Public Joint-Stock Company “Bank Otkritie Financial Corporation”

Consolidated Financial Statements
For the Year Ended 31 December 2014

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PUBLIC JOINT-STOCK COMPANY “Bank Otkritie Financial Corporation”

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

Management is responsible for the preparation of the consolidated financial statements that presents fairly the financial position of Public Joint-Stock Company “Bank Otkritie Financial Corporation” (the “Bank”) and its subsidiaries (the “Group”) as at 31 December 2014 and the consolidated results of its operations, cash flows and changes in shareholders’ equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance;
- Stating whether IFRS has been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issue by the Supervisory Board of the Bank on 10 April 2015.

The consolidated financial statements of the Group for the year ended 31 December 2014 will be published on the corporate web-site http://ir.otkritiefc.ru/ru/investor-relations/otchety-i-publikacii/ on 10 April 2015.

On behalf of the Supervisory Board

President	**Chief Accountant**
10 April 2015	10 April 2015
Moscow	Moscow

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

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITOR'S REPORT

To: Shareholders and the Supervisory Board of Public Joint-Stock Company "Bank Otkritie Financial Corporation"

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

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

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

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

We report our findings below:

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

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

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

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

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

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

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

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

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

Deloitte & Touche

10 April 2015
Moscow, Russian Federation

Ploutalova Svetlana Evgenyevna, Partner
(certificate no. 01-000596 dated 19 March 2012)

ZAO Deloitte & Touche CIS

The Entity: Public Joint-Stock Company "Bank Otkritie Financial Corporation"

Certificate of state registration № 2209 dated 15.12.1992.

Certificate of registration in the Unified State Register for legal entities registered before 1 July 2002 № 1027739019208, of 26.07.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Address: Russia, 115114, Moscow, Letnikovskaya 2, bld. 4

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

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

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

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

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7,39	253,792	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation		10,541	8,869
Precious metals	8	2,312	5,746
Financial assets at fair value through profit or loss	9,10,39	292,174	181,986
Loans and advances to banks and other financial institutions	11,39	35,650	24,670
Loans to customers	12,39	1,784,784	879,274
Investments available-for-sale	13,39	110,843	39,532
Investments held to maturity	14,39	61,189	-
Investment property	15	7,473	8,571
Property, plant and equipment	16	15,231	16,205
Intangible assets	17	1,978	3,509
Goodwill		1,788	1,999
Other assets	18,39	18,108	11,566
TOTAL ASSETS		**2,595,863**	**1,379,051**
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	10,39	94,096	2,866
Due to banks and the Central Bank of the Russian Federation	19,39	1,041,599	257,187
Customer accounts	20,39	1,022,995	781,471
Bonds and Eurobonds	21	114,666	63,959
Promissory notes issued	22, 39	58,727	61,652
Deferred income tax liabilities	32	3,877	3,378
Other liabilities	23,39	5,128	5,722
Subordinated debt	24,39	96,939	63,459
TOTAL LIABILITIES		**2,438,027**	**1,239,694**
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	25	9,076	7,934
Treasury shares		(929)	(932)
Share premium	25	59,098	38,883
Available-for-sale deficit		(3,269)	(34)
Property, plant and equipment revaluation reserve		1,822	1,617
Retained earnings		65,430	58,806
Total equity attributable to equity holders of the parent		131,228	106,274
Non-controlling interest	26	26,608	33,083
TOTAL EQUITY		157,836	139,357
TOTAL LIABILITIES AND EQUITY		**2,595,863**	**1,379,051**

On behalf of the Supervisory Board

President
10 April 2015
Moscow

Chief Accountant
10 April 2015
Moscow

The notes on pages 11-117 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	27,39	152,202	97,849
Interest expense	27,39	(86,597)	(57,122)
NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	27	**65,605**	**40,727**
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination	39	13	380
Provision for impairment losses on interest bearing assets	12,39	(21,838)	(9,390)
NET INTEREST INCOME		**43,780**	**31,717**
Trading (loss)/ income:	28,39	(10,342)	761
Securities		(15,204)	(988)
Foreign currency		6,378	1,582
Precious metals		(2,267)	151
Other derivatives		751	16
Net fee and commission income	29,39	13,192	8,988
Fee and commission income	29,39	17,364	12,155
Fee and commission expense	29,39	(4,172)	(3,167)
Net (loss)/ gain on investments available-for-sale	39	(1,910)	22
Net (loss)/ gain on disposal of loans	12	(1,012)	1,543
Provision for impairment losses on other transactions	18,23	(1,166)	(30)
Share of profits in associates	6	-	188
(Loss)/ gain from revaluation of investment property	15	(189)	178
Other income	30, 39	1,774	827
NET NON-INTEREST INCOME		**347**	**12,477**
OPERATING INCOME		**44,127**	**44,194**
OPERATING EXPENSES	31,39	(36,775)	(21,993)
Impairment of buildings and constructions	16	(30)	(13)
OPERATING PROFIT BEFORE INCOME TAX		**7,322**	**22,188**
Income tax expense	32	(1,855)	(4,886)
Realised net gain on discontinued operations		415	-
NET PROFIT		**5,882**	**17,302**
Attributable to:			
Owners of the parent		7,077	14,904
Non-controlling interest		(1,195)	2,398
EARNINGS PER SHARE			
From continuing and discontinued operations			
Basic and diluted (RUB)	33	**60.35**	**154.67**

On behalf of the Supervisory Board

President

10 April 2015
Moscow

ПАО Банк «ФК Открытие»

Chief Accountant

10 April 2015
Moscow

The notes on pages 11-117 form an integral part of the consolidated financial statements.

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

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Net profit for the year		**5,882**	**17,302**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net gain resulting from revaluation of property	16	500	459
Share in revaluation of property of associate, net of tax		-	62
Income tax	32	(103)	(92)
		397	429
Items that may be reclassified subsequently to profit or loss:			
Net (loss)/gain resulting on revaluation of available-for-sale financial assets during the year		(8,133)	112
Reclassification adjustment relating to available-for-sale financial assets disposed of in the year		1,910	(22)
Share in revaluation of available-for-sale financial assets of associate, net of tax		-	53
Income tax	32	1,245	(18)
		(4,978)	125
Other comprehensive income after income tax		**(4,581)**	**554**
Total comprehensive income		**1,301**	**17,856**
Attributable to:			
Owners of the parent		4,105	15,375
Non-controlling interests	26	(2,804)	2,481
Total comprehensive income		**1,301**	**17,856**

On behalf of the Supervisory Board

President

10 April 2015
Moscow

Chief Accountant

10 April 2015
Moscow

ПАО Банк «ФК Открытие»

The notes on pages 11-117 form an integral part of the consolidated financial statements.

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

	Note	Share capital	Treasury preference shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
31 December 2012		**6,504**	**(605)**	**20,898**	**1,302**	**(230)**	**46,811**	**74,680**	**15,681**	**90,361**
Net profit for the year		-	-	-	-	-	14,904	14,904	2,398	17,302
Total other comprehensive income for the period, net of tax		-	-	-	296	60	-	356	83	439
Share capital increase due to the merge with subsidiary banks	25	340	(340)	-	-	-	-	-	-	-
Share capital increase – issue of ordinary shares	25	1,090	-	17,985	-	-	-	19,075	-	19,075
Sale of treasury shares		-	16	-	-	-	235	251	-	251
Purchase of treasury shares		-	(3)	-	-	-	(53)	(56)	-	(56)
Sale of property, plant and equipment		-	-	-	(44)	-	44	-	-	-
Acquisition of subsidiaries	6	-	-	-	-	-	(3,203)	(3,203)	15,095	11,892
Effect of increase/ (decrease) of the Group's shareholding in subsidiaries	6	-	-	-	1	83	68	152	(174)	(22)
Other comprehensive income from associate		-	-	-	62	53	-	115	-	115
31 December 2013		**7,934**	**(932)**	**38,883**	**1,617**	**(34)**	**58,806**	**106,274**	**33,083**	**139,357**
Net profit for the year		-	-	-	-	-	7,077	7,077	(1,195)	5,882
Total other comprehensive income for the period, net of tax		-	-	-	263	(3,235)	-	(2,972)	(1,609)	(4,581)
Share capital increase – issue of ordinary shares	25	1,142	-	20,213	-	-	-	21,355	-	21,355
Sale of treasury shares			3	2	-	-	53	58	-	58
Sale of property, plant and equipment		-	-	-	(57)	-	57	-	-	-
Effect of increase/ (decrease) of the Group's shareholding in subsidiaries	6,26	-	-	-	(1)	-	(563)	(564)	(3,671)	(4,235)
31 December 2014		**9,076**	**(929)**	**59,098**	**1,822**	**(3,269)**	**65,430**	**131,228**	**26,608**	**157,836**

On behalf of the Supervisory Board

President

10 April 2015
Moscow

Chief Accountant

10 April 2015
Moscow

The notes on pages 11-117 form an integral part of the consolidated financial statements.

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

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities:			
Interest received		145,884	94,264
Interest paid		(86,850)	(54,937)
Cash received from prepayment of loans acquired in business combination in excess of carrying value		12	61
Cash received on dealing with securities		4,064	384
Cash (paid)/received on dealing with precious metals		(2,229)	173
Cash paid on dealing with foreign currencies		(2,671)	1,180
Cash received on dealing with other derivatives		72	71
Fees and commissions received		17,691	11,892
Fees and commissions paid		(4,170)	(3,005)
Other operating income received		2,405	838
Operating expenses paid		(34,411)	(19,432)
Cash flows from operating activities before changes in operating assets and liabilities		**39,797**	**31,489**
Cash increase/(decrease) from operating assets and liabilities			
Minimum reserve deposits with the Central Bank of the Russian Federation		(1,672)	(255)
Precious metals		5,505	(626)
Financial assets and liabilities at fair value through profit or loss		(126,162)	(78,402)
Loans and advances to banks and other financial institutions		(12,523)	72,701
Loans to customers		(896,682)	(186,874)
Other assets		2,211	(4,480)
Due to banks and the Central Bank of the Russian Federation		793,961	22,373
Customer accounts		236,046	161,744
Bonds and Eurobonds, net		41,996	20,800
Promissory notes (redeemed)/issued, net		(1,329)	34,845
Other liabilities		15	(1,390)
Net cash from/(used in) operating activities before income tax		**81,163**	**71,925**
Income tax paid		(3,732)	(4,018)
Net cash from/(used in) operating activities		**77,431**	**67,907**
Cash flows from investing activities:			
Purchase of investments held to maturity		(16,948)	-
Proceeds from investments held to maturity repayment		17,058	174
Acquisition of subsidiaries net of cash acquired	6	-	35,037
Purchase of property, plant and equipment	16	(1,704)	(1,049)
Proceeds from sale of property, plant and equipment		984	403
Purchase of intangible assets		(387)	(745)
Purchase of available-for-sale financial assets		(80,010)	(1,423)
Proceeds from sale of available-for-sale financial assets		44,026	5,455
Purchase of investment property	15	(914)	(991)
Proceeds from sale of investment property	15	926	1,403
Dividends received		15	2
Disposal of subsidiaries	6	648	-
Net cash from investing activities		**(36,306)**	**38,266**
Cash flows from financing activities:			
Issuance of shares		1,142	1,090
Share premium		20,215	17,985
Purchase of treasury preference shares		-	(56)
Proceeds from sale of ordinary shares		56	263
Redemption of bonds and Eurobonds		-	(4,263)
Subordinated debt received		-	7,609
Subordinated debt repaid		(1,174)	(3,198)
Effect of change in ownership interest in subsidiaries		(4,235)	(20)
Net cash from financing activities		**16,004**	**19,410**
Effect of exchange rate changes on cash and cash equivalents		(461)	680
Net increase in cash and cash equivalents		**56,668**	**126,263**
Cash and cash equivalents, beginning of the period	7	197,124	70,861
Cash and cash equivalents, ending of the period	7	**253,792**	**197,124**

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

During the years ended 31 December 2014 and 2013 the Group obtained non-cash settlements for uncollectible loans to customers, previously originated and net assets acquired through purchase of subsidiary bank. These non-cash settlements were excluded from the consolidated statement of cash flows and presented separately below:

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
NON-CASH TRANSACTION:			
Loans to customers settled by means of collateral repossession:		(310)	(261)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):			
Property received as a collateral repossession		310	261
Net assets of subsidiary acquired		-	25,659

On behalf of the Supervisory Board:

President

10 April 2015
Moscow

Chief Accountant

10 April 2015
Moscow

ПАО Банк «ФК Открытие»

The notes on pages 11-117 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Russian Roubles)

1. ORGANISATION

PJSC "Bank Otkritie Financial Corporation" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209. In November 2014 OJSC "Bank Otkritie Financial Corporation" has changed legal form to Public Joint-Stock Company "Bank Otkritie Financial Corporation". OJSC "Bank Otkritie Financial Corporation" was formerly named as OJSC "NOMOS-BANK", the name was changed in June 2014. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at Russia, Moscow, 115114 Letnikovskaya st, building 2, block, 4.

As at 31 December 2014 the Group had 17 branches operating in the Russian Federation and 1 representative office abroad.

The accompanying consolidated financial statements comprise the accounts of the Bank and its subsidiaries (together the "Group"). The consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	The Bank's ownership interest/control (*) 31 December 2014, %	31 December 2013, %	Type of activity
PJSC "Bank Otkritie Financial Corporation"	Russian Federation	Parent company	Parent company	Banking activity
PJSC "Khanty-Mansiysk bank Otkritie"***	Russian Federation	54.17/72.49**	-	Banking activity
BKM Finance Limited	Ireland	(contractual agreement)	(contractual agreement)	Issue of securities
LLC "Group of Project Finance"	Russian Federation	54.17/100	51.29/100	Construction
LLC "Yugra-Leasing"	Russian Federation	-	51.29/100	Finance lease of equipment
LLC "NM-Expert"	Russian Federation	19.90/100	19.90/100	Consulting
LLC "Promgazcomplekt"	Russian Federation	100/100	100/100	Office building ownership
LLC "PromEstate"	Russian Federation	100/100	100/100	Office building ownership
CJSC "SOVFINTRAST"	Russian Federation	100/100	100/100	Investment management
CJSC "UCA"	Russian Federation	100/100	99.9/99.9	Asset management
OFCB Capital Public Limited Company	Ireland	(contractual agreement)	(contractual agreement)	Issue of Eurobonds
LLC "ERADA"	Russian Federation	100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation	100/100	100/100	Investment management
LLC "Leasing-Project"	Russian Federation	-	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation	100/100	100/100	Office building ownership
LLC "Attenium"	Russian Federation	-	100/100	Investment management
"Rapida" Ltd	Russian Federation	-	100/100	Payment system
LLC "Processing centre "Rapida"	Russian Federation	-	100/100	Processing centre
LLC "Gikor"	Russian Federation	-	100/100	Asset management
LLC "NOMOS BANK MC"	Russian Federation	100/100	100/100	Asset management
LLC "KN-Estate"	Russian Federation	100/100	100/100	Office building ownership
LLC "Invest-Trading"	Russian Federation	100/100	100/100	Investment management
LLC "East-Capital"	Russian Federation	100/100	100/100	Investment management
LLC "NM-Activ"	Russian Federation	100/100	100/100	Investment management
LLC "NM-Kapital"	Russian Federation	100/100	100/100	Investment management
LLC "Nedvizhimost Primorya"	Russian Federation	-	100/100	Real estate rent activity
LLC "Business- Estate"	Russian Federation	100/100	-	Real estate rent activity
CJSC "Mortgage Agent KhMB-1"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds
CJSC "Mortgage Agent KhMB-2"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds
CJSC "Mortgage Agent Nomos"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds
CJSC "Mortgage Agent Otkritie 1"	Russian Federation	54.17/100	41.17/100	Issue of mortgage-backed bonds
CJSC "Mortgage Agent Petrocommerce 1"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

(*) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – PJSC "Bank Otkritie Financial Corporation";
- Control represents the total % of the voting shares controlled, either directly or indirectly, by the entities of the Group;

(**) Control is gained due to the terms of the agreement concluded as at 27 December 2013 stating that LLC "Otkritie N" transfers voting rights, belonging to LLC "Otkritie N" over PJSC "Khanty-Mansiysk bank Otkritie" to the Group, which amounted to 18.32% share (Note 6).

(***) In November 2014 the Group has completed the reorganization of its subsidiary banks OJSC "Otkritie-Bank" and OJSC "Novosibirsk Municipal Bank" via merging them with the Bank OJSC "Khanty-Mansiysk Bank". Total share of the Group in the merged bank named PJSC "Khanty-Mansiysk bank Otkritie" equals to 54.17%.

Additionally, the Group consolidates the following investment funds, as the Group exercises control over them as contractually stipulated:

Name	31 December 2014 %	31 December 2013 %
ZPIF "Universal fund of mixed investments"	-	100
ZPIF "KhMB-Capital"	100	100
ZPIF "Centr (Olma)"	100	100
ZPIFRE "Universal – Real estate fund"	100	100

As at 31 December 2014 and 2013 the Group also had a holding of 50% in ZAO PK HESCARD, an entity that does not conduct active operations and is insignificant in terms of the Group's financial statements.

As at 31 December 2014 and 2013 the Group had 16,904 employees and 17,890 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 31 December 2014 and 2013 the Group had respectively 481 and 809 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the years ended 31 December 2014 and 2013 is presented in Note 6.

As at 31 December 2014 and 2013 the following shareholders owned the issued shares of the Bank:

	31 December 2014, %	31 December 2013, %
Shareholders of the Bank (Shareholders of the first level):		
Group JSC "OTKRITIE HOLDING"	61.49	75.00
Non-Government pension funds	19.32	16.89
Other	19.19	8.11*
Total	**100.00**	**100.00**

(*) Other shareholders include minority shareholders and undisclosed holders of the Global Depository Receipts traded on London Stock Exchange. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

In September 2014 PJSC "Bank Otkritie Financial Corporation" has completed de-listing procedure from the Official List of the Financial Conduct Authority and cancellation of trading on London Stock Exchange plc (the "London Stock Exchange"). As at 31 December 2014 remaining GDR amount in free float on the Moscow Exchange is less than 1% from the total share capital of PJSC "Bank Otkritie Financial Corporation".

As at December 2014 JSC "OTKRITIE HOLDING" (hereinafter – the "Parent Company") is a company that controls the Group.

As at 31 December 2014 and 2013 the following subsidiary companies owned treasury shares of the Bank (their shares in ordinary shares are indicated in the table below):

Shareholders of treasury ordinary shares	31 December 2014, %	31 December 2013, %
LLC "Erada" (subsidiary company)	2.25	2.67
LLC "Promgazcomplekt" (subsidiary company)	1.45	1.71
CJSC "Sovfintrast" (subsidiary company)	0.80	0.96
Total	**4.50**	**5.34**

As at 31 December 2014 and 2013 the following company owned the outstanding preference shares of the Bank:

Shareholder of treasury preference shares	31 December 2014, %	31 December 2013, %
Shareholder of treasury preference shares of the Bank (Shareholder of the first level):		
LLC "KN-Estate" (subsidiary company)	100.00	100.00
Total	**100.00**	**100.00**

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

These consolidated financial statements are presented in millions of *Russian roubles* ("RUB million"), unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the end of reporting period.

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

The ownership interest of the Bank and/or the proportion of voting power of the Bank in the significant subsidiaries as at 31 December 2014 and 2013 are presented in Note 1.

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

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

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. Acquisition related costs are expensed as incurred. The excess of the cost of acquisition, as well as the fair value of any interest previously held, over the fair value of the Group’s share of the identifiable net assets of the acquired subsidiary, associate or business at the date of acquisition is recorded as goodwill.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group outside the scope of IFRS 3R – “Business Combinations”, and there is no other guidance for such situations under IFRS. The Group elects to account for such transactions prospectively as of the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder’s consolidated financial statements at the date of acquisition. The difference between the consideration paid and the net assets acquired is accounted for directly in equity. The consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and cash flows for periods prior to the acquisition date are not restated.

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

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

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

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

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders’ equity.

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

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

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Financial assets

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset or interest paid on the financial liability, which are included in the interest income or interest expense in the consolidated statement of profit or loss.

Reclassification of financial assets

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be reclassified out of the fair value through profit or loss category in the following circumstances:

- Financial assets that would have met the definition of loans and receivables at initial recognition (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and
- Financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

When a financial asset is reclassified as described in the above circumstances, the financial asset is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the statement of profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Investments held to maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Group has positive intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

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

Investments available-for-sale

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

Listed shares and bonds held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares and units of investment funds that are not traded in an active market but that are also classified as AFS financial assets and stated at cost (because the Group's management considers that the fair value can not be reliably measured). Fair value is determined in the manner described (Note 36). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss in other income when the Group's right to receive the dividends is established.

Loans and advances to banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks and other financial institutions. Loans and advances to banks and other financial institutions are initially recognized at fair value, plus incremental direct transactions costs. Loans and advances to banks and other financial institutions are subsequently measured at amortized cost using the effective interest method. Amounts of loans and advances to banks and other financial institutions are carried net of any allowance for impairment losses.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related incremental transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of profit or loss according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Securities repurchase and reverse repurchase agreements

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

Financial assets subject to a sale and repurchase agreement under which substantially all the risks and rewards of ownership are retained by the Group continue to be shown on the balance sheet and the sale proceeds recorded as a financial liability. Financial assets purchased under reverse repos under which the Group is not exposed to substantially all the risks and rewards of ownership are not recognized on the balance sheet and the consideration paid is recorded as cash placed on deposit collateralized by securities and other assets and are classified within loans and advances to banks/loans to customers.

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

The Group enters into securities repurchase agreements and securities reverse repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Russian Federation and other Commonwealth of Independent States ("CIS"), the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

The change in the impairment is included into consolidated statement of profit or loss using the provision account (financial assets measured at amortized cost) or by a direct write-off (financial assets measured at cost). Assets recognized in the consolidated statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

Renegotiated loans

Where possible, the Group seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. There are different risk characteristics associated with renegotiated loans that were impaired before the renegotiation compared to loans that were not renegotiated. The impairment loss allowances on renegotiated loans which are homogeneous and of small balances are calculated in the same manner as on any other loan in that portfolio using the Group's collective assessment methodology. In making a collective assessment for impairment, loans that are subject to forbearance are grouped together according to their credit risk characteristics. For renegotiated loans which are not of a small balance and homogeneous the Group continually reviews them for impairment using an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans and advances

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

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and time deposits with the Central Bank of the Russian Federation with original maturity of less or equal to 90 days, amounts on correspondent accounts and due from credit institutions with original maturity of less or equal to 90 days.

Minimum reserve deposits with the Central Bank of the Russian Federation

Minimum reserve deposits with the Central Bank of the Russian Federation ("CBR") represent the amount of obligatory reserves deposited with the CBR in accordance with requirements established by the CBR which are subject to restrictions on its availability. Therefore the minimum reserve deposit required by the CBR is not included as a cash equivalent.

Precious metals

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

Loans and advances to banks and customer accounts denominated in precious metals are recognized at fair value, impact resulting from revaluation is included in consolidated statement of profit or loss.

Financial liabilities and equity instruments issued

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

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss.

Other financial liabilities

Due to banks, customer accounts, debt securities issued and subordinated debt

Due to banks, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value**,** net of transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings, using the effective interest method.

Derecognition of financial liabilities

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

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

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

Derivative financial instruments

The Group enters into variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including forwards, swaps and options on foreign currency, precious metals and securities. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently stated at their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in net gain (loss) on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss.

Derivative instruments embedded in other financial instruments or other host contracts are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit or loss. An embedded derivative is a component of a hybrid financial instrument that includes both the embedded derivative and the underlying host.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;

- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor

The Group as a lessor presents finance leases as loans and initially measures them at an amount equal to the net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement date property, plant and equipment purchased for future transfer to finance lease is recognized in the consolidated financial statements as property, plant and equipment purchased to transfer to finance lease at cost.

The Group as a lessee

At the commencement of the lease term, the Group as a lessee recognizes finance leases as assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present values of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Property, plant and equipment and intangible assets

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

Depreciation is charged on the carrying value of property, plant and equipment and is designed to write off assets (less their residual value) over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings and constructions	2%-4%
Furniture and equipment	7-20%
Other property, plant and equipment	14.3%-25%
Intangible assets	25%

Leasehold improvements are amortized over the life of the related leased asset or the lease period whichever is shorter.

Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

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

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

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

Market value of property is assessed using three methods:

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortization period for intangible assets vary from 5 to 6 years.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

The Russian Federation and Ireland also have various other taxes not based on income, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Non-current assets held for sale

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

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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

Investment property

Investment property, comprising office and commercial buildings, is held to earn future rentals or for capital appreciation. Investment property is initially measured at cost, including transactions costs. Subsequent to initial recognition, investment property is measured at the fair value amount, determined from market-based evidence by appraisal undertaken by professional independent appraisers. Gains and losses arising from changes in the fair value of investment property are included in statement of profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Provisions

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

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

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

In order to determine the value of provisions for guarantees and other off-balance sheet commitments the Group performs the analysis of historical trends based on collected statistical information on collective basis. Based on the statistics on actual loss incurred by the Group during previous periods the calculation of estimated future losses is performed.

Contingencies

Contingent liabilities, which include certain guarantees, letters of credit and commitments loans and unused credit lines, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the probability of settlement is remote.

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

Share capital and share premium

Share capital and share premium amounts received before 1 January 2003 are recognized at the amount received restated for inflation and after 1 January 2003 are recognized at the amount received. Share premium represents the excess of the amount received over the nominal value of the shares issued.

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

Holders of preference shares with non-fixed rate dividend income are entitled to participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

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

- Revaluation of investments available-for-sale reserve which comprises changes in fair value of available-for-sale financial assets;
- Property, plant and equipment revaluation reserve, which comprises revaluation reserve of land and buildings.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a CGU (or group of CGUs) 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 CGU retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the statement of profit or loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill on acquisitions of subsidiaries is disclosed on face of the consolidated statement of financial position.

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Retirement and other benefit obligations

In accordance with the requirements of the Russian Federation legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the Pension fund of the Russian Federation, which transfers them to pension funds selected by employees. The Group does not have obligation to transfer pension payments directly to pension funds selected by employees. This expense is charged to profit or loss in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds selected by employees. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The contributions to the defined contribution plan are included in staff costs on accrual basis. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Foreign currency translation

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

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

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

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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

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

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

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

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

	31 December 2014	31 December 2013
RUB/1 US Dollar	56.2584	32.7292
RUB/1 Euro	68.3427	44.9699
RUB/Gold bullion (1 troy ounce)	66,216.14	39,324.13

Fiduciary activities

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

Segment reporting

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

The Group measures information about operating segments in accordance with IFRS.

Recognition of income and expense

Recognition of interest income and expense. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

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

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

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

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

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

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

Recognition of rental income. The Group’s policy for recognition of income as a lessor is set out in the “Leases” section of this footnote.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

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

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

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

The Group estimates the impairment allowance for loans to individuals based on its past loss experience for these types of loans. The significant assumptions used in determining the impairment allowance for loans to individuals are as follows:

- Management assumes that loss migration rates can be estimated based on historic loss migration pattern using historical data;
- Management adjusts its past historical loss experience taking into account the current economic situation and the impact of the economic crisis on the quality of the loan portfolio.

As at 31 December 2014 and 2013 the gross loans and receivables totaled RUB 1,825,226 million and RUB 912,113 million, respectively, and allowance for impairment losses amounted to RUB 40,442 million and RUB 32,839 million, respectively.

Valuation of financial instruments. *T*he Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 36 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

In order to measure fair value, credit value adjustments (CVA) are applied to reflect the credit risk of the counterparty inherent in OTC derivative instruments, derivatives embedded in funded assets designated at fair value and derivatives embedded in traded debt instruments. This amount represents the estimated fair value of protection required to hedge the counterparty credit risk of such instruments. CVA is determined for each counter party, considering all exposures to that counterparty and is dependent on expected future value of exposures, default probabilities and recovery rates, applicable collateral or netting arrangements, break clauses and other contractual factors.

The Group estimates debit valuation adjustments (DVA) to incorporate own credit in the valuation of derivatives, effectively consistent with the CVA methodology. DVA represents the theoretical cost to counterparties of hedging, or the credit risk reserve that a counterparty could reasonably be expected to hold, against their credit risk exposure to the Group. DVA estimate is defined by deal's maturity as well as credit rating assigned to the members of the Group as of reporting date.

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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 December 2014 and 2013 was RUB 1,788 million and RUB 1,999 million, respectively.

Testing goodwill revealed no evidence of impairment. The recoverable amount of the CGUs have been determined based on value in use calculations, using cash flow projections based on financial budgets approved by senior management covering a five-year period. Projected growth rates used to extrapolate cash flows beyond the budget period assumed to be zero. Testing is carried out by discounting the future cash flows. The discount rates reflect management's, assessment of return on capital employed (ROCE), this is the benchmark used by management to evaluate the performance and future investment proposals. The discount rate applied is calculated by the method of cumulative build up and amounted to 25%.

Property carried at revalued amounts. Certain property (land and buildings) is measured at revalued amounts. The date of the latest appraisal was 31 December 2014. The next revaluation is preliminary scheduled as at 31 December 2015. The carrying value of revalued property and land amounted to RUB 12,466 million and RUB 13,363 million as at 31 December 2014 and 2013, respectively. Details of the valuation techniques used are set out in Note 16.

Investment property carried at revalued amounts. Investment property is measured at revalued amounts. The date of the latest appraisal was 31 December 2014. The next revaluation is preliminary scheduled as at 31 December 2015. The carrying value of revalued property amounted to RUB 7,473 million and RUB 8,571 million as at 31 December 2014 and 2013, respectively. Details of the valuation techniques used are set out in Note 15.

Allowance for impairment losses for other assets. The impairment for other assets is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding other assets being material individually and on the basis of an individual or joint evaluation of other assets not being material individually.

As at 31 December 2014 and 2013 allowance for impairment losses on other assets amounted to RUB 2,090 million and RUB 1,257 million, respectively.

Provision for guarantees and other off-balance sheet commitments. The accounting estimates and judgments related to the provision for off-balance sheet commitments is an area of significant management judgment because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

As at 31 December 2014 and 2013 provisions for guarantees and other off-balance sheet commitments amounted to RUB 287 million and RUB 369 million, respectively.

4. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRSs affecting amounts reported in the financial statements. In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

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

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

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

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

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

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

There is no effect of these amendments on the consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

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

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

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

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

New and revised IFRSs in issue but not yet effective.

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

- Amendments to IAS 19 – *Defined Benefit Plans: Employee contributions*[1];
- Annual Improvements to IFRSs 2010-2012 Cycle[1];
- Annual Improvements to IFRSs 2011-2013 Cycle[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[2];
- IFRS 14 *Regulatory Deferral Accounts*[2];
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*[2];
- Amendments to IAS 27 – *Equity Method in Separate Financial Statements*[2];

- Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*[2];
- Amendments to IFRS 11 – *Accounting for Acquisition of Interests in Joint Operations*[2];
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2];
- IFRS 15 *Revenue from Contracts with Customers*[3];
- IFRS 9 *Financial Instruments*[4].

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

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

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

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

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

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

The five steps in the model are as follows:

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

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

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

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

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

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

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

The management of the Group does not anticipate that the application of these amendments will have a material impact of the Group's consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2013 and for the year then ended to conform to the presentation as at 31 December 2014 and for the year then ended as current year presentation better conforms to the presentation of financial statements of the Parent company.

As at 31 December 2014 the Group had decided to change the presentation of the cash and cash equivalents and to disclose them on the face of the consolidated statement of financial position. Thus the Group made following reclassifications in the statement of financial position.

	As previously reported	Reclassification amount	As reclassified
	31 December 2013	31 December 2013	31 December 2013
Cash and balances with the Central Bank of the Russian Federation	87,832	109,292	197,124
Loans and advances to banks and other financial institutions	133,661	(108,991)	24,670
Other assets	11,867	(301)	11,566

6. ACQUISITIONS AND DISPOSALS

Acquisitions and disposal during the year ended 31 December 2014

During the first quarter 2014 the Group decided to sell 100% share of LLC "Yugra-Leasing" and LLC "Leasing-Project" for the total consideration of RUB 462 million. Thus realised gain on discontinued operations net of tax amounted to RUB 283 million. The Group considers the effect from discontinued operations to be immaterial and does not expect considerable changes in its further activity related to loss of control over LLC "Yugra-Leasing" and LLC "Leasing-Project".

In February 2014 the Parent Company has purchased from the International Finance Corporation (IFC) 14.3% stake of JSC Bank "Otkritie" and sold it to the Bank. The consideration paid by the Bank amounted to RUB 4,235 million.

In August 2014 the Group has founded a new company LLC "Business-Estate", which is wholly-owned by the Group as at 31 December 2014. The amount of investments in this LLC is RUB 56 million. The core business of LLC "Business-Estate" is real estate rent.

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In October 2014 the Group sold 100% share of LLC "Attenium", LLC "Rapida", LLC "Processing centre "Rapida", LLC "Gikor" (collectively - Group LLC "Attenium") for the total consideration of RUB 870 million. Thus realised gain on discontinued operations from this deal net of tax amounted to RUB 105 million. The following table presents information on net assets of the Group LLC "Attenium" as of the acquisition date on the carryover basis based on its IFRS financial statements:

	Group LLC "Attenium"
Assets	
Cash and cash equivalents	1,205
Loans and advances to banks and other financial institutions	884
Loans to customers	172
Property, plant and equipment	17
Intangible assets	619
Other assets	527
Total assets	**3,424**
Liabilities	
Due to banks and the Central Bank of the Russian Federation	1,565
Customer accounts	1,066
Deferred income tax liabilities	34
Other liabilities	232
Total liabilities	**2,897**
Net assets	**527**
Goodwill	211
The aggregate carrying value of net assets sold	**738**
Net cash outflow on sale:	
Consideration received	**870**
Less: cash and cash equivalents sold	**(1,205)**
Net cash outflow	**(335)**

In November 2014 the Group has completed the reorganization of its subsidiary banks OJSC "Otkritie-Bank" and OJSC "Novosibirsk Municipal Bank" via merging them with the Bank OJSC "Khanty-Mansiysk Bank". Total share of the Group in the merged bank named PJSC "Khanty-Mansiysk bank Otkritie" equals to 54.17%.

In December 2014 the Group sold 100% share of LLC "Nedvizhimost Primorya" for the total consideration of RUB 730 million. Recognised realised loss from the sale equals to RUB 645 million. The following table presents information on net assets of LLC "Nedvizhimost Primorya" as of the acquisition date on the carryover basis based on its IFRS financial statements:

	LLC "Nedvizhimost Primorya"
Assets	
Loans and advances to banks and other financial institutions	41
Property, plant and equipment	2
Investment property	1,400
Other assets	20
Total assets	**1,463**
Liabilities	
Deferred income tax liabilities	21
Other liabilities	67
Total liabilities	**88**
Net assets	**1,375**
Net cash inflow on sale:	
Consideration received	730
Less: cash and cash equivalents sold	-
Net cash inflow	**730**

In December 2014 for the purpose of assets securitization the Group issued collateralized mortgage backed securities with the total nominal amount of RUB 7,322 million. The bonds were issued by CJSC "Mortgage Agent KhMB-2", consolidated special purpose company. Please see notes 12, 21 for additional information.

In December 2014 the Group has acquired Class B mortgage-backed bonds of CJSC "Mortgage Agent Petrocommerce-1".The consideration paid by the Bank amounted to RUB 976 million The Group has obtained control in CJSC "Mortgage Agent Petrocommerce-1" and it's financial statements has been consolidated. Thus realised loss amounted to RUB 7 million. For additional information, please see notes 12, 21.

Acquisitions and disposal during the year ended 31 December 2013

The strategy of the Parent Company of the Group with respect to the business combination of NOMOS and OJSC Bank "Otkritie" implied that NOMOS would hold a controlling interest in OJSC Bank "Otkritie".

In accordance with the strategy, the Group purchased from the Parent Company the total of 41.17% shares in OJSC Bank "Otkritie": 17.0% shares on 23 August 2013 for RUB 5,549 million and another 24.17% shares originally held by the Deposit Insurance Agency on 4 December 2013 for RUB 7,915 million.

As at 27 December 2013 the Group concluded an agreement with LLC "Otkritie N" stating that LLC "Otkritie N" transfers its voting rights over OJSC Bank "Otkritie" to the Group without compensation, the terms of the agreement can not be revised and reversed without consent of the Group. Thereby, the Group obtained voting rights equal to 44.52% interest share in addition to 41.17% already owned and achived the power to govern the financial and operating policies of OJSC Bank "Otkritie" so as to obtain benefits from its activities.

Thereby, OJSC Bank "Otkritie" is consolidated from the 27 December 2013 on which control was transferred to the Group. As both the Group and OJSC Bank "Otkritie" were under common control of OJSC "Financial corporation "OTKRITIE" as of the date of acquisition the transaction was accounted as under common control transaction for the purposes of IFRS reporting. The assets and liabilities of OJSC Bank "Otkritie" were recognised at the carryover basis based on its annual IFRS financial statements. The difference between the consideration paid and the net assets acquired is accounted for directly in equity. The statement of profit or loss of OJSC Bank "Otkritie" for the year 2013 was not recognized as the Group gained control on 27 December 2013.

The Group elects to account for such transactions prospectively as of the date that control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements at the date of acquisition. The consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and cash flows for periods prior to the acquisition date are not restated.

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The following table presents information on net assets of OJSC Bank “Otkritie”as of the acquisition date on the carryover basis based on its IFRS financial statements:

	OJSC Bank “Otkritie”
Assets	
Cash and balances with the Central Bank of the Russian Federation	28,162
Minimum reserve deposits with the Central Bank of the Russian Federation	1,682
Precious metals	65
Financial assets at fair value through profit or loss	483
Loans and advances to banks	22,184
Loans to customers	98,569
Investments available-for-sale	37,451
Property, plant and equipment	5,031
Goodwill	1,190
Intangible assets	1,050
Investment property	4,175
Other assets	2,617
Total assets	**202,659**
Financial liabilities at fair value through profit or loss	242
Deposits from banks	18,802
Customer accounts	141,817
Bonds and Eurobonds	3,249
Promissory notes	5,189
Deferred income tax liabilities	688
Other liabilities	1,739
Subordinated debt	5,274
Total liabilities	**177,000**
Net assets	**25,659**
Parent company’s ownership interest (%)	41.17%
Consideration paid	13,464
Income from associate*	188
Other comprehensive income from associate*	115
Plus: non-controlling interest	15,095
Less: Net assets	(25,659)
Result from the acquisition	**(3,203)**

* The Group assessed the amount of the revaluation of the equity interest previously held as an investments in associate before the acquisition date, which amounted to RUB 188 million (recognized in consolidated statement of profit or loss as gain from associate) and RUB 115 million (recognized in consolidated statement of other comprehensive income).

Non-controlling interest was measured at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. The Group assessed the amount of comprehensive income of acquiree’s from date of getting control till reporting date and considers this amount to be immaterial.

Net cash outflow on acquisition of subsidiaries

Consideration paid	(13,464)
plus: cash and cash equivalents acquired	48,501
Total	**35,037**

Had this acquisition been effected at 1 January, 2013, the operating income of the Group from continuing operations would have been RUB 57,655 million, and the profit for the year from continuing operations would have been RUB 18,809 million. The Group management considers these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The following table represents the uncollectable amount of acquired receivables as well as the gross contractual amount of receivables:

	Gross contractual amounts receivable	Amount not expected to be received
ASSETS:		
Correspondent accounts with the Central Bank of the Russian Federation	2,864	-
Loans and advances to banks and other financial institutions	22,186	2
Loans to customers	105,934	7,365
Other assets	3,280	664
	134,264	**8,031**

Before being acquired by the Group OJSC Bank Otkrytie had the following subsidiaries: CJSC "Mortgage Agent Otkritie 1" and ZPIF "Centr (Olma)". As a result of acquisition the Group also acquired these subsidiaries.

In July 2013 the Bank has completed the reorganization of two of its subsidiaries NOMOS-REGIOBANK and OJSC "NOMOS Siberia" by merging them with the Bank.

In July 2013 the Group founded LLC "NM-Aktiv", which provides asset management services.

In January, February and August 2013 the Group acquired in total additional 13.01% share in OJSC "Novosibirsk Municipal Bank" and increased its share from 86.98% as at 31 December 2012 to 99.99% as at 31 December 2013.

In December 2013 the Group founded LLC "NM-Kapital", which provides asset management services.

In December 2013 the Group extinguished shares of ZPIF "Strategiya Razvitiya".

7. CASH AND CASH EQUIVAVALENTS

Cash and cash equivalents are presented as follows:

	31 December 2014	31 December 2013
Cash and cash equivalents:		
Loans to banks with original maturity up to 90 days	83,035	78,311
Cash on hand	49,126	35,121
Correspondent accounts with banks	34,514	40,565
Amounts at stock exchanges' clearing houses	33,700	5,448
Current accounts with the Central Bank of the Russian Federation	22,946	25,958
Loans under reverse repurchase agreements with original maturity up to 90 days	22,169	10,177
Cash on brokerage accounts	4,716	1,493
Promissory notes of banks purchased	3,525	-
Cash in trust operations	61	51
Total cash and cash equivalents	**253,792**	**197,124**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Carrying value of loans under reverse repurchase agreements with original maturity up to 90 days as at 31 December 2014 and 2013 and fair value of collateral held are presented as follows:

	31 December 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds and Eurobonds	9,211	10,306	1,243	1,501
Bonds and Eurobonds issued by banks	8,893	10,366	537	663
Shares	3,375	3,769	5,786	6,670
OFZ bonds	431	453	1,695	1,791
Municipal bonds	259	309	916	1,144
Total	**22,169**	**25,203**	**10,177**	**11,769**

8. PRECIOUS METALS

Precious metals are presented as follows:

	31 December 2014	31 December 2013
Gold in vault	1,887	4,867
Silver in transit	72	524
Precious metals in coins	60	58
Silver in vault	48	130
Gold in transit	1	45
Other precious metals in vault	244	122
Total precious metals	**2,312**	**5,746**

Details of the Group's information about the fair value hierarchy of precious metals and liabilities denominated in precious metals as at 31 December 2014 and 2013 are as follows:

	31 December 2014			
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Precious metals	2,312	-	-	2,312
Total precious metals	**2,312**	**-**	**-**	**2,312**
Deposits from banks	-	7,894	-	7,894
Customer accounts	-	4,746	-	4,746
Liabilities denominated in precious metals	**-**	**12,640**	**-**	**12,640**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2013			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Precious metals	5,746	-	-	5,746
Total precious metals	**5,746**	**-**	**-**	**5,746**
Deposits from banks	-	6,641	-	6,641
Customer accounts	-	5,555	-	5,555
Liabilities denominated in precious metals	**-**	**12,196**	**-**	**12,196**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2014 financial assets at fair value through profit or loss comprise:

	31 December 2014	**Interest rate to nominal**	**Maturity date**
Financial assets at fair value through profit or loss:			
Debt securities:			
Bonds and Eurobonds issued by banks	97,217	1.75-15.0%	February 2015-June 2035
Corporate bonds and Eurobonds	47,554	3.15-22.0%	February 2015-January 2044
Municipal bonds	9,499	7.49-11.50%	September 2015-July 2021
OFZ bonds	7,444	0-8.15%	January 2016-January 2028
Russian Federation ("RF") Government Eurobonds	22	7.5-7.85%	March 2018-March 2030
Total debt securities	**161,736**		
Equity securities			
Corporate shares	8	-	-
Total equity securities	**8**		
Derivative financial instruments (Note 10)	**130,430**		
Total financial assets at fair value through profit or loss	**292,174**		

	31 December 2014	**Pledged as collateral with CBR**	**Pledged under repurchase agreements with banks**	**Pledged under repurchase agreements with customers**	**Total collateral**
Bonds and Eurobonds issued by banks	97,217	153	68,203	-	68,356
Corporate bonds and Eurobonds	47,554	636	41,714	-	42,350
Municipal bonds	9,499	-	8,167	-	8,167
OFZ bonds	7,444	-	581	-	581
Russian Federation ("RF") Government Eurobonds	22	-	21	-	21
Corporate shares	8	-	-	-	
Total financial assets at fair value through profit or loss[1]	**161,744**	**789**	**118,686**	**-**	**119,475**

[1] Excluding derivative financial instruments

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

As at 31 December 2013 financial assets at fair value through profit or loss comprise:

	31 December 2013	Interest rate to nominal	Maturity date
Financial assets at fair value through profit or loss:			
Debt securities:			
Corporate bonds and Eurobonds	75,657	3.15-19.0%	February 2014-February 2045
Bonds and Eurobonds issued by banks	61,715	14.0%	February 2014-June 2035
OFZ bonds	29,778	6.2-12.0%	March 2014-February 2036
Municipal bonds	10,664	7.85-10.0%	April 2014-October 2020
Russian Federation ("RF") Government Eurobonds	1,110	7.5%	March 2030
Total debt securities	**178,924**		
Equity securities			
Corporate shares	27	-	-
Total equity securities	**27**		
Derivative financial instruments (Note 10)	**3,035**		
Total financial assets at fair value through profit or loss	**181,986**		

Securities received under reverse repurchase agreement and subsequently pledged under repurchase agreements are disclosed in Notes 19 and 20.

	31 December 2013	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	75,657	6,820	29,149	-	35,969
Bonds and Eurobonds issued by banks	61,715	10,682	29,931	1,141	41,754
OFZ bonds	29,778	-	22,405	2,634	25,039
Municipal bonds	10,664	2,654	3,858	-	6,512
Russian Federation ("RF") Government Eurobonds	1,110	-	1,110	-	1,110
Corporate shares	27	-	-	-	-
Total financial assets at fair value through profit or loss[2]	**178,951**	**20,156**	**86,453**	**3,775**	**110,384**

As at 31 December 2014 and 2013 bonds and Eurobonds issued by banks are represented by bonds issued mainly by Russian banks.

Corporate bonds and Eurobonds are represented by bonds of Russian companies.

Promissory notes are represented by promissory notes issued by Russian banks.

Russian State Bonds (OFZ bonds) are Rouble-denominated government securities guaranteed by the Ministry of Finance of the Russian Federation.

RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally.

Municipal bonds are bonds issued by local authorities of the Russian Federation.

Corporate shares are actively traded shares in the open market issued by Russian companies.

[2] Excluding derivative financial instruments

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Details of the Group's information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	31 December 2014			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Bonds and Eurobonds issued by banks	96,828	389	-	97,217
Corporate bonds and Eurobonds	47,549	5	-	47,554
Municipal bonds	9,499	-	-	9,499
OFZ bonds	7,444	-	-	7,444
Russian Federation ("RF") Government Eurobonds	22			22
Corporate shares	8	-	-	8
Financial assets at fair value through profit or loss[3]	**161,350**	**394**	**-**	**161,744**

	31 December 2013			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Corporate bonds and Eurobonds	74,653	1,004	-	75,687
Bonds and Eurobonds issued by banks	61,715	-	-	61,685
OFZ bonds	29,778	-	-	29,778
Municipal bonds	10,664	-	-	10,664
Russian Federation ("RF") Government Eurobonds	1,110	-	-	1,110
Corporate shares	27	-	-	27
Financial assets at fair value through profit or loss[4]	**177,947**	**1,004**	**-**	**178,951**

[3] Excluding derivative financial instruments
[4] Excluding derivative financial instruments

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are presented as follows:

The following table provides information on derivative financial instruments as at 31 December 2014 and 2013:

	31 December 2014			31 December 2013		
	Nominal	Fair value		Nominal	Fair value	
	amount	Asset	Liability	amount	Asset	Liability
Derivative financial instruments:						
Foreign currency						
Currency-interest swaps and settlement forwards	(123,896)	70,847	(33,543)	(28,263)	822	(506)
Forwards	(541,976)	54,623	(53,189)	(201,952)	1,105	(957)
Options		3,916	(3,844)		1,052	(806)
Precious metals						
Forwards	(14,079)	351	(113)	(10,184)	12	(516)
Settlement forwards		14	(10)		16	(16)
Dealing security						
Embedded derivative		-	(60)		12	-
Forwards		-	(23)		11	(5)
Other derivative						
Credit default swaps		679	-		-	-
Forwards		-	-		3	(2)
Interest rate swaps		-	-		2	(58)
Total derivative financial instruments		**130,430**	**(90,782)**		**3,035**	**(2,866)**

As at 31 December 2014 financial liabilities at fair value through profit or loss comprise derivative financial instruments in the amount of RUB 90,782 million and other financial liabilities at fair value through profit or loss in the amount of RUB 3,314 million.

As at 31 December 2014 customer accounts amounting to RUB 60 553 million are guarantee deposits in operations with derivatives.

The primary purpose of the derivatives used by the Group is to reduce currency risk and interest rate risks. Such derivatives have the same term to maturity as the underlying assets.

Most of the Group's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Group may also take positions with the expectation of profiting from favorable movements in prices, rates or indices.

Forwards and futures

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts also result in market risk exposure.

Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually net, with the difference being paid by one party to the other.

Interest rate swaps are used for interest rate risks management and presented as the exchange of interest payments for nominal amount, amortized during the time and nominated in RUB, EUR and USD. The Group uses interest rate swaps for exchange of fixed interest rate for floating interest rate and vice versa. The floating interest rate is tied to basic interest rate LIBOR on the different terms basis.

Interest rate swaps are subject to price risk associated with a change in the price of an underlying asset and credit risk, related to the possibility of violating the terms of the transaction by the counterparty of the deal.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Details of the Group's information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	31 December 2014			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Currency-interest swaps and settlement forwards	-	70,847	-	70,847
Foreign currency forwards	-	54,623	-	54,623
Foreign currency options	-	3,916	-	3,916
Credit default swaps	-	679	-	679
Precious metals forwards	-	351	-	351
Precious metals settlement forwards	-	14	-	14
Derivative financial instruments	**-**	**130,430**	**-**	**130,430**
Foreign currency forwards	-	(53,189)	-	(53,189)
Currency-interest swaps and settlement forwards	-	(33,543)	-	(33,543)
Foreign currency options	-	(3,844)	-	(3,844)
Precious metals forwards	-	(113)	-	(113)
Embedded derivatives	-	(60)	-	(60)
Dealing security forwards	-	(23)	-	(23)
Precious metals settlement forwards	-	(10)	-	(10)
Financial liabilities at fair value through profit or loss	**-**	**(90,782)**	**-**	**(90,782)**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2013			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Foreign currency forwards	-	1,105	-	1,105
Foreign currency options	-	1,052	-	1,052
Currency-interest swaps	-	822	-	822
Precious metals settlement forwards	-	16	-	16
Precious metals forwards	-	12	-	12
Embedded derivatives		12	-	12
Dealing security forwards	-	11	-	11
Other forwards	-	3	-	3
Interest-rate swaps	-	2	-	2
Derivative financial instruments	**-**	**3,035**	**-**	**3,035**
Foreign currency forwards		(957)	-	(957)
Foreign currency options	-	(806)	-	(806)
Precious metals forwards	-	(516)	-	(516)
Currency-interest swaps	-	(506)	-	(506)
Interest-rate swaps	-	(58)	-	(58)
Precious metals settlement forwards	-	(16)	-	(16)
Dealing security forwards	-	(5)	-	(5)
Other forwards	-	(2)	-	(2)
Financial liabilities at fair value through profit or loss	**-**	**(2,866)**	**-**	**(2,866)**

11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	31 December 2014	**31 December 2013**
Loans to banks with original maturity more than 90 days	18,354	24,440
Current restricted amounts with credit institutions, gross	4,722	71
Current restricted amounts with stock exchange	37	54
Overdue deposits	2	2
Other commitments with banks	12,546	105
Less: allowance for impairment losses	(11)	(2)
Total loans and advances to banks and other financial institutions	**35,650**	**24,670**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2014	31 December 2013
Loans to corporate and small business clients		
Corporate loans	794,612	563,599
Small business loans to corporates	44,441	51,040
Net investments in finance lease	60	8,558
Total loans to corporate and small business clients	**839,113**	**623,197**
Loans under reverse repurchase agreements:		
Loans under reverse repurchase agreements to legal entities	777,304	106,637
Loans under reverse repurchase agreements to individuals	-	78
Total loans under reverse repurchase agreements	**777,304**	**106,715**
Loans to retail business clients		
Consumer loans	124,587	111,260
Mortgage loans	68,963	54,728
Credit cards	9,249	7,471
Car loans	6,010	8,742
Total loans to retail business clients	**208,809**	**182,201**
Gross loans to customers	**1,825,226**	**912,113**
Less – Allowance for impairment losses	(40,442)	(32,839)
Total loans to customers	**1,784,784**	**879,274**

The credit quality of loans to customers can be defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

The internal credit quality classification includes four categories:

- **Standard loans,** representing loans without any indications of impairment and thus representing the best level of credit quality;
- **Watch list loans,** representing loans with some **minor indicators of deterioration** in credit quality **not yet resulting in the impairment** of the loan. Such indicators may include minor breaches of loan covenants, some factors of deterioration of financial position of the borrower etc., not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools.
- **Substandard loans,** representing loans with **certain minor indicators of impairment**, which potentially can affect the ability of the borrower to repay the amounts in due course. Such indicators may include deterioration of financial position of the borrower, minor breaches of payment discipline; numerous loan renegotiating. Substandard loans are subject to stricter monitoring of dynamics in financial position, sufficiency of collateral and other instruments of credit risk reduction and other enhanced credit risk management tools.
- **Doubtful loans,** representing loans with **significant indicators of impairment**. Such loans are treated on a case by case basis so as to minimize potential losses for the Group.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Loan loss provision for substandard and doubtful loans is assessed based on the expected level of recovery.

When one or more contractual payments are overdue the entire loan is accounted as overdue.

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities and loans under reverse repurchase agreements by the Group's internal credit quality categories, as at 31 December 2014:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Standard loans	1,465,889	5,979	1,459,910	0.41%
Watch list loans	12,217	166	12,051	1.36%
Substandard loans	60,998	4,111	56,887	6.74%
Doubtful loans, including	32,872	9,437	23,435	28.71%
- not overdue	5,968	2,494	3,474	41.79%
- overdue less than 90 days	4,912	981	3,931	19.97%
- overdue more than 90 days and less than 1 year	15,618	3,573	12,045	22.88%
- overdue more than 1 year	6,374	2,389	3,985	37.48%
Total corporate loans	**1,571,976**	**19,693**	**1,552,283**	**1.25%**
Small business loans to corporates				
Standard loans	36,491	287	36,204	0.79%
Watch list loans	150	1	149	0.67%
Substandard loans	993	394	599	39.68%
Doubtful loans, including	6,807	3,122	3,685	45.86%
- not overdue	47	5	42	10.64%
- overdue less than 90 days	1,477	538	939	36.43%
- overdue more than 90 days and less than 1 year	2,765	1,193	1,572	43.15%
- overdue more than 1 year	2,518	1,386	1,132	55.04%
Total small business loans	**44,441**	**3,804**	**40,637**	**8.56%**
Total loans to corporate and small business clients	**1,616,417**	**23,497**	**1,592,920**	**1.45%**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The following tables provide an analysis of the credit quality and distribution of loans granted to corporate and small business clients and loans under reverse repurchase agreements by the Group’s internal credit quality categories, as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Standard loans	620,781	5,043	615,738	0.81%
Watch list loans	10,640	144	10,496	1.35%
Substandard loans	19,121	3,083	16,038	16.12%
Doubtful loans, including	28,330	12,693	15,637	44.80%
- not overdue	6,117	2,384	3,733	38.97%
- overdue less than 90 days	9,230	2,869	6,361	31.08%
- overdue more than 90 days and less than 1 year	7,520	4,491	3,029	59.72%
- overdue more than 1 year	5,463	2,949	2,514	53.98%
Total corporate loans	**678,872**	**20,963**	**657,909**	**3.09%**
Small business loans to corporates				
Standard loans	46,175	259	45,916	0.56%
Watch list loans	50	2	48	4.00%
Substandard loans	60	6	54	10.00%
Doubtful loans, including	4,755	2,464	2,291	51.82%
- not overdue	183	23	160	12.57%
- overdue less than 90 days	1,302	427	875	32.80%
- overdue more than 90 days and less than 1 year	1,958	1,192	766	60.88%
- overdue more than 1 year	1,312	822	490	62.65%
Total small business loans	**51,040**	**2,731**	**48,309**	**5.35%**
Total loans to corporate and small business clients	**729,912**	**23,694**	**706,218**	**3.25%**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The following table provides information on loans to individuals as at 31 December 2014:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Consumer Loans				
- Not past due	99,790	632	99,158	0.63%
- Overdue less than 30 days	4,273	445	3,828	10.41%
- Overdue 30-90 days	4,320	1,829	2,491	42.34%
- Overdue 91-180 days	4,957	2,766	2,191	55.80%
- Overdue 181-365 days	7,543	4,442	3,101	58.89%
- Overdue more than 365 days	3,704	3,462	242	93.47%
Total consumer loans	**124,587**	**13,576**	**111,011**	**10.90%**
Mortgage Loans				
- Not past due	64,686	47	64,639	0.07%
- Overdue less than 30 days	1,927	43	1,884	2.23%
- Overdue 30-90 days	355	71	284	20.00%
- Overdue 91-180 days	417	141	276	33.81%
- Overdue 181-365 days	435	152	283	34.94%
- Overdue more than 365 days	1,143	679	464	59.41%
Total mortgage loans	**68,963**	**1,133**	**67,830**	**1.64%**
Car Loans				
- Not past due	4,695	11	4,684	0.23%
- Overdue less than 30 days	103	8	95	7.77%
- Overdue 30-90 days	100	29	71	29.00%
- Overdue 91-180 days	95	46	49	48.42%
- Overdue 181-365 days	146	65	81	44.52%
- Overdue more than 365 days	871	724	147	83.12%
Total car loans	**6,010**	**883**	**5,127**	**14.69%**
Credit card loans				
- Not past due	7,078	72	7,006	1.02%
- Overdue less than 30 days	473	42	431	8.88%
- Overdue 30-90 days	329	181	148	55.02%
- Overdue 91-180 days	358	255	103	71.23%
- Overdue 181-365 days	709	504	205	71.09%
- Overdue more than 365 days	302	299	3	99.01%
Total credit cards	**9,249**	**1,353**	**7,896**	**14.63%**
Total loans to retail business clients	**208,809**	**16,945**	**191,864**	**8.12%**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The following table provides information on loans to retail business clients as at 31 December 2013:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Consumer Loans				
- Not past due	98,422	467	97,955	0.47%
- Overdue less than 30 days	3,382	579	2,803	17.12%
- Overdue 30-90 days	2,454	1,148	1,306	46.78%
- Overdue 91-180 days	2,391	1,473	918	61.61%
- Overdue 181-365 days	3,576	2,232	1,344	62.42%
- Overdue more than 365 days	1,035	1,028	7	99.32%
Total consumer loans	**111,260**	**6,927**	**104,333**	**6.23%**
Mortgage Loans				
- Not past due	51,357	13	51,344	0.03%
- Overdue less than 30 days	1,766	34	1,732	1.93%
- Overdue 30-90 days	207	35	172	16.91%
- Overdue 91-180 days	209	61	148	29.19%
- Overdue 181-365 days	307	126	181	41.04%
- Overdue more than 365 days	882	515	367	58.39%
Total mortgage loans	**54,728**	**784**	**53,944**	**1.43%**
Car Loans				
- Not past due	7,558	4	7,554	0.05%
- Overdue less than 30 days	193	6	187	3.11%
- Overdue 30-90 days	101	15	86	14.85%
- Overdue 91-180 days	71	29	42	40.85%
- Overdue 181-365 days	186	97	89	52.15%
- Overdue more than 365 days	633	435	198	68.72%
Total car loans	**8,742**	**586**	**8,156**	**6.70%**
Credit card loans				
- Not past due	6,035	56	5,979	0.93%
- Overdue less than 30 days	382	56	326	14.66%
- Overdue 30-90 days	271	143	128	52.77%
- Overdue 91-180 days	251	176	75	70.12%
- Overdue 181-365 days	413	300	113	72.64%
- Overdue more than 365 days	119	117	2	98.32%
Total credit cards	**7,471**	**848**	**6,623**	**11.35%**
Total loans to retail business clients	**182,201**	**9,145**	**173,056**	**5.02%**

As at 31 December 2014 and 31 December 2013 the Group has entered into transactions to securitize mortgage loans in the amount of RUB 21,745 million and RUB 13,547 million that the Group has originated. Securitisation is a process whereby finance can be raised from external investors by enabling them to invest in parcels of specified financial assets. The Group accounted for the transaction as a collateralised borrowing and recorded the cash received as a financial liability. Although the Group sold the rights to 100% of the cash flows arising on a portfolio of mortgage loans, it provided guarantees of the performance of the loans. In accordance with the terms of the securitization agreement, if the asset becomes overdue more than 90 days, the Group is obliged to replace it.

The Group has determined that substantially all the risks and rewards of the portfolio were retained and, consequently, the loans were not derecognised.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The following table summarises the Group's holdings of asset-backed securities, showing the carrying value of the transferred assets, associated liabilities and net position as at:

	31 December 2014	31 December 2013
Carrying value of transferred assets	21,745	13,547
Carrying value of associated liabilities	17,649	10,708
Net position	4,096	2,839

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

	Corporate banking	Consumer loans	Mortgage loans	Car loans	Credit card loans	Total
31 December 2012	**20,321**	**964**	**501**	**40**	**76**	**21,902**
Provision charge	7,409	1,797	46	84	54	9,390
Recovery of bad debt written-off	345	49	137	10	7	548
Foreign currency revaluation effect	311	2	2	-	-	315
Disposal of loans	(2,728)	(15)	-	-	-	(2,743)
Bad debt written-off	(3,206)	(636)	(30)	(23)	(43)	(3,938)
Aquisition of OJSC Bank "Otkritie"	1,242	4,766	128	475	754	7,365
31 December 2013	**23,694**	**6,927**	**784**	**586**	**848**	**32,839**
Individually impaired	15,927	-	-	-	-	15,927
Collectively impaired	7,767	6,927	784	586	848	16,912
Gross loans to customers, individually assessed for impairment	45,903	-	-	-	-	45,903
31 December 2013	**23,694**	**6,927**	**784**	**586**	**848**	**32,839**
Provision charge	8,337	11,612	493	381	1,007	21,830
Recovery of bad debt written-off	753	89	167	3	7	1,019
Foreign currency revaluation effect	1,996	21	44	1	2	2,064
Disposal of loans	(3,903)	(3,568)	(179)	(20)	(403)	(8,073)
Bad debt written-off	(6,680)	(1,505)	(176)	(68)	(108)	(8,537)
Disposal of subsidiaries	(700)	-	-	-	-	(700)
31 December 2014	**23,497**	**13,576**	**1,133**	**883**	**1,353**	**40,442**
Individually impaired	16,031	50	-	-	-	16,081
Collectively impaired	7,466	13,526	1,133	883	1,353	24,361
Gross loans to customers, individually assessed for impairment	66,698	-	-	-	-	66,698

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Loans are issued principally within Russia in the following industry sectors:

	31 December 2014	31 December 2013
Brokerage and dealing in securities	806,022	106,715
Individuals*	209,958	183,877
Operations with real estate	131,856	59,114
Services	116,910	95,651
Mining	97,671	33,622
Industrial manufacturing	84,823	80,754
Wholesale trade	70,130	81,847
Housing construction	53,838	38,439
Construction of industrial real estate	46,651	51,570
Leasing	44,839	36,242
Retail trade	32,579	32,151
Transport and communication	30,793	27,853
Construction of commercial real estate	27,373	33,872
Energy	6,318	4,500
Precious metals extraction	3,890	1,455
Agriculture	3,508	3,353
Government finance	2,676	4,900
Other	55,391	36,198
Gross loans to customers	**1,825,226**	**912,113**
Less – Allowance for impairment losses	(40,442)	(32,839)
Total loans to customers	**1,784,784**	**879,274**

(*) As at 31 December 2014 loans to individuals include loans to retail business clients totaling RUB 208,809 million and small business loans to individuals RUB 1,149 million.

As at 31 December 2013 loans to individuals include loans to retail business totaling RUB 182,201 million and small business loans to individuals RUB 1,676 million.

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	31 December 2014	31 December 2013
Loans collateralized by pledge of securities	872,824	173,110
Loans collateralized by guarantees of enterprises and banks	203,466	205,426
Loans collateralized by pledge of real estate	154,669	118,454
Loans collateralized by pledge of property	104,871	45,090
Loans collateralized by pledge of contract proceeds	40,095	51,912
Loans collateralized by pledge of the Bank's own securities	1,510	105
Unsecured loans	238,982	135,815
Gross loans to corporate customers	**1,616,417**	**729,912**
Less – Allowance for impairment losses	(23,497)	(23,694)
Total loans to corporate customers	**1,592,920**	**706,218**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	31 December 2014	31 December 2013
Loans collateralized by pledge of real estate	54,177	41,565
Loans collateralized by pledge of contract proceeds	11,492	6,449
Loans collateralized by guarantees of enterprises	7,148	8,311
Loans collateralized by pledge of vehicles and other property	4,223	5,924
Loans collateralized by pledge of securities	867	684
Loans collateralized by pledge of the Bank's own securities	1	1
Unsecured loans	130,901	119,267
Gross loans to individuals	**208,809**	**182,201**
Less – Allowance for impairment losses	(16,945)	(9,145)
Total loans to individuals	**191,864**	**173,056**

As at 31 December 2014 and 2013 the Group granted loans to eleven and five corporate borrowers totalling RUB 814,607 million, and RUB 47,348 million, respectively, which individually exceeded 10% of the Group's equity. Borrowers individually exceeding 10% of the Group equity have good credit history and the loans provided to them are performing within standard loans.

As at 31 December 2014 and 2013 renegotiated loans amounted to RUB 18,567 million and RUB 5,590 million, respectively, which would be past due or impaired if not renegotiated. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 31 December 2014 and 2013 the loans under reverse repurchase agreements to customers have contractual maturities from January 2015 to December 2015 and January 2014 to May 2014, respectively.

Carrying value of loans under reverse repurchase agreements and fair value of collateral held as at 31 December 2014 and 2013 are presented as follows:

	31 December 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds and Eurobonds	538,854	625,710	11,731	13,226
Shares	183,727	273,000	66,276	82,896
Bonds and Eurobonds issued by banks	30,314	33,308	18,975	19,799
Units of investment funds	13,732	19,289	9,144	10,710
RF Government Eurobonds	10,677	11,160	-	-
OFZ	-	-	589	620
Total	**777,304**	**962,467**	**106,715**	**127,251**

As at 31 December 2013 loans under reverse repurchase agreements include Group's own subordinated Eurobonds pledged with carrying amount of RUB 2,620 million.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

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

	31 December 2014	31 December 2013
Less than one year	40	3,890
From one year to five years	26	6,593
More than five years	-	1,526
Minimum lease payments	66	12,009
Less: unearned finance income	(6)	(3,451)
Net investment in finance lease	**60**	**8,558**
Current portion	35	2,713
Long-term portion	25	5,845
Net investment in finance lease	**60**	**8,558**

As at 31 December 2014 the Group had deposits from one customer amounting to RUB 13,549 million which was collaterized with the rights of claim with respect to loans to customers totaling RUB 15,063 million (Note 20).

During the years ended 31 December 2014 and 2013 the Group sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net (loss) / gain on disposal of loans is represented by:

	Year ended 31 December 2014	Year ended 31 December 2013
Fair value of the consideration received	37,861	24,820
Carrying amount net of provisions	(38,873)	(23,277)
Net (loss)/gain on disposal of loans	**(1,012)**	**1,543**

13. INVESTMENTS AVAILABLE-FOR-SALE

As at 31 December 2014 investments available-for-sale comprised:

	31 December 2014	Interest rate to nominal	Maturity date
Debt securities:			
Bonds and Eurobonds issued by banks	33,790	0-18.0%	February 2015 – August 2029
Corporate bonds and Eurobonds	31,029	3.04-25%	February 2015-January 2044
RF Government Eurobonds	16,428	5-12.75%	April 2020-March 2030
OFZ bonds	8,982	6.7-8.15%	June 2015- February 2036
Municipal bonds	6,396	2.75-12.25%	August 2015-August 2020
US Government Eurobonds	5,733	1.5%	May 2019
Promissory notes	474	-	March 2015
Total debt securities	**102,832**		
Equity securities:			
Shares	7,678		
Units of investment funds	333		
Total equity securities	**8,011**		
Total investments available-for-sale	**110,843**		

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks
Debt securities:			
Bonds and Eurobonds issued by banks	33,790	1,037	20,545
Corporate bonds and Eurobonds	31,029	2,208	12,615
RF Government Eurobonds	16,428	-	-
OFZ bonds	8,982	-	3,633
Municipal bonds	6,396	-	5,635
US Government Eurobonds	5,733	-	-
Promissory notes	474	-	-
Total debt securities	**102,832**	**3,245**	**42,428**
Equity securities:			
Shares	7,678	-	-
Units of investment funds	333	-	-
Total equity securities	**8,011**	-	-
Total investments available-for-sale	**110,843**		

As at 31 December 2013 investments available-for-sale comprise:

	31 December 2013	Interest rate to nominal	Maturity date
Debt securities:			
Corporate bonds and Eurobonds	19,052	3.42-12.0%	January 2014-January 2044
Bonds and Eurobonds issued by banks	9,565	0-12.4%	February 2014-April 2022
RF Government Eurobonds	8,262	5.0-12.75%	April 2020-March 2030
Municipal bonds	1,408	7.95-9.5%	November 2014-August 2020
OFZ bonds	1	7.35%	Juanuary 2016
Total debt securities	**38,288**		
Equity securities:			
Shares	928		
Units of investment funds	315		
Share participation in limited liability companies	1		
Total equity securities	**1,244**		
Total investments available-for-sale	**39,532**		

	31 December 2013	Pledged as collateral with CBR	Pledged under repurchase agreements with banks
Debt securities:			
Corporate bonds and Eurobonds	19,052	-	749
Bonds and Eurobonds issued by banks	9,565	-	1,228
RF Government Eurobonds	8,262	-	-
Municipal bonds	1,408	-	-
OFZ bonds	1	-	-
Total debt securities	**38,288**	-	**1,977**
Equity securities:			
Shares	928	-	-
Units of investment funds	315	-	-
Share participation in limited liability companies	1	-	-
Total equity securities	**1,244**	-	-
Total investments available-for-sale	**39,532**		

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Units of investment funds included in financial assets available-for-sale as at 31 December 2014 and 2013 are presented below:

	31 December 2014	31 December 2013
OPIF "OTKRITIE – obligatzii"	302	283
OPIF "Otkritie – euroobligatzii" *	13	11
OPIF "OTKRITIE – Energetika"	9	12
OPIF "Otkritie – aktzii" **	9	9
Total units of investment funds	**333**	**315**

* Previously named OPIF "NOMOS – Fond obligatziy", which was merged with OPIF "Otkritie – euroobligatzii".
** Previously named OPIF "NOMOS – Fond aktzii", which was merged with OPIF "Otkritie – aktzii".

As at 31 December 2014 and 31 December 2013 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

In 4-th quarter 2014 management of the Group has made the decision to reclassify certain debt securities from financial assets at fair value through profit or loss to investments available-for-sale. The Management has analyzed the current economic circumstances in Russia (for details please see operating environment in Note 34) and concluded that they can be considered as circumstances qualifying for reclassification under IAS 39.The reclassified securities amounted to RUB 18,217 million as of 31 December 2014. The fair value of the reclassified securities as at the date of reclassification equaled RUB 18,217 million. If the reclassification had not been made there were no impact on the Group's statement of profit or loss for the period ended 31 December 2014.

Effective interest rate of reclassified financial assets, determined at the date of reclassification is from 3,04% to 8,85%.Estimated amounts of cash flows the Group expects to recover is equal to fair value of reclassified assets as at the date of reclassification.

Details of the Group's information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	31 December 2014			
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Bonds and Eurobonds issued by banks	29,202	3,005	1,583	33,790
Corporate bonds and Eurobonds	29,887	520	622	31,029
RF Government Eurobonds	16,428	-	-	16,428
OFZ bonds	8,982	-	-	8,982
Municipal bonds	6,396	-	-	6,396
US Government Eurobonds	5,733	-	-	5,733
Corporate shares	608	-	32	640
Promissory notes	474	-	-	474
Units of investment funds	-	333	-	333
Investments available-for-sale	**97,710**	**3,858**	**2,237**	**103,805**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2013			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Corporate bonds and Eurobonds	17,808	12	1,232	19,052
Bonds and Eurobonds issued by banks	8,690	875	-	9,565
RF Government Eurobonds	8,262	-	-	8,262
Municipal bonds	1,408	-	-	1,408
Corporate shares	494	-	20	514
Units of investment funds	-	315	-	315
OFZ bonds	1	-	-	1
Investments available-for-sale	**36,663**	**1,202**	**1,252**	**39,117**

Excluded from the table above were investments in equity securities of unlisted entities classified as available-for-sale securities. The fair value of such securities is not readily measurable accordingly such investments are carried at the acquisition cost.

As at 31 December 2014 and 2013 the value of such investments amounted RUB 7,038 million and RUB 415 million, respectively.

The Group invests in certain investment funds where as a result of general market conditions and illiquidity of the bond markets the valuation is based upon inputs other than those readily observable in the market place (Level 3). The following table provides details of the activity with respect to the fair value measurement during the period ending 31 December 2014 and 31 December 2013.

	31 December 2014	**31 December 2013**
As at January	**1,252**	**-**
Transfer from level 2 to level 3	947	-
Acquisition of OJSC Bank "Otkritie"	-	1,252
Purchase of shares	1	-
Disposal of shares	(165)	-
Gain recognized in consolidated statement of profit or loss	640	-
(Loss)/gain recognized in other comprehensive income	(438)	-
As at 31 December	**2,237**	**1,252**

14. INVESTMENTS HELD TO MATURITY

In 2014 management of the Group has made the decision to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity. The Management has analyzed the current economic circumstances in Russia (for details please see operating environment in Note 34) and concluded that they can be considered as circumstances qualifying for reclassification under IAS 39. The reclassified securities amounted to RUB 33,890 million as of 31 December 2014. The fair value of the reclassified securities as at the date of reclassification equaled RUB 30,187 million. If the reclassification had not been made, the Group's statement of profit or loss for the period ended 31 December 2014 would have included unrealized fair value losses on the reclassified debt securities in the amount of RUB 2,022 million.

The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method. The average effective interest rate as at the date of reclassification amounted to 7.69% with expected recoverable cash flows of RUB 56,590 million.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Investments held to maturity are presented as follows:

	31 December 2014	Interest rate to nominal	Maturity date
Debt securities:			
Corporate bonds and Eurobonds	41,936	3.15-9.95%	October 2015-December 2018
Bonds and Eurobonds issued by banks	17,118	4.95-9.10%	March 2015-May 2018
Municipal bonds	2,135	8.15-9.50%	November 2016-August 2020
Total investments held to maturity	**61,189**		

As at 31 December 2013 the Group had no investments held to maturity.

As at 31 December 2014 the Group has certain investments held to maturity provided as collateral under repurchase agreements and loans from banks:

	31 December 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	41,936	-	18,363	-	18,363
Bonds and Eurobonds issued by banks	17,118	-	2,717	-	2,717
Municipal bonds	2,135	-	1,735	-	1,735
Total investments held to maturity	**61,189**	**-**	**22,815**	**-**	**22,815**

Details of the Group's information about the fair value hierarchy as at 31 December 2014 are as follows:

	31 December 2014			
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Corporate bonds and Eurobonds	39,103	-	-	39,103
Bonds and Eurobonds issued by banks	15,123	-	-	15,123
Municipal bonds	1,866	-	-	1,866
Investments held to maturity	**56,092**	**-**	**-**	**56,092**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

15. INVESTMENT PROPERTY

Investment property comprises:

	31 December 2014	31 December 2013
As at January 1	**8,571**	**4,761**
Acquisitions	914	991
Transferred from property and equipment	577	232
Disposal of subsidiary	(1,400)	-
Disposals	(926)	(1,403)
(Loss)/ gain on property revaluation	(189)	178
Property classified as held for sale	(74)	(170)
Acquisition of OJSC Bank “Otkritie”	-	4,175
Property transferred to finance lease	-	(193)
As at December 31	**7,473**	**8,571**

Investment property owned by the Group were revalued by independent appraisers as at 31 December 2014 and 2013. The following methods were used for the estimation of their fair value: discounted cash flow method (income approach), integrated cost estimation method (cost based method), method of sales comparison (comparative approach). For the estimation of the final value, certain weights were assigned to the results obtained using different approaches, depending on the degree to which the estimates met the following characteristics: reliability and completeness of the information, specifies the estimated property and other.

The fair value of the buildings was determined based on the market comparative approach that reflects recent transaction prices and rental rates for similar properties (income approach). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Included into operating income is investment property rental income for the years ended 31 December 2014 and 2013 totaling RUB 464 million and RUB 278 million, respectively.

Operating expenses arising from the investment property during the years ended 31 December 2014 and 2013 totaling RUB 129 million and RUB 185 million, respectively.

As at 31 December 2014 and 2013 the Group made an assessment of carrying value of investment property. This assessment resulted in recognition of impairment loss in the consolidated statement of profit or loss amounting to RUB 189 million and of revaluation profit to RUB 178 million for the years ended 31 December 2014 and 2013, respectively. Decrease of the carrying value of buildings and other real estate is recognized in the consolidated statement of profit or loss.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2014
Investment property	-	7,473	-	7,473
Total	**-**	**7,473**	**-**	**7,473**

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
Investment property	-	8,571	-	8,571
Total	**-**	**8,571**	**-**	**8,571**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

16. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise:

	Land	Buildings and construc-tions	Furniture and equipment	Other	Total
At initial/indexed/revalued cost					
31 December 2012	**483**	**8,495**	**2,849**	**1,464**	**13,291**
Acquisition of OJSC Bank "Otkritie"	89	4,135	865	681	5,770
Reclasses	(2)	(71)	240	(399)	(232)
Revaluation recorded in equity	24	435	-	-	459
(Impairment)/recovery of impairment	(26)	13	-	-	(13)
Movement in cost related to revaluation	-	(206)	-	-	(206)
Additions	-	8	241	800	1,049
Disposals	(2)	(7)	(243)	(428)	(680)
31 December 2013	**566**	**12,802**	**3,952**	**2,118**	**19,438**
Reclasses	(1)	(763)	440	(553)	(877)
Revaluation recorded in equity	-	500	-	-	500
Impairment	(12)	(18)	-	-	(30)
Movement in cost related to revaluation	-	(445)	-	-	(445)
Additions	-	146	392	1,166	1,704
Disposals through disposal of subsidiaries	-	-	(34)	(7)	(41)
Disposals		(303)	(195)	(806)	(1,304)
31 December 2014	**553**	**11,919**	**4,555**	**1,918**	**18,945**
Accumulated depreciation					
31 December 2012	**-**	**3**	**1,655**	**516**	**2,174**
Acquisition of OJSC Bank "Otkritie"	-	-	459	280	739
Movement in cost related to revaluation	-	(206)	-	-	(206)
Charge for the period	-	211	452	143	806
Write-off on disposal	-	(3)	(188)	(89)	(280)
31 December 2013	**-**	**5**	**2,378**	**850**	**3,233**
Movement in cost related to revaluation	-	(445)	-	-	(445)
Charge for the period	-	465	630	178	1,273
Disposals through disposal of subsidiaries	-	-	(19)	(3)	(22)
Write-off on disposal		(19)	(155)	(151)	(325)
31 December 2014	**-**	**6**	**2,834**	**874**	**3,714**
Net book value					
31 December 2013	**566**	**12,797**	**1,574**	**1,268**	**16,205**
31 December 2014	**553**	**11,913**	**1,721**	**1,044**	**15,231**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

As at 31 December 2014 and 2013 land, buildings and constructions owned by the Group were revalued to market prices according to the report of an independent appraiser as described below. As a result, carrying value of these land, buildings and constructions amounted to RUB 12,466 million and RUB 13,363 million, respectively. If land, buildings and constructions were accounted at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, their carrying value would have been RUB 8,908 million and RUB 10,045 million, respectively.

The following methods were used for the estimation of their fair value: discounted cash flow method (income approach), integrated cost estimation method (cost based method), method of sales comparison (comparative approach). For the estimation of the final value, certain weights were assigned to the results obtained using different approaches, depending on the degree to which the estimates met the following characteristics: reliability and completeness of the information, specifies the estimated property and other.

The fair value of the buildings was determined based on the market comparative approach that reflects recent transaction prices and rental rates for similar properties (income approach). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

During the years ended 31 December 2014 and 2013 the Group carried out a review of the recoverable amount of its land, buildings and constructions. The review led to the recognition of an impairment loss of RUB 30 million and RUB 13 million for the year ended 31 December 2014 and 2013, respectively and which has been recognised in consolidated statement of profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their fair value. The recovery of impairment losses and impairment losses have been presented in the separate line in the consolidated statement of profit or loss.

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	Level 1	Level 2	Level 3	31 December 2014
- Land	-	553	-	553
- Buildings	-	11,913	-	11,913
Total	-	12,466	-	12,466

	Level 1	Level 2	Level 3	31 December 2013
- Land	-	566	-	566
- Buildings	-	12,797	-	12,797
Total	-	13,363	-	13,363

As at 31 December 2014 and 2013 included in property, plant and equipment were fully depreciated assets amounted to RUB 2,505 million and RUB 1,304 million, respectively.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

17. INTANGIBLE ASSETS

Intangible assets are presented as follows:

	Software	Customer-related intangible assets	Trademark	Licences	Other	Total
At initial cost						
31 December 2012	**1,822**	**1,373**	**350**	**808**	**63**	**4,416**
Acquisition of OJSC Bank "Otkritie"	334	1,710	1	165	-	2,210
Additions	705	-	1	37	2	745
Disposals	(8)	-	-	-	-	(8)
31 December 2013	**2,853**	**3,083**	**352**	**1,010**	**65**	**7,363**
Disposal of subsidiary	(816)	(243)	(1)	(39)	(1)	(1,100)
Additions	307	-	14	62	4	387
Disposals	(84)	-	-	(20)	-	(104)
31 December 2014	**2,260**	**2,840**	**365**	**1,013**	**68**	**6,546**
Accumulated depreciation						
31 December 2012	**791**	**780**	**2**	**307**	**55**	**1,935**
Acquisition of OJSC Bank "Otkritie"	104	1,009	-	46	-	1,159
Charge for the period	450	243	1	66	2	762
Write-off on disposal	(2)	-	-	-	-	(2)
31 December 2013	**1,343**	**2,032**	**3**	**419**	**57**	**3,854**
Disposal of subsidiary	(234)	(213)	(1)	(34)	-	(482)
Charge for the period	638	512	1	140	3	1,294
Write-off on disposal	(78)	-	-	(20)	-	(98)
31 December 2014	**1,669**	**2,331**	**3**	**505**	**60**	**4,568**
Net book value						
31 December 2013	**1,510**	**1,051**	**349**	**591**	**8**	**3,509**
31 December 2014	**591**	**509**	**362**	**508**	**8**	**1,978**

As at 31 December 2014 customer related intangible assets include core deposit intangible in the amount of RUB 60 million and client relationship in the amount of RUB 449 million.

As at 31 December 2013 customer related intangible assets include core deposit intangible in the amount of RUB 111 million and client relationship in the amount of RUB 940 million.

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18. OTHER ASSETS

Other assets are presented as follows:

	31 December 2014	31 December 2013
Other financial assets:		
Loans held for sale	7,975	-
Accounts receivable	3,425	2,020
Debtors on spot deals with currency and precious metals	346	276
Settlements on letters of credit	264	31
Receivables on operations with coins	166	115
Debtors on operations with securities	147	77
Debtors on operations with currency	16	1,209
Claims to Deposit Insurance Agency on customer accounts repayment	13	2,685
Insurance broker commission	4	320
Assignment of claims	-	415
Prepayments on operations with precious metals	-	1
Total other financial assets before allowance for impairment losses	**12,356**	**7,149**
Less – Allowance for impairment losses	(1,172)	(646)
	11,184	**6,503**
Other non-financial assets:		
Current income tax assets	3,814	766
Non-current assets held for sale	1,215	972
Rights on claims against property	1,120	617
Penalties	795	442
Deferred tax assets (Note 32)	423	114
Taxes other than income tax recoverable	257	456
Stationery and inventory	20	260
Prepayments of capital investments	16	637
Other	182	1,410
Total other non-financial assets before allowance for impairment losses	**7,842**	**5,674**
Less – Allowance for impairment losses	(918)	(611)
	6,924	**5,063**
Total other assets	**18,108**	**11,566**

Movements in allowances for impairment losses of other assets for the years ended 31 December 2014 and 2013 were as follows.

	2014	2013
As of 1 January	**1,257**	**470**
Acquisition of OJSC Bank "Otkritie"	-	664
Provision charge	1,073	246
Recovery of bad debt written-off	-	4
Disposal	-	(2)
Bad debt written-off	(240)	(125)
As of 31 December	**2,090**	**1,257**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Details of the Group's information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	31 December 2014			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Non-current assets held for sale	-	1,215	-	1,215
Non-current assets held for sale	**-**	**1,215**	**-**	**1,215**

	31 December 2013			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Non-current assets held for sale	-	972	-	972
Non-current assets held for sale	**-**	**972**	**-**	**972**

19. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	31 December 2014	**31 December 2013**
Loans under repurchase agreements from the CBR	694,877	81,603
Deposits from banks	149,534	88,403
Deposits from the CBR	104,620	24,890
Loans under repurchase agreements from banks	52,576	45,233
Correspondent accounts of other banks	33,305	9,263
Syndicated loans	6,687	7,795
Total due to banks and the Central Bank of the Russian Federation	**1,041,599**	**257,187**

As at 31 December 2014 and 2013 the Group had deposits from three and five banks amounting to RUB 915,821 million and RUB 142,181 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

As at 31 December 2014 carrying value of syndicated loan received by the Group comprised RUB 6,687 million from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is November 2015, and the interest rate is tied to three-month LIBOR plus 1.75% margin.

As at 31 December 2013 carrying value of syndicated loan received by the Group comprised RUB 7,795 million from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is November 2014, and the interest rate is tied to three-month LIBOR plus 1.75% margin.

As at 31 December 2014 and 2013 the Group had deposits from two banks amounting to RUB 46,891 million and RUB 4,361 million, respectively, which were collaterized with the rights of claim with respect to loans to customers totaling RUB 58,934 million and RUB 7,022 million, respectively.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

As at 31 December 2014 and 2013 the loans under reverse repurchase agreements from banks have contractual maturities in January 2015 and January 2014 to September 2014, respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 December 2014 and 2013 are presented as follows:

	31 December 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Financial assets at fair value through profit or loss:				
Bonds and Eurobonds issued by banks	58,890	68,203	24,704	29,931
Corporate bonds and Eurobonds	37,546	41,714	25,373	29,149
OFZ bonds	584	581	21,781	22,405
Municipal bonds	7,196	8,167	3,462	3,858
RF Government Eurobonds	24	21	1,053	1,110
Investments held to maturity:				
Corporate bonds and Eurobonds	16,968	18,363	-	-
Bonds and Eurobonds issued by banks	2,464	2,717	-	-
Municipal bonds	1,588	1,735	-	-
Investments available-for-sale:				
Bonds and Eurobonds issued by banks	18,250	20,545	916	1,228
Corporate bonds and Eurobonds	11,127	12,615	580	749
Municipal bonds	5,321	5,635	-	-
OFZ bonds	3,650	3,633	-	-
Loans and advances to banks and other financial institutions:				
Bonds and Eurobonds issued by banks	1,884	2,046	-	-
Loans to customers:				
Corporate bonds and Eurobonds	4,397	4,933	-	-
Municipal bonds	349	388	-	-
Securities received under reverse repurchase agreements:				
Corporate bonds and Eurobonds	469,574	577,810	2,844	3,198
Shares	77,099	136,838	39,251	63,698
Bonds and Eurobonds issued by banks	20,875	23,084	3,773	4,422
RF Government Eurobonds	9,050	9,195	-	-
Municipal bonds	357	309	1,030	1,140
OFZ bonds	260	260	2,069	2,145
Total	**747,453**	**938,792**	**126,836**	**163,033**

Included in the table above as at 31 December 2014 the Group received loans under repurchase agreements, which are collaterized by Group's Eurobonds of RUB 2,162 million.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2014	31 December 2013
Term deposits	799,332	586,102
Current accounts	217,763	187,151
Term deposits from Deposit Insurance Agency	5,900	1,408
Loans under repurchase agreements	-	6,810
Total customer accounts	**1,022,995**	**781,471**

As at 31 December 2014 and 2013 the Group received funds from seven and six customers amounting to RUB 341,724 million and RUB 200,329 million, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2014 and 2013 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	31 December 2014	31 December 2013
Gold	3,769	4,438
Silver	802	1,026
Palladium	99	47
Platinum	76	44
Total customer accounts denominated in precious metals	**4,746**	**5,555**

As at 31 December 2014 and 31 December 2013 customer accounts amounting to RUB 3,983 million and RUB 2,902 million, respectively, were held as security against contingent liabilities issued by the Group (see Note 34).

Analysis of customer accounts by economic sector is presented below:

	31 December 2014	31 December 2013
Individuals	301,729	266,780
Investment and asset management companies	279,178	262,678
Mining and oil extraction	140,621	11,922
Transport and communication	54,114	18,770
Wholesale trade	43,448	29,989
Services	35,103	33,349
Construction of industrial real estate	33,302	17,510
Industrial manufacturing	32,183	27,109
Insurance	20,559	21,326
Operations with real estate	14,896	13,007
Regional and local budgets funds	11,854	13,415
Science	11,674	12,004
Precious metals extraction	7,862	4,482
Construction of commercial real estate	5,247	8,564
Retail trade	5,077	5,097
Housing construction	3,450	4,342
Energy	2,697	4,241
Leasing	1,952	1,439
Agriculture	1,294	618
Brokerage and dealing in securities	-	6,810
Other	16,755	18,019
Total customer accounts	**1,022,995**	**781,471**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

As at 31 December 2014 the Group had deposits from one customer amounting to RUB 13,549 million which was collaterized with the rights of claim with respect to loans to customers totaling RUB 15,063 million (Note 12).

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 December 2014 and 2013 are presented as follows:

	31 December 2014		31 December 2013	
	Carrying value of loans	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**
Financial assets at fair value through profit or loss:				
OFZ bonds	-	-	2,630	2,634
Bonds and Eurobonds issued by banks	-	-	1,026	1,141
Securities received under reverse repurchase agreements:				
Shares	-	-	3,011	5,099
Bonds and Eurobonds issued by banks	-	-	143	154
Total	**-**	**-**	**6,810**	**9,028**

21. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	31 December 2014	**31 December 2013**
Bonds issued in local market	92,873	47,703
Eurobonds due in 2018	21,793	16,256
Total Bonds and Eurobonds issued	**114,666**	**63,959**

Bonds and Eurobonds as at 31 December 2014 comprise:

	Currency	**Issue date (year)**	**Maturity date (year)**	**Nominal interest rate %**	**31 December 2014**
Bonds issued					
PJSC "KHMBO", BO-02	Roubles	2014	2017	22.00%	30,090
PJSC "BFCO", BO-06	Roubles	2013	2016	11.50%	12,318
PJSC "BFCO", BO-04	Roubles	2014	2017	9.30%	9,741
PJSC "BFCO", BO-05	Roubles	2013	2016	10.50%	9,548
KHMB-1,Mortgage-Backed bonds	Roubles	2013	2045	13.88%	3,767
PJSC "BFCO", BO-03	Roubles	2012	2015	10.90%	5,452
PJSC "BFCO", 12th issue	Roubles	2010	2017	8.70%	5,113
KHMB-2,Mortgage-Backed bonds	Roubles	2014	2047	-	6,615
PKB-1,Mortgage-Backed bonds	Roubles	2014	2046	-	3,143
OTKRITIE,BO-01	Roubles	2012	2017	13.20%	2,962
OTKRITIE-1,Mortgage-Backed bonds	Roubles	2013	2045	9.10%	2,189
NOMOS,Mortgage-Backed bonds	Roubles	2012	2045	8.75%	1,935
Total bonds issued					**92,873**
Eurobonds					
PJSC "BFCO" Eurobonds due in 2018	US Dollars	2013	2018	7.25%	21,793
Total Eurobonds issued					**21,793**
Total bonds and Eurobonds issued					**114,666**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Bonds and Eurobonds as at 31 December 2013 comprise:

	Currency	Issue date (year)	Maturity date (year)	Nominal interest rate %	31 December 2013
Bonds issued					
PJSC "BFCO", BO-06	Roubles	2013	2016	8.60%	7,138
PJSC "BFCO", BO-05	Roubles	2013	2016	9.00%	6,288
PJSC "BFCO", BO-03	Roubles	2012	2015	8.60%	5,170
PJSC "BFCO", BO-02	Roubles	2011	2014	9.20%	5,058
PJSC "BFCO", 11th issue	Roubles	2009	2014	9.50%	4,936
KHMB-1,Mortgage-Backed bonds	Roubles	2013	2045	9.20%	4,804
PJSC "BFCO", 12th issue	Roubles	2010	2017	8.70%	4,289
PJSC "BFCO", BO-01	Roubles	2011	2014	9.10%	4,002
OTKRITIE-1,Mortgage-Backed bonds	Roubles	2013	2045	9.00%	3,125
NOMOS,Mortgage-Backed bonds	Roubles	2012	2045	8.75%	2,806
OTKRITIE,1	Roubles	2012	2017	9.50%	87
Total bonds issued					**47,703**
Eurobonds					
PJSC "BFCO" Eurobonds due in 2018	US Dollars	2013	2018	7.25%	16,256
Total Eurobonds issued					**16,256**
Total bonds and Eurobonds issued					**63,959**

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2018.

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants at the end of each quarter of the years ended 31 December 2014 and 2013.

In December 2014 for the purpose of assets securitization the Group issued collateralized mortgage backed securities with the total nominal amount of RUB 7,322 million. The bonds were issued by CJSC "Mortgage Agent KhMB-2", consolidated special purpose company. A-rated class bonds with the nominal amount of RUB 4,392 million and B-rated class bonds with the nominal amount of RUB 2,196 million were placed via public offering at the Moscow Stock Exchange, and B-rated class bonds with the total nominal amount of RUB 732 million were acquired by the Group. The international rating agency Moody's issued the Baa3 credit rating to Class A notes. Class A and B notes have a fixed coupon rate of 9% with maturity July 1,2047.

In December 2014 the Group acquired Class B mortgage-backed bonds of CJSC "Mortgage Agent Petrocommerce-1". The Group has obtained control in CJSC "Mortgage Agent Petrocommerce-1" and its financial statements has been consolidated. The international rating agency Moody's issued the Baa3 credit rating to Class A notes. Class A notes have a fixed coupon rate of 8.75% with maturity December 9, 2046.

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22. PROMISSORY NOTES ISSUED

Promissory notes issued comprise:

	Interest rate to nominal	31 December 2014	Interest rate to nominal	31 December 2013
Discount bearing promissory notes	-	55,725	-	59,165
Interest bearing promissory notes	1.5-21.15%	2,133	1.5-10.5%	1,424
Certificates of deposit	9.37%	493	8.2-11.6%	750
Settlement promissory notes	-	376	-	313
Total promissory notes issued		**58,727**		**61,652**
Including: promissory notes held as security against loans to customers		2,444		435
Including: promissory notes held as security against guarantees and letters of credit (Note 34)		1,777		2,599

Settlement promissory notes are promissory notes sold at face value.

23. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2014	31 December 2013
Other financial liabilities:		
Payable to employees and accrued bonuses	1,995	2,259
Creditors on operations with securities	910	180
Accrued expenses	679	782
Payables on spot operations with currency, precious metals and securities	194	2
Provisions for guarantees and other off-balance sheet commitments (Note 34)	158	369
Paybles under lease contracts	113	88
Creditors on operations with foreign currency	-	250
Payables on settlement operations	-	237
Remuneration to the management company	-	59
Creditors on sale of precious metals	-	24
Total other financial liabilities	**4,049**	**4,250**
Other non-financial liabilities:		
Taxes payable, other than income tax	603	923
Other liabilities	346	453
Provisions for non-credit commitments	129	-
Current income tax liabilities	1	96
Total other non-financial liabilities	**1,079**	**1,472**
Total other liabilities	**5,128**	**5,722**

Movements in financial guarantees and provisions for other off-balance sheet commitments for the years ended 31 December 2014 and 2013 were as follows:

	2014	2013
As of 1 January	**369**	**362**
Acquisition of OJSC Bank "Otkritie"	-	202
Bad debt written-off	(171)	-
Amortisation of accrued commissions on guarantees	(4)	21
Provision charge/ (release)	93	(216)
As of 31 December	**287**	**369**

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24. SUBORDINATED DEBT

Subordinated debt is presented as follows:

The following table provides information on subordinated debt as at 31 December 2014:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2014
Subordinated bonds	US Dollars	2012	2019	10.00%	28,442
Subordinated bonds	US Dollars	2010	2015	8.75%	19,987
Subordinated bonds	US Dollars	2012	2019	10.00%	16,831
Subordinated bonds	US Dollars	2013	2023	9.15%	11,243
Subordinated loan	Roubles	2011	2024	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated loan	US Dollars	2013	2020	10.00%	5,862
Subordinated loan	Roubles	2009	2019	6.50%	1,716
Subordinated loan	Roubles	2009	2025	12.50%	1,203
Subordinated loan	Roubles	2007	2024	10.00%	200
Subordinated loan	Roubles	2008	2025	10.00%	190
Subordinated loan	Roubles	2008	2024	12.00%	170
Subordinated loan	Roubles	2007	2024	8.80%	95
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	40
					96,939

The following table provides information on subordinated debt as at 31 December 2013:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2013
Subordinated bonds	US Dollars	2012	2019	10.00%	16,528
Subordinated bonds	US Dollars	2010	2015	8.75%	11,605
Subordinated bonds	US Dollars	2012	2019	10.00%	9,783
Subordinated bonds	US Dollars	2013	2023	9.15%	6,545
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated loan	US Dollars	2013	2020	10.00%	3,416
Subordinated loan	Roubles	2009	2019	6.50%	1,660
Subordinated loan	Roubles	2009	2025	12.50%	1,203
Subordinated loan	Roubles	2013	2023	8.50%	1,064
Subordinated loan	Roubles	2007	2024	10.00%	200
Subordinated loan	Roubles	2008	2025	10.00%	190
Subordinated loan	Roubles	2008	2024	12.00%	170
Subordinated loan	Roubles	2007	2024	8.80%	95
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	40
					63,459

Subordinated Eurobonds issued in the amount of RUB 3,198 million with contractual maturity in 2018 were repaid in full during 2013.

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

25. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

Issued and fully paid	Ordinary shares (Number)	Nominal amount (RUB million)	Preference shares (Number)	Nominal amount (RUB million)
31 December 2012	**92,422,370**	**4,621**	**-**	**-**
Reacquired	(67,080)	(3)	-	-
Reacquired by subsidiaries	(6,478,916)	(324)	-	-
Issued	28,591,916	1,430	-	-
31 December 2013	**114,468,290**	**5,724**	**-**	**-**
Reissued	67,080	3	-	-
Issued	22,838,624	1,142	-	-
31 December 2014	**137,373,994**	**6,869**	**-**	**-**

In accordance with the requirement of IAS 29 "Financial reporting in hyperinflationary economies" the effect of inflation adjustment applied to the share capital amounts to RUB 1,278 million.

In November 2014 the Bank has completed public offering on the Moscow Stock Exchange. The increase of share capital amounted to 22,838,624 shares with a par value of RUB 50 each.

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Group, to receive non-fixed rate dividend income and to receive property belonging to the Group in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

Authorized	Ordinary shares (Number)	Nominal amount (RUB million)	Preference shares (Number)	Nominal amount (RUB million)
31 December 2012	**167,377,630**	**8,369**	**48,100,000**	**2,405**
Issued	(28,591,916)	(1,430)	-	-
31 December 2013	**138,785,714**	**6,939**	**48,100,000**	**2,405**
Issued	(22,838,624)	(1,142)	-	-
31 December 2014	**115,947,090**	**5,797**	**48,100,000**	**2,405**

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preference shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

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Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

26. NON-CONTROLLING INTEREST

Non-controlling interest comprises:

	OJSC "Novosibirsk Municipal Bank"	CJSC "Mortgage Agent Nomos"	LLC "NM-Expert"	OJSC "KHANTY-MANSIYSK BANK" and it's subsidiaries	OJSC "Otkritie-BANK" and it's subsidiaries	PJSC "KHANTY-MANSIYSK BANK - Otkritie" and it's subsidiaries	Total
31 December 2012	**176**	**26**	**-**	**15,479**	**-**	**-**	**15,681**
Effect of (increase)/decrease in share of subsidiaries (purchased from)/sold to non-controlling interest	(176)	-	2	-	-	-	(174)
Property, plant and equipment revaluation reserve to non-controlling interest	-	-	-	71	-	-	71
Revaluation of investments available-for-sale attributable to non-controlling interest	-	-	-	12	-	-	12
Acquisition of the new subsidiary	-	-	-	-	15,095	-	15,095
Profit attributable to non-controlling interest	-	198	2	2,198	-	-	2,398
31 December 2013	**-**	**224**	**4**	**17,760**	**15,095**	**-**	**33,083**
Effect of increase in share of subsidiaries purchased from non-controlling interest	-	-	-	-	(3,671)	-	(3,671)
Property, plant and equipment revaluation reserve to non-controlling interest	-	-	-	-	-	134	134
Revaluation of investments available-for-sale attributable to non-controlling interest	-	-	-	6	(229)	(1,520)	(1,743)
Profit attributable to non-controlling interest	-	27	2	465	(938)	(751)	(1,195)
Reorganisation	-	(251)		(18,231)	(10,257)	28,739	-
31 December 2014	**-**	**-**	**6**	**-**	**-**	**26,602**	**26,608**

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The summarised financial information below represents amounts before intragroup eliminations.

PJSC "KHANTY – MANSIYSK BANK Otkritie" and its subsidiaries	**31 December 2014**
Total assets	776,017
Total liabilities	718,937
Interest income	57,791
Interest expense	(30,722)
Provision for impairment losses on interest bearing assets	(14,677)
Net loss	(3,299)

OJSC "KHANTY – MANSIYSK BANK" and its subsidiaries	**31 December 2013**
Total assets	361,523
Total liabilities	325,144
Interest income	30,411
Interest expense	(17,921)
Provision for impairment losses on interest bearing assets	(3,566)
Net profit	4,393

OJSC "OTKRITIE Bank" and its subsidiaries	**31 December 2013**
Total assets	202,658
Total liabilities	177,000

27. NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

Net interest income comprises:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Interest income comprises:		
Interest income on assets recorded at amortized cost	136,592	88,575
Interest income on assets at fair value through profit or loss	11,685	9,153
Interest income on investments available-for-sale	3,925	121
Total interest income	**152,202**	**97,849**
Interest income on assets recorded at amortized cost:		
Interest income on loans to customers	114,080	80,163
Interest income on reverse repurchase transactions	16,798	5,931
Interest income on loans and advances to banks and other financial institutions	3,462	2,473
Interest on investments held to maturity	2,252	8
Total interest income on assets recorded at amortized cost	136,592	88,575
Interest expense comprises:		
Interest expense on liabilities recorded at amortized cost	86,490	57,050
Interest expense on liabilities at fair value through profit or loss	107	72
Total interest expense	**86,597**	**57,122**
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expense on customer accounts	49,299	36,383
Interest expense on repurchase transactions	13,492	3,241
Interest expense on due to banks and the Central Bank of the Russian Federation	7,842	5,272
Interest expense on subordinated debt	6,982	5,229
Interest expense on Bonds and Eurobonds issued	5,172	4,586
Interest expense on promissory notes issued	3,703	2,339
Total interest expense on financial liabilities recorded at amortized cost	86,490	57,050
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	**65,605**	**40,727**

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28. TRADING (LOSS)/INCOME

Trading (loss)/income comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Financial assets at fair value through profit or loss	(15,204)	(988)
Securities	**(15,204)**	**(988)**
Derivatives on foreign currency contracts	13,327	491
Net (loss)/ gain on foreign currency operations	(6,949)	1,091
Foreign currency	**6,378**	**1,582**
Derivatives on precious metals contracts	400	(223)
Net (loss)/ gain on precious metals	(2,667)	374
Precious metals	(2,267)	**151**
Other derivatives contracts	751	16
Other derivatives	**751**	**16**
Total trading (loss)/ income	**(10,342)**	**761**

The analysis of trading income is based on how the business is organised and the underlying risks managed. Trading income comprises gains and losses on financial instruments at fair value through profit and loss, both realized and unrealized.

The types of instruments include:

- Securities: operations with trading securities, trading security forward contracts and futures contracts;
- Foreign currency: foreign currency operations, foreign exchange forward contracts and currency options, impacts of the foreign exchange gains and losses on the allowance on loan losses on foreign currency denominated loans;
- Precious metals: precious metals operations and precious metals forward contracts;
- Other derivatives: interest rate swap contracts.

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29. NET FEE AND COMMISSION INCOME

Net fee and commission income comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income:		
Settlements	8,953	6,305
Documentary operations	3,075	2,826
Insurance broker commission	2,391	1,180
Cash operations	1,351	1,133
Foreign currency conversion operations	699	206
Brokerage operations	387	192
Operations related to underwriting	199	69
Operations with precious metals	76	89
Depositary services	9	6
Other	224	149
Total fee and commission income	**17,364**	**12,155**
Fee and commission expense:		
Settlements	3,106	2,618
Cash operations	355	248
Securities operations	253	35
Documentary operations	118	142
Customer bonus program participation	82	-
Depositary services	39	32
Other	219	92
Total fee and commission expense	**4,172**	**3,167**
Net fee and commission income	**13,192**	**8,988**

30. OTHER INCOME

Other income comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Penalties received	634	380
Rental income	471	295
Gain on disposal of property, plant and equipment	444	25
Income/(expense) from operations with debt securities issued	98	(19)
Gain from early repayment of receivables and payables	20	-
Dividends received	15	2
Income on early deposits withdrawal	-	48
Other	92	96
Total other income	**1,774**	**827**

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31. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
Payroll and bonuses	18,394	12,145
Unified social tax	3,781	2,338
Rent expenses	1,995	929
Taxes other than income tax	1,577	882
Property, plant and equipment maintenance	1,344	685
Amortization of intangible assets	1,294	762
Depreciation of property plant and equipment	1,273	806
Telecommunications	861	378
Payments to the Deposit Insurance Fund	846	664
Advertising expenses	804	271
Stationery and other office expenses	754	708
Professional services	673	492
Charity expense	510	151
Security expenses	404	257
Insurance expenses	340	47
Representation expenses	232	164
Other expenses	1,693	314
Total operating expenses	**36,775**	**21,993**

The majority of employees have fixed and variable compensation components, which, together with other benefits, represent their total compensation. The goal is to achieve a sound balance between the variable and the fixed components. Variable compensation is tied to the employee's performance and the Group's total result. This is a way to harmonise the interests of employees and shareholders and motivate long-term value creation in the Group.

32. INCOME TAX

The Group pays current taxes based on the statutory tax accounts maintained and prepared in accordance with the statutory tax regulations, which may differ from International Financial Reporting Standards.

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

Deferred taxes on temporary differences as at 31 December 2014 and 2013 comprise:

	Allowances	Revaluation of financial assets and liabilities	Amor-tisation of commis-sions	Revaluation of fixed assets, investment property and assets available-for-sale	Revaluation of accounts in precious metals and foreign currencies	Other	Tax losses carried forward	Total
As at 31 December 2012	**(846)**	**(254)**	**(296)**	**(536)**	**38**	**218**	**30**	**(1,646)**
(Charge)/ credit to profit or loss	(1,482)	425	269	24	(65)	(60)	42	(847)
Charge credit to other comprehensive income	-	(18)	-	(92)	-	-	-	(110)
Acquisition of subsidiary	(44)	(215)	(26)	(576)	3	170	-	(688)
Change in deferred tax asset not recognized	7	(2)	(8)	30	-	-	-	27
As at 31 December 2013	**(2,365)**	**(64)**	**(61)**	**(1,150)**	**(24)**	**328**	**72**	**(3,264)**
(Charge)/ credit to profit or loss	(98)	(12,241)	(462)	(3,599)	58	335	14,616	(1,391)
(Charge)/ credit to other comprehensive income	-	1,245	-	(103)	-	-	-	1,142
Disposal of subsidiary	(101)	(12)	12	35	-	-	-	(66)
Change in deferred tax asset not recognized	128	-	(1)	(2)	-	-	-	125
As at 31 December 2014	**(2,436)**	**(11,072)**	**(512)**	**(4,819)**	**34**	**663**	**14,688**	**(3,454)**

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The effective tax rate reconciliation for the years ended 31 December 2014 and 2013 is explained as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before income tax	7,322	22,188
Statutory tax rate	20%	20%
Tax at the statutory tax rate	1,464	4,438
Tax effect due to different tax rates	(162)	(116)
Change in unrecognized deferred tax assets	(125)	(27)
Tax paid in foreign countries and compensated in RF in future	-	5
Additional tax (reimbursement)/ charge related to prior year	(9)	186
Permanent tax differences	687	400
Income tax expense	**1,855**	**4,886**

The permanent tax differences for the years ended 31 December 2014 and 2013 comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Non-deductible expenses		
Interest expense on deposits	388	249
Property expenses	129	21
Charity expenses	64	25
Investment funds loss	20	58
Administrative expenses	19	30
Employee payments	14	48
Sale of property plant and equipment	-	15
Other	124	21
Total non-deductible expenses	**758**	**467**
Non-taxable income		
Income on mortgage agent	(15)	(51)
Other	(56)	(16)
Total non-taxable income	**(71)**	**(67)**
Total permanent differences	**687**	**400**

The corporate income tax expense for the years ended 31 December 2014 and 2013 comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	537	3,880
Deferred tax expense	1,266	820
Additional tax charge related to prior years	52	186
Income tax expense	**1,855**	**4,886**

Movement in deferred tax assets for the years ended 31 December 2014 and 2013 comprises:

Deferred income tax assets	Year ended 31 December 2014	Year ended 31 December 2013
At the beginning of the period	114	44
Change in deferred income tax asset recorded in other comprehensive income	170	-
Disposal of subsidiary	(123)	-
Change in deferred income tax asset recorded in statement of profit or loss	262	70
At the end of the period	**423**	**114**

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Movement in the tax loss carried-forward for the years ended 31 December 2014 and 2013 comprises:

Tax loss carried-forward	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Tax loss at the beginning of the period	364	154
Increase of tax loss for the period	73,082	211
Tax loss used in the current period	(4)	(1)
Tax loss at the end of the period	**73,442**	**364**

There were no losses expiring in the current year. The tax loss expires in 2024.

Movement in deferred tax asset not recognized for the years ended 31 December 2014 and 2013 comprises:

Deferred tax asset not recognized	**Year ended 31 December 2014**	**Year ended 31 December 2013**
At the beginning of the period	144	171
Decrease in deferred tax asset not recognized for the period	(125)	(27)
At the end of the period	**19**	**144**

33. EARNINGS PER SHARE AND EARNINGS PER GDR

Earnings per share are presented as follows:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Earnings per share related to continuing operations:		
Profit:		
Net profit for the year	5,882	17,302
Less:		
Non-controlling interest	1,195	(2,398)
Net earnings attributable to ordinary equity holders	7,077	14,904
Weighted average number of ordinary shares for basic and diluted earnings per share	117,256,790	96,354,411
Earnings per share from continuing operations – basic and diluted	**60.35**	**154.67**
GDR equivalent of weighted average number of shares [5]	-	192,708,822
Earnings per GDR from continuing operations – basic and diluted	**-**	**77.34**

In September 2014 PJSC "Bank Otkritie Financial Corporation" has completed de-listing procedure from the Official List of the Financial Conduct Authority and cancellation of trading on London Stock Exchange plc (the "London Stock Exchange"). As at 31 December 2014 remaining GDR amount in free float on the Moscow Exchange is less than 1% from the total share capital of PJSC "Bank Otkritie Financial Corporation".

[5] The number of GDRs was calculated assuming that two GDRs represent an interest in one ordinary share.

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34. COMMITMENTS AND CONTINGENCIES

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

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

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2014 and 2013 provision for guarantees and other off-balance sheet commitments were RUB 158 million and RUB 369 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

As at 31 December 2014 and 2013 the nominal or contract amounts and risk-weighted amounts were:

	31 December 2014		31 December 2013	
	Nominal amount	**Risk-weighted amount**	**Nominal amount**	**Risk-weighted amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	198,216	158,817	226,064	174,081
Commitments on loans and unused credit lines	158,851	7,199	166,024	4,291
Letters of credit and other contingent commitments related to settlement operations	11,678	5,143	11,296	5,167
Less: provisions (Note 23)	(158)		(369)	
Total contingent liabilities and credit commitments (before deducting collateral)	**368,587**		**403,015**	
Less: promissory notes held as security against contingent liabilities (Note 22)	(1,777)		(2,599)	
Less: deposits held as security against contingent liabilities (Note 20)	(3,983)		(2,902)	
Total contingent liabilities and credit commitments	**362,827**		**397, 514**	

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 31 December 2014 and 2013 are presented in the table below.

	31 December 2014	**31 December 2013**
Not later than 1 year	1,657	1,729
Later than 1 year and not later than 5 years	3,119	3,239
Later than 5 years	358	617
Total operating lease	**5,134**	**5,585**

Fiduciary activities – The Group provides depositary services to its customers. As at 31 December 2014 and 2013 the Group had customers' securities of 635,443,909,077.40200 items and 16,421,516,167.47480 items, respectively, in its nominal holder's accounts.

As at 31 December 2014 and 2013 the Group kept in its vault 879 kg of gold bullion, 1,652 kg of silver bullion, 80 kg of palladium bullion, 57 kg of platinum bullion, and 3,849 kg of gold bullion, 62 kg of silver bullion, 87 kg of palladium bullion, 40 kg of platinum bullion, respectively, owned by the Group's customers.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements. The Group has outstanding litigation risks on guarantees issued. The Management has assessed the risk of such claims as possible and is of the opinion that contingent liabilities in respect of such claims amount to RUB 1,493 million.

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

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Pensions and retirement plans – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. In 2014 there were no payments made to the non-government pension funds. Once the payments to the pension fund are made the Group has no further obligations.

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

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

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

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

35. SEGMENT REPORTING

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the Bank's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

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	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2014 Total
ASSETS							
Cash and cash equivalents	3,389	5,997	44,598	184,452	15,356	-	**253,792**
Minimum reserve deposits with the Central Bank of the Russian Federation	1,049	292	1,612	553	7,035	-	**10,541**
Precious metals	2,234	-	12	66	-	-	**2,312**
Financial assets at fair value through profit or loss	350	-	-	291,824	-	-	**292,174**
Loans and advances to banks and other financial institutions	-	-	4,929	30,721	-	-	**35,650**
Loans to customers	762,911	40,637	191,864	789,317	-	55	**1,784,784**
Investments available-for-sale	-	-	-	104,155	6,688	-	**110,843**
Investments held to maturity	-	-	-	61,189	-	-	**61,189**
Investment property	652	-	-	4,692	-	2,129	**7,473**
Property, plant and equipment	2,383	1,778	8,031	504	637	1,898	**15,231**
Intangible assets	134	159	584	22	6	1,073	**1,978**
Goodwill	24	59	1,107	-	-	598	**1,788**
Other assets	9,563	7	235	456	117	7,730	**18,108**
TOTAL ASSETS	**782,689**	**48,929**	**252,972**	**1,467,951**	**29,839**	**13,483**	**2,595,863**
LIABILITIES							
Financial liabilities at fair value through profit or loss	38	-	-	94,058	-	-	**94,096**
Due to banks and the Central Bank of the Russian Federation	25,172	372	963	957,297	57,795	-	**1,041,599**
Customer accounts	592,237	43,185	313,513	73,749	200	111	**1,022,995**
Bonds and Eurobonds	-	-	17,648	33,053	63,965	-	**114,666**
Promissory notes issued	51,264	464	82	3,282	3,635	-	**58,727**
Deferred income tax liabilities	-	-	-	-	-	3,877	**3,877**
Other liabilities	589	114	620	1,134	40	2,631	**5,128**
Subordinated debt	-	-	-	-	76,161	20,778	**96,939**
TOTAL LIABILITIES	**669,300**	**44,135**	**332,826**	**1,162,573**	**201,796**	**27,397**	**2,438,027**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Year ended 31 December 2014
External interest income	74,952	6,273	32,129	38,651	195	2	**152,202**
External interest expense	(35,172)	(1,172)	(16,362)	(19,926)	(13,194)	(771)	**(86,597)**
Internal funding costs/revenues from Central treasury	**(13,898)**	**(551)**	**6,039**	**(13,531)**	**21,826**	**115**	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	**25,882**	**4,550**	**21,806**	**5,194**	**8,827**	**(654)**	**65,605**
Gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	(6,565)	(1,867)	(13,357)	(36)	-	-	**(21,825)**
Net interest income	**19,317**	**2,683**	**8,449**	**5,158**	**8,827**	**(654)**	**43,780**
Fee and commission income	4,705	2,431	9,253	973	-	2	**17,364**
Fee and commission expense	(198)	(121)	(3,138)	(652)	(59)	(4)	**(4,172)**
Trading and foreign exchange results	770	51	735	(7,290)	(6,495)	(23)	**(12,252)**
Other operating income	1,247	94	(1,000)	409	570	(143)	**1,177**
Net result from other segments*	**(776)**	**(25)**	**1,993**	**(118)**	**(1,187)**	**113**	-
Total operating income before impairment losses and provisions	**25,065**	**5,113**	**16,292**	**(1,520)**	**1,656**	**(709)**	**45,897**
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	(703)	(82)	(132)	(2)	(9)	(427)	**(1,355)**
Operating expenses and impairment of buildings and constructions	**(6,462)**	**(4,198)**	**(16,029)**	**(1,680)**	**(395)**	**(8,041)**	**(36,805)**
Profit before income tax	**17,900**	**833**	**131**	**(3,202)**	**1,252**	**(9,177)**	**7,737**
Income tax	-	-	-	-	-	(1,855)	**(1,855)**
Profit for the period	**17,900**	**833**	**131**	**(3,202)**	**1,252**	**(11,032)**	**5,882**
Depreciation and amortization expense	(376)	(265)	(1,207)	(67)	(30)	(622)	**(2,567)**
Capital expenditures	459	218	912	83	42	377	**2,091**

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2013 Total
ASSETS							
Cash and cash equivalents	4,502	3,379	34,597	99,879	54,505	262	**197,124**
Minimum reserve deposits with the Central Bank of the Russian Federation	1,321	336	1,513	419	5,280	-	**8,869**
Precious metals	5,671	-	10	65	-	-	**5,746**
Financial assets at fair value through profit or loss	11	-	-	170,133	11,842	-	**181,986**
Loans and advances to banks and other financial institutions	43	-	3,070	6,640	14,917	-	**24,670**
Loans to customers	551,168	48,309	173,056	104,174	2,492	75	**879,274**
Investments available-for-sale	512	-	85	38,911	20	4	**39,532**
Investment property	2,780	-	-	4,823	-	968	**8,571**
Property, plant and equipment	2,929	2,045	8,638	561	610	1,422	**16,205**
Intangible assets	190	164	1,543	28	8	1,576	**3,509**
Goodwill	24	59	1,107	-	-	809	**1,999**
Other assets	1,948	66	3,092	1,421	25	5,014	**11,566**
TOTAL ASSETS	**571,099**	**54,358**	**226,711**	**427,054**	**89,699**	**10,130**	**1,379,051**
LIABILITIES							
Financial liabilities at fair value through profit or loss	48	-	-	2,761	57	-	**2,866**
Due to banks and the Central Bank of the Russian Federation	12,506	3,607	5,365	219,644	16,065	-	**257,187**
Customer accounts	428,689	49,358	274,264	25,891	3,269	-	**781,471**
Bonds and Eurobonds	-	-	10,736	36,967	16,256	-	**63,959**
Promissory notes issued	46,026	1,287	330	13,719	290	-	**61,652**
Deferred income tax liabilities	-	-	-	-	-	3,378	**3,378**
Other liabilities	1,214	203	1,011	726	32	2,536	**5,722**
Subordinated debt	-	-	-	-	58,185	5,274	**63,459**
TOTAL LIABILITIES	**488,483**	**54,455**	**291,706**	**299,708**	**94,154**	**11,188**	**1,239,694**

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	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Year ended 31 December 2013
External interest income	58,390	6,552	15,398	16,121	1,388	-	**97,849**
External interest expense	(25,825)	(718)	(11,195)	(11,887)	(7,497)	-	**(57,122)**
Internal funding costs/revenues from Central treasury	(13,689)	(1,611)	5,782	703	8,815	-	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	**18,876**	**4,223**	**9,985**	**4,937**	**2,706**	-	**40,727**
Gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	(6,159)	(808)	(2,023)	-	-	(20)	**(9,010)**
Net interest income	**12,717**	**3,415**	**7,962**	**4,937**	**2,706**	**(20)**	**31,717**
Fee and commission income	3,881	1,372	6,465	422	13	2	**12,155**
Fee and commission expense	(168)	(60)	(2,696)	(175)	(68)	-	**(3,167)**
Trading and foreign exchange results	400	27	246	1,156	(1,043)	185	**971**
Other operating income	1,795	108	304	115	6	42	**2,370**
Net result from other segments*	**136**	**(43)**	**116**	**295**	**(504)**	-	-
Total operating income before impairment losses and provisions	**18,761**	**4,819**	**12,397**	**6,750**	**1,110**	**209**	**44,046**
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	255	(52)	(76)	(5)	23	3	**148**
Operating expenses and impairment of buildings and constructions	**(5,827)**	**(2,999)**	**(9,340)**	**(1,192)**	**(486)**	**(2,162)**	**(22,006)**
Profit before income tax	**13,189**	**1,768**	**2,981**	**5,553**	**647**	**(1,950)**	**22,188**
Income tax	-	-	-	-	-	(4,886)	**(4,886)**
Profit for the period	**13,189**	**1,768**	**2,981**	**5,553**	**647**	**(6,836)**	**17,302**
Depreciation and amortization expense	(361)	(219)	(751)	(61)	(25)	(151)	**(1,568)**
Capital expenditures	505	271	812	87	38	196	**1,909**

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation techniques

The Group uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

Bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.

Interest rates – these are principally benchmark interest rates or internal Bank rates effective as at reporting date and quoted interest rates in the swap, bond and futures markets.

Foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world’s major currencies.

Equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world’s major stock exchanges and for major indices on such shares.

Commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. Furthermore, on an ongoing basis, the Group assesses the appropriateness of any model used.

Financial assets and liabilities

The following methods and significant assumptions have been applied to estimate the fair values of following financial instruments:

- Cash and balances with the CBR and minimum reserve deposits with the CBR, due to the shot-term environment of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.
- The estimated fair value of loans to banks and to customers for provided during the last quarter to the reporting date is assumed to be reasonable estimate of fair value amount for them. The fair value of loans originated earlier is estimated by application of market interest rates effective on the reporting date using discounted cash flows method with the deduction of the allowances for credit losses from the calculated fair value amounts.
- The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities whose market rates are quoted.

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- The fair value of units of investment funds, which have quoted prices on the active market, is determined based on the quoted market prices. For shares in investment funds, which have no quoted prices on the active market the Group uses an independent appraiser's valuation for determining the fair value of such shares in the investment funds. The fair value of the assets of the investment funds is determined by the use of different approaches (income approach, comparative approach and cost approach) and methods (income capitalization method, company-analogue method, discounted cash flows method, liquidation value method).
- The fair value of investments held to maturity is determined based on quoted active market prices at the reporting date.
- Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.
- The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated based on expected cash flows discounted using market interest rates for similar funds. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

The valuation techniques have been consistently applied by the Group across the years.

The following table compares the carrying amount of financial assets and liabilities to their estimated fair values as at 31 December 2014 and 2013:

	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	253,792	253,792	197,124	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation	10,541	10,541	8,869	8,869
Financial assets at fair value through profit or loss	292,174	292,174	181,986	181,986
Loans and advances to banks and other financial institutions	35,650	35,513	24,670	24,888
Loans to customers	1,784,784	1,759,620	879,274	890,420
Investments available-for-sale	110,843	103,805	39,532	39,117
Investments held to maturity	61,189	56,092	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss	94,096	94,096	2,866	2,866
Due to banks and the Central Bank of the Russian Federation	1,041,599	1,041,370	257,187	257,671
Customer accounts	1,022,995	1,003,731	781,471	789,313
Bonds and Eurobonds	114,666	107,645	63,959	66,275
Promissory notes issued	58,727	58,663	61,652	61,528
Subordinated debt	96,939	79,356	63,459	65,982

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For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as at 31 December 2014 and 31 December 2013.

Starting from June 2014, the Group has revised the methodology for fair value hierarchy classes determination due to discounting future cash flows based on internal interest rates. As a result the Group has transferred the following assets and liabilities to Level 3: loans and advances to banks and other financial institutions, loans to customers, due to banks and the Central Bank of the Russian Federation and customer accounts.

	Level 1	Level 2	Level 3	31 December 2014 Total
Financial assets				
Cash and balances with the Central Bank of the Russian Federation	253,792	-	-	253,792
Minimum reserve deposits with the Central Bank of the Russian Federation	10,541	-	-	10,541
Financial assets at fair value through profit or loss	161,350	130,824	-	292,174
Loans and advances to banks and other financial institutions	-	2,442	33,071	35,513
Loans to customers	-	7,970	1,751,650	1,759,620
Investments available-for-sale	97,710	3,858	2,237	103,805
Investments held to maturity	56,092	-	-	56,092
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	94,096	-	94,096
Due to banks and the Central Bank of the Russian Federation	-	7,894	1,033,476	1,041,370
Customer accounts	-	4,746	998,985	1,003,731
Bonds and Eurobonds	107,645	-	-	107,645
Promissory notes issued	-	58,663	-	58,663
Subordinated debt	59,008	-	20,348	79,356

	Level 1	Level 2	Level 3	31 December 2013 Total
Financial assets				
Cash and balances with the Central Bank of the Russian Federation	197,124	-	-	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	8,869
Financial assets at fair value through profit or loss	177,947	4,039	-	181,986
Loans and advances to banks and other financial institutions	-	24,888	-	24,888
Loans to customers	-	890,420	-	890,420
Investments available-for-sale	36,663	1,202	1,252	39,117
Financial liabilities				
Financial liabilities at fair value through profit or loss		2,866	-	2,866
Due to banks and the Central Bank of the Russian Federation	-	257,671	-	257,671
Customer accounts	-	5,555	783,785	789,313
Bonds and Eurobonds	66,275	-	-	66,275
Promissory notes issued	5,953	55,575	-	61,528
Subordinated debt	46,102	19,880	-	65,982

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The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

	31 December 2014	31 December 2013
As at January	**1,252**	**-**
Transfer from Level 2 to Level 3	947	-
Aqusition of OJSC Bank "Otkritie"	-	1,252
Purchase of shares	1	-
Disposal of shares	(165)	-
	640	-
(Loss)/ gains recognized in other comprehensive income	(438)	-
As at 31 December	**2,237**	**1,252**

The following table shows the impact of possible alternative assumptions to estimate the fair value of Level 3 instruments.

	31 December 2014 Carrying value	Impact of possible alternative assumptions	Level 3
Bond and Eurobonds issued by banks	1,583	-	1,583
Corporate bonds	622	(5)	617
Shares	32	-	32
Investments available-for-sale	**2,237**	**(5)**	**2,232**

	31 December 2013 Carrying value	Impact of possible alternative assumptions	Level 3
Corporate bonds	1,232	(16)	1,216
Shares	20	-	20
Investments available-for-sale	**1,252**	**(16)**	**1,236**

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The following table provides quantitative information about significant unobservable inputs used to measure financial instruments Level 3 fair value hierarchy:

	31 December 2014 Carrying value	**assessment methodology**	**Unobservable inputs**	**Range (weighted average value)**
Bond and Eurobonds issued by banks	1,583	Net assets value	Value of underlying assets	Not applicable
Corporate bonds	622	Discounted cash flows	Credit risk rate	19.41-25.15%
Shares	32	Net assets value	Value of underlying assets	Not applicable
Investments available-for-sale	**2,237**			

	31 December 2013 Carrying value	**assessment methodology**	**Unobservable inputs**	**Range (weighted average value)**
Corporate bonds	1,232	Discounted cash flows	Credit risk rate	10.57-12.57%
Shares	20	Net assets value	Value of underlying assets	Not applicable
Investments available-for-sale	**1,252**			

37. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is “core” bank capital and includes paid share capital (less the carrying value of treasury shares), minority interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is “supplementary” bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of financial instruments classified as available-for-sale and property revaluation surplus.

The table below presents the composition of capital complying with Basel and discloses the capital - adequacy ratio for the reporting periods ended 31 December 2014 and 2013:

	31 December 2014	**31 December 2013**
Tier 1 capital	157,495	135,775
Tier 2 capital	77,212	56,421
Total regulatory capital	234,707	192,196
Risk-weighted assets:		
Credit risks	1,576,492	1,129,120
Market risks	321,750	208,274
Total risk-weighted assets	**1,898,242**	**1,337,394**
Basel ratio	12.36%	14.37%
Tier 1	8.30%	10.15%

As at 31 December 2014 and 2013 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group’s liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 31 December 2014 and 2013, the Group complied with Basel capital requirements.

The Bank’s overall capital management policy is aimed at the dynamic optimization of capital required for the Bank’s expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders’ vision and strategy of long-term Bank development.

38. RISK MANAGEMENT POLICY

Risk management system

Management of risks is fundamental to the Group’s business. The risk management functions include:

- Organizational structure of risk management – a structure of the Group’s bodies and departments involved in risk management activities;
- Structure of risk identification and assessment;
- Risk monitoring and minimizing system;
- Internal control structure.

In the Group the Supervisory Board, Management Board, Financial Committee, Credit Committee, Risk management department, Treasury department and Operating risk department of the Group are responsible for managing the risks.

The Supervisory Board is responsible for general control over the risk management system and determines the strategy of its development. The Management Board is responsible for development of risk management policy including tactical issues. The Financial Committee performs current monitoring of liquidity and market risks. Operating monitoring of credit risk level is performed by a system of credit committees. Direct risk management including assessment and reporting, is performed by:

- Risk management departments – in relation to credit risk and market risk (at individual transactions and portfolio level) as well as operational risk;
- Treasury department – in relation to daily management of liquidity, interest rate, currency and price risks;

The Group’s priority is to reduce the exposure to risks by collegial decision making. Strict segregation of duties between departments and officials of the Group, accurately specified instructions and procedures, and determination of competences and authorities of the bodies and their leaders are also essential areas for risk limitation. Appropriate methodologies are used to assess the risk level. Instructions, procedures and methodologies are revised by the Group on a regular basis and updated reflecting the changed market conditions, influence of new products and services proposed by the Group, and improvement of risk managements methods used in banking practice.

Risk monitoring structure includes:

- Setting the limits for risk acceptance on the basis of assessment of acceptance of the respective risk level;
- Control over the Group’s exposure to the risks by:
  - Following the limits;
  - Assessment of the Group’s exposure to risks on a regular basis;
  - Compliance control;
  - Meeting the requirements of the Central Bank of the Russian Federation in regard of covering the risks with sufficient equity;
  - Internal audit of risk management systems.

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The main risks inherent to the Group’s operations are those related to:

- Credit risk;
- Operational risk;
- Liquidity risk;
- Market risk;

There have been no significant changes to the Group’s risk management policies from those disclosed in the consolidated financial statements for the year ended 31 December 2013. The Group presents the following information in relation to its risk management policies as at 31 December 2014.

Credit risk

The Group is exposed to credit risk which is the risk that one part of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Credit Committee approves new loans and changes and amendments to loan agreements. The Credit Department performs current monitoring.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligation as it does for on balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Maximum Exposure

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

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

The contractual collateral structure as at 31 December 2014 and 2013 is set out below. The fair value of collateral may differ from the contractual value.

	31 December 2014			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**
Cash equivalents	204,666	-	204,666	-
Minimum reserve deposits with the Central Bank of the Russian Federation	10,541	-	10,541	-
Financial assets at fair value through profit or loss, excluding equity securities	292,166	-	292,166	-
Loans and advances to banks and other financial institutions	35,650	-	35,650	-
Loans to customers	1,784,784	-	1,784,784	1,453,660
Investments available-for-sale, excluding equity securities and units in investment funds	102,832	-	102,832	-
Investments held to maturity	61,189	-	61,189	-
Other financial assets	11,184	-	11,184	-
Guarantees issued and similar commitments	198,059	-	198,059	4,372
Commitments on loans and unused credit lines	158,851	-	158,851	-
Letters of credit and other contingent commitments related to settlement operations	11,677	-	11,677	1,388

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	31 December 2013			
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged
Cash equivalents	162,003	-	162,003	10,177
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	8,869	-
Financial assets at fair value through profit or loss, excluding equity securities	181,959	-	181,959	-
Loans and advances to banks and other financial institutions	24,670	-	24,670	-
Loans to customers	879,274	-	879,274	656, 924
Investments available-for-sale, excluding equity securities and units of investment funds	38,288	-	38,288	-
Other financial assets	6,515	-	6,515	-
Guarantees issued and similar commitments	225,899	-	225,899	4,948
Commitments on loans and unused credit lines	166,024	-	166,024	-
Letters of credit and other contingent commitments related to settlement operations	11,092	-	11,092	553

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

The following table details the credit ratings of financial assets(*), excluding loans to customers, held by the Group. Credit ratings for loans to customers are presented in Note 12.

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2014 Total
Cash equivalents	16	17,204	29,083	93,260	61,196	3,907	204,666
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	10,541	-	-	10,541
Financial assets at fair value through profit or loss	-	965	10,948	77,989	153,503	48,769	292,174
Loans and advances to banks and other financial institutions	1,513	66	12,729	592	19,385	1,365	35,650
Investments available-for-sale	-	5,733	-	43,689	46,185	15,236	110,843
Investments held to maturity	-	-	-	48,421	12,209	559	61,189
Other financial assets	-	29	-	337	356	10,462	11,184

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2013 Total
Cash equivalents	-	12,247	30,619	89,617	20,042	9,478	162,003
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	8,869	-	-	8,869
Financial assets at fair value through profit or loss	-	49	2,156	130,656	44,860	4,265	181,986
Loans and advances to banks and other financial institutions	-	-	305	227	12,355	11,783	24,670
Investments available-for-sale	-	-	85	21,131	13,985	4,331	39,532
Other financial assets	-	-	6	117	1,232	5,148	6,503

(*) The above financial assets are classified based on the information provided by the international credit rating agencies

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

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to rating of international rating agencies.

A methodology to determine credit ratings of borrowers has been developed in the Group to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower's rating and rating of collateral for a loan. The system is based on a rating model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark. The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on business and business environment, relations of the Group and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the rating model provides for overall assessment of the borrower and the loan.

Currently the rating model is applied only for initial credit application assessment. For credit monitoring purposes the bank classifies performing loans into "standard" and "watch-list" categories, based on the range of financial and other quantitative and qualitative indicators of borrowers' performance.

A model of the borrower's scoring assessment has been developed in the Group to assess and decide on loans to small and medium-size businesses. The scoring model is developed relating to standard loan products and includes key performance indicators of borrowers: financial situation, relations with the borrower, management quality, target use, location, credit history, collateral, etc.

The scoring assessment based on the borrower's parameters is one of the main factors for the decision-making process relating to loans.

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The loan maximum limit is calculated with the use of the borrower's debt load ratio.

The Group applies internal methodologies to specific corporate loans and groups of retail loans. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers for other balances of the consolidated statement of financial position. As such, more detailed information is not being presented.

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Geographical concentration

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

	Russia	**Non-OECD countries**	**OECD countries**	**31 December 2014 Total**
ASSETS				
Cash and cash equivalents	194,012	11,636	48,144	253,792
Minimum reserve deposits with the Central Bank of the Russian Federation	10,541	-	-	10,541
Financial assets at fair value through profit or loss	239,245	27,531	25,398	292,174
Loans and advances to banks and other financial institutions	8,532	12,677	14,441	35,650
Loans to customers	1,415,663	254,562	114,559	1,784,784
Investments available-for-sale	96,748	6,661	7,434	110,843
Investments held to maturity	61,189	-	-	61,189
Other financial assets	10,866	41	277	11,184
TOTAL FINANCIAL ASSETS	**2,036,796**	**313,108**	**210,253**	**2,560,157**
Precious metals	2,312	-	-	2,312
Investment property	7,473	-	-	7,473
Property, plant and equipment	15,231	-	-	15,231
Intangible assets	1,978	-	-	1,978
Goodwill	1,788	-	-	1,788
Other non-financial assets	6,374	550	-	6,924
TOTAL NON-FINANCIAL ASSETS	**35,156**	**550**	**-**	**35,706**
TOTAL ASSETS	**2,071,952**	**313,658**	**210,253**	**2,595,863**
LIABILITIES				
Financial liabilities at fair value through profit or loss	42,461	13,523	38,112	94,096
Due to banks and the Central Bank of the Russian Federation	988,722	13,669	39,208	1,041,599
Customer accounts	954,552	40,485	27,958	1,022,995
Bonds and Eurobonds	92,873	-	21,793	114,666
Promissory notes issued	58,727	-	-	58,727
Other financial liabilities	3,393	53	603	4,049
Subordinated debt	14,479	95	82,365	96,939
TOTAL FINANCIAL LIABILITIES	**2,155,207**	**67,825**	**210,039**	**2,433,071**
Deferred income tax liabilities	3,877	-	-	3,877
Other non-financial liabilities	1,050	9	20	1,079
TOTAL NON-FINANCIAL LIABILITIES	**4,927**	**9**	**20**	**4,956**
TOTAL LIABILITIES	**2,160,134**	**67,834**	**210,059**	**2,438,027**
OPEN POSITION	**(88,182)**	**245,824**	**194**	

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	Russia	Non-OECD countries	OECD countries	31 December 2013 Total
ASSETS				
Cash and cash equivalents	130,398	21,803	44,923	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	8,869
Financial assets at fair value through profit or loss	179,208	1,836	942	181,986
Loans and advances to banks and other financial institutions	375	11,953	12,342	24,670
Loans to customers	790,011	85,496	3,767	879,274
Investments available-for-sale	37,611	-	1,921	39,532
Other financial assets	5,980	42	481	6,503
		-		
TOTAL FINANCIAL ASSETS	**1,152,452**	**121,130**	**64,376**	**1,337,958**
Precious metals	5,746	-	-	5,746
Investment property	8,571	-	-	8,571
Property, plant and equipment	16,205	-	-	16,205
Intangible assets	3,509	-	-	3,509
Goodwill	1,999	-	-	1,999
Other non-financial assets	5,056	4	3	5,063
TOTAL NON-FINANCIAL ASSETS	**41,086**	**4**	**3**	**41,093**
TOTAL ASSETS	**1,193,538**	**121,134**	**64,379**	**1,379,051**
LIABILITIES				
Financial liabilities at fair value through profit or loss	818	484	1,564	2,866
Due to banks and the Central Bank of the Russian Federation	201,903	18,879	36,405	257,187
Customer accounts	753,726	15,644	12,101	781,471
Bonds and Eurobonds	47,703	-	16,256	63,959
Promissory notes issued	61,652	-	-	61,652
Other financial liabilities	3,849	179	222	4,250
Subordinated debt	15,487	95	47,877	63,459
TOTAL FINANCIAL LIABILITIES	**1,085,138**	**35,281**	**114,425**	**1,234,844**
			-	
Deferred income tax liabilities	3,378	-	-	3,378
Other non-financial liabilities	1,470	-	2	1,472
TOTAL NON-FINANCIAL LIABILITIES	**4,848**	**-**	**2**	**4,850**
TOTAL LIABILITIES	**1,089,986**	**35,281**	**114,427**	**1,239,694**
OPEN POSITION	**103,552**	**85,853**	**(50,048)**	

Market risk

Market risk is the risk that the Group will incur losses due to the unfavorable fluctuations in the market value of financial instruments (including derivatives), foreign exchange rates, prices of precious metals and interest rates.

Market risk includes securities price risk, currency risk and interest rate risk. The Group is exposed to currency risk because of its open positions in currencies and precious metals. The source for interest rate and securities price risks are open positions in interest rate and equity instruments which are subject to general and specific market fluctuations.

Day-to-day market risk management is performed by the Financial Market Operations Department, the Precious Metals Operations Department and the Treasury Directorate. Financial Markets Operations Risks and Balance Sheet Risks Analysis and Management Department evaluates the Group's exposure to securities price risk and currency risk and estimates sensitivity of the Group's position to interest rates changes. The Treasury Directorate sets guidelines for the interest rate risks. Financial Market Operations Department manages the open positions within the set of limits on a daily basis to increase the Group's profit.

Methodology adopted by the Group for market risk measurement purposes

Market risk represents the risk of adverse changes in the fair value of future cash flows of financial instruments due to unfavorable changes in market variables such as interest rates, exchange rates and equity prices. The Group estimates the market risk by analyzing the sensitivity of financial instruments to adverse changes in market parameters, as well as by estimating the Value-at-Risk (VaR methodology). The Group has established a system of trading operations limits on the risk characteristics both on the portfolio and individual item level

The Group applies VaR model to evaluate the existing positions exposed to the market risk, and to assess the potential economic losses based on a number of parameters and assumptions for various changes in market conditions. Value-at-Risk is an approach which is used to assess the financial risk by estimating the potential negative changes in the market value of the portfolio with a given confidence level (the Group uses confidence level of 99 %) during a certain time interval (the Group considers 10 working days time horizon).

Objectives and limitations of VaR calculation methodology

The Group uses models to determine possible changes in the market value of trading portfolio based on data for the previous historical periods. In some cases the historical horizon can reach 5 year period. VaR models are designed to measure market risk under normal market conditions. The use of VaR has limitations because it is based on historical changes in market prices and on the assumption that future price movements will follow a certain statistical distribution. The model applied by the Group to assess VaR also has this feature. Specifics of the model is that recent changes in market conditions have more weight in the estimate of the potential risk than older ones.

Thus, the model is particularly sensitive to any changes in market volatility. Due to the fact that the method of VaR calculation is mainly based on historical data and may not accurately predict future changes in the risk factors, the probability of significant changes in market conditions may be underestimated in cases of prolonged decay period of market volatility. VaR estimate may be underestimated or overestimated due to the assumptions made concerning risk factors and the correlation between such factors for specific instrument. Despite the fact that the positions may change throughout the day, the VaR reflects the risk at the end of each working day. VaR model does not reflect losses that may occur beyond the level of confidence of 99%.

Actual results on trading portfolio may differ from the VaR values. In particular, the VaR model does not give an adequate estimate of the amount of profit or loss while sharp fluctuations on the market caused by crises. In order to determine the reliability of the VaR models, the Group regularly monitors the actual results of the portfolio revaluation, including, the assumptions made for the model and in VaR parameters. Portfolios exposed to market risk are also subject to regular "stress-testing". This procedure helps the Group to understand the amount of exceptional scale, but possible losses and to provide confidence in the Group's ability to withstand extreme market conditions.

VaR calculation assumptions

The VaR amount is an estimate, calculated with a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current position, exposed to market risk will not change within ten days period. Confidence level of 99% means that when considering the ten-hundred non-overlapping time periods, amount of loss that exceeds the value of VaR, in average occurs in one of such time periods.

When calculating VaR within securities portfolio it is assumed that the value of securities within is changing synchronously and unidirectionally in terms of VaR amount for each security. Thus, the total securities portfolio VaR equals the sum of VaR on its components. Currency VaR is estimated with respect to the position direction and currency rates correlation.

Risk management establishes maximum limits on investments in illiquid instruments, as well as the maximum retention period of these instruments and level of acceptable credit risk on the issuers of such securities. Within the limits and parameters established the Group's risk management monitors on an ongoing basis such securities. The assignment of a financial instrument to a category of illiquid instruments is performed by risk management and based on analysis of market liquidity and adequate availability of market quotations. The results of the analysis carried out are submitted to Financial Committee. Wherever it is possible and in accordance with the policies of the Group, the instrument is revalued applying valuation models and based on market data.

For illiquid instruments no VaR calculation is carried out; under the Group's methodology such instruments are subject to sensitivity analysis.

The key parameter used by the Group for illiquid Rouble denominated bonds portfolio sensitivity calculation is rate percentage change (RPC) of an appropriate Russian government bonds effective YTM index (for example, Cbonds-GBI RU YTM Index). RPC is a parameter of yield change which is estimated on the base of annualized volatility of daily changes of corresponding index calculated for the historical period of 2-3 years. In case of Rouble denominated bonds sensitivity analysis the Group uses RPC equal 350 bp.

The key parameter used by the Group for illiquid USD denominated bonds portfolio sensitivity calculation is RPC of US generic 5 year government bonds YTM index provided by Bloomberg. RPC is a parameter of yield change which is estimated on the base of annualized volatility of daily changes of corresponding index calculated for the historical period of 2-3 years. In case of USD denominated bonds sensitivity analysis the Group uses RPC equal 150 bp.

The methodology described above allows on the one hand to mitigate distortion of VaR due to the lack of statistics regarding illiquid bonds, and on the other hand to put more emphasis on the yield to maturity as a basic risk factor for debt instruments while assessing VaR (bond price derives from the yield), which in turn increases the adequacy of using the VaR model as the main market risk indicator of the Group's bond portfolios.

As at 31 December 2014 and 31 December 2013 data on the VaR assessment in respect for currency and securities price risks calculated by the Group are as follows:

RUB million	Year ended 31 December 2014	Year ended 31 December 2013
Currency risk	2,105	321
Fixed income securities price risk	19,849	2,052
Equity securities price risk	486	54
Total	**22,440**	**2,427**
Sensitivity on illiquid securities	500	2,639

Group's fixed-income instruments HTM portfolio was excluded from the VaR and sensitivity analysis as not bearing price risk.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

Interest rate risk

Fair value interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the repricing characteristics of assets and liabilities. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Cash flow interest rate risk arises from the possibility that future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk, principally as a result of lending at fixed interest rates in amounts and for periods which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Group manages interest risk by balancing interest bearing assets and liabilities, balancing the structure of assets and liabilities, implementing controls over risks of fund withdrawals and loan prepayments prior to maturity and controls over interest rate changes. The tools used by Financial Committee include stress-testing and setting maximum and minimum rates.

The following table presents a breakdown of weighted average effective interest rates in force as at 31 December 2014 and 31 December 2013 and thus the potential of the Group for gain or loss. Effective average interest rates are analyzed by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2014		
	RUB	**USD**	**Other currencies**
ASSETS:			
Financial assets at fair value through profit or loss	9.39%	5.56%	-
Loans and advances to banks and other financial institutions	3.53%	4.75%	3.43%
Loans to customers	15.98%	4.23%	7.88%
Investments available-for-sale	6.09%	5.31%	1.41%
Investments held to maturity	8.21%	5.84%	-
LIABILITIES:			
Due from banks and the Central Bank of the Russian Federation	17.43%	1.25%	2.09%
Customer accounts	12.08%	2.67%	2.95%
Bonds and Eurobonds	13.93%	7.25%	-
Promissory notes issued	10.72%	3.32%	2.38%
Subordinated debt	9.45%	9.61%	-

	31 December 2013		
	RUB	**USD**	**Other currencies**
ASSETS:			
Financial assets at fair value through profit or loss	8.48%	6.24%	-
Loans and advances to banks and other financial institutions	7.77%	0.69%	1.48%
Loans to customers	13.41%	8.91%	7.93%
Investments available-for-sale	8.91%	4.00%	-
LIABILITIES:			
Due from banks and the Central Bank of the Russian Federation	6.53%	1.92%	1.93%
Customer accounts	7.21%	3.94%	2.71%
Bonds and Eurobonds	9.19%	7.25%	-
Promissory notes issued	8.69%	2.93%	2.06%
Subordinated debt	8.99%	9.50%	-

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Interest rate risk is the risk that the interest income of the Group will decrease or it will incur losses in a result of adverse changes in market interest rates.

The following table presents financial and non-financial assets/liabilities maturity based on projected repricing dates for floating rate instruments and expected maturity for fixed rate instruments. These repricing dates are determined by management and are contained within the risk reports provided to key management personnel.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Assets and liabilities not sensitive to interest rate fluctuations	31 December 2014 Total
ASSETS							
Cash and cash equivalents	174,654	2,091	-	-	-	77,047	253,792
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	10,541	10,541
Precious metals	-	-	-	-	-	2,312	2,312
Financial assets at fair value through profit or loss	3,908	29,739	114,947	96,974	3,595	43,011	292,174
Loans and advances to banks and other financial institutions	3,774	1,210	15,923	14,289	266	188	35,650
Loans to customers	736,977	87,379	462,804	384,741	112,883	-	1,784,784
Investments available-for-sale	67	4,852	10,207	71,939	22,534	1,244	110,843
Investments held to maturity	-	1,402	3,170	55,134	1,483	-	61,189
Investment property	-	-	-	-	-	7,473	7,473
Property, plant and equipment	-	-	-	-	-	15,231	15,231
Intangible assets	-	-	-	-	-	1,978	1,978
Goodwill	-	-	-	-	-	1,788	1,788
Other assets	-	-	-	-	-	18,108	18,108
TOTAL ASSETS	**919,380**	**126,673**	**607,051**	**623,077**	**140,761**	**178,921**	**2,595,863**
LIABILITIES							
Financial liabilities at fair value through profit or loss	3,813	7,095	15,479	25,320	-	42,389	94,096
Due to banks and the Central Bank of the Russian Federation	689,351	75,019	253,949	6,824	533	15,923	1,041,599
Customer accounts	271,499	97,950	390,590	141,505	119	121,332	1,022,995
Bonds and Eurobonds	629	20,519	54,568	21,425	17,525	-	114,666
Promissory notes issued	21,279	20,624	14,732	638	1,078	376	58,727
Deferred income tax liabilities	-	-	-	-	-	3,877	3,877
Other liabilities	-	-	-	-	-	5,128	5,128
Subordinated debt	-	-	65,260	6,716	24,963	-	96,939
TOTAL LIABILITIES	**986,571**	**221,207**	**794,578**	**202,428**	**44,218**	**189,025**	**2,438,027**
Interest gap based on projected repricing dates	**(67,191)**	**(94,534)**	**(187,527)**	**420,649**	**96,543**		
Interest based derivative financial instruments based on projected repricing dates	**464**	**(463)**	**-**	**463**	**(464)**		
Interest gap, based on projected repricing dates including interest-based derivative financial instruments	**(66,727)**	**(94,997)**	**(187,527)**	**421,112**	**97,007**		

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Assets and liabilities not sensitive to interest rate fluctuations	31 December 2013 Total
ASSETS							
Cash and cash equivalents	178,853	6,869	-	-	-	11,402	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	8,869	8,869
Precious metals	5,746	-	-	-	-	-	5,746
Financial assets at fair value through profit or loss	1,218	9,992	29,911	116,292	22,945	1,628	181,986
Loans and advances to banks and other financial institutions	307	11,755	12,306	-	268	34	24,670
Loans to customers	123,856	113,205	244,877	281,155	116,181	-	879,274
Investments available-for-sale	26,065	-	9,715	2,229		1,523	39,532
Investments held to maturity	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	8,571	8,571
Property, plant and equipment	-	-	-	-	-	16,205	16,205
Intangible assets	-	-	-	-	-	3,509	3,509
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	-	-	-	-	-	11,566	11,566
TOTAL ASSETS	**336,045**	**141,821**	**296,809**	**399,676**	**139,394**	**65,306**	**1,379,051**
LIABILITIES							
Financial liabilities at fair value through profit or loss	388	167	107	962	-	1,242	2,866
Due to banks and the Central Bank of the Russian Federation	154,694	47,396	40,722	10,070	1	4,304	257,187
Customer accounts	171,836	94,926	246,608	174,522	394	93,185	781,471
Bonds and Eurobonds	492	4,374	28,158	20,314	10,621	-	63,959
Promissory notes issued	2,762	14,426	42,125	2,038	-	301	61,652
Deferred income tax liabilities	-	-	-	-	-	3,378	3,378
Other liabilities	-	-	-	-	-	5,722	5,722
Subordinated debt	-	-	651	17,631	45,177		63,459
TOTAL LIABILITIES	**330,172**	**161,289**	**358,371**	**225,537**	**56,193**	**108,132**	**1,239,694**
Interest gap based on projected repricing dates	**5,873**	**(19,468)**	**(61,562)**	**174,139**	**83,201**		
Interest based derivative financial instruments based on projected repricing dates	**-**	**3,914**	**-**	**(3,914)**	**-**		
Interest gap, based on projected repricing dates including interest-based derivative financial instruments	**5,873**	**(15,554)**	**(61,562)**	**170,225**	**83,201**		

Foreign currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

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The Group's exposure to foreign currency exchange rate risk as at 31 December 2014 and 2013 presented in the table below:

	RUB	**USD** 1 USD = RUB 56.2584	**Euro** 1 EUR = RUB 68.3427	**Gold** 1 ounce = RUB 66,216.14	**Other**	**31 December 2014 Total**
ASSETS						
Cash and cash equivalents	143,874	77,641	30,948	63	1,266	253,792
Minimum reserve deposits with the Central Bank of the Russian Federation	10,541	-	-	-	-	10,541
Financial assets at fair value through profit or loss	97,601	191,591	2,651	329	2	292,174
Loans and advances to banks and other financial institutions	20,508	14,870	5	267	-	35,650
Loans to customers	1,053,175	703,923	27,638	-	48	1,784,784
Investments available-for-sale	51,550	48,216	11,077	-	-	110,843
Investments held to maturity	9,747	51,442	-	-	-	61,189
Other financial assets	9,101	1,926	32	27	98	11,184
TOTAL FINANCIAL ASSETS	**1,396,097**	**1,089,609**	**72,351**	**686**	**1,414**	**2,560,157**
Precious metals	-	-	-	1,889	423	2,312
Investment property	7,473	-	-	-	-	7,473
Property, plant and equipment	15,231	-	-	-	-	15,231
Intangible assets	1,978	-	-	-	-	1,978
Goodwill	1,788	-	-	-	-	1,788
Other non-financial assets	6,915	5	4	-	-	6,924
TOTAL NON-FINANCIAL ASSETS	**33,385**	**5**	**4**	**1,889**	**423**	**35,706**
TOTAL ASSETS	**1,429,482**	**1,089,614**	**72,355**	**2,575**	**1,837**	**2,595,863**
LIABILITIES						
Financial liabilities at fair value through profit or loss	552	91,035	2,497	-	12	94,096
Due to banks and the Central Bank of the Russian Federation	512,494	500,903	19,847	7,894	461	1,041,599
Customer accounts	675,621	302,868	38,415	3,769	2,322	1,022,995
Bonds and Eurobonds	92,873	21,793	-	-	-	114,666
Promissory notes issued	10,942	47,427	358	-	-	58,727
Other financial liabilities	3,453	586	10	-	-	4,049
Subordinated debt	14,574	82,365	-	-	-	96,939
TOTAL FINANCIAL LIABILITIES	**1,310,509**	**1,046,977**	**61,127**	**11,663**	**2,795**	**2,433,071**
Deferred income tax liabilities	3,877	-	-	-	-	3,877
Other non-financial liabilities	933	128	18	-	-	1,079
TOTAL NON-FINANCIAL LIABILITIES	**4,810**	**128**	**18**	**-**	**-**	**4,956**
TOTAL LIABILITIES	**1,315,319**	**1,047,105**	**61,145**	**11,663**	**2,795**	**2,438,027**
OPEN BALANCE SHEET POSITION	**114,163**	**42,509**	**11,210**	**(9,088)**	**(958)**	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(281,922)	(335,612)	(24,041)	(2,042)	(14,369)	**(657,986)**
Receivables under forward deals	324,155	297,357	10,204	11,176	15,094	**657,986**
Payables under spot deals	(20,453)	(27,183)	(79)	(40)	(7)	**(47,762)**
Receivables under spot deals	27,108	19,964	623	-	67	**47,762**
Payables under currency-interest swaps	(16,488)	(5,477)	-	-	-	**(21,965)**
Receivables under currency-interest swaps	5,477	16,488	-	-	-	**21,965**
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	**37,877**	**(34,463)**	**(13,293)**	**9,094**	**785**	
TOTAL OPEN POSITION	**152,040**	**8,046**	**(2,083)**	**6**	**(173)**	
CREDIT CONTINGENT LIABILITIES	**336,032**	**25,196**	**6,972**	**-**	**545**	

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	RUB	USD 1 USD = RUB 32.7292	Euro 1 EUR = RUB 44.9699	Gold 1 ounce = RUB 39,324.13	Other	31 December 2013 Total
ASSETS						
Cash and cash equivalents	122,673	56,687	15,167	199	2,398	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	-	-	8,869
Financial assets at fair value through profit or loss	140,445	41,376	62	4	99	181,986
Loans and advances to banks and other financial institutions	24,103	475	92	-	-	24,670
Loans to customers	758,102	107,817	13,293	-	62	879,274
Investments available-for-sale	9,522	30,004	6	-	-	39,532
Other financial assets	4,968	306	6	-	1,223	6,503
TOTAL FINANCIAL ASSETS	**1,068,682**	**236,665**	**28,626**	**203**	**3,782**	**1,337,958**
Precious metals	-	-	-	4,939	807	5,746
Investment property	8,571	-	-	-	-	8,571
Property, plant and equipment	16,205	-	-	-	-	16,205
Intangible assets	3,509	-	-	-	-	3,509
Goodwill	1,999	-	-	-	-	1,999
Other non-financial assets	4,940	5	6	27	85	5,063
TOTAL NON-FINANCIAL ASSETS	**35,224**	**5**	**6**	**4,966**	**892**	**41,093**
TOTAL ASSETS	**1,103,906**	**236,670**	**28,632**	**5,169**	**4,674**	**1,379,051**
LIABILITIES						
Financial liabilities at fair value through profit or loss	886	1,777	135	41	27	2,866
Due to banks and the Central Bank of the Russian Federation	197,078	41,390	11,899	6,641	179	257,187
Customer accounts	683,180	72,104	19,824	4,438	1,925	781,471
Bonds and Eurobonds	47,703	16,256	-	-	-	63,959
Promissory notes issued	20,312	39,047	2,282	-	11	61,652
Other financial liabilities	3,998	247	1	-	4	4,250
Subordinated debt	14,518	48,941	-	-	-	63,459
TOTAL FINANCIAL LIABILITIES	**967,675**	**219,762**	**34,141**	**11,120**	**2,146**	**1,234,844**
Deferred income tax liabilities	3,378	-	-	-	-	3,378
Other non-financial liabilities	1,465	5	2	-	-	1,472
TOTAL NON-FINANCIAL LIABILITIES	**4,843**	**5**	**2**	**-**	**-**	**4,850**
TOTAL LIABILITIES	**972,518**	**219,767**	**34,143**	**11,120**	**2,146**	**1,239,694**
OPEN BALANCE SHEET POSITION	**131,388**	**16,903**	**(5,511)**	**(5,951)**	**2,528**	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(78,214)	(97,076)	(21,819)	(1,364)	(13,663)	**(212,136)**
Receivables under forward deals	98,552	82,542	16,418	7,850	6,774	**212,136**
Payables under spot deals	(577)	(1,929)	(7)	(1,486)	(1,213)	**(5,212)**
Receivables under spot deals	2,134	1,679	1,399	-	-	**5,212**
Payables under currency-interest swaps	(16,067)	(12,196)	-	-	-	**(28,263)**
Receivables under currency-interest swaps	12,196	16,067	-	-	-	**28,263**
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	**18,024**	**(10,913)**	**(4,009)**	**5,000**	**(8,102)**	
TOTAL OPEN POSITION	**149,412**	**5,990**	**(9,520)**	**(951)**	**(5,574)**	
CREDIT CONTINGENT LIABILITIES	**345,352**	**49,518**	**8,445**	**-**	**68**	

The Group's principal cash flows (revenues, operating expenses) are largely generated in Russian Roubles. As a result, future movements in the exchange rate between the Russian Rouble and US dollar/Euro will affect the carrying value of the Group's monetary assets and liabilities. Such changes may also affect the Group's ability to invest in non-monetary assets as measured in US dollars in these consolidated financial statements.

Operational risk

Operational risk is defined as the risk of losses resulting from inappropriate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their positions, technical failures, settlement errors, natural disasters and misuse of the Group's property.

The Management Board also generally oversees the implementation of risk management processes, including relevant internal policies, adopts internal regulations on risk management, determines limits for monitoring operational risks and allocates duties among various bodies responsible for operational risk management.

The Operational Risk Department monitors and controls operational risks and reports to the Supervisory Board. Regular monitoring activities allow to detect in time and to correct deficiencies in the policies and procedures designed to manage operational risk, which can reduce the potential frequency and/or severity of a loss event. In order to minimise operational risk, the Group strives to continuous improvement of its business processes and organisation structure as well as incentivise the staff.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The data presented below on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russia. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

While financial assets at fair value through profit or loss are shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The following table presents an analysis of liquidity risk as managed by the Group based on contractual maturities and carrying value of assets and liabilities.

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
ASSETS							
Cash and cash equivalents	251,701	2,091	-	-	-	-	253,792
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	10,541	10,541
Precious metals	2,312	-	-	-	-	-	2,312
Financial assets at fair value through profit or loss	169,467	24,166	60,602	35,094	2,837	8	292,174
Loans and advances to banks and other financial institutions	4,001	924	15,623	14,536	566	-	35,650
Loans to customers	736,977	87,379	462,804	384,741	112,883	-	1,784,784
Investments available-for-sale	68	3,229	8,418	74,524	23,360	1,244	110,843
Investments held to maturity	-	1,402	3,170	55,134	1,483	-	61,189
Investment property	-	-	-	7,473	-	-	7,473
Property, plant and equipment	-	-	-	-	-	15,231	15,231
Intangible assets	-	-	-	-	-	1,978	1,978
Goodwill	-	-	-	-	-	1,788	1,788
Other assets	13,059	2,097	2,225	209	160	358	18,108
TOTAL ASSETS	**1,177,585**	**121,288**	**552,842**	**571,711**	**141,289**	**31,148**	**2,595,863**
LIABILITIES							
Financial liabilities at fair value through profit or loss	13,681	25,777	27,414	25,361	1,863	-	94,096
Due to banks and the Central Bank of the Russian Federation	705,008	74,681	253,740	7,524	646	-	1,041,599
Customer accounts	392,013	98,199	391,159	141,505	119	-	1,022,995
Bonds and Eurobonds	628	1,081	5,747	89,685	17,525	-	114,666
Promissory notes issued	21,337	20,625	14,758	929	1,078	-	58,727
Deferred income tax liabilities	-	-	-	-	-	3,877	3,877
Other liabilities	3,273	1,080	672	58	45	-	5,128
Subordinated debt	-	-	20,548	51,428	24,963	-	96,939
TOTAL LIABILITIES	**1,135,940**	**221,443**	**714,038**	**316,490**	**46,239**	**3,877**	**2,438,027**
Liquidity gap	41,645	(100,155)	(161,196)	255,221	95,050		
Stable sources of funding (1)	166,424	12,606	(1,163)	(177,867)	-		
Adjusted liquidity gap (1)	208,069	(87,549)	(162,359)	77,354	95,050		

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
ASSETS							
Cash and cash equivalents	192,019	5,105	-	-	-	-	197,124
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	8,869	8,869
Precious metals	5,746	-	-	-	-	-	5,746
Financial assets at fair value through profit or loss	179,319	311	254	2,016	77	9	181,986
Loans and advances to banks and other financial institutions	342	11,755	12,306	-	267	-	24,670
Loans to customers	110,919	114,185	248,715	288,267	117,188	-	879,274
Investments available-for-sale	102	170	4,905	19,384	13,960	1,011	39,532
Investments held to maturity	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	8,571	8,571
Property, plant and equipment	-	-	-	-	-	16,205	16,205
Intangible assets	-	-	-	3,509	-	-	3,509
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	3,809	1,719	5,463	117	294	164	11,566
TOTAL ASSETS	**492,256**	**133,245**	**271,643**	**313,293**	**131,786**	**36,828**	**1,379,051**
LIABILITIES							
Financial liabilities at fair value through profit or loss	431	748	138	1,549	-	-	2,866
Due to banks and the Central Bank of the Russian Federation	156,108	38,539	49,849	11,894	797	-	257,187
Customer accounts	291,689	94,950	229,966	164,472	394	-	781,471
Bonds and Eurobonds	492	4,374	10,140	38,332	10,621	-	63,959
Promissory notes issued	2,761	14,427	42,127	2,337	-	-	61,652
Deferred income tax liabilities	-	-	-	-	-	3,378	3,378
Other liabilities	3,062	1,194	1,367	29	70	-	5,722
Subordinated debt	140	-	651	11,440	51,228	-	63,459
TOTAL LIABILITIES	**454,683**	**154,232**	**334,238**	**230,053**	**63,110**	**3,378**	**1,239,694**
Liquidity gap	37,573	(20,987)	(62,595)	83,240	68,676		
Stable sources of funding (1)	131,196	21,284	47,890	(200,370)	-		
Adjusted liquidity gap (1)	168,769	297	(14,705)	(117,130)	68,676		

(1) For liability risk management purposes, the Group monitors the mismatch between asset and liability contractual maturities. In addition, the Group identifies certain financial instruments which represent a relatively stable source of funds, despite its contractually short maturities. These instruments are correspondent accounts of banks included within Due to banks and the Central Bank of the Russian Federation and customer accounts.

These financial instruments are split into homogeneous groups with similar statistical characteristics so that management can estimate the portion of these balances which are not subject to significant risk of reduction in outstanding balances. Large customers with the highest volatility are separated from the groups and pooled together so that management can use a stochastic model that better describes these large customers behaviour on a pool basis. The stable portion is estimated with a preset level of reliability and revised regularly, at least once a quarter.

Although management believes that these components of the correspondent and customer accounts are a stable source of funding, the Group considers that customer accounts related to small, homogeneous deposits will mature in three years while all other stable sources of funding will mature in one year from the balance sheet dates.

The following tables show undiscounted cash flows (the gross outflow) of the Group's financial liabilities and off-balance sheet commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these financial liabilities and off-balance sheet commitments may vary significantly from this analysis.

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

The gross undiscounted cash flows of the Group as at 31 December 2014 and 2013 were as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
LIABILITIES							
Financial liabilities at fair value through profit or loss	898	8,057	22,239	34,927	-	-	66,121
Due to banks and the Central Bank of the Russian Federation	675,103	70,256	251,676	6,190	137	-	1,003,362
Customer accounts	175,939	100,012	405,917	168,629	161	-	850,658
Bonds and Eurobonds	642	3,445	17,612	98,354	59,471	-	179,524
Promissory notes issued	21,817	20,728	15,795	997	1,176	-	60,513
Subordinated debt	78	151	23,555	80,915	27,465	-	132,164
Total interest bearing liabilities at fixed rates	**874,477**	**202,649**	**736,794**	**390,012**	**88,410**	-	**2,292,342**
Due to banks and the Central Bank of the Russian Federation	688	7,308	5,809	4,421	516	-	18,742
Financial liabilities at fair value through profit or loss	44	69	371	3,341	1,583	-	5,408
Total interest bearing liabilities at variable rates	732	7,377	6,180	7,762	2,099	-	24,150
Total interest bearing liabilities	**875,209**	**210,026**	**742,974**	**397,774**	**90,509**		**2,316,492**
Financial liabilities at fair value through profit or loss	14,364	21,283	19,291	6,757	-	-	61,695
Due to banks and the Central Bank of the Russian Federation	33,305	-	-	-	-	-	33,305
Customer accounts	217,733	-	-	-	-	-	217,733
Promissory notes issued	59	1	316	-	-	-	376
Other liabilities	2,482	891	573	57	45	-	4,048
TOTAL FINANCIAL LIABILITIES	**1,143,152**	**232,201**	**763,154**	**404,588**	**90,554**	-	**2,633,649**
Contingent liabilities and other commitments	**368,745**	-	-	-	-	-	**368,745**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
LIABILITIES							
Financial liabilities at fair value through profit or loss	28	104	500	2,162	-	-	2,794
Due to banks and the Central Bank of the Russian Federation	146,643	37,769	38,650	6,500	165	-	229,727
Customer accounts	106,112	96,868	245,460	188,641	450		637,531
Bonds and Eurobonds	492	4,860	31,280	50,681	45,198		132,511
Promissory notes issued	2,762	14,487	42,674	2,259	-	-	62,182
Subordinated debt	54	138	4,800	28,500	66,134	-	99,626
Total interest bearing liabilities at fixed rates	**256,091**	**154,226**	**363,364**	**278,743**	**111,947**	-	**1,164,371**
Due to banks and the Central Bank of the Russian Federation	508	1,399	12,884	6,374	659	-	21,824
Total interest bearing liabilities at variable rates	508	1,399	12,884	6,374	659	-	21,824
Total interest bearing liabilities	**256,599**	**155,625**	**376,248**	**285,117**	**112,606**	-	**1,186,195**
Financial liabilities at fair value through profit or loss	432	748	137	778	-	-	2,095
Due to banks and the Central Bank of the Russian Federation	9,263	-	-	-	-	-	9,263
Customer accounts	187,151	-	-	-	-	-	187,151
Promissory notes issued	13	4	6	291	-	-	314
Other liabilities	2,237	733	1,182	29	70	-	4,251
TOTAL FINANCIAL LIABILITIES	**455,695**	**157,110**	**377,573**	**286,215**	**112,676**	-	**1,389,269**
Contingent liabilities and other commitments	**403,384**	-	-	-	-	-	**403,384**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

39. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below:

The Group had the following transactions outstanding as at 31 December 2014 and 2013 with related parties:

	31 December 2014			31 December 2013		
	Related party transactions	**Average effective interest %**	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Average effective interest %**	**Total category as per consolidated financial statements caption**
Cash and cash equivalents	**2,152**		**253,792**	**14**		**197,124**
- companies controlled by shareholders	2,152			14		
Financial assets at fair value through profit or loss	**14,215**		**292,174**	**24**		**181,986**
Debt securities						
- shareholders of the Group	46	10.84%		24	7.72%	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	14,169			-		
Loans and advances to banks and other financial institutions, net	**101**		**35,650**	**-**		**24,670**
Correspondent accounts with banks						
- companies controlled by shareholders	101			-		
Loans to customers, gross	**216,202**		**1,825,226**	**17,933**		**912,113**
- shareholders of the Group	21,050	11.94%		14,753	7.37%	
- key management personnel	606	15.01%		244	8.26%	
- companies controlled by shareholders	194,546	17.53%		2,936	7.30%	
Allowance for impairment of loans to customers	**(230)**		**(40,442)**	**(6)**		**(32,839)**
- shareholders of the Group	(89)			(6)		
- key management personnel	(1)			-		
- companies controlled by shareholders	(140)			-		
Investments available-for-sale	**1,272**		**110,843**	**297**		**39,532**
Debt securities						
- shareholders of the Group	89	11.77%		2	10.11%	
- companies controlled by shareholders	-			-		
Equity securities						
- companies controlled by shareholders	1,183			295		
Other assets	**208**		**18,108**	**956**		**11,566**
- shareholders of the Group	-			2		
- key management personnel	1			-		
- companies controlled by shareholders	207			954		
Financial liabilities at fair value through profit or loss	**656**		**94,096**	**162**		**2,866**
- shareholders of the Group	109			-		
- companies controlled by shareholders	547			162		
Due to banks and the Central Bank of the Russian Federation:	**1,059**		**1,041,599**			**257,187**
Correspondent accounts of other banks						
- companies controlled by shareholders	1,059			-		
Customer accounts	**67,914**		**1,022,995**	**15,659**		**781,471**
Term deposits						
- shareholders of the Group	-			65	8.81%	
- key management personnel	522	9.37%		1,202	6.32%	
- companies controlled by shareholders	1,866	8.76%		6,487	5.53%	
Current accounts						
- shareholders of the Group	1,321			663		
- key management personnel	262			120		
- entities under common control	34			-		
- companies controlled by shareholders	63,909			7,122		

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2014			31 December 2013		
	Related party transactions	**Average effective interest %**	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Average effective interest %**	**Total category as per consolidated financial statements caption**
Promissory notes issued	**1,077**		**58,727**	-		**61,652**
- shareholders of the Group	1,077	13.50%		-		
Other liabilities	**103**		**5,128**	**704**		**5,722**
- shareholders of the Group	1			10		
- key management personnel	95			453		
- entities under common control	1			-		
- companies controlled by shareholders	6			241		
Subordinated debt	**13,625**		**96,939**	**11,179**		**63,459**
- shareholders of the Group	7,763	10.84%		7,763	7.84%	
- companies controlled by shareholders	5,862	13.39%		3,416	7.87%	
Commitments on loans and unused credit lines	**13,404**		**158,851**	**21,529**		**166,024**
- shareholders of the Group	12,260			21,500		
- key management personnel	36			22		
- companies controlled by shareholders	1,108			7		
Guarantees issued and similar commitments	**157**		**198,059**	**3,813**		**225,899**
- shareholders of the Group	-			3,652		
- companies controlled by shareholders	157			161		

	Year ended 31 December 2014		Year ended 31 December 2013	
	Key management personnel	**Total for the Group**	**Key management personnel**	**Total for the Group**
Key management personnel compensation:				
- salary	610		313	
- bonuses	882		745	
- representation expenses	11		3	
- contribution to non-government pension fund	1		-	
	1,504		**1,061**	
		18,394		**12,145**

(MILLIONS OF RUSSIAN ROUBLES) FOR THE YEAR ENDED 31 DECEMBER 2014

	Year ended 31 December 2014		Year ended 31 December 2013	
	Related party transactions	**Total for the Group**	**Related party transactions**	**Total for the Group**
Interest income		**152,202**		**97,849**
- shareholders of the Group	1,397		1,845	
- key management personnel	42		26	
- entities under common control	-		32	
- companies controlled by shareholders	3,407		2,018	
Interest expense		**(86,597)**		**(57,122)**
- shareholders of the Group	(1,104)		(875)	
- key management personnel	(48)		(53)	
- entities under common control	(6)		(6)	
- companies controlled by shareholders	(780)		(546)	
Provision for impairment losses on interest bearing assets		**(21,838)**		**(9,390)**
- shareholders of the Group	(90)		1	
- key management personnel	2		-	
- companies controlled by shareholders	9		43	
Trading (loss)/ income		**(10,342)**		**761**
- shareholders of the Group	(13,218)		28	
- key management personnel	(21)		(13)	
- entities under common control	(2)		21	
- companies controlled by shareholders	11,987		111	
Net (loss)/ gain on investments available-for-sale;		**(1,910)**		**22**
- companies controlled by shareholders	-		11	
Fees and commission income		**17,364**		**12,155**
- shareholders of the Group	5		1	
- key management personnel	3		1	
- entities under common control	-		1	
- companies controlled by shareholders	2,317		349	
Fees and commission expense		**(4,172)**		**(3,167)**
- entities under common control	-		(4)	
- companies controlled by shareholders	(37)		(7)	
Other income		**1,774**		**827**
- shareholders of the Group	31		4	
- key management personnel	2			
- entities under common control	400			
- companies controlled by shareholders	498		9	
Realised net gain/(loss) on discontinued operations		**415**		-
- companies controlled by shareholders	132		-	
Operating expenses		**(36,775)**		**(21,993)**
- shareholders of the Group	(1)		(1)	
- key management personnel	(1,507)		(1,093)	
- entities under common control	(195)		(1)	
- companies controlled by shareholders	(243)		(34)	

40. SUBSEQUENT EVENTS

In January 2015 the amendments to the Charter of PJSC "Bank Otkritie Financial Corporation" were registered, stating the changes to the authorized number of ordinary and preference shares.

The ultimate number of ordinary shares agreed in the new Charter amounts to 800,000,000 with par value of RUB 50 each, which includes:

- 600,000,000 of ordinary shares with par value of RUB 50 each;
- 102,000,000 of preference shares with par value of RUB 50 each (unfixed dividend rate);
- 98,000,000 of preference shares with par value of RUB 50 each (preference shares of type A, issued in accordance with the Federal Law №173-FZ dated 13 October 2008 "Additional terms of Russian Federation Financial system support".

In January 2015 PJSC "Bank Otkritie Financial Corporation" has successfully placed an issue of its own exchange-traded bonds series BO-07 with a nominal value totaling RUB 5,000 million.

In January 2015 extraordinary shareholder's meeting of the Bank approved reorganization of PJSC "Bank Otkritie Financial Corporation" in the form of merger with OJSC "Bank Petrocommerce". PJSC "Bank Otkritie Financial Corporation" as a legal successor will assume all its current liabilities to customers of OJSC "Bank Petrocommerce". The merger is expected to be completed during 2015.

In December 2014 the Board of Directors of the Central Bank of the Russian Federation has appointed PJSC "Bank Otkritie Financial Corporation" and JSC "OTKRITIE HOLDING" as investors for the prevention of the bankruptcy of the National Bank Trust, which is one of the top 35 largest banks in Russian Federation.

PJSC "Bank Otkritie Financial Corporation" has been included into the state program of providing additional capital for the banking sector (by means of providing OFZ bonds). The volume of allocated subordinated funding amounted to RUB 55.6 bln.

On February 2, 2015 regular Management Board meeting of PJSC "Khanty-Mansiysk bank Otkritie" has approved the decision to cancel the trust management agreement with ZPIF "Centr (Olma)", extinguish 100% of units of investment fund owned by PJSC "Khanty-Mansiysk bank Otkritie" and terminate the fund. Redemption of units of investment fund and the termination of the fund is planned to be completed till the end of the second quarter 2015.