	(546,524)	(292,263)	(305,943)	(1,144,730)
Segment results	**817,849**	**35,267**	**834,303**	**1,687,419**

(in thousands of Russian rubles)	Corporate banking	Retail banking	Treasury	Total
Total segment assets	**13,900,123**	**13,766,585**	**19,880,483**	**47,547,191**
Total segment liabilities	**(12,856,225)**	**(12,904,051)**	**(14,328,290)**	**(40,088,566)**

As of 31 December 2013, the Bank had no contractual capital expenditure commitments for reconstruction of buildings and acquisition of equipment.

26 Segment analysis (continued)

(d) Information on profit or loss, assets and liabilities of operating segments (continued)

Reconciliation of segment assets prepared in accordance with management accounts with total assets is presented below:

(in thousands of Russian rubles)	2014	2013
Segment assets	**51,781,223**	**47,547,191**
Recognition of subsequent events	(44,556)	308,514
Additional depreciation of property and equipment in accordance with IFRS depreciation rates	580,093	(129,792)
Revaluation of a building at the reporting date	164,826	158,441
Additional charge of allowance for impairment of loans to customers in accordance with IFRS	220,932	(123,550)
Recognition of deferred tax asset	–	419,195
Reversal of provision for other assets	317,472	314,697
Reclassification of property and equipment transferred under financial leases to finance lease receivables	(722,057)	(115,852)
Recognition of securities held to maturity at amortized cost	(181,716)	–
Other	(335,278)	(360,869)
Allocation of consolidated subsidiaries	147,199	–
Total assets	**51,928,138**	**48,017,975**
Segment liabilities	**45,098,174**	**40,088,566**
Recognition of subsequent events	66,085	73,790
Accrual of unused vacation liabilities	58,271	49,341
Accrual of bonuses for the reporting year recognized in the current year according to RAL	23,084	–
Reverse entry of deferred taxes under RAL	(194,073)	–
Accrual of deferred tax liability	19,172	–
Other	(77,210)	(375,792)
Total liabilities	**44,993,503**	**39,835,905**

Reconciliation of segment profit with profit before tax for the reporting year is presented below:

(in thousands of Russian rubles)	2014	2013
Segment profit	**2,190,662**	**1,687,419**
Additional depreciation of property and equipment in accordance with IFRS depreciation rates	56,604	(62,099)
Amortization of fee and commission income	(24,692)	(17,965)
Amortization of intangible assets	(10,731)	(26,707)
Allowance for impairment of loans to customers	344,482	(238,263)
Other	(375,350)	138,595
Allocation of consolidated subsidiaries	(141,493)	–
Profit before tax	**2,039,482**	**1,480,980**

(e) Analysis of income from products and services

The analysis of income from products and services is presented in Note 21 (Interest income and expense), Note 22 (Fee and commission income and expense) and Note 23 (Other operating income).

(f) Geographical information

The Bank carries out a significant part of its operations, receives income and incurs losses, and has assets and liabilities within the territory of the Russian Federation.

27 Financial risk management

Risk taking is the essence of financial business, and risk exposure is a key condition for operating in this business. The Bank's management believes the effective risk management system is a basis for financial stability and a key factor of the Bank's competitive ability, which determines its level of profitability and shareholders' value.

The primary objective of the Bank's risk management is to maximize the Bank's shareholders' value.

The main financial risks faced by the Bank are credit risk, market risk and liquidity risk.

Risk management system

Board of Directors

The Board of Directors approves and monitors the implementation of the risk management strategy, monitors the risk level and effectiveness of the Bank's risk management system.

Management Board

The Management Board is responsible for effective implementation of the risk management strategy. The Management Board approves the Bank's risk appetite (risk management policies) and monitors the risk level.

Risk management function

The Bank's risk management departments within the risk management function of the Bank are responsible for the following functions:

- Risk management methodology development;
- Identification of risks;
- Risk assessment / independent control over risk assessment;
- Realization of risk control measures, including control over compliance with the Bank's risk management strategy and policies and preparation of risk level reports.

Risk level reports are prepared on a regular basis (at least once a month) and are promptly communicated to business units and management of the Bank.

The Risk Management Function is headed by the member of the Management Board who is directly accountable to the Chairman of the Management Board.

Business units

Business units are primarily responsible for risk management on a daily basis: the owner of a business process is the owner of risks attributable to this business process. Heads of business units are responsible for implementation of risk management procedures in their business processes. Employees of the Bank's business units that carry out operations related to assuming risks are personally responsible for remediation of losses on risk realization and repayment of funds placed by the Bank in operations initiated by these employees.

Internal control function

Internal control function regularly reviews risk management processes for their adequacy, and monitors the fulfillment of these processes by the Bank's units. The results of these reviews are presented to the Board of Directors and the Management Board.

27 Financial risk management (continued)

Credit risk

A credit risk is the risk that the Bank will incur financial losses because its counterparties fail to discharge their financial obligations in full or in part or when due.

The Bank assumes credit risk due to credit operations and other operations exposed to credit risk.

The Bank manages credit risk separately for each customer group (corporate customers, SME customers, individuals, financial institutions). Credit risk management comprises the following stages:

1. Risk identification

   Risk identification is carried out during the stage of development and modification of loan products. Risk identification stage shows the Bank's exposure to credit risk and gives an opportunity to assess the potential risk level and set risk management methods.

   Risk identification is carried out by employees of the risk management department.

2. Risk assessment

   The Bank assesses risk both at counterparties/transactions level and whole loan portfolio level. Risk associated with counterparties is assessed through internal PD (probability of default) assessment models (rating models) and models for assessment of losses in case of default.

   Risk associated with loan portfolio is assessed using an extensive list of quantitative indicators (concentration ratios, transfer ratios, vintage curves, etc.).

   Counterparties' risks are assessed by business units employees upon obligatory independent control of risk management department. Loan portfolio risk is assessed by employees of the risk management department.

3. Risk controlling

   The Bank uses the following instruments to control credit risk:

   - Setting limits and control over compliance with limits;
   - Taking measures on risk mitigation (collateral, insurance, risk-based pricing);
   - Risk level monitoring (counterparties, portfolio);
   - Taking early response measures;
   - Reporting on risk level.

High-level limits (the Bank's risk appetite) are set under risk management strategies and policies approved by the Board of Directors and the Management Board of the Bank. Limits for separate counterparties and groups of related counterparties, concentration limits, etc. are set by decisions of collegial management bodies (Board of Directors, Management Board, Credit Committees) or the Bank's authorized bodies depending on the sum and type of a limit. Control over compliance with limits is carried out on a continuous basis by employees of business units and risk management department.

The primary way to mitigate credit risk is to secure counterparties' liabilities by a pledge of property. The value of the collateral is assessed by independent appraisers or by the Bank's employees using internal assessment methods. Credit risk mitigation is also achieved through application of such instruments as insurance (of collateral, title or borrowers' lives) and risk-based pricing of loan products/transactions.

In order to update risk level assessment and implement early response measures, the Bank regularly monitors financial position of counterparties (analyses financial statements and their business, etc.), updates assessments of internal credit ratings, monitors safety of the collateral and its revaluation, as well as the risk level of loan portfolio.

In case the Bank reveals any evidence of risk increase, it develops and introduces early response measures in a timely manner: at the level of separate transactions – immediate financial monitoring, taking additional collateral, restructuring, etc., at the level of portfolio – review of limits, introduction of changes in loan products, etc.

27 Financial risk management (continued)

Credit risk (continued)

Employees of risk management department prepare report on loan portfolio risk on a continuous basis and present it to business units and the Bank's management in a timely manner.

Information on the loan portfolio for large and medium businesses by credit ratings as of 31 December 2014 is presented below:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**
Rating 3 counterparties	152,233	−
Rating 4 counterparties	−	389,177
Rating 5 counterparties	514,374	549,537
Rating 6 counterparties	2,122,954	2,374,667
Total loans and advances to customers (before allowance for loan impairment)	**2,789,561**	**3,313,381**
Less: allowance for impairment	(21,389)	(35,196)
Total loans and advances to customers	**2,768,172**	**3,278,185**

Information on the loan portfolio for large and medium businesses by credit ratings as of 31 December 2013 is presented below:

(in thousands of Russian rubles)	**Large businesses**	**Medium businesses**
Rating 3 counterparties	88,564	−
Rating 4 counterparties	186,535	203,184
Rating 5 counterparties	3,964,196	906,637
Rating 6 counterparties	3,314,042	2,599,899
Rating 7, 8, 9 counterparties (default)	−	413,878
Total loans and advances to customers (before allowance for loan impairment)	**7,553,337**	**4,123,598**
Less: allowance for impairment	(17,904)	(72,187)
Total loans and advances to customers	**7,535,433**	**4,051,411**

Below are the descriptions/characteristics of a scale of internal credit ratings applied by the Bank to large and medium corporate counterparties:

Rating 1

Rating 1 counterparties are characterized by a very high ability to fulfill their obligations in time and in full. These counterparties are mainly the largest enterprises with a stable (leading) position in the market, including enterprises that operate internationally.

Rating 2

Rating 2 counterparties are characterized by a high ability to fulfill their obligations in time and in full. These counterparties are mainly the largest national enterprises with a leading position in the market.

27 Financial risk management (continued)

Credit risk (continued)

Rating 3

Rating 3 counterparties are characterized by an adequate ability to fulfill their obligations in time and in full. These counterparties are mainly large national enterprises with an adequately stable position in the market.

Rating 4

Rating 4 counterparties fulfill their obligations in time and in full, but negative changes of economic situation may lead to a decreasing ability to fulfill obligations in the medium term. These counterparties are mainly large and medium regional enterprises with a significant market share in their region.

Rating 5

Rating 5 counterparties fulfill their obligations in time and in full, but negative changes of economic situation are likely to lead to a decreasing ability to fulfill obligations adequately. These counterparties are mainly companies that operate in local markets and risk losing their position in business, e.g., when larger players enter the market. Besides, larger companies with aggressive financial policy are also included into this category.

Rating 6

Rating 6 counterparties fulfill their obligations in time and in full, but the ability to fulfill obligations adequately may decrease even in a favorable economic environment. This group mainly comprises small companies, whose market positions are vulnerable in case larger competitors enter the market (market share increase). Larger companies with excessive debt burden or negative trends in business may also be included in this category.

Ratings 7, 8, 9

Rating 7, 8, 9 counterparties fall under criteria of default (impairment) adopted by the Bank and differentiate between themselves in accordance with sources and possibilities of repaying their debt to the Bank.

Market risk

Market risk is the risk that the Bank will incur financial losses due to changes in market prices of financial instruments, including exchange and interest rates. Market risk comprises price, currency and interest rate risk.

Market risk arises from open positions in equity, debt, currency and interest rate financial instruments exposed to general and specific changes in the market.

The Bank manages market risk centrally:

- Risk identification, assessment and control – employees of the risk management departments;
- Decision making in market risk management, including setting risk limits – The Asset and Liability Committee;
- Management of open positions in financial instruments exposed to market risk – Treasury.

The Bank opens positions in financial markets to develop customer business and manage liquidity. Opening of own speculative positions is not allowed.

Quantitative assessment of market risk is performed on a daily basis using Value-at-Risk methodology ("VaR"). VaR is a technique that estimates the potential losses that could occur on positions, which will not be exceeded over a specified period of time at a given confidence level. The Bank uses the following parameters of VaR model: confidence level – 99%; period of time (projection horizon) – 10 working days; VaR valuation method – historical, using statistical data for the last 12 months.

27 Financial risk management (continued)

Market risk (continued)

Although VaR is a common tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets, which include the majority of the debt and equity instruments traded in Russia:

- The use of historical data as a basis for determining future events may not encompass all possible scenarios.
- A 10-day projection horizon assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- The use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a 1% possibility that losses will exceed VaR.
- As VaR is only calculated on an end-of-day basis, it does not necessarily reflect exposures that may arise on positions during the trading day.

Price risk

Price risk is the risk that the Bank will incur financial losses due to changes in market prices of financial instruments.

The Bank manages price risk using the following instruments:

- Price risk assessment for open positions;
- Limitation of types of financial instruments, for which opening of positions is possible;
- Setting price risk limits and control over compliance with these limits;
- Diversification of portfolios.

As of 31 December 2014 and 2013, the Bank had the following VaRs for the securities portfolio:

(in thousands of Russian rubles)	**31 December 2014**	**31 December 2013**
Price risk on securities, of which	752,515	903,640
- debt securities	738,519	903,640
- equity securities	13,996	–

The table below presents sensitivities of financial result to reasonably possible changes of market prices:

	31 December 2014		**31 December 2013**	
(in thousands of Russian rubles)	**Effect on profit or loss**	**Effect on equity**	**Effect on profit or loss**	**Effect on equity**
Trading securities				
Increased by 532 basis points (2013: increased by 971 basis points)	738,519	–	866,747	–
Decreased by 532 basis points (2013: decreased by 971 basis points)	(738,519)	–	(866,747)	–
Investment securities available for sale				
Increased by 2,248 basis points (2013: increased by 1,271 basis points)	–	13,996	–	36,893
Decreased by 2,248 basis points (2013: decreased by 1,271 basis points)	–	(13,996)	–	(36,893)

27 Financial risk management (continued)

Currency risk

Currency risk is the risk that the Bank will incur financial losses due to changes in exchange rates.

The Bank manages currency risk using the following instruments:

- Currency risk assessment for open currency positions;
- Setting currency risk limits and control over compliance with these limits;
- Hedging currency risk using derivative financial instruments.

The table below summarizes the Bank's exposure to currency risk as at 31 December 2014:

	31 December 2014			
(in thousands of Russian rubles)	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instruments**	**Net position**
RUB	36,245,227	(31,045,111)	4,928	5,205,044
USD	11,403,777	(11,285,834)	(66,130)	51,813
EUR	2,330,719	(2,306,912)	(99)	23,708
CZK	3,165,507	(3,010,296)	–	155,211
Other	210,471	(206,427)	–	4,044
Total	**53,355,701**	**(47,854,580)**	**(61,301)**	**5,439,820**

The table below summarizes the Bank's exposure to currency risk as at 31 December 2013:

	31 December 2013			
(in thousands of Russian rubles)	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instruments**	**Net position**
RUB	36,669,516	(31,647,470)	(726)	5,021,320
USD	7,141,508	(7,110,412)	92	31,188
EUR	692,130	(694,818)	(146)	(2,834)
Other	103,198	(101,726)	(2)	1,470
Total	**44,606,352**	**(39,554,426)**	**(782)**	**5,051,144**

The abovementioned derivative financial instruments are monetary financial assets or monetary financial liabilities, but they are presented separately in order to demonstrate the total risk of the Bank.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions (and payments) with each counterparty. The amounts by currency are presented gross as stated in Note 30. The analysis presented above includes only monetary assets and liabilities.

Investments in equity instruments and non-monetary assets are not considered to give rise to any material currency risk.

27 Financial risk management (continued)

Currency risk (continued)

The table below presents sensitivities of financial result to reasonably possible changes in exchange rates applied at the end of the reporting period, whereas all other variables remain the same:

	As of 31 December 2014		As of 31 December 2013	
(in thousands of Russian rubles)	**Effect on profit or loss**	**Effect on equity**	**Effect on profit or loss**	**Effect on equity**
USD strengthening by 28.54% (2013: strengthening by 20%)	14,791	14,791	6,241	(2,484)
USD weakening by 28.54% (2013: weakening by 20%)	(14,791)	(14,791)	(6,241)	2,484
EUR strengthening by 29.58% (2013: strengthening by 20%)	7,011	7,011	(567)	(3,660)
EUR weakening by 29.58% (2013: weakening by 20%)	(7,011)	(7,011)	567	3,660
CZK strengthening by 29.82%	46,442	46,442	–	–
CZK weakening by 29.82%	(46,442)	(46,442)	–	–

Interest rate risk

Interest risk is the risk that the Bank will incur financial losses due to changes in interest rates.

The Bank is exposed to interest rate risk due to realization of trade operations with debt securities.

The Bank manages interest rate risk using the following instruments:

- Interest risk assessment;
- Narrowing the gap between assets and liabilities by terms of revaluation of interest rates broken down by separate currencies;
- Mitigation of interest risk during development / modification of products.

As of 31 December 2014 VAR of the debt securities portfolio amounted to RUB 738,519 thousand (2013: RUB 903,640 thousand).

Liquidity risk

Liquidity risk is the risk that the Bank will incur financial losses due to the Bank's inability to meet its financial obligations in time, in full and at minimal cost.

Liquidity risk exists when the maturities of assets and liabilities do not match.

The Bank manages liquidity risk centrally:

- Strategic management – the Assets and Liabilities Committee;
- Operative management – Treasury.

The Bank uses the following liquidity risk management methods:

- Ensuring balanced structure of assets and liabilities in terms of maturities;
- Diversification of funding sources, focus on stable customer liabilities;
- Forming "liquidity cushion", which consists of highly liquid financial instruments with low level of credit risk;
- Stress-testing of liquidity risk and development of action plans in case of liquidity crisis;
- Projecting proceeds and payments, maintenance of payment position.

In order to control liquidity risk, the Bank also calculates liquidity ratios on a daily basis in accordance with requirements of the Central Bank of Russia. The Bank complied with all liquidity ratios requirements as of 31 December 2014.

27 Financial risk management (continued)

Liquidity risk (continued)

Treasury receives information on financial assets and liabilities, and ensures an adequate portfolio of short-term liquid assets which primarily consists of short-term liquid trade securities, bank deposits and other interbank instruments in order to keep a sufficient level of liquidity within the Bank.

Treasury controls daily liquidity position and carries out stress-testing based on different scenarios covering regular and more adverse market conditions on a regular basis.

The Bank entered into a general loan contract with the CBR to provide loans in the form of overdrafts with a limit of RUB 3,500,000 thousand secured by the collateral of securities (2013: RUB 3,500,000 thousand). As of 31 December 2014, in accordance with the contract, trading securities in the amount of RUB 514,912 thousand were blocked (2013: trading securities in the amount of RUB 450,526 thousand). As of 31 December 2014 and 31 December 2013, the overdraft was not used by the Bank. Refer to Notes 8, 12, 34.

The table below shows liabilities as of 31 December 2014 by their remaining contractual maturities. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including total loan commitments and financial guarantees. Such undiscounted cash flows differ from the amounts included in the statement of financial position since these amounts are based on discounted cash flows.

Financial derivative instruments are included in the table at their payable/receivable contractual values, except when the Bank assumes the derivatives position will be closed before maturity. In this case, derivatives are included on the basis of expected cash flows.

In cases when the amount payable is not fixed, the amount shown in the table is determined by the conditions existing as of the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The table below presents maturity analysis of financial instruments as of 31 December 2014:

(in thousands of Russian rubles)	**On demand and less than 1 month**	**1 to 6 months**	**6 to 12 months**	**Over 12 months**	**Total**
Liabilities					
Amounts due to other banks	7,837,792	4,158,674	–	–	11,996,466
Amounts due to customers	10,788,310	3,271,859	6,996,410	13,437,819	34,494,398
Debt securities issued	4,203	204,356	1,432,694	47,643	1,688,896
Other financial liabilities	81,255	–	–	–	81,255
Derivative financial instruments	66,229	–	–	–	66,229
Total potential future payments for financial liabilities	**18,777,789**	**7,634,889**	**8,429,104**	**13,485,462**	**48,327,244**

The table below presents maturity analysis of financial instruments as of 31 December 2013:

(in thousands of Russian rubles)	**On demand and less than 1 month**	**1 to 6 months**	**6 to 12 months**	**Over 12 months**	**Total**
Liabilities					
Amounts due to other banks	8,392,027	2,123,552	210,612	1,229,238	11,955,429
Amounts due to customers	8,851,413	5,393,850	4,451,301	9,231,645	27,928,209
Debt securities issued	51,484	97,785	1,500,000	758,640	2,407,909
Other financial liabilities	3,202	1,576	1,273	–	6,051
Derivative financial instruments	874	–	–	–	874
Total potential future payments for financial liabilities	**17,299,000**	**7,616,763**	**6,163,186**	**11,219,523**	**42,298,472**

27 Financial risk management (continued)

Liquidity risk (continued)

As of 31 December 2014 and 31 December 2013, all credit-related contingencies are included in "On demand and less than 1 month" category.

Customer accounts are classified in the above analysis by contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank does not use the above non-discounted maturity analysis to manage liquidity. Instead of this, as of 31 December 2014, the Bank controls expected maturities and expected liquidity gap, which are reflected in the table below:

(in thousands of Russian rubles)	**On demand and less than 1 month**	**1 to 6 months**	**6 to 12 months**	**12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	8,173,843	–	–	–	–	8,173,843
Obligatory reserve with the CBR	320,511	–	–	–	–	320,511
Trading securities	6,993,522	–	–	–	–	6,993,522
Amounts due from other banks	2,884,343	–	–	–	–	2,884,343
Loans and advances to customers	546,870	5,195,659	5,640,980	9,529,483	5,559,201	26,472,193
Finance lease receivables	38,754	175,095	95,754	90,899	430	400,932
Investment securities available for sale	1,070,779	–	–	–	–	1,070,779
Securities held to maturity	–	180,218	–	3,584,544	–	3,764,762
Other financial assets	104,337	–	–	–	–	104,337
Total financial assets	**20,132,959**	**5,550,972**	**5,736,734**	**13,204,926**	**5,559,631**	**50,185,222**
Liabilities						
Amounts due to other banks	7,816,950	3,963,159	–	–	–	11,780,109
Amounts due to customers	10,764,251	3,188,207	6,405,230	8,484,171	2,417,212	31,259,071
Debt securities issued	4,200	130,112	1,424,195	43,397	–	1,601,904
Other financial liabilities	81,255	–	–	–	–	81,255
Total financial liabilities	**18,666,656**	**7,281,478**	**7,829,425**	**8,527,568**	**2,417,212**	**44,722,339**
Net liquidity gap as of 31 December 2014	**1,466,303**	**(1,730,506)**	**(2,092,691)**	**4,677,358**	**3,142,419**	**5,462,883**
Cumulative liquidity gap as of 31 December 2014	**1,466,303**	**(264,203)**	**(2,356,894)**	**2,320,464**	**5,462,883**	

27 Financial risk management (continued)

Liquidity risk (continued)

As of 31 December 2013, the analysis by the expected maturities is as follows:

(in thousands of Russian rubles)	**On demand and less than 1 month**	**1 to 6 months**	**6 to 12 months**	**12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	6,808,070	−	−	−	−	6,808,070
Obligatory reserve with the CBR	248,140	−	−	−	−	248,140
Trading securities	8,065,424	−	−	−	−	8,065,424
Amounts due from other banks	1,085,545	−	−	−	−	1,085,545
Loans and advances to customers	531,393	8,130,840	6,929,225	10,026,465	2,185,173	27,803,096
Finance lease receivables	20,100	147,425	244,329	1,031,513	−	1,443,367
Investment securities available for sale	288,865	−	−	−	−	288,865
Other financial assets	66,344	−	−	−	−	66,344
Total financial assets	**17,113,881**	**8,278,265**	**7,173,554**	**11,057,978**	**2,185,173**	**45,808,851**
Liabilities						
Amounts due to other banks	8,367,485	1,851,993	82,912	−	800,000	11,102,390
Amounts due to customers	8,844,422	5,288,006	4,166,148	7,837,124	298	26,135,998
Debt securities issued	51,406	13,081	1,500,000	726,286	−	2,290,773
Other financial liabilities	3,202	1,576	1,273	−	−	6,051
Total financial liabilities	**17,266,515**	**7,154,656**	**5,750,333**	**8,563,410**	**800,298**	**39,535,212**
Net liquidity gap as of 31 December 2013	**(152,634)**	**1,123,609**	**1,423,221**	**2,494,568**	**1,384,875**	**6,273,639**
Cumulative liquidity gap as of 31 December 2013	**(152,634)**	**970,975**	**2,394,196**	**4,888,764**	**6,273,639**	

In 2014 and 2013, the portion of the Bank's securities portfolio is classified as "On demand and less than 1 month", as these securities are trading by their nature, and the management is convinced that this classification reflects the liquidity of securities correctly.

Eurobonds classified in loans to customers and amounts due from other banks were categorized as "On demand and less than 1 month", as the Bank may use this financial asset to raise funds during a short period of time.

Management believes that despite a substantial portion of amounts due to customers being on demand, the diversification of these deposits by number and type of depositors, and the past experience of the Bank, indicates that these amounts provide a long-term and stable source of funding for the Bank.

Management assumes the matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Bank's business. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability of activities, but can also increase the risk of losses.

The Bank thoroughly monitors the negative cumulative liquidity gap. The Bank assesses risk attributable to its activities, sets limits on high-risk operations and analyzes actual costs against budget, which helps to control expenses.

The liquidity requirements to support calls under guarantees and letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under these commitments. The total outstanding contractual commitments to extend credit do not necessarily represent future cash requirements since many of these commitments will expire or terminate without being funded.

28 Capital management

The Bank's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation and (ii) to safeguard the Bank's ability to continue as a going concern. Compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is monitored using the daily reports outlining the calculation and the monthly reports signed by the Chairman of the Management Board and Chief Accountant of the Bank. During 2014 and 2013, the Bank complied with all its externally imposed capital requirements.

29 Commitments

Operating environment. The Russian Federation displays certain characteristics of an emerging market. Russian tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation.

The international sovereign debt crisis, stock market volatility and other risks may negatively affect the Russian financial and corporate sector. Management determined allowances for loan impairment considering current economic situation and year-end outlook and used the "incurred loss" model required by the applicable accounting standards. According to these standards, impairment losses resulted from past events shall be recognized and impairment losses that may result from future events shall not be recognized irrespective of the likelihood of such events. Refer to Note 4.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth and to change the tax, legal and regulatory environment. Management believes it is taking all appropriate measures to support the sustainability and development of the Bank's business in the current business and economic 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 Russian government.

In 2014, the Russian economy was negatively impacted by a significant drop in crude oil prices, a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia by several countries. This resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding further economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Legal proceedings. From time to time and in the ordinary course of business, claims against the Bank are received. Based on its own assessment and recommendations of internal professional advisors, the Bank management believes that the related legal proceedings will not result in material losses for the Bank, and, therefore, did not provide for such legal proceedings in its financial statements.

Taxation. The Bank's business activity is carried out in the Russian Federation. Some provisions of the Russian tax, currency and customs legislation as currently in effect are vaguely drafted and are often subject to varying interpretations (which, in particular, may apply to legal relations retrospectively), selective and inconsistent application and changes which can occur frequently and, in some cases, at short notice. Therefore, management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal regulatory authorities at any time in the future. The tax authorities may be taking a more assertive position in their interpretation and application of this legislation, in performing tax reviews and assessing additional taxes. As a result, it is possible that transactions and operations of the Company that have not been challenged in the past may be challenged by the tax authorities. Thus, the relevant authorities may impose significant additional taxes, penalties and fines.

Tax field audits of the accuracy of tax accruals and payments conducted by tax authorities may cover three calendar years immediately preceding the year in which the decision to perform the tax review was taken. Under certain circumstances audits may cover earlier periods.

29 Contingencies (continued)

The current Russian transfer pricing legislation allows the Russian tax authority to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market price. The list of "controlled" transactions includes transactions performed with related parties (both domestic and cross-border transactions) and certain types of transactions with non-related parties that are treated as "controlled" transactions for Russian transfer pricing purposes.

The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions taking place in 2014 but also to the prior "controlled" transactions if related income and expenses were recognized in 2014 (except for several types of transactions). Special transfer pricing rules apply to transactions with securities and derivatives.

The provisions apply for both cross-border and domestic transactions. For domestic transactions the transfer pricing rules apply only if the value of all transaction with related party exceeds RUR 1 billion in 2014. Subject to certain conditions, in cases where the domestic transaction resulted in an accrual of additional tax liabilities for one party to the transaction, another party could correspondingly adjust its profit tax liabilities.

In 2014 the Company determined its tax liabilities arising from "controlled" transactions using actual transaction prices.

Due to the uncertainty and absence of established practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Company under the "controlled" transactions and accrue additional tax liabilities unless the Company is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

Capital expenditure commitments. As of 31 December 2014 and 31 December 2013, the Bank had no contractual capital expenditure commitments for reconstruction of buildings and acquisition of equipment.

The Bank is confident that future net revenues and funding will be sufficient to cover these or any similar commitments.

Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

(in thousands of Russian rubles)	**2014**	**2013**
Less than 1 year	97,206	98,487
From 1 to 5 years	91,423	131,683
Total operating lease commitments	**188,629**	**230,170**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

In 2014 the Bank provided trade financing services for corporate customers. Data concerning guarantees and letters of credit issued relate to this type of activity.

29 Contingencies (continued)

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to undrawn loan commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments if unused amounts should have been used. However, the likely amount of losses is less than the total amount of unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit-related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Credit related commitments comprise:

(in thousands of Russian rubles)	**2014**	**2013**
Guarantees issued	1,582,790	1,694,053
Import letters of credit issued	142,205	447,279
Less allowance for credit-related commitments	(32,642)	(20,088)
Total credit related commitments	**1,692,353**	**2,121,244**

The total outstanding contractual amount of letters of credit and guarantees does not necessarily represent future cash requirements, as these liabilities may expire or terminate without being funded. As of 31 December 2014, the fair value of guarantees was RUB 59,225 thousand (2013: RUB 28,424 thousand).

As of 31 December 2014, these irrevocable letters of credit were collateralized by term deposits in the amount of RUB 263,429 thousand (2013: RUB 587,592 thousand). Refer to Note 17.

As of 31 December 2014, unused limits on guarantees amounted to RUB 264,606 thousand. (2013: RUB 366,685 thousand).

Credit-related commitments are denominated in currencies as follows:

(in thousands of Russian rubles)	**2014**	**2013**
RUB	1,540,178	1,694,053
USD	140,510	447,279
CZK	11,665	–
Total	**1,692,353**	**2,141,332**

30 Derivative financial instruments

Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The total fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The table below sets out fair values, at the reporting date, of currencies receivable or payable under foreign exchange forward contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short-term in nature.

	2014			**2013**		
(in thousands of Russian rubles)	**Notional or contractual amount**	**Contracts with positive fair value**	**Contracts with negative fair value**	**Notional or contractual amount**	**Contracts with positive fair value**	**Contracts with negative fair value**
Forward transactions:						
- purchase of USD against RUB	3,416,985	–	(66,130)	45,729	92	–
- purchase of RUB against USD	258,091	4,928	–	1,357,536	–	(726)
- purchase of EUR against RUB	6,933	–	(99)	69,849		(146)
- purchase of RUB against EUR	–	–	–	–	–	–
- purchase of JPY against RUB	–	–	–	1,120	–	(2)
Total derivative financial instruments	**3,682,009**	**4,928**	**(66,229)**	**1,474,234**	**92**	**(874)**

30 Derivative financial instruments (continued)

As of 31 December 2014, the Bank does not expect to settle these forward contracts in cash on a net basis and therefore recognizes them in the statement of financial position as an asset at net fair value in the amount of RUB 4,928 thousand (2013: RUB 92 thousand) and a liability in the amount of RUB 66,229 thousand (2013: RUB 874 thousand). (Refer to Notes 15 and 18).

31 Fair values of financial instruments

(a) Fair values of financial instruments carried at amortized cost

Fair values of financial instruments carried at amortized cost are presented below:

	2014		2013	
(In thousands of Russian rubles)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	**8,173,843**	**8,173,843**	**6,808,070**	**6,808,132**
- Cash on hand	911,884	911,884	601,788	601,788
- Settlement accounts with financial institutions	1,014,122	1,014,122	110,575	110,575
- Cash balances with the CBR	1,330,905	1,330,905	2,345,573	2,345,573
- Correspondent accounts and overnight deposits	4,716,815	4,716,815	2,949,996	2,949,996
- Deposits with other banks with original maturities of less than three months	–	–	800,138	800,200
- Reverse repurchase agreements with credit institutions up to 90 days	200,117	200,117	–	–
Obligatory reserve with the CBR	**320,511**	**320,511**	**248,140**	**248,140**
Amounts due from other banks	**2,884,343**	**2,821,220**	**1,085,545**	**1,192,560**
- Eurobonds	2,884,343	2,821,220	1,085,545	1,192,560
Loans to customers	**26,472,193**	**26,367,944**	**27,803,096**	**28,299,594**
- Large businesses	2,768,172	3,070,381	7,535,433	7,804,158
- Medium businesses	3,278,185	3,139,834	4,051,411	4,463,933
- Small businesses	5,022,078	5,015,235	2,885,508	3,365,483
- Individuals	15,403,758	15,142,494	13,330,744	12,666,020
Finance lease	**400,932**	**400,932**	**1,443,367**	**1,443,367**
Investment securities held to maturity	**3,764,762**	**3,507,506**	**–**	**–**
- Federal loan bonds (OFZ)	3,584,544	3,329,304	–	–
- Bonds of banks	180,218	178,202	–	–
Other financial assets	**99,409**	**99,409**	**66,252**	**66,252**
Credit and debit card receivables	84,388	84,388	49,094	49,094
Guarantee deposits	10,000	10,000	12,618	12,618
Other	5,021	5,021	4,540	4,540
Total financial assets carried at amortized cost	**42,115,993**	**41,691,365**	**37,454,470**	**38,058,045**

31 Fair values of financial instruments (continued)

(a) Fair values of financial instruments carried at amortized cost (continued)

	2014		2013	
(In thousands of Russian rubles)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities				
Amounts due to other banks	**11,780,109**	**11,763,809**	**11,102,390**	**11,058,622**
- Correspondent accounts and overnight deposits	4,482,404	4,482,404	2,540,287	2,540,287
- Deposits from the CBR and other banks	754,612	754,791	3,793,185	3,749,417
- Repurchase agreements with the CBR	3,988,799	3,988,799	4,768,918	4,768,918
- Repurchase agreements with other banks	2,554,294	2,537,815	–	–
Amounts due to customers	**31,259,071**	**31,194,126**	**26,135,998**	**27,606,287**
- Current/settlement accounts of state and public organizations	12,851	12,851	11,518	11,518
- Term deposits of state and public organizations	56,258	56,258	42,888	42,888
- Current/settlement accounts of other legal entities	3,811,964	3,811,964	3,163,388	3,163,388
- Term deposits of other legal entities	8,641,973	8,015,489	9,811,868	10,217,821
- Current/demand accounts of individuals	2,773,563	2,773,563	1,478,745	1,478,745
- Term deposits of individuals	15,962,462	16,524,001	11,627,591	12,691,927
Other financial liabilities	**9,758**	**9,758**	**5,177**	**5,177**
- Credit and debit card payables	9,758	9,758	2,328	2,328
- Deferred fee and commission income	–	–	2,849	2,849
Debt securities issued	**1,601,904**	**1,776,394**	**2,290,773**	**2,290,773**
Total financial liabilities carried at amortized cost	**44,650,842**	**44,744,087**	**39,534,338**	**40,960,859**

31 Fair values of financial instruments (continued)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value

For financial instruments carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized are as follows:

	2014			2013		
(in thousands of Russian rubles)	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Significant observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Significant observable inputs (Level 3)**
Financial assets measured at fair value						
Trading securities	**2,986,358**	**1,716,187**	**–**	**2,790,602**	**317,356**	**–**
- Bonds of banks	1,707,593	1,481,920	–	2,199,631	317,356	–
- Corporate bonds	1,073,086	116,717	–	585,073	–	–
- Bonds of subjects of the Russian Federation	–	117,550	–	5,898	–	–
- Corporate shares	205,679	–	–	–	–	–
Receivables under sale and repurchase agreements (trading securities)	**1,328,070**	**962,907**	**–**	**4,249,298**	**708,168**	**–**
- Bonds of banks	373,831	432,301	–	2,358,346	708,168	–
- Corporate bonds	954,239	455,990	–	–	–	–
- Corporate shares	–	–	–	1,485,039	–	–
- Bonds of subjects of the Russian Federation	–	74,616	–	405,913	–	–
Available-for-sale investment securities	**62,251**	**–**	**1,008,528**	**106,958**	**–**	**–**
- Corporate shares	62,251	–	1,008,528	–	–	–
- Bonds of Russian banks	–	–	–	1,082	–	–
- Promissory notes of Russian banks	–	–	–	105,876	–	–
Receivables under sale and repurchase agreements (securities for sale)	**–**	**–**	**–**	**181,907**	**–**	**–**
- Bonds of Russian banks	–	–	–	181,907	–	–
Other financial assets	–	**4,928**	**–**	**–**	**92**	**–**
- Derivative financial instruments (SWAP deals)	–	4,928	–	–	92	**–**
Total financial assets at fair value	**4,376,679**	**2,684,022**	**1,008,528**	**7,328,765**	**1,025,616**	**–**
Financial assets for which fair values are disclosed						
Cash and cash equivalents	**–**	**8,173,843**	**–**	**6,808,070**	**–**	**–**
Amounts due from credit institutions	**–**	**2,821,220**	**–**	**–**	**1,192,560**	**–**
Loans to customers	**–**	**–**	**26,367,944**	**–**	**–**	**28,299,594**
Investment securities held to maturity	**3,507,506**	**–**	**–**	**–**	**–**	**–**
Total financial assets for which fair values are disclosed	**3,507,506**	**10,995,063**	**26,367,944**	**6,808,070**	**1,192,560**	**29,299,594**
Financial liabilities at fair value						
Other financial liabilities	**–**	**66,229**	**–**	**–**	**874**	**–**
- Derivative financial instruments (SWAP deals)	–	66,229	–	–	874	–
Total financial liabilities at fair value	**–**	**66,229**	**–**	**–**	**874**	**–**
Financial liabilities for which fair values are disclosed						
Amounts due to the CBR and other banks			**11,763,809**	**–**	**–**	**11,058,622**
Amounts due to customers			**31,194,126**	**–**	**–**	**27,606,287**
Debt securities issued			**1,776,394**	**–**	**–**	**2,290,773**
Total financials liabilities for which fair values are disclosed			**44,734,329**	**–**	**–**	**40,955,682**

31 Fair values of financial instruments (continued)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value (continued)

Management uses professional judgments to allocate financial assets to a particular level of the fair value hierarchy. If observable inputs requiring significant adjustments are used in fair value measurement, this measurement is included in Level 2. Significance of used inputs is assessed for aggregated fair value measurement.

In 2014, the Bank transferred certain trading securities from Level 1 to Level 2 of the fair value hierarchy in the amount of RUB 1,706,159 thousand due to decline in economic activity. These securities represent bank, corporate bonds and bonds of the subjects of the Russian Federation, part of them in the amount of RUB 452,442 thousand is pledged under repurchase agreements.

(c) The methods and assumptions applied in determining fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Fair value is best evidenced by the active quoted market price of a financial instrument. Where quoted market prices are not available, the Bank uses valuation techniques. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and maturity.

At the date of subsidiary acquisition, fair value of finance lease did not significantly differ from carrying amount. According to professional judgments of the management, as of 31 December 2014, fair value of finance lease also did not differ significantly from carrying amount.

The use of interest rates is subject to instrument currency and maturity and credit risk of the counterparty. The analysis of these rates is presented below:

	2014	**2013**
Amounts due from other banks		
Term deposits with other banks	0.6%-8.9% per annum	0.2%-8.7% per annum
Loans and advances to customers		
Large businesses	2.3%-18.3% per annum	3.8%-10.6% per annum
Medium businesses	9.7%-16.1% per annum	3.8%-10.6% per annum
Small businesses	10.7%-16.1% per annum	3.8%-10.6% per annum
Loans to individuals	10.3%-24.8% per annum	9.6%-23.5% per annum
Amounts due to other banks		
- Correspondent accounts and overnight deposits of other banks	0.0% per annum	0.0% per annum
- Deposits of other banks	2.7%-15.6% per annum	0.3%-8.6% per annum
- Repurchase agreements with other banks	15.6% per annum	0.3%-6.3% per annum
Amounts due to customers		
- Term deposits of legal entities	1.7%-14.4% per annum	0.4%-8.1% per annum
- Term deposits of individuals	4.9%-12.3% per annum	0.2%-7.4% per annum

32 Related parties disclosures

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

For the purpose of related party disclosures, participants comprise entities or individuals owning, directly or indirectly, an interest in the share capital that gives them significant influence over the Bank.

Other related parties comprise close relatives of individuals and key management personnel who can have influence on or can be influenced by such individuals in relation to transactions with the Bank.

32 Related parties disclosures (continued)

As of 31 December 2014, the outstanding balances with related parties were as follows:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Cash and cash equivalents	–	–	2,190,432	–
Available-for-sale investment securities	–	–	1,008,528	–
Loans and advances to customers (contractual interest rate: 9.0%-26.0%)	–	51,525	263,825	776
Other non-financial assets	–	297	139	–
Amounts due to other banks (contractual interest rate: 2.5%)	–	–	415,536	–
Amounts due to customers (contractual interest rate: 0.1%-18.0%)	1,547,481	282,714	259,761	29,741
Subordinated loans (contractual interest rate: 9.0%)	–	–	800,000	–
Other financial liabilities	–	5,268	10,065	–
Other non-financial liabilities	5,366	16,674	9	75

Income and expenses for 2014 arising from transactions with related parties are disclosed below:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Interest income	16,687	4,296	42,487	135
Interest expense	(66,751)	(33,638)	(103,162)	(1,359)
Reversal of allowance / (allowance) for loan impairment	709	9	(5,178)	(3)
Gains less losses from foreign currencies	298	275	27,818	51
Gains less losses / (losses net of gains) from foreign currency translation	(503,703)	(54,964)	69,791	(15,942)
Gains less losses from investment securities available for sale	1,278,880	24,006	–	–
Gains less losses from derivative financial instruments	–	–	28,988	–
Losses net of gains from sale of loans to customers and other banks	(1,918)	–	–	–
Disposal of subsidiaries	555,971	–	–	–
Fee and commission income	5,065	580	15,046	146
Fee and commission expense	(596)	–	(2,731)	–
Other operating income	3	14	1,640	–
Administrative and other operating expenses	(31,868)	(217,928)	(12,787)	(4,301)

Other rights and obligations under transactions with related parties as of 31 December 2014 were as follows:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Guarantees issued by the Bank	–	–	166,094	–
Guarantees received by the Bank at the end of the year	387,585	101,710	1,133,317	114,986
Other contingencies	2,000	1,314	7,763	166

32 Related party disclosures (continued)

Aggregate amounts lent to and repaid by related parties in 2014 were as follows:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Amounts lent to related parties during the year	19,655	40,058	3,257,395	3,064
Amounts repaid by related parties during the year	206,191	30,917	3,003,038	3,617

As of 31 December 2013, the outstanding balances with related parties were as follows:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Cash and cash equivalents	−	−	15,472	−
Trading securities	−	−	440,493	−
Loans and advances to customers (contractual interest rate: 9.0%-26.0%)	185,827	42,264	14,647	1,337
Other financial assets	−	−	92	−
Other non-financial assets	−	202	120	−
Amounts due to other banks (contractual interest rate: 0.1%-4.5%)	−	−	1,991,818	−
Amounts due to customers (contractual interest rate: 0.1%-11.3%)	1,541,226	418,655	24,288	12,489
Subordinated loans (contractual interest rate: 9.0%)	−	−	800,000	−
Other financial liabilities	−	−	872	
Other non-financial liabilities	911	8,800	1,035	90

Income and expenses for 2013 arising from transactions with related parties are disclosed below:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Interest income	17,604	5,940	104,036	170
Interest expense	(48,773)	(39,429)	(51,418)	(939)
Reversal of allowance / (allowance) for loan impairment	231	(66)	2,435	1
Gains less losses / (losses net of gains) from dealing in foreign currencies	394	146	(23,544)	44
Gains less losses / (losses net of gains) from foreign currency translation	(15,962)	(7,460)	1,418	(36)
Losses net of gains from derivative financial instruments	−	−	(780)	−
Gains less losses from sale of loans to customers and other banks	−	−	2,000	−
Fee and commission income	1,209	522	6,526	81
Fee and commission expense	−	−	(4,554)	−
Other operating income	−	1	966	−
Administrative and other operating expenses	(18,402)	(167,057)	(4,636)	(2,736)

32 Related party disclosures (continued)

Other rights and obligations under transactions with related parties as of 31 December 2013 were as follows:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Guarantees received by the Bank at the end of the year	624,480	8,050	98,188	14,986
Other contingencies	2,000	1,315	33,109	549

Aggregate amounts lent to and repaid by related parties in 2013 were as follows:

(in thousands of Russian rubles)	**Participants**	**Key management personnel**	**Other entities under common control**	**Other related parties**
Amounts lent to related parties during the year	–	81,365	652,672	7,611
Amounts repaid by related parties during the year	–	62,634	1,230,415	6,442

Compensations to key management are presented below:

(in thousands of Russian rubles)	**2014**	**2013**
Short-term payments:		
- Salaries	213,389	160,725
- Short-term bonuses	7,544	3,981
Total	**220,933**	**164,706**

Short-term bonuses are payable in full within twelve months after the period when management provided the respective services.

33 Business combinations

On 1 September 2014, the Bank purchased 100% of voting shares of LBBW Bank CZ a.s. LBBW Bank CZ a.s is a modern universal commercial bank, which provides high quality services for corporate and retail clients, as well as services related to international banking, investment business and operations at financial markets. The Bank has been operating in the banking market of the Czech Republic since 1991. The Bank model implies provision of a full range of services and products to the clients.

Name	**Nature of business**	**Country of registration**
Subsidiary		
LBBW Bank CZ a.s.	Commercial bank	Czech Republic

33 Business combinations (continued)

For the purpose of the financial statements, the fair value of LBBW Bank CZ a.s.'s equity was determined based on the report prepared by individual appraisers. The acquired assets and liabilities and goodwill arising from acquisition of LBBW Bank CZ a.s. are as follows:

(in thousands of Russian rubles)	**Notes**	**Relevant fair value**
Assets		
Cash and cash equivalents		6,653,683
Derivative financial assets		412,216
Available-for-sale investment securities		380
Loans and advances to customers		33,804,308
Property and equipment and intangible assets		1,586,606
Other assets		130,197
Total assets		**42,587,390**
Liabilities		
Derivative financial liabilities		662,707
Amounts due to credit institutions		1,759,701
Amounts due to customers		33,207,763
Debt securities issued		1,710,857
Subordinated debt		922,312
Provisions		5,141
Deferred income tax liabilities		70,828
Other liabilities		273,372
Total liabilities		**38,612,681**
Fair value of the subsidiary's identifiable net assets		**3,974,709**
Excess of the cost of acquiree's net assets over investment cost		(874,824)
Total consideration paid		**3,099,885**

The Bank has recognized share in loss of Czech subsidiary LBBW CZ a.s. during the period of ownership in the amount of RUB 49,487 thousand. The change in fair value of the net assets of LBBW CZ a.s amounted to RUB 341,272 thousand during the period of ownership.

On the 5th of November 2014 Bank and his controlling participant concluded option contract which gives right to participant to purchase controlling share in subsidiary LBBW CZ a.s. The Bank recognized disposal of subsidiary LBBW CZ a.s. due to loss of control on contract date. The sale of the Bank's share in its Czech subsidiary LBBW CZ a.s resulted as follows:

(In thousands of Russian rubles)	**Fair value**
Assets available for sale	(4,268,654)
Investment securities available for sale	3,371,411
Comprehensive income reclassified to profit and loss	341,272
Loss on disposal of the subsidiary	**(555,971)**
Total loss on disposal of the subsidiary	**(555,971)**

In December the Bank sold to participants 12,332 shares of LBBW CZ a.s. included in investment securities available for sale, fair value which was RUB 4,001,899 thousand for RUB 4,001,788 thousand. Unrealized income on operation with investments securities was reclassified from comprehensive income to profit and loss in the amount of RUB 1,302,886 thousand.

33 Business combinations (continued)

The financial result from acquisition, loss of control and disposal of investment securities available for sale is the following:

(In thousands of Russian rubles)	
Goodwill	874,824
Disposal of subsidiary	(555,971)
Gains less losses from realization of investment securities available for sale	1,302,886
Loss from discontinued operations , net of income taxes	(49,487)
Other income	50,441
Losses from revaluation	(1,192,321)
Total	**430,372**

Cash outflow from the disposal of the subsidiary was as follows:

(In thousands of Russian rubles)	**Carrying amount**
Cash and cash equivalents paid for acquisition	(3,099,885)
Cash and cash equivalents acquired from subsidiary	6,653,683
Acquisition of subsidiaries, net of cash acquired	3,553,798
Proceeds from disposal of a subsidiary, net of cash disposed	(8,181,488)
Proceeds from sale of investment securities available for sale	4,001,788
Net cash outflow	**(625,902)**

On 1 August 2013, the Bank acquired a 100% interest in FB-Leasing LLC, following the approval given by the appropriate regulatory authorities. Key activities of the acquiree include finance leasing of motor vehicles, construction and special-purpose machinery and equipment. FB-Leasing LLC was acquired primarily to develop leasing activities, expand products range and ensure provision of the widest range of services for corporate clients. Pursuant to the decision on assets consolidation of 13 December 2013, FB-Leasing LLC was merged with Expobank LLC.

Name	**Principal activities**	**Country of registration**
Subsidiary		
FB-Leasing LLC	Leasing	Russian Federation

For the purpose of the financial statements, the fair value of FB-Leasing's equity was determined based on the report prepared by individual appraisers. The acquired assets and liabilities and goodwill arising from acquisition of FB-Leasing LLC are as follows:

(in thousands of Russian rubles)	
Fair value of the subsidiary's identifiable net assets	4,500
Total consideration paid	**4,500**

The cash inflow from acquisition of subsidiary is as follows:

(in thousands of Russian rubles)	**Notes**	**Relevant fair value**
Paid cash and cash equivalents		(4,500)
Cash and cash equivalents of subsidiary		132,812
Net cash inflow		**128,312**

34 Transferred financial assets not derecognized and assets held or pledged as collateral

The following table provides a summary of financial assets which have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition:

		2014		2013	
(in thousands of Russian rubles)	**Notes**	**Carrying amount of transferred financial asset**	**Carrying amount of associated liabilities**	**Carrying amount of transferred financial asset**	**Carrying amount of associated liabilities**
Trading securities	8, 16	2,805,890	2,105,871	5,407,991	4,178,729
Investment securities available for sale	12, 16	–	–	181,907	149,078
Securities held to maturity	12, 16	3,437,928	2,570,094	–	–
Amounts due from other banks	9, 16	1,980,098	1,526,729	452,739	366,204
Loans to customers	10, 16	412,188	361,079	88,564	74,907
Total		**8,636,104**	**6,563,773**	**6,131,201**	**4,768,918**

As of 31 December 2014, receivables arising from repurchase agreements in the amount of RUB 5,728,905 thousand (2013: RUB 5,139,373 thousand) represent securities which were sold under repurchase agreements and which can be sold or repledged by the counterparty according to contractual terms or established practice. Repurchase agreements were of short-term nature and were completed in due time before 14 January 2015 and 20 February 2015.

As of 31 December 2014, trading securities in the amount of RUB 514,912 thousand (2013: trading securities in the amount of RUB 450,526 thousand) were blocked according to the General Loan Agreement with the Bank of Russia with the overdraft limit of RUB 3,500,000 thousand (2013: RUB 3,500,000 thousand). As of 31 December 2014 and 31 December 2013, the overdraft was not used by the Bank.

As of 31 December 2014, the Bank created a reserve of RUB 2,230 thousand (2013: RUB 5,005 thousand) as security deposits under operating lease agreements and RUB 94,388 thousand (2013: RUB 63,012 thousand) as security deposits of Master Card International, AKB ROSBANK OJSC and JSCB NCC CJSC.

In addition, obligatory reserves with the CBR in the amount of RUB 320,511 thousand (2013: RUB 248,140 thousand) represent non-interest bearing deposits with the CBR which are not available to finance the Bank's day-to-day operations.

35 Offsetting of financial instruments

The tables below show the effect of enforceable master netting agreements and similar arrangements that do not result in an offset in the statement of financial position:

2014	**Net amount of financial assets recognized in the statement of financial position**	**Financial instruments not offset in the statement of financial position**	**Net amount**
Financial assets			
Reverse repurchase agreements	389,243	(389,243)	–
Other financial instruments	4,928	(4,928)	–
Total	**394,171**	**(394,171)**	**–**
Financial liabilities			
Repurchase agreements	(6,543,093)	6,543,093	–
Other financial instruments	(66,229)	4,928	(61,301)
Total	**(6,609,322)**	**6,548,021**	**(61,301)**

35 Offsetting of financial instruments (continued)

2013	Net amount of financial assets recognized in the statement of financial position	Financial instruments not offset in the statement of financial position	Net amount
Financial assets			
Reverse repurchase agreements	2,509,485	(2,509,485)	–
Other financial instruments	92	(92)	–
Total	**2,509,577**	**(2,509,577)**	**–**
Financial liabilities			
Repurchase agreements	(4,768,918)	4,768,918	–
Other financial instruments	(874)	92	(782)
Total	**(4,769,792)**	**4,769,010**	**(782)**

36 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 27 "Financial risk management" for the Bank's contractual undiscounted repayment obligations.

	31 December 2014			31 December 2013		
	Amounts expected to be settled/recovered			Amounts expected to be settled/recovered		
(in thousands of Russian rubles)	Within 12 months after the reporting period	More than 12 months after the reporting period	Total	Within 12 months after the reporting period	More than 12 months after the reporting period	Total
Assets						
Cash and cash equivalents	8,173,843	–	8,173,843	6,808,070	–	6,808,070
Obligatory reserve with the CBR	320,511	–	320,511	248,140	–	248,140
Trading securities	6,993,522	–	6,993,522	8,065,424	–	8,065,424
Amounts due from other banks	2,884,343	–	2,884,343	86,514	999,031	1,085,545
Loans and advances to customers	11,123,554	15,348,639	26,472,193	9,502,894	18,300,202	27,803,096
Finance lease receivables	309,603	91,329	400,932	411,854	1,031,513	1,443,367
Investment securities available for sale	1,070,779	–	1,070,779	288,865	–	288,865
Securities held to maturity	180,218	3,584,544	3,764,762	–	–	–
Prepayment for current income tax liabilities	2,435		2,435	20,482		20,482
Other financial assets	104,337	–	104,337	66,344	–	66,344
Other non-financial assets	81,688	–	81,688	49,281	–	49,281
Deferred tax asset	–	–	–	419,195	–	419,195
Property and equipment	–	1,618,220	1,618,220	–	1,638,582	1,638,582
Intangible assets	–	40,573	40,573	–	81,584	81,584
Total assets	**31,244,833**	**20,683,305**	**51,928,138**	**25,967,063**	**22,050,912**	**48,017,975**
Liabilities						
Amounts due to other banks	11,780,109	–	11,780,109	10,302,390	800,000	11,102,390
Amounts due to customers	20,357,688	10,901,383	31,259,071	18,298,576	7,837,422	26,135,998
Debt securities issued	1,558,507	43,397	1,601,904	1,564,487	726,286	2,290,773
Deferred tax liability	19,172	–	19,172	–	–	–
Other financial liabilities	81,255	–	81,255	6,051	–	6,051
Other non-financial liabilities	251,992	–	251,992	300,693	–	300,693
Total liabilities	**34,048,723**	**10,944,780**	**44,993,503**	**30,472,197**	**9,363,708**	**39,835,905**

37 Events after the reporting period

On 26 February 2015, Expobank LLC acquired 100% of voting shares of MAK-Bank Limited Liability Company (hereinafter, "MAK-Bank LLC"). The cost of acquisition was RUB 200,917 thousand. Starting from February 2015, the Bank obtained control over financing and operating activities of the subsidiary.

MAK-Bank LLC operates under general banking license No. 1088 issued by the Central Bank of Russia on 13 February 2000. MAK-Bank LLC is a member of the state deposit insurance program that guarantees to pay a 100% compensation under deposits totaling up to RUB 1,400 thousand per one individual in case the CBR revokes the banking license or enforces a moratorium on payments.

As of 26 February 2015, MAK-Bank LLC had 11 branches in the Russian Federation; its head office is located in Moscow. On 20 April 2015, MAK-Bank LLC closed its branch in Novosibirsk.

At the current moment the Bank evaluates fair value of MAK-Bank's assets and liabilities, goodwill associated with acquisition of subsidiary an accordance with IFRS 3 (Business Combinations). The amount of goodwill will be presented in IFRS condensed interim financial statements on 30th of June 2015.

On 20 March 2015 General Meeting of Participants decided to reorganize Expobank LLC in the form of a merge MAK-Bank LLC to Expobank LLC.