Consolidated financial statements

Sberbank of Russia and its subsidiaries
for the year ended 31 December 2014

with independent auditor's report

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Совершенствуя бизнес, улучшаем мир

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Independent auditor's report

To the shareholders and the Supervisory Board of Sberbank

We have audited the accompanying consolidated financial statements of Sberbank and its subsidiaries (together "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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on 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 preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

CJSC Ernst & Young Vneshaudit

25 March 2015

Moscow, Russia

SBERBANK

Consolidated Statement of Financial Position

in billions of Russian Roubles	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7	2,308.8	1,327.0
Mandatory cash balances with central banks		365.7	251.5
Trading securities	9	37.3	101.2
Securities designated as at fair value through profit or loss	10	77.7	17.5
Due from banks	8	240.8	330.5
Loans and advances to customers	11	17,756.6	12,933.7
Securities pledged under repurchase agreements	12	1,169.3	1,343.8
Investment securities available-for-sale	13	829.7	476.2
Investment securities held-to-maturity	14	117.9	202.5
Deferred tax asset	30	19.1	12.3
Premises and equipment	15	496.4	477.3
Assets of the disposal group and non-current assets held for sale	41	72.0	3.1
Other financial assets	16	1,369.6	406.2
Other non-financial assets	16	339.9	327.5
TOTAL ASSETS		**25,200.8**	**18,210.3**
LIABILITIES			
Due to banks	17	3,640.0	2,111.3
Due to individuals	18	9,328.4	8,435.8
Due to corporate customers	18	6,234.5	3,628.4
Debt securities in issue	19	1,302.6	853.4
Other borrowed funds	20	537.2	499.1
Deferred tax liability	30	45.3	23.8
Liabilities of the disposal group	41	58.2	0.2
Other financial liabilities	21	1,213.6	299.5
Other non-financial liabilities	21	51.4	52.7
Subordinated debt	22	769.5	424.7
TOTAL LIABILITIES		**23,180.7**	**16,328.9**
EQUITY			
Share capital	23	87.7	87.7
Treasury shares	23	(7.6)	(7.2)
Share premium		232.6	232.6
Revaluation reserve for office premises		72.3	75.8
Fair value reserve for investment securities available-for-sale		(171.4)	1.3
Foreign currency translation reserve		83.2	(13.7)
Retained earnings		1,718.8	1,495.2
Total equity attributable to shareholders of the Bank		**2,015.6**	**1,871.7**
Non-controlling interest		4.5	9.7
TOTAL EQUITY		**2,020.1**	**1,881.4**
TOTAL LIABILITIES AND EQUITY		**25,200.8**	**18,210.3**

Approved for issue and signed on behalf of the Management Board on 25 March 2015.

Herman Gref, Chairman of the Management Board and CEO

Alexey Minenko, Acting Chief Accountant

SBERBANK

Consolidated Statement of Profit or Loss

in billions of Russian Roubles	Note	Year ended 31 December 2014	2013
Interest income	24	1,837.9	1,478.6
Interest expense	24	(785.1)	(587.8)
Deposit insurance expenses	24	(33.1)	(28.6)
Net interest income		**1,019.7**	**862.2**
Net provision charge for impairment of debt financial assets	11,14	(361.4)	(134.9)
Net interest income after provision charge for impairment of debt financial assets		**658.3**	**727.3**
Fee and commission income	25	329.5	253.7
Fee and commission expense	25	(47.2)	(32.4)
Net losses arising from trading securities		(7.1)	(3.2)
Net losses arising from securities designated as at fair value through profit or loss		(8.4)	(1.1)
Net gains arising from investment securities available-for-sale		6.2	11.7
Impairment of investment securities available-for-sale		(0.8)	(5.2)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	26	8.1	2.7
Net (losses) / gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation		(18.8)	1.2
Net gains arising from operations with other derivatives		27.0	8.2
Impairment of fixed assets		(0.3)	—
Goodwill impairment	16	(1.2)	(8.7)
Net charge for other provisions	16,34	(18.4)	(4.5)
Revenue of non-banking business activities	27	27.5	30.2
Cost of sales and other expenses of non-banking business activities	27	(31.2)	(29.4)
Net income from insurance and pension fund operations	28	7.6	0.5
Other operating income		8.5	8.9
Operating income		**939.3**	**959.9**
Operating expenses	29	(565.1)	(504.2)
Profit before tax		**374.2**	**455.7**
Income tax expense	30	(83.9)	(93.7)
Profit for the year		**290.3**	**362.0**
Attributable to:			
- shareholders of the Bank		292.2	363.8
- non-controlling interest		(1.9)	(1.8)
Earnings per ordinary share attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**31**	**13.45**	**16.78**

Approved for issue and signed on behalf of the Management Board on 25 March 2015.

Herman Gref, Chairman of the Management Board and CEO

Alexey Minenko, Acting Chief Accountant

SBERBANK

Consolidated Statement of Comprehensive Income

in billions of Russian Roubles	Note	Year ended 31 December 2014	2013
Profit for the year		**290.3**	**362.0**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Investment securities available-for-sale:			
- Net losses on revaluation of investment securities available-for-sale		(211.8)	(39.9)
- Impairment of investment securities available-for-sale transferred to statement of profit or loss	13	0.8	5.2
- Accumulated gains transferred to statement of profit or loss upon disposal of investment securities available-for-sale		(4.8)	(10.7)
Net foreign currency translation effect		97.0	(9.0)
Deferred income tax relating to other comprehensive income on:			
- Investment securities available-for-sale	30	43.1	9.4
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax		**(75.7)**	**(45.0)**
Total other comprehensive loss		**(75.7)**	**(45.0)**
Total comprehensive income for the year		**214.6**	**317.0**
Attributable to:			
- shareholders of the Bank		216.4	318.8
- non-controlling interest		(1.8)	(1.8)

Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Bank									
in billions of Russian Roubles	Note	Share capital	Treasury shares	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available-for-sale	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 31 December 2012		**87.7**	**(7.6)**	**232.6**	**79.0**	**37.3**	**(4.7)**	**1,186.7**	**1,611.0**	**12.8**	**1,623.8**
Changes in equity for the year ended 31 December 2013											
Net result from treasury shares transactions		—	0.4	—	—	—	—	—	**0.4**	—	**0.4**
Dividends declared	31	—	—	—	—	—	—	(58.5)	**(58.5)**	—	**(58.5)**
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(3.2)	—	—	3.2	**—**	—	**—**
Changes in ownership interests in subsidiaries		—	—	—	—	—	—	—	—	(1.3)	**(1.3)**
Profit for the year		—	—	—	—	—	—	*363.8*	***363.8***	*(1.8)*	***362.0***
Other comprehensive loss for the year		—	—	—	—	*(36.0)*	*(9.0)*	—	***(45.0)***	—	***(45.0)***
Total comprehensive income for the year		—	—	—	—	(36.0)	(9.0)	363.8	**318.8**	(1.8)	**317.0**
Balance as at 31 December 2013		**87.7**	**(7.2)**	**232.6**	**75.8**	**1.3**	**(13.7)**	**1,495.2**	**1,871.7**	**9.7**	**1,881.4**
Changes in equity for the year ended 31 December 2014											
Net result from treasury shares transactions		—	(0.4)	—	—	—	—	—	**(0.4)**	—	**(0.4)**
Dividends declared	31	—	—	—	—	—	—	(72.1)	**(72.1)**	—	**(72.1)**
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(3.5)	—	—	3.5	**—**	—	**—**
Changes in ownership interests in subsidiaries		—	—	—	—	—	—	—	—	(3.4)	**(3.4)**
Profit for the year		—	—	—	—	—	—	*292.2*	***292.2***	*(1.9)*	***290.3***
Other comprehensive loss for the year		—	—	—	—	*(172.7)*	*96.9*	—	***(75.8)***	*0.1*	***(75.7)***
Total comprehensive income for the year		—	—	—	—	(172.7)	96.9	292.2	**216.4**	(1.8)	**214.6**
Balance as at 31 December 2014		**87.7**	**(7.6)**	**232.6**	**72.3**	**(171.4)**	**83.2**	**1,718.8**	**2,015.6**	**4.5**	**2,020.1**

Consolidated Statement of Cash Flows

in billions of Russian Roubles	Note	Year ended 31 December 2014	2013
Cash flows from operating activities before changes in operating assets and liabilities			
Interest received		1,809.4	1,445.8
Interest paid		(675.1)	(507.1)
Expenses paid directly attributable to deposit insurance		(31.9)	(26.8)
Fees and commissions received		328.2	253.1
Fees and commissions paid		(44.6)	(30.9)
Net losses incurred on trading securities		(1.3)	(3.3)
Dividends received from trading securities		—	0.4
Net gains received on securities designated as at fair value through profit or loss		1.0	1.2
Net losses incurred from trading in foreign currencies and from operations with foreign currency derivatives		(147.4)	(20.5)
Net gains received from operations with other derivatives		20.0	0.5
Net (losses incurred) / gains received from operations with precious metals and precious metals derivatives		(26.2)	(0.3)
Revenue received from non-banking business activities		26.3	31.8
Expenses paid on non-banking business activities		(25.5)	(33.1)
Insurance premiums received		34.8	8.9
Payments on insurance operations		(0.2)	—
Payments on pension insurance agreements received		2.4	—
Payments on pension fund operations		(0.3)	—
Other operating income received		10.1	24.8
Operating expenses paid		(465.7)	(405.6)
Income tax paid		(88.4)	(98.2)
Cash flows from operating activities before changes in operating assets and liabilities		**725.6**	**640.7**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with central banks		(34.9)	(51.1)
Net decrease in trading securities		70.1	36.1
Net increase in securities designated as at fair value through profit or loss		(13.7)	(0.4)
Net decrease / (increase) in due from banks		173.2	(224.7)
Net increase in loans and advances to customers		(2,615.5)	(2,422.0)
Net increase in other assets		(175.9)	(120.7)
Net increase in due to banks		1,156.6	652.4
Net (decrease) / increase in due to individuals		(96.0)	1,438.2
Net increase in due to corporate customers		1,569.4	340.0
Net increase in debt securities in issue		20.9	113.3
Net increase in other liabilities		50.1	13.5
Net cash from operating activities		**829.9**	**415.3**
Cash flows from investing activities			
Purchase of investment securities available-for-sale		(717.9)	(710.0)
Proceeds from disposal and redemption of investment securities available-for-sale		682.7	541.1
Purchase of investment securities held-to-maturity		(6.3)	(168.3)
Proceeds from redemption of investment securities held-to-maturity		81.0	107.0
Acquisition of premises and equipment and intangible assets		(127.0)	(137.4)
Proceeds from disposal of premises and equipment and intangible assets including insurance payments		13.7	17.5
Acquisition of investment property		(0.3)	(0.2)
Proceeds from disposal of investment property		1.5	0.8
Proceeds from disposal of associates		—	3.4
Acquisition of subsidiaries net of cash acquired		9.6	(12.1)
Proceeds from disposal of subsidiaries net of cash disposed		1.4	0.6
Dividends received from investment securities available-for-sale		2.0	0.9
Net cash used in investing activities		**(59.6)**	**(356.7)**
Cash flows from financing activities			
Other borrowed funds received		182.4	258.6
Redemption of other borrowed funds		(388.5)	(249.2)
Repayment of interest on other borrowed funds		(13.7)	(14.1)
Subordinated debt received		238.9	39.5
Redemption of subordinated debt		—	(0.7)
Repayment of interest on subordinated debt		(34.5)	(24.6)
Funds received from loan participation notes issued or reissued / other bonds issued		106.8	43.9
Redemption of loan participation notes / other bonds issued		(36.9)	(36.5)
Repayment of interest on loan participation notes / other bonds issued		(23.8)	(18.7)
Cash received from non-controlling shareholders		—	1.9
Acquisition of non-controlling interests in subsidiaries		—	(0.3)
Purchase of treasury shares		(34.5)	(49.2)
Proceeds from disposal of treasury shares		34.9	48.8
Dividends paid	30	(72.0)	(58.3)
Net cash used in financing activities		**(40.9)**	**(58.9)**
Effect of exchange rate changes on cash and cash equivalents		254.0	37.5
Effect of hyperinflation on cash and cash equivalents		1.5	(1.0)
Net increase in cash and cash equivalents		**984.9**	**36.2**
Cash and cash equivalents as at the beginning of the year		**1,327.0**	**1,290.8**
Reclassification of cash and cash equivalents to assets of the disposal group and non-current assets held for sale		(3.1)	—
Cash and cash equivalents as at the end of the year	**7**	**2,308.8**	**1,327.0**

1 Introduction

These consolidated financial statements of Sberbank of Russia (Sberbank, “the Bank”) and its subsidiaries (together referred to as “the Group” or “Sberbank Group”) have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these consolidated financial statements is disclosed in Note 41.

The Bank is an open joint stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (“Bank of Russia”), owns 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares as at 31 December 2014 (31 December 2013: 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares).

As at 31 December 2014 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank’s principal shareholder and other shareholders as well as independent directors.

The Bank operates under a general banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian, and provision of asset management services. The Bank is regulated and supervised by the Bank of Russia as a united regulator for banking and financial markets activities in the Russian Federation being a successor to the Federal Service for Financial Markets which was abolished in 2013 and all its powers were transferred to the Bank of Russia. The Group’s foreign banks/companies operate under the banking/companies regulatory regimes of their respective countries.

The Group’s principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients’ export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. As at 31 December 2014 the Group conducts its business in Russia through Sberbank with its network of 16 (31 December 2013: 17) regional head offices, 78 (31 December 2013: 77) branches and 17 046 (31 December 2013: 17 893) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing, LLC Sberbank Capital, companies of ex-Troika Dialog Group Ltd. and Cetelem Bank LLC (former BNP Paribas Vostok LLC). In the second quarter of 2014 Severo-Vostochny Regional head office’s business was reallocated between Dalnevostochny Regional head office and Baikalsky Regional head office. The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and companies of ex-Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group’s employees as at 31 December 2014 was 329,566 (31 December 2013: 306,123).

Registered address and place of business. The Bank’s registered address is: Vavilova str., 19, Moscow, Russian Federation.

Presentation currency. These consolidated financial statements are presented in Russian Roubles ("RR"). All amounts are expressed in RR billions unless otherwise stated.

2 Operating Environment of the Group

The Group conducts its business in the Russian Federation, Turkey, Belarus, Kazakhstan, Ukraine, Austria, Switzerland and other countries of Central and Eastern Europe.

The Russian Federation. The most part of the Group operations are conducted in the Russian Federation.

2 Operating Environment of the Group (continued)

Major indicators of the Russian economy in 2014 were influenced by a number of negative factors: the fall in oil prices (twice in the second half of the year), a significant increase in geopolitical tensions, and the subsequent introduction of economic sanctions against the Russian Federation. However, external factors only exacerbated the economic slowdown that emerged due to structural problems in the second half of 2012, and accelerated the shift from stagnation to recession. Economic growth slowed down in 2014 to 0.6% (1.3% in 2013) and turned negative in the fourth quarter of 2014 (0.2% decrease year-on-year according to the estimate of the Russian Ministry of Economic Development).

The first consequence of the increase in geopolitical tensions was the acceleration of capital outflow in the first half of 2014 (USD 70.6 billion). The actual cessation of access to external capital markets (the introduction of sanctions) and a significant deterioration in trading conditions (the fall in average oil prices in December by 42.5% compared to July) further accelerated capital outflow (up to USD 130.5 billion in 2014) and led to the significant devaluation of the Russian rouble. In order to limit the decrease in international reserves, the Bank of Russia prematurely switched to a floating exchange rate regime in October 2014. A number of additional measures to improve US dollar liquidity, such as currency swaps and repurchase agreements, were offered to market participants. Nevertheless, the situation in the foreign exchange market remained tough. The peak of the difficulties occurred in December 2014 and concurred with significant external debt payments (USD 32.9 billion). In order to stabilize the foreign exchange market in December, the Bank of Russia raised its key interest rate (from 9.5% to 17.0%), introduced a number of prudential supervision measures, and persuaded leading exporters to regularly sell their foreign currency revenues. As a result, the exchange rate was temporarily stabilized, although the fall remained significant. Over the year, the Russian rouble lost 41.8% of its value against the US dollar and 34.2% against the euro. Russia's international reserves decreased by 25% (or USD 125 billion) in 2014. Foreign currency direct REPO transactions with the Bank of Russia reached USD 20 billion by the end of 2014.

The slowdown in economic growth concurred with the acceleration of inflation, largely due to the weakening of the rouble and a ban on food imports to the Russian Federation. In response to accelerating inflation and the growing risks concerned with the destabilization of the financial system due to the rapid weakening of the rouble, the Bank of Russia raised its key interest rate in stages from 5.5% to 17% in 2014. The Bank of Russia's tightening of monetary policy did not have a significant impact on the trend in inflation in 2014. The growth of the key interest rate significantly increased the cost of funding from the Bank of Russia, but did not reduce its role as the main supplier of liquidity. Replacing the scarcity of internal funding sources (retail deposit growth slowed to 9.4% in 2014 compared to 19.0% in 2013) and capital outflow, and ensuring the maintenance of lending volumes, the Bank of Russia increased the amount of loans to banks from RR 4.8 trillion to RR 9.8 trillion in 2014. The main increase in lending (from RR 1.3 trillion to RR 4.5 trillion) fell on the loans secured by non-marketable assets in accordance with Regulation No. 312-P. As a result, the Bank of Russia's share in the liabilities of the banking sector increased from 7.7% to 12% in 2014.

Key Russian borrowers were forced to turn to loans issued by Russian banks as a result of the unavailability of external funding sources and reduced possibilities for attracting funds from the rouble bond market, which was the result of an outflow of non-resident funds and the transfer of pension savings for 2014 to the budget. Unlike previous periods, a significant part of the demand for new loans was generated by the largest Russian companies.

The deterioration in economic growth perspectives and the fall in real household income revealed the issue of credit quality of the loan portfolio of banks. The overdue portion of the loans granted to non-financial organizations remained unchanged at 4.2%, largely due to high growth rates (31.3% in 2014 compared to 12.7% in 2013). However, the deterioration in the financial position of some large borrowers required the restructuring of granted loans. In addition, the events in Ukraine led to a significant deterioration in the credit quality of loans issued by Russian banks to Ukrainian borrowers.

The overdue portion of loans to individuals increased since the beginning of 2014, from 4.4% to 5.9%. The main deterioration occurred in the consumer lending segment, mostly affecting banks in the high-margin consumer lending niche. The quality of the mortgage loan portfolio remains at a high level – the overdue portion was at 1.3% at the end of 2014.

Deterioration in the quality of the loan portfolio, which required the booking of additional provisions, and a galloping increase in the cost of funding from the Bank of Russia reduced the profits of the banking sector by 40% in comparison with 2013. Financial markets also decreased during 2014: the RTS index (calculated based on US dollar prices) fell by 45.2%, and the MICEX index (calculated based on Russian rouble prices) fell by 7.1%.

2 Operating Environment of the Group (continued)

The sovereign rating of the Russian Federation in 2014 was downgraded to the bottom of the investment grade ratings group. In the first quarter of 2015, the international rating agencies lowered the rating of Russia further below investment grade with a negative outlook.

Other jurisdictions. In addition to Russia the Group conducts operations in Belarus, Kazakhstan, Ukraine, Central and Eastern Europe (Austria, Czech Republic, Slovakia, Bosnia and Herzegovina, Slovenia, Serbia, Hungary, Croatia), Turkey, Switzerland and some other countries. Tough economic and liquidity situation in many countries led to a decrease or insignificant growth of GDP followed by shrinking in consumption as well as in investment activities. The primary goals of the local regulators included supporting financial stability, management of GDP deficit and inflation level regulation. During the year ended 31 December 2014 economy of the Republic Belarus remained hyperinflatory as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies*.

During the year ended 31 December 2014 political and economic situation in Ukraine deteriorated significantly. As a result, Ukraine has experienced a sharp decrease in GDP, a significant negative balance of payments and a sharp reduction in foreign currency reserves. International rating agencies have downgraded Ukraine's sovereign debt ratings. The combination of the above events has resulted in deterioration of liquidity and much tighter credit conditions where credit is available. As at 31 December 2014, the Group's exposure to Ukrainian risk amounted to approximately 0.6% of total consolidated assets (31 December 2013: 0.8%). The exposure consists of net assets of and the Group funding to the Group's Ukrainian subsidiaries, as well as investments in equity and debt instruments issued by and loans to the Ukrainian government and corporate clients. Management is monitoring these developments in the current environment and taking actions where appropriate. These and any further possible negative developments in Ukraine could adversely impact results and financial position of the Group in a manner not currently determinable.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of office premises, investment property, available-for-sale financial assets and financial instruments at fair value through profit or loss.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies (investees), including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. For each business combination, the acquirer measures the non-controlling interest in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair value. Non-controlling interest is the interest in subsidiaries not held by the Group. Acquisition costs incurred are expensed. Non-controlling interest is presented as a separate component within equity.

3 Basis of Preparation and Significant Accounting Policies (continued)

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is lower than the fair value of the net assets of the subsidiary acquired, the difference ("gain from bargain purchase") is recognized in the consolidated statement of profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies for the purpose of preparation of these consolidated financial statements.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognized in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group also has a portion of its business activities (mainly venture capital organizations) which falls under the definition of investment entity under IFRS 10 *Consolidated financial statements*. This portion of business has number of investments in other entities with significant portion of influence. In accordance with the exemption within IAS 28 *Investments in Associates and Joint Ventures*, the Group does not account for such investments in associate using the equity method. Instead, these investments are measured at fair value through profit or loss and are classified as securities designated as at fair value through profit or loss in the statement of financial position with change in fair value reflected within net gains/(losses) arising from securities designated as at fair value through profit or loss.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortized cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 Basis of Preparation and Significant Accounting Policies (continued)

Cash equivalents include correspondent accounts, overnight interbank loans and reverse sale and repurchase agreements with original maturity up to 1 business day. Amounts, which relate to funds that are of a restricted nature and/or have original maturity of more than 1 business day, are excluded from cash and cash equivalents.

Mandatory cash balances with Central Banks. Mandatory cash balances with Central Banks are carried at amortized cost and represent mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Plastic cards settlements. Plastic cards settlements are recorded when the legal right to receive the payment or legal obligation to execute payment arise under the agreement and are carried at amortized cost.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities on initial recognition included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest rate method is accounted for in the consolidated statement of profit or loss as interest income. During the year ended 31 December 2014 the Management decided to reclassify dividends from trading securities into net gains/ (losses) arising from trading securities in profit or loss. Comparative figures have been adjusted. Please refer to Note 4. Dividend income is recognized when the Group's right to receive the dividend payment is established. Translation differences are included in net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the consolidated statement of profit or loss as net gains/ (losses) arising from trading securities in the period in which they arise.

Securities designated as at fair value through profit or loss. Securities designated as at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from banks are carried at amortized cost.

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

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

A loan is considered past due when the borrower fails to make any payment due under the loan at the reporting date. In this case a past due amount is recognized as the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions. As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

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

Write-off of assets at amortized cost. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Impairment of loans and advances to legal entities. Estimating loan portfolio impairment provision for corporate loans involves the following steps:

- Identification of loans that are individually significant and contain signs of impairment, i.e., those loans, that, if fully impaired, would have a material impact on the Group's operating income.
- Determination of whether an individually significant loan shows objective evidence of impairment. This requires estimating the expected timing and amount of cash flows from interest and principal payments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate. The loan is considered impaired if its carrying amount materially exceeds its estimated recoverable amount. A separate impairment loss is recorded on an individually significant impaired loans.
- All remaining loans and individually significant loans without objective evidence of impairment are assessed on a portfolio basis.

The Group applies the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and creates portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date.

For the purposes of credit risk measurement and analysis the Group internally classifies loans depending on their quality. The quality of a corporate loan is monitored regularly on the basis of a comprehensive analysis of the borrower's financial position and includes analysis of liquidity, profitability and sufficiency of own funds. The capital structure, organizational structure, credit history and business reputation of the borrower are also taken into consideration. The Group takes into account the customer's position in the industry and the region, production equipment and level of the technology used as well as the general efficiency of management. Upon analysis corporate borrowers are assigned internal ratings and classes. For the purpose of collective assessment of not past due loans and advances the Group analyses loans of each class in terms of its historical loss and recovery rate separately for renegotiated and non-renegotiated loans. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently. For the purpose of collective assessment of past due loans and advances Group analyses ageing of past due debts.

Impairment of loans and advances to individuals. For the purpose of credit quality analysis, loans to individuals are grouped by type of credit product into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each portfolio by the ageing of past due debts.

Investment securities available-for-sale. This classification includes investment securities, which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available-for-sale at the time of purchase.

3 Basis of Preparation and Significant Accounting Policies (continued)

Investment securities available-for-sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in profit or loss. During the year ended 31 December 2014 the Management decided to reclassify dividends on available-for-sale equity instruments into net gains / (losses) arising from investment securities available-for-sale in profit or loss. Comparative figures have been adjusted. Please refer to Note 4. Dividend income is recognised when the Group's right to receive payment is established. Foreign currency exchange differences arising on debt investment securities available-for-sale are recognized in profit or loss in the period in which they arise. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified to profit or loss.

Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available-for-sale. Though a significant or prolonged decline in the fair value of the security below its cost is one of indicators that it is impaired, the Group also considers an objective evidence of expected receipt of contractual cashflows under such debt security. If the Group expects to receive all contractual cashflows in full, such security is not considered impaired. The cumulative impairment loss – measured as the difference between the acquisition cost (less scheduled principal repayments for debt securities) and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income and recognized in profit or loss. Recognized impairment losses on equity instruments are not reversed through profit or loss in a subsequent period. As for debt instruments classified as available-for-sale, if, in a subsequent period, the fair value of such instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through current period's profit or loss. The unrealised gains/(losses) on revaluation of investment securities available-for-sale other than impairment losses are presented in other comprehensive income as net gains/(losses) on revaluation of investment securities available-for-sale.

If the Group has both the intention and ability to hold quoted in active market investment securities available-for-sale to maturity, they may be reclassified as investment securities held-to-maturity. In this case the fair value of securities as at the date of reclassification becomes their new amortized cost. For instruments with a fixed maturity the fair value reserve as at the date of reclassification is amortized to profit or loss during the period until maturity using the effective interest rate method.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to banks or due to corporate customers and individuals.

Funds granted under reverse repo agreements are recorded as cash and cash equivalents, due from banks or loans and advances to customers, in accordance with the nature of the counterparty and the term of the deal.

The difference between the sale and repurchase price in sale and repurchase agreements and reverse repo agreements is treated as interest income/expense and accrued over the life of agreement using the effective interest rate method.

Securities lent to counterparties are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the sale proceeds are recorded as an obligation to deliver (repurchase and return) securities within other financial liabilties. The liability is carried at fair value with effects of remeasurement presented as net gains / (losses) arising from trading securities in the consolidated statement of profit or loss.

3 Basis of Preparation and Significant Accounting Policies (continued)

Investment securities held-to-maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition or upon reclassification from available-for-sale category when the Group changes its intention and has the ability to hold investment securities which were previously classified as available-for-sale to maturity. The investment securities held-to-maturity are carried at amortized cost.

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

Renegotiated financial assets. From time to time in the normal course of business the Group performs restructuring of financial assets, mostly of loans.

Accounting treatment of renegotiations which do not lead to derecognition of financial assets. If terms of an agreement are not materially modified, restructuring of financial instruments leads to reassessment of effective interest rate based on current carrying amount and modified future cash flows.

Accounting treatment of renegotiations which lead to derecognition of financial assets. Material modifications of agreement terms lead to derecognition of a financial asset and a recognition of a new asset at fair value. The following principal modifications in terms are considered to be material:

- Change of currency in which cash flows are denominated;
- Consolidation or separation of several financial instruments;
- Present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In all cases if the restructuring of financial assets is due to financial difficulties of a borrower, financial assets are assessed for impairment before recognition of a renegotiation.

Goodwill. Goodwill represents the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisitions of subsidiaries is included in other assets. Goodwill on acquisitions of associates is included as part of investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment before aggregation. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Premises and equipment. Equipment and premises other than office premises are stated at cost less accumulated depreciation. Office premises of the Group are held at revalued amount subject to revaluation to market value on a regular basis. The revaluation gains are recognized in other comprehensive income. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for office premises included in equity is transferred directly to retained earnings on a straight-line basis as the asset is used by the Group. On the retirement or disposal of the asset the remaining revaluation reserve is immediately transferred to the retained earnings.

3 Basis of Preparation and Significant Accounting Policies (continued)

Construction in progress is accounted for based on actual costs, less provision for impairment where required. Upon completion, assets are transferred to corresponding category of Premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred through consolidated statement of profit or loss. Cost of replacing major parts or components of premises and equipment items are capitalized and the replaced part is retired.

If impaired, premises are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income.

Positive revaluation shall be recognized in profit or loss to the extent that it reverses a negative revaluation of the same asset previously recognized in profit or loss. The amount that exceeds negative revaluation previously charged to profit or loss shall be recognized in other comprehensive income.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following basic annual rates are applied for the main categories of premises and equipment:

Office premises	2.5-3.3%;
Other premises	2.5%;
Office equipment	14.3%;
Computer equipment	33.3%; and
Vehicles and other equipment	18%.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software and intangible assets acquired through business combinations (i.e. customer base and brands). Acquired and recognized intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use those assets. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortised on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment property is stated at fair value which reflects current market value and represents potential price between knowledgeable, willing parties in an arm's length transaction. Revaluation of investment property is held on each reporting date and recognized in consolidated statement of profit or loss as gains/losses on investment property revaluation. Earned rental income is recorded in consolidated statement of profit or loss within other operating income.

Subsequent expenditure on investment property is capitalized only when it is probable that additional future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3 Basis of Preparation and Significant Accounting Policies (continued)

If an investment property becomes occupied by the Group, it is reclassified to the corresponding category of Premises and equipment, and its carrying value at the date of reclassification becomes its deemed cost to be subsequently measured according to the accounting policy provided for such category.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease. When assets are leased out under operating lease, the lease payments receivable are recognized as rental income within other operating income in profit or loss on a straight-line basis over the lease term.

Finance leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Where the Group is a lessor lease receivables are recognized at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables. The net investment in finance lease is recorded within loans and advances to customers.

Insurance and pension contracts.

Contracts classification. Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Investment contracts are those contracts that transfer significant financial risk and does not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Discretionary participation features (DPF). Insurance and investment contracts are classified as ones with DPF or ones without DPF. A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio whose amount or timing is contractually at the discretion of the Group. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders, but not less than defined by the current legislation. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

Description of insurance and pension contracts.

The Group issues the following types of life insurance contracts:

Saving life insurance contracts (SLI) are those contracts of life insurance and investment contracts with an option to receive an additional investment return.

Investment life insurance contracts (ILI) are those contracts of life insurance with deposit components and an option to receive an additional investment return. The Group does not account for the deposit component separately and applies the insurance contracts accounting policy for those contracts.

Both ILI and SLI contract are accounted for in line with IFRS 4 *Insurance contracts* and classified as insurance contracts with DPF or insurance contracts without DPF.

Under pension business activity the Group provides the following types of contracts:

Obligatory pension insurance (OPI) is the activity performed under Federal Law 167-FZ “On obligatory pension insurance in the Russian Federation” of 15 December 2001, which is designed to provide deferred annuity. The Group classifies contract under OPI as insurance contracts with DPF and account for those contracts in line with IFRS 4 *Insurance contracts*.

3 Basis of Preparation and Significant Accounting Policies (continued)

Non-state pension provisions (NSPP) are those contracts of voluntary pension insurance with an option to receive an additional investment return. The Group classifies contracts under NSPP concluded in accordance with existing non-state pension rules either as investment or insurance contracts with DPF and account for those contracts in line with IFRS 4 *Insurance contracts*.

Insurance and pension contract liabilities. *Insurance and pension contract liabilities* are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

Investment contract liabilities. Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Liability is terminated if contract is expired, the contract is either reimbursed or annulated. Contract fair value which can be annulated by policyholder cannot be less than the amount paid to policyholder in the case of termination. Significant judgements and accounting estimates applied for life insurance contract liabilities recognition are provided in Note 4.

Liability adequacy test. At each reporting date, an assessment is made of whether the recognised insurance and pension liabilities are adequate. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows are used. Any inadequacy is recorded in the statement of comprehensive income by establishing an additional insurance liability for the remaining loss.

Gross premiums. Gross recurring premiums on insurance and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross benefits and claims paid for all insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Assets and liabilities of the disposal group and non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are disclosed separately in the statement of financial position if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period. Non-current assets held for sale and disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment, investment properties and intangible assets are not depreciated or amortised.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Due to banks. Amounts due to banks are recorded when money or other assets are advanced to the Group by counterparty banks. Amounts due to banks present non-derivative financial liabilities and are carried at amortized cost.

Due to individuals and corporate customers. Amounts due to individuals and corporate customers are non-derivative financial liabilities to individuals and corporate customers (including state agencies and state-controlled companies) and are carried at amortized cost.

3 Basis of Preparation and Significant Accounting Policies (continued)

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit, savings certificates and other debt securities issued by the Group. Debt securities in issue except equity linked notes and credit linked notes which are described below are stated at amortized cost. If the Group repurchases its debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income in the consolidated statement of profit or loss.

Equity linked notes ('ELN') and credit linked notes ('CLN'). ELN and CLN are issued by the Group and are stated at fair value. The underlying assets of these notes are securities (equity for ELN and bonds for CLN) issued by Russian companies which cannot be purchased by the Group's foreign clients directly from the market. Recognition and measurement of these financial liabilities is consistent with the policy for trading securities stated above in this Note. ELN and CLN are included in Debt securities in issue.

Other borrowed funds. Other borrowed funds represent syndicated loans attracted by the Group on financial markets and trade finance deals. Other borrowed funds are carried at amortized cost.

Obligation to deliver securities. Obligation to deliver securities refers to transactions in which the Group sells securities which it does not own, and which it is obligated to deliver at a future date. Such transactions are initially recorded at cost as liabilities and then are carried at fair value. Any unrealized gain or loss is recorded in the consolidated statement of profit or loss in net gains / (losses) arising from trading securities for the difference between the proceeds receivable from the sale and the value of the open short position. The Group realizes a gain or loss when the short position is closed. Valuation of such securities is consistent with the accounting policy of the Group for trading securities.

Subordinated debt. Subordinated debt represents long-term funds attracted by the Group on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment on debt in case of the companies' of the Group liquidation. Subordinated debt is carried at amortized cost.

Derivative financial instruments. Derivative financial instruments, including forwards and futures contracts, option contracts and swap contracts are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the consolidated statement of profit or loss in net results arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation; changes in the fair value of derivative financial instruments on precious metals are included in net results arising from operations with precious metals, precious metals derivatives and precious metals accounts translation; changes in the fair value of derivatives on securities, interest rates and other derivatives – in net results arising from operations with other derivative financial instruments.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and legislation of other jurisdictions in which the Group performs business enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized in the profit or loss except if it is recognized in other comprehensive income because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is recognized for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognized for temporary differences on initial recognition of goodwill or any other asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

3 Basis of Preparation and Significant Accounting Policies (continued)

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded in the statement of financial position only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Provision for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortized cost.

Share premium. Share premium represents the excess of equity contributions over the nominal value of the shares issued.

Preference shares. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders' meeting. Preference shares are classified as a part of equity.

Treasury shares. Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid including any attributable incremental external costs is deducted from equity until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note. Dividends are calculated based on IFRS net profit and distributed out from the Bank statutory net results.

Income and expense recognition. Interest income and expense are recorded in profit or loss for interest-bearing instruments on accrual basis using effective interest rate method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful for collection, the base for calculation of interest income is reduced to present value of expected cash inflows and interest income is thereafter recorded based on the asset's original effective interest rate which was used before impairment recognition.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportion basis. Trust and custody services fees related to investment funds are recorded proportionally over the period the service is provided.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3 Basis of Preparation and Significant Accounting Policies (continued)

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Rouble ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (except for the subsidiary bank in Belarus the economy of which is considered hyperinflationary) are translated into the presentation currency as follows:

(I) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;

(II) income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedure: all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position.

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in Net foreign currency translation effect in other comprehensive income and taken to a separate component of equity - Foreign currency translation reserve.

At 31 December 2014 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.281	257.739	3.244	0.015	0.018	0.041
USD/	56.258	15.819	14,499.999	182.505	0.823	0.987	2.318
EUR/	68.343	19.217	17,614.597	221.707	1.000	1.199	2.816

At 31 December 2013 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.252	291.483	4.693	0.022	0.027	0.065
USD/	32.729	8.240	9,540.010	153.595	0.728	0.892	2.139
EUR/	44.970	11.322	13,107.968	211.039	1.000	1.225	2.939

3 Basis of Preparation and Significant Accounting Policies (continued)

Accounting for the effects of hyperinflation. With the effect from 1 January 2011, the Belarusian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

In applying IAS 29, the Group has used conversion factors derived from the Belarusian consumer price index ("CPI"), published by the State Committee on Statistics of the Republic of Belarus. The CPIs for the six year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 were as follows:

Year	Index, %	Conversion factors
2006	106.5	528.7
2007	112.0	472.1
2008	113.5	416.2
2009	109.9	378.9
2010	110.0	344.3
2011	208.7	165.0
2012	121.7	135.6
2013	116.6	116.3
2014	116.3	100.0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2014. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2014) are restated by applying the relevant index. The effect of hyperinflation on the Group's net monetary position is included in profit or loss.

Assets under management. The Group has set up mutual investment funds and acts as the manager of their assets. The assets of these funds do not represent assets of the Group and therefore are not reported on the consolidated statement of financial position. The management fee income is recorded in the consolidated statement of profit or loss within fee and commission income.

Contingent assets. Contingent assets are assets that could arise from past events and 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. Contingent assets are not recognized by the Group in its consolidated statement of financial position, but disclosed in the notes to the consolidated financial statements if inflow of economic benefits is probable.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Earnings per share. Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, pensions, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Segment reporting. The Group determined its operating segments on the basis of organizational structure of the Group and geographical areas. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, assets and liabilities are presented in order of their liquidity in accordance with best banking industry practices. Analysis of assets and liabilities by their expected maturities is presented in Note 33.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease is identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults 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 portfolio when scheduling its future cash flows. More details are provided in Note 11.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 34.

Deferred income tax asset recognition. The recognised deferred tax asset represents amount of income tax which may be recovered through future income tax expenses and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances. Refer to Note 30.

Fair value of financial instruments. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data adjusted for credit quality of counterparties, however certain areas require Management to make other estimates. Changes in assumptions about these factors could affect reported fair values. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore sometimes not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Related party transactions. The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in these consolidated financial statements for transactions with state-controlled entities and government bodies. Currently the Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities which are owned or controlled directly or indirectly by the State. Judgement is applied by the Management in determining the scope of operations with related parties to be disclosed in the consolidated financial statements. Refer to Notes 39 and 40.

Revaluation of office premises. The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not materially differ from its fair value. Office premises have been revalued to market value at 31 December 2011. The revaluation was performed based on the reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2012. Refer to Note 15.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

Impairment of available-for-sale investments. The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value of the investment below the cost. Determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in securities' prices and future cash flows. For the latter the Group considers an objective evidence of expected receipt of contractual cashflows under such security. If the Group expects to receive all contractual cashflows in full, such security is not considered impaired. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

Life insurance contract liabilities (including investment contract liabilities with DPF). The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry Russian mortality tables prepared by State Statistic Committee of Russian Federation, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets.

Changes in presentation and reclassifications. Following the improved disclosure of other liabilities in the current period, the presentation of the comparative information has been adjusted to be consistent with the new presentation, as well as the extraction of assets and liabilities of the disposal group and non-current assets held for sale on the face of the consolidated statement of financial position due to significant growth in those items. The effect of changes on the consolidated statement of financial position and on the corresponding note as at 31 December 2013 is as follows:

In billions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Assets of the disposal group and non-current assets held for sale	—	3.1	3.1
Other non-financial assets	330.6	(3.1)	327.5
Liabilities of the disposal group	—	0.2	0.2
Other financial liabilities	291.7	7.8	299.5
Other non-financial liabilities	60.7	(8.0)	52.7

Following the improved presentation of charge for impairment of debt financial assets, the comparative figures have been adjusted to be consistent with the new presentation:

in billions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Net provision charge for impairment of debt financial assets	(133.5)	(1.4)	(134.9)
Net charge for other provisions	(5.9)	1.4	(4.5)

Following the improved presentation of dividend income the presentation of the comparative information has been adjusted to be consistent with the new presentation:

in billions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Other operating income	10.3	(1.4)	8.9
Net gains arising from investment securities available-for-sale	10.7	1.0	11.7
Net losses arising from trading securities	(3.6)	0.4	(3.2)

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

The Group has revised and improved disclosure of the results from foreign currencies conversion and purchase or sale of precious metals operations received by the Group. The Group consideres the above results to be a combination of both trading in foreign currencies and precious metals and fees and commissions from the clients. The background of trading result is foreign currency and price risk coming from positions and trading in foreign currencies and precious metals, and another is servicing the clients in their foreign currency and precious metals transactions, which has the flow business risk free nature. Based on the above, the Group reallocated the relevant amounts to the fee and commission income to which it substantially relates. Also, the Group improved disclosure of the commissions on corporate loyalty programs paid by the Group and settlement commissions by its allocation to the fee and commission income and expenses to which it substantially relates. The presentation of the comparative information has been adjusted to be consistent with the new presentation:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Fee and commission income	244.8	8.9	253.7
Fee and commission expense	(24.5)	(7.9)	(32.4)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	12.9	(10.2)	2.7
Net (losses) / gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	2.4	(1.2)	1.2
Operating expenses	(514.6)	10.4	(504.2)

Following the improved disclosure of other provisions and operations on insurance activities due to the growth of the insurance business of the Group, the presentation of the comparative figures has been adjusted to be consistent with the new presentation:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Revenue of non-banking business activities	38.1	(7.9)	30.2
Cost of sales and other expenses of non-banking business activities	(36.8)	7.4	(29.4)
Net income from insurance and pension fund operations	—	0.5	0.5

The Group improved the disclosure on cash flow from intangible assets sale and purchase by reclassification it to cash flows from investment activities where they relate. The effect of this reclassification as well as the effect of reclassifications mentioned above on the disclosure of the consolidated statement of cash flows for the year ended 31 December 2013 is as follows:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Cash flows from operating activities before changes in operating assets and liabilities			
Fees and commissions received	244.2	8.9	253.1
Fees and commissions paid	(25.5)	(5.4)	(30.9)
Dividends received from trading securities	—	0.4	0.4
Net losses incurred from trading in foreign currencies and from operations with foreign currency derivatives	(10.3)	(10.2)	(20.5)
Net (losses incurred) / gains received from operations with precious metals and precious metals derivatives	0.9	(1.2)	(0.3)
Operating expenses paid	(417.3)	11.7	(405.6)
Net increase in other assets	(128.7)	8.0	(120.7)
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets	(124.5)	(12.9)	(137.4)
Proceeds from disposal of premises and equipment and intangible assets including insurance payments	16.4	1.1	17.5
Dividends received from investment securities available-for-sale	—	0.9	0.9
Dividends received	1.3	(1.3)	—

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

The effect of corresponding reclassifications on the segment reporting for the year ended 31 December 2013 is as follows:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Moscow			
Fee and commission income	50.4	0.9	51.3
Fee and commission expense	(15.4)	(5.4)	(20.8)
Net gains arising from securities	7.7	1.4	9.1
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	15.1	(3.2)	11.9
Net gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	2.6	(0.2)	2.4
Revenue of non-banking business activities	16.1	(7.9)	8.2
Cost of sales and other expenses of non-banking business activities	(16.5)	7.4	(9.1)
Net income from insurance and pension fund operations	—	0.5	0.5
Net other operating (losses) / gains	(0.8)	(1.4)	(2.2)
Operating expenses	(149.1)	7.9	(141.2)
Central and Northern regions of European part of Russia			
Fee and commission income	51.6	3.1	54.7
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	3.8	(2.8)	1.0
Net gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	0.3	(0.3)	—
Volga region and South of European part of Russia			
Fee and commission income	44.1	2.0	46.1
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	2.2	(1.8)	0.4
Net gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	0.2	(0.2)	—
Ural, Siberia and Far East of Russia			
Fee and commission income	65.4	2.9	68.3
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	3.2	(2.4)	0.8
Net gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	0.5	(0.5)	—
Total			
Fee and commission income	241.8	8.9	250.7
Fee and commission expense	(24.4)	(5.4)	(29.8)
Net gains arising from securities	10.2	1.4	11.6
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	24.3	(10.2)	14.1
Net gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	3.8	(1.2)	2.6
Revenue of non-banking business activities	38.1	(7.9)	30.2
Cost of sales and other expenses of non-banking business activities	(36.8)	7.4	(29.4)
Net income from insurance and pension fund operations	—	0.5	0.5
Net other operating (losses) / gains	4.0	(1.4)	2.6
Operating expenses	(529.3)	7.9	(521.4)

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2014:

Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements (issued in October 2012)***.*** These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments become effective for annual periods beginning on or after 1 January 2014.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 Financial Instruments: Presentation (issued in December 2011). These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014, retrospective application is possible.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instrument: Recognition and Measurement (issued in June 2013)***.*** These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.

IFRIC 21 Levies (issued in May 2013)***.*** IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 becomes effective for annual periods beginning on or after 1 January 2014.

Recoverable amount disclosures for non-financial assets – Amendments to IAS 36 Impairment of Assets (issued in May 2013). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments are effective for annual periods beginning on or after 1 January 2014.

The above mentioned new or amended standards and interpretations effective from 1 January 2014 did not have a material impact on the accounting policies, financial position or performance of the Group.

6 New Accounting Pronouncements

Certain new standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

IFRS 9 Financial Instruments: Classification and Measurement (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018 with early application permitted). In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

6 New Accounting Pronouncements (continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have an impact on classification and measurements of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

IFRS 14 Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Defined benefit plans: Employee contributions – Amendments to IAS 19 Employee Benefits (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Accounting for Acquisitions of Interests - Amendments to IFRS 11 Joint Arrangements (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

6 New Accounting Pronouncements (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016 with early adoption permitted). The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016, with early adoption permitted)***.*** The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in its separate financial statements will be required to apply this method from the date of transition to IFRS. The Bank currently considers whether to apply these amendments for preparation of its separate financial statements.

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

Improvements to IFRSs 2010 – 2012 cycle (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).

- *IFRS 2 Share-based Payment* was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- *IFRS 3 Business Combinations* was amended to clarify that
    - an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and
    - all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

  Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- *IFRS 8 Operating Segments w*as amended to require
    - disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and
    - a reconciliation of segment assets to the entity's assets when segment assets are reported.

6 New Accounting Pronouncements (continued)

- *IFRS 13 Fair Value Measurement.* The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible* Assets were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- *IAS 24 Related Party Disclosures w*as amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

Improvements to IFRSs 2011–2013 Cycle (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

- *IFRS 1 First-time Adoption of International Financial Reporting Standards.* The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- *IFRS 3 Business Combinations* was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- *IFRS 13 Fair Value Measurement.* The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- *IAS 40 Investment Property* was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Improvements to IFRSs 2012-2014 Cycle. These improvements are effective on or after 1 January 2016. They include:

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

6 New Accounting Pronouncements (continued)

- *IFRS 7 Financial Instruments: Disclosures - applicability of the offsetting disclosures to condensed interim financial statements.* In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase ’and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

- *IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’.* The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group is considering the implications of these amendments, the impact on the Group and the timing of their adoption by the Group. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

7 Cash and Cash Equivalents

in billions of Russian Roubles	31 December 2014	31 December 2013
Cash on hand	1,279.2	723.9
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	228.8	298.8
Correspondent accounts and placements with other banks:		
- Russian Federation	44.4	68.8
- Other countries	720.4	208.3
Reverse repo agreements	36.0	27.2
Total cash and cash equivalents	**2,308.8**	**1,327.0**

As at 31 December 2014 and 31 December 2013 correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 1 business day mostly represent balances with the top and well-known foreign and Russian banks, financial companies and corporate customers.

Analysis by credit quality of the correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 1 business day at 31 December 2014 made on the basis of ratings of international rating agencies is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with banks:				
- Russian Federation	6.7	3.4	34.3	44.4
- Other countries	583.2	52.0	85.2	720.4
Reverse repo agreements	8.4	—	27.6	36.0
Total correspondent accounts and placements with banks and reverse repo agreements	**598.3**	**55.4**	**147.1**	**800.8**

Analysis by credit quality of the correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 1 business day at 31 December 2013 made on the basis of ratings of international rating agencies is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with banks:				
- Russian Federation	60.3	1.1	7.4	68.8
- Other countries	169.4	12.1	26.8	208.3
Reverse repo agreements	23.3	—	3.9	27.2
Total correspondent accounts and placements with banks and reverse repo agreements	**253.0**	**13.2**	**38.1**	**304.3**

Refer to Note 37 for the information on the fair value of securities received under reverse sale and repurchase agreements classified as cash and cash equivalents.

As at 31 December 2014 and 31 December 2013 all cash and cash equivalents are neither past due nor impaired.

The estimated fair value of cash and cash equivalents and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of cash and cash equivalents are disclosed in Note 33. The information on related party balances is disclosed in Note 39.

8 Due from Banks

in billions of Russian Roubles	31 December 2014	31 December 2013
Term placements with banks:		
- Russian Federation	62.6	108.9
- Other countries	96.1	90.3
Reverse repo agreements with banks	82.1	131.3
Total due from banks	**240.8**	**330.5**

As at 31 December 2014 and 31 December 2013 term placements with banks and reverse repo agreements mostly represent balances with the top and well-known foreign and Russian banks with original maturities over 1 business day.

Analysis by credit quality of the term placements with banks and reverse repo agreements with original maturities over 1 business day at 31 December 2014 made on the basis of ratings of international rating agencies is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Term placements with banks:				
- Russian Federation	33.3	29.0	0.3	62.6
- Other countries	50.2	29.8	16.1	96.1
Reverse repo agreements with banks	—	48.6	33.5	82.1
Total due from banks	**83.5**	**107.4**	**49.9**	**240.8**

Analysis by credit quality of the correspondent accounts and placements with other banks and reverse repo agreements with original maturities over 1 business day at 31 December 2013 made on the basis of ratings of international rating agencies is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Term placements with banks:				
- Russian Federation	78.4	11.3	19.2	108.9
- Other countries	58.3	18.6	13.4	90.3
Reverse repo agreements with banks	52.2	24.0	55.1	131.3
Total due from banks	**188.9**	**53.9**	**87.7**	**330.5**

As at 31 December 2014 and 31 December 2013 all term placements with banks and reverse repo agreements are neither past due nor impaired.

Refer to Note 37 for the information on the fair value of securities received under reverse sale and repurchase agreements classified as due from banks.

The estimated fair value of due from banks and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of due from banks are disclosed in Note 33. The information on related party balances as well as state-controlled entities and government bodies balances is disclosed in Notes 39 and 40.

9 Trading Securities

in billions of Russian Roubles	31 December 2014	31 December 2013
Corporate bonds	22.1	57.9
Federal loan bonds (OFZ bonds)	8.3	13.2
Foreign government bonds	3.3	2.3
Municipal and subfederal bonds	0.2	2.7
Russian Federation Eurobonds	—	6.6
Total debt trading securities	**33.9**	**82.7**
Corporate shares	3.4	16.9
Investments in mutual funds	—	1.6
Total trading securities	**37.3**	**101.2**

Fair value of trading securities is based on their market quotations and valuation models with use of data both observable and not observable on the open market and among others includes credit risk related adjustments.

As trading securities are carried at fair value the Group does not analyse or monitor impairment indicators separately for these securities.

Analysis by credit quality of debt trading securities outstanding at 31 December 2014 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	10.4	11.2	0.5	22.1
Federal loan bonds (OFZ bonds)	8.3	—	—	8.3
Foreign government bonds	2.9	0.4	—	3.3
Municipal and subfederal bonds	0.2	—	—	0.2
Total debt trading securities	**21.8**	**11.6**	**0.5**	**33.9**

Analysis by credit quality of debt trading securities outstanding at 31 December 2013 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	32.1	25.4	0.4	57.9
Federal loan bonds (OFZ bonds)	13.2	—	—	13.2
Russian Federation Eurobonds	6.6	—	—	6.6
Municipal and subfederal bonds	1.6	1.1	—	2.7
Foreign government bonds	0.6	1.7	—	2.3
Total debt trading securities	**54.1**	**28.2**	**0.4**	**82.7**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

At 31 December 2014 and 31 December 2013 there were no renegotiated trading debt securities that would otherwise be past due. Trading debt securities are not collateralized. All trading debt securities are not past due.

Currency and maturity analyses of trading securities are disclosed in Note 33. The information on trading securities issued by state-controlled entities is disclosed in Note 40.

10 Securities Designated as at Fair Value through Profit or Loss

in billions of Russian Roubles	31 December 2014	31 December 2013
Corporate bonds	38.0	0.4
Federal loan bonds (OFZ bonds)	12.4	7.1
Municipal and subfederal bonds	7.2	—
Foreign government bonds	1.4	0.7
Russian Federation Eurobonds	0.3	—
Total debt securities designated as at fair value through profit or loss	**59.3**	**8.2**
Corporate shares	13.8	7.9
Investments in mutual funds	4.6	1.4
Total securities designated as at fair value through profit or loss	**77.7**	**17.5**

The Group irrevocably designated the above securities that are not part of its trading book as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Management of the Group assesses performance of these investments based on their fair values in accordance with the Policy of the Group for securities portfolios classification. Fair value of securities designated as at fair value through profit or loss is based on their market quotations and valuation models with use of data both observable and not observable on the open market.

Securities designated as at fair value through profit or loss are carried at fair value, which among others includes credit risk related adjustments. Analysis by credit quality of debt securities designated as at fair value through profit or loss outstanding at 31 December 2014 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	21.8	14.7	1.5	38.0
Federal loan bonds (OFZ bonds)	12.4	—	—	12.4
Municipal and subfederal bonds	1.9	5.3	—	7.2
Foreign government bonds	—	1.4	—	1.4
Russian Federation Eurobonds	0.3	—	—	0.3
Total debt securities designated as at fair value through profit or loss	**36.4**	**21.4**	**1.5**	**59.3**

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2013 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	7.1	—	—	7.1
Foreign government bonds	—	0.7	—	0.7
Corporate bonds	—	0.4	—	0.4
Total debt securities designated as at fair value through profit or loss	**7.1**	**1.1**	**—**	**8.2**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

At 31 December 2014 and 31 December 2013 there are no renegotiated balances that would otherwise be past due. Debt securities designated as at fair value through profit or loss are not collateralized. All debt securities designated as at fair value through profit or loss are not past due.

Currency and maturity analyses of securities designated as at fair value through profit or loss are disclosed in Note 33. The information on securities designated as at fair value through profit or loss issued by state-controlled entities is disclosed in Note 40.

11 Loans and Advances to Customers

in billions of Russian Roubles	Not past due loans	Past due loans	31 December 2014 Total
Commercial loans to legal entities	8,513.9	512.6	**9,026.5**
Specialized loans to legal entities	4,530.1	222.2	**4,752.3**
Mortgage loans to individuals	2,170.9	98.9	**2,269.8**
Consumer and other loans to individuals	1,696.4	171.9	**1,868.3**
Credit cards and overdrafts	463.3	75.5	**538.8**
Car loans to individuals	156.4	14.0	**170.4**
Total loans and advances to customers before provision for loan impairment	**17,531.0**	**1,095.1**	**18,626.1**
Less: Provision for loan impairment	(253.1)	(616.4)	**(869.5)**
Total loans and advances to customers net of provision for loan impairment	**17,277.9**	**478.7**	**17,756.6**

in billions of Russian Roubles	Not past due loans	Past due loans	31 December 2013 Total
Commercial loans to legal entities	5,965.5	258.4	**6,223.9**
Specialized loans to legal entities	3,428.6	143.5	**3,572.1**
Mortgage loans to individuals	1,509.6	59.4	**1,569.0**
Consumer and other loans to individuals	1,561.6	111.2	**1,672.8**
Credit cards and overdrafts	303.2	45.8	**349.0**
Car loans to individuals	148.8	8.4	**157.2**
Total loans and advances to customers before provision for loan impairment	**12,917.3**	**626.7**	**13,544.0**
Less: Provision for loan impairment	(218.5)	(391.8)	**(610.3)**
Total loans and advances to customers net of provision for loan impairment	**12,698.8**	**234.9**	**12,933.7**

For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognized as past due.

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialized lending to legal entities includes investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

11 Loans and Advances to Customers (continued)

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans and credit cards and overdrafts. These loans include loans for current needs.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Credit cards and overdrafts represent revolving credit lines. These loans are considered a comfortable instrument for customers as a reserve source of funds in case of need available everywhere and anytime. Credit card loans are provided up to 3 years period. Interest rates for such loans are higher than for consumer loans as they carry higher risks for the Group.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for up to 5 years periods.

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2014:

in billions of Russian Roubles	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Commercial loans to legal entities				
Collectively assessed				
Not past due	8,302.6	(93.3)	8,209.3	1.1%
Loans up to 30 days overdue	87.7	(12.4)	75.3	14.1%
Loans 31 to 60 days overdue	30.3	(6.8)	23.5	22.4%
Loans 61 to 90 days overdue	17.9	(7.5)	10.4	41.9%
Loans 91 to 180 days overdue	24.9	(14.4)	10.5	57.8%
Loans over 180 days overdue	150.4	(136.5)	13.9	90.8%
Total collectively assessed loans	**8,613.8**	**(270.9)**	**8,342.9**	**3.1%**
Individually impaired				
Not past due	211.3	(51.0)	160.3	24.1%
Loans up to 30 days overdue	69.0	(34.4)	34.6	49.9%
Loans 31 to 60 days overdue	2.7	(1.7)	1.0	63.0%
Loans 61 to 90 days overdue	19.0	(9.8)	9.2	51.6%
Loans 91 to 180 days overdue	9.3	(5.1)	4.2	54.8%
Loans over 180 days overdue	101.4	(83.5)	17.9	82.3%
Total individually impaired loans	**412.7**	**(185.5)**	**227.2**	**44.9%**
Total commercial loans to legal entities	**9,026.5**	**(456.4)**	**8,570.1**	**5.1%**
Specialized loans to legal entities				
Collectively assessed				
Not past due	4,356.8	(69.5)	4,287.3	1.6%
Loans up to 30 days overdue	42.5	(7.2)	35.3	16.9%
Loans 31 to 60 days overdue	10.0	(1.6)	8.4	16.0%
Loans 61 to 90 days overdue	3.6	(1.4)	2.2	38.9%
Loans 91 to 180 days overdue	5.7	(3.8)	1.9	66.7%
Loans over 180 days overdue	48.7	(34.9)	13.8	71.7%
Total collectively assessed loans	**4,467.3**	**(118.4)**	**4,348.9**	**2.7%**
Individually impaired				
Not past due	173.3	(28.4)	144.9	16.4%
Loans up to 30 days overdue	29.7	(15.5)	14.2	52.2%
Loans 31 to 60 days overdue	2.5	(0.8)	1.7	32.0%
Loans 61 to 90 days overdue	7.6	(6.5)	1.1	85.5%
Loans 91 to 180 days overdue	10.9	(3.3)	7.6	30.3%
Loans over 180 days overdue	61.0	(48.5)	12.5	79.5%
Total individually impaired loans	**285.0**	**(103.0)**	**182.0**	**36.1%**
Total specialized loans to legal entities	**4,752.3**	**(221.4)**	**4,530.9**	**4.7%**
Total loans to legal entities	**13,778.8**	**(677.8)**	**13,101.0**	**4.9%**

11 Loans and Advances to Customers (continued)

in billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Mortgage loans to individuals				
Collectively assessed				
Not past due	2,170.9	(1.1)	2,169.8	—
Loans up to 30 days overdue	38.0	(1.0)	37.0	2.6%
Loans 31 to 60 days overdue	9.7	(1.1)	8.6	11.3%
Loans 61 to 90 days overdue	5.3	(1.1)	4.2	20.8%
Loans 91 to 180 days overdue	8.1	(3.4)	4.7	42.0%
Loans over 180 days overdue	37.8	(31.9)	5.9	84.4%
Total mortgage loans to individuals	**2,269.8**	**(39.6)**	**2,230.2**	**1.7%**
Consumer and other loans to individuals				
Collectively assessed				
Not past due	1,696.4	(6.9)	1,689.5	0.4%
Loans up to 30 days overdue	47.0	(4.6)	42.4	9.8%
Loans 31 to 60 days overdue	15.2	(4.9)	10.3	32.2%
Loans 61 to 90 days overdue	11.1	(5.2)	5.9	46.8%
Loans 91 to 180 days overdue	23.3	(16.4)	6.9	70.4%
Loans over 180 days overdue	75.3	(67.6)	7.7	89.8%
Total consumer and other loans to individuals	**1,868.3**	**(105.6)**	**1,762.7**	**5.7%**
Credit cards and overdrafts				
Collectively assessed				
Not past due	463.3	(2.6)	460.7	0.6%
Loans up to 30 days overdue	30.3	(2.0)	28.3	6.6%
Loans 31 to 60 days overdue	5.9	(1.7)	4.2	28.8%
Loans 61 to 90 days overdue	3.9	(2.1)	1.8	53.8%
Loans 91 to 180 days overdue	9.4	(6.4)	3.0	68.1%
Loans over 180 days overdue	26.0	(23.4)	2.6	90.0%
Total credit cards and overdrafts	**538.8**	**(38.2)**	**500.6**	**7.1%**
Car loans to individuals				
Collectively assessed				
Not past due	156.4	(0.3)	156.1	0.2%
Loans up to 30 days overdue	3.6	(0.3)	3.3	8.3%
Loans 31 to 60 days overdue	1.3	(0.4)	0.9	30.8%
Loans 61 to 90 days overdue	1.0	(0.4)	0.6	40.0%
Loans 91 to 180 days overdue	1.9	(1.3)	0.6	68.4%
Loans over 180 days overdue	6.2	(5.6)	0.6	90.3%
Total car loans to individuals	**170.4**	**(8.3)**	**162.1**	**4.9%**
Total loans to individuals	**4,847.3**	**(191.7)**	**4,655.6**	**4.0%**
Total loans and advances to customers as at 31 December 2014	**18,626.1**	**(869.5)**	**17,756.6**	**4.7%**

11 Loans and Advances to Customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2013:

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	5,869.0	(81.7)	5,787.3	1.4%
Loans up to 30 days overdue	33.0	(5.1)	27.9	15.5%
Loans 31 to 60 days overdue	12.3	(4.2)	8.1	34.1%
Loans 61 to 90 days overdue	11.6	(4.4)	7.2	37.9%
Loans 91 to 180 days overdue	16.3	(10.2)	6.1	62.6%
Loans over 180 days overdue	131.0	(122.6)	8.4	93.6%
Total collectively assessed loans	**6,073.2**	**(228.2)**	**5,845.0**	**3.8%**
Individually impaired				
Not past due	96.5	(28.8)	67.7	29.8%
Loans up to 30 days overdue	4.9	(3.0)	1.9	61.2%
Loans 31 to 60 days overdue	1.7	(0.2)	1.5	11.8%
Loans 61 to 90 days overdue	7.5	(4.2)	3.3	56.0%
Loans 91 to 180 days overdue	3.8	(2.4)	1.4	63.2%
Loans over 180 days overdue	36.3	(26.6)	9.7	73.3%
Total individually impaired loans	**150.7**	**(65.2)**	**85.5**	**43.3%**
Total commercial loans to legal entities	**6,223.9**	**(293.4)**	**5,930.5**	**4.7%**
Specialized loans to legal entities				
Collectively assessed				
Not past due	3,315.0	(71.0)	3,244.0	2.1%
Loans up to 30 days overdue	11.6	(1.3)	10.3	11.2%
Loans 31 to 60 days overdue	9.2	(3.3)	5.9	35.9%
Loans 61 to 90 days overdue	3.7	(1.4)	2.3	37.8%
Loans 91 to 180 days overdue	6.4	(4.4)	2.0	68.8%
Loans over 180 days overdue	40.3	(35.0)	5.3	86.8%
Total collectively assessed loans	**3,386.2**	**(116.4)**	**3,269.8**	**3.4%**
Individually impaired				
Not past due	113.6	(31.1)	82.5	27.4%
Loans up to 30 days overdue	10.7	(5.8)	4.9	54.2%
Loans 31 to 60 days overdue	3.2	(2.8)	0.4	87.5%
Loans 61 to 90 days overdue	1.8	(1.5)	0.3	83.3%
Loans 91 to 180 days overdue	4.5	(3.9)	0.6	86.7%
Loans over 180 days overdue	52.1	(44.6)	7.5	85.6%
Total individually impaired loans	**185.9**	**(89.7)**	**96.2**	**48.3%**
Total specialized loans to legal entities	**3,572.1**	**(206.1)**	**3,366.0**	**5.8%**
Total loans to legal entities	**9,796.0**	**(499.5)**	**9,296.5**	**5.1%**

11 Loans and Advances to Customers (continued)

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Mortgage loans to individuals				
Collectively assessed				
Not past due	1,509.6	(0.7)	1,508.9	—
Loans up to 30 days overdue	22.3	(0.6)	21.7	2.7%
Loans 31 to 60 days overdue	4.6	(0.5)	4.1	10.9%
Loans 61 to 90 days overdue	2.9	(0.5)	2.4	17.2%
Loans 91 to 180 days overdue	3.9	(1.5)	2.4	38.5%
Loans over 180 days overdue	25.7	(22.4)	3.3	87.2%
Total mortgage loans to individuals	**1,569.0**	**(26.2)**	**1,542.8**	**1.7%**
Consumer and other loans to individuals				
Collectively assessed				
Not past due	1,561.6	(3.2)	1,558.4	0.2%
Loans up to 30 days overdue	38.0	(2.7)	35.3	7.1%
Loans 31 to 60 days overdue	9.9	(2.7)	7.2	27.3%
Loans 61 to 90 days overdue	7.7	(3.2)	4.5	41.6%
Loans 91 to 180 days overdue	14.1	(9.9)	4.2	70.2%
Loans over 180 days overdue	41.5	(38.4)	3.1	92.5%
Total consumer and other loans to individuals	**1,672.8**	**(60.1)**	**1,612.7**	**3.6%**
Credit cards and overdrafts				
Collectively assessed				
Not past due	303.2	(1.8)	301.4	0.6%
Loans up to 30 days overdue	22.4	(1.5)	20.9	6.7%
Loans 31 to 60 days overdue	3.7	(1.0)	2.7	27.0%
Loans 61 to 90 days overdue	2.3	(1.2)	1.1	52.2%
Loans 91 to 180 days overdue	4.5	(3.4)	1.1	75.6%
Loans over 180 days overdue	12.9	(11.7)	1.2	90.7%
Total credit cards and overdrafts	**349.0**	**(20.6)**	**328.4**	**5.9%**
Car loans to individuals				
Collectively assessed				
Not past due	148.8	(0.2)	148.6	0.1%
Loans up to 30 days overdue	3.2	(0.2)	3.0	6.3%
Loans 31 to 60 days overdue	0.8	(0.2)	0.6	25.0%
Loans 61 to 90 days overdue	0.6	(0.2)	0.4	33.3%
Loans 91 to 180 days overdue	1.0	(0.6)	0.4	60.0%
Loans over 180 days overdue	2.8	(2.5)	0.3	89.3%
Total car loans to individuals	**157.2**	**(3.9)**	**153.3**	**2.5%**
Total loans to individuals	**3,748.0**	**(110.8)**	**3,637.2**	**3.0%**
Total loans and advances to customers as at 31 December 2013	**13,544.0**	**(610.3)**	**12,933.7**	**4.5%**

11 Loans and Advances to Customers (continued)

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2014:

In billions of Russian Roubles	1 group	2 group	3 group	Total
Commercial loans to legal entities	1,093.6	4,167.1	3,041.9	8,302.6
Specialized loans to legal entities	158.2	1,552.7	2,645.9	4,356.8
Mortgage loans to individuals	120.8	2,026.0	24.1	2,170.9
Consumer and other loans to individuals	71.0	1,568.1	57.3	1,696.4
Credit cards and overdrafts	25.1	398.6	39.6	463.3
Car loans to individuals	89.0	64.2	3.2	156.4
Total not past due collectively assessed loans before provision for loan impairment as at 31 December 2014	**1,557.7**	**9,776.7**	**5,812.0**	**17,146.4**

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2013:

In billions of Russian Roubles	1 group	2 group	3 group	Total
Commercial loans to legal entities	871.0	2,859.7	2,138.3	5,869.0
Specialized loans to legal entities	162.5	1,372.0	1,780.5	3,315.0
Mortgage loans to individuals	58.0	1,437.4	14.2	1,509.6
Consumer and other loans to individuals	39.6	1,489.3	32.7	1,561.6
Credit cards and overdrafts	20.0	260.3	22.9	303.2
Car loans to individuals	40.0	106.3	2.5	148.8
Total not past due collectively assessed loans before provision for loan impairment as at 31 December 2013	**1,191.1**	**7,525.0**	**3,991.1**	**12,707.2**

For the purpose of these consolidated financial statements, all not past due collectively assessed loans to legal entities are classified in three quality groups presented in the tables above with group 1 loans being of the highest quality. The 1-st group includes borrowers with high level of liquidity and profitability as well as high capital adequacy ratio. The probability of breach of loan agreement terms is assessed as low. The 2-nd group includes borrowers with average level of liquidity and profitability as well as average capital adequacy ratio. The probability of breach of loan agreement terms is assessed as moderate. The 3-rd group includes borrowers with satisfactory level of liquidity and profitability as well as moderate capital adequacy ratio. The probability of breach of loan agreement terms is assessed as above moderate.

For the purpose of these consolidated financial statements, all not past due loans to individuals are combined into three groups presented in the tables above. The 1-st group of these loans to individuals is represented by loans with good debt servicing and excellent financial position of a borrower. The 2-nd group is represented by loans with good/average debt servicing and excellent/moderate financial position of a borrower. The 3-rd group is represented by loans with average debt servicing and moderate financial position of a borrower.

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

11 Loans and Advances to Customers (continued)

As at 31 December 2014 the outstanding non-performing loans were as follows:

in billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	286.0	(239.5)	46.5	83.7%
Spezialized loans to legal entities	126.3	(90.5)	35.8	71.7%
Mortgage loans to individuals	45.9	(35.3)	10.6	76.9%
Consumer and other loans to individuals	98.6	(84.0)	14.6	85.2%
Credit cards and overdrafts	35.4	(29.8)	5.6	84.2%
Car loans to individuals	8.1	(6.9)	1.2	85.2%
Total non-performing loans and advances to customers as at 31 December 2014	**600.3**	**(486.0)**	**114.3**	**81.0%**

As at 31 December 2013 the outstanding non-performing loans were as follows:

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	187.4	(161.8)	25.6	86.3%
Spezialized loans to legal entities	103.3	(87.9)	15.4	85.1%
Mortgage loans to individuals	29.6	(23.9)	5.7	80.7%
Consumer and other loans to individuals	55.6	(48.3)	7.3	86.9%
Credit cards and overdrafts	17.4	(15.1)	2.3	86.8%
Car loans to individuals	3.8	(3.1)	0.7	81.6%
Total non-performing loans and advances to customers as at 31 December 2013	**397.1**	**(340.1)**	**57.0**	**85.6%**

Provisions for Loan Impairment. The analysis of changes in provisions for loan impairment for the year ended 31 December 2014 is presented in the table below:

in billions of Russian Roubles	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
Provision for loan impairment as at 31 December 2013	**293.4**	**206.1**	**26.2**	**60.1**	**20.6**	**3.9**	**610.3**
Net provision charge for loan impairment during the year	204.4	50.9	12.5	63.6	21.2	4.4	**357.0**
Repayment of loans previously written off	0.9	0.6	0.1	0.7	—	0.1	**2.4**
Foreign currencies translation	17.3	5.1	4.6	5.3	2.6	0.3	**35.2**
Loans and advances to customers written off during the year	(59.6)	(41.3)	(3.8)	(24.1)	(6.2)	(0.4)	**(135.4)**
Provision for loan impairment as at 31 December 2014	**456.4**	**221.4**	**39.6**	**105.6**	**38.2**	**8.3**	**869.5**

11 Loans and Advances to Customers (continued)

The analysis of changes in provisions for loan impairment for the year ended 31 December 2013 is presented in the table below:

in billions of Russian Roubles	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
Provision for loan impairment as at 31 December 2012	**309.9**	**180.6**	**26.5**	**37.3**	**8.2**	**2.5**	**565.0**
Net provision charge for loan impairment during the year	36.4	36.0	5.2	39.4	14.0	2.5	**133.5**
Foreign currencies translation	(0.8)	0.7	0.6	0.6	0.2	—	**1.3**
Loans and advances to customers written off during the year	(52.1)	(11.2)	(6.1)	(17.2)	(1.8)	(1.1)	**(89.5)**
Provision for loan impairment as at 31 December 2013	**293.4**	**206.1**	**26.2**	**60.1**	**20.6**	**3.9**	**610.3**

Renegotiated loans. Information on loans whose terms have been renegotiated, as at 31 December 2014 and 31 December 2013 is presented in the table below. It shows the amount for renegotiated loans before provision for loan impairment by class.

in billions of Russian Roubles	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
31 December 2014:							
Not past due collectively assessed loans	932.8	1,090.0	37.0	15.1	1.0	2.2	**2,078.1**
Other renegotiated loans	185.8	145.3	21.5	17.9	0.3	3.6	**374.4**
Total renegotiated loans as at 31 December 2014	**1,118.6**	**1,235.3**	**58.5**	**33.0**	**1.3**	**5.8**	**2,452.5**
31 December 2013:							
Not past due collectively assessed loans	542.6	533.0	16.7	6.9	—	0.8	**1,100.0**
Other renegotiated loans	96.1	107.6	10.6	6.9	—	1.4	**222.6**
Total renegotiated loans as at 31 December 2013	**638.7**	**640.6**	**27.3**	**13.8**	**—**	**2.2**	**1,322.6**

Disclosure of corporate loans before provision for loan impairment by business size of borrowers. Sberbank Group members apply its own management policies in allocating corporate borrowers according to business size.

in billions of Russian Roubles	31 December 2014	31 December 2013
Largest clients	6,390.5	4,291.2
Large clients	2,949.3	2,340.0
Medium business	2,832.2	2,150.9
Small business	1,606.8	1,013.9
Total loans and advances to legal entities before provision for loan impairment	**13,778.8**	**9,796.0**

11 Loans and Advances to Customers (continued)

Investments in finance lease. Included in specialized loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease is as follows:

in billions of Russian Roubles	31 December 2014	31 December 2013
Gross investment in finance leases	279.1	190.4
Unearned future finance income on finance leases	(78.7)	(53.9)
Net investment in finance leases before provision for impairment	**200.4**	**136.5**
Less provision for impairment	(11.5)	(5.4)
Net investment in finance leases after provision for impairment	**188.9**	**131.1**

The contractual maturity analysis of net investments in finance lease as at 31 December 2014 is as follows:

in billions of Russian Roubles	Net investment in finance leases before provision for impairment	Provision for impairment	Net investment in finance leases after provision for impairment
Within 1 year	42.9	(1.9)	41.0
From 1 to 5 years	102.0	(3.2)	98.8
More than 5 years	44.4	(1.0)	43.4
Overdue	11.1	(5.4)	5.7
Total net investments in finance leases as at 31 December 2014	**200.4**	**(11.5)**	**188.9**

The contractual maturity analysis of net investments in finance lease as at 31 December 2013 is as follows:

in billions of Russian Roubles	Net investment in finance leases before provision for impairment	Provision for impairment	Net investment in finance leases after provision for impairment
Within 1 year	35.0	(1.2)	33.8
From 1 to 5 years	74.9	(3.2)	71.7
More than 5 years	26.6	(1.0)	25.6
Total net investments in finance leases as at 31 December 2013	**136.5**	**(5.4)**	**131.1**

The analysis of minimal finance lease receivables per contractual maturity is as follows:

in billions of Russian Roubles	31 December 2014	31 December 2013
Within 1 year	47.2	38.5
From 1 to 5 years	137.5	101.0
More than 5 years	83.3	50.9
Overdue	11.1	—
Total minimum lease payments receivables	**279.1**	**190.4**

11 Loans and Advances to Customers (continued)

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

in billions of Russian Roubles	31 December 2014 Amount	31 December 2014 %	31 December 2013 Amount	31 December 2013 %
Individuals	4,847.3	26.0	3,748.0	27.7
Services	3,700.6	19.9	2,445.3	18.1
Trade	2,017.2	10.8	1,366.2	10.1
Food and agriculture	1,041.0	5.6	900.6	6.6
Energy	961.9	5.2	644.9	4.8
Machinery	920.6	4.9	658.7	4.9
Government and municipal bodies	837.5	4.5	672.9	5.0
Metallurgy	752.7	4.0	459.6	3.4
Construction	688.3	3.7	492.6	3.6
Transport, aviation, space industry	619.8	3.3	448.3	3.3
Chemical industry	537.8	2.9	386.9	2.9
Telecommunications	484.9	2.6	560.1	4.1
Oil and gas	470.0	2.5	208.3	1.5
Timber industry	89.5	0.5	76.1	0.6
Other	657.0	3.6	475.5	3.4
Total loans and advances to customers before provision for loan impairment	**18,626.1**	**100.0**	**13,544.0**	**100.0**

"Services" category includes financial, insurance and other service companies, as well as loans granted to holding and multi-industry companies.

Refer to Note 37 for the information on amounts on loans and advances to customers which are collateralized by securities received under reverse sale and repurchase agreements and loans transferred without derecognition.

As at 31 December 2014 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 103.3 billion (31 December 2013: 20 largest borrowers with loan amounts due from each of these borrowers exceeding RR 64.5 billion). The total aggregate amount of these loans was RR 3,692.7 billion or 19.8% of the total gross loan portfolio of the Group (31 December 2013: RR 2,499.0 billion or 18.5%).

Interest income accrued on loans, for which individual impairment has been recognized, for the year ended 31 December 2014, comprised RR 26.9 billion (2013: RR 15.9 billion).

In interest income on loans and advances to customers in the consolidated statement of profit or loss are included fines and penalties received from borrowers in the amount of RR 15.8 billion (2013: RR 8.0 billion).

The estimated fair value of loans and advances to customers and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of loans and advances to customers are disclosed in Note 33. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 39 and 40.

12 Securities Pledged under Repurchase Agreements

in billions of Russian Roubles	31 December 2014	31 December 2013
Trading securities pledged under repurchase agreements		
Russian Federation Eurobonds	7.8	2.8
Federal loan bonds (OFZ bonds)	3.1	4.9
Foreign government bonds	0.5	—
Municipal and subfederal bonds	0.1	2.2
Corporate shares	0.1	0.9
Corporate bonds	—	0.5
Total trading securities pledged under repurchase agreements	**11.6**	**11.3**
Securities designated as at fair value through profit or loss pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	9.0	10.2
Municipal and subfederal bonds	—	0.1
Total securities designated as at fair value through profit or loss pledged under repurchase agreements	**9.0**	**10.3**
Investment securities available-for-sale pledged under repurchase agreements		
Corporate bonds	311.6	348.4
Federal loan bonds (OFZ bonds)	239.7	560.9
Russian Federation Eurobonds	180.6	100.0
Foreign government bonds	55.0	13.5
Municipal and subfederal bonds	21.8	49.1
Total investment securities available-for-sale pledged under repurchase agreements	**808.7**	**1,071.9**
Investment securities held-to-maturity pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	149.6	139.6
Corporate bonds	104.3	77.1
Municipal and subfederal bonds	38.4	30.1
Russian Federation Eurobonds	24.3	—
Foreign government bonds	23.4	3.5
Total investment securities held-to-maturity pledged under repurchase agreements	**340.0**	**250.3**
Total securities pledged under repurchase agreements	**1,169.3**	**1,343.8**

Refer to Note 37 for more information on securities pledged under sale and repurchase agreements with banks and corporate customers.

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2014 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	272.8	115.3	27.8	415.9
Federal loan bonds (OFZ bonds)	401.4	—	—	401.4
Russian Federation Eurobonds	212.7	—	—	212.7
Foreign government bonds	78.4	0.5	—	78.9
Municipal and subfederal bonds	3.0	57.3	—	60.3
Total debt securities pledged under repurchase agreements	**968.3**	**173.1**	**27.8**	**1,169.2**

12 Securities Pledged under Repurchase Agreements (continued)

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2013 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	715.6	—	—	715.6
Corporate bonds	277.6	123.1	25.3	426.0
Russian Federation Eurobonds	102.8	—	—	102.8
Municipal and subfederal bonds	53.2	28.3	—	81.5
Foreign government bonds	17.0	—	—	17.0
Total debt securities pledged under repurchase agreements	**1,166.2**	**151.4**	**25.3**	**1,342.9**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

All corporate bonds pledged under repurchase agreements are not past due. None of the securities pledged under repurchase agreements were renegotiated.

Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 33. The information on securities issued by state-controlled entities is disclosed in Note 40.

13 Investment Securities Available-for-Sale

in billions of Russian Roubles	31 December 2014	31 December 2013
Federal loan bonds (OFZ bonds)	364.4	142.6
Foreign government bonds	218.1	113.2
Corporate bonds	197.1	155.9
Municipal and subfederal bonds	24.0	4.9
Russian Federation Eurobonds	2.8	30.2
Promissory notes	0.4	—
Total debt investment securities available-for-sale	**806.8**	**446.8**
Corporate shares	22.9	29.4
Total investment securities available-for-sale	**829.7**	**476.2**

Investment securities available-for-sale are carried at fair value which among others includes credit risk related adjustments. Fair value of investment securities available-for-sale is based on their market quotations and valuation models with use of data both observable and not observable on the open market. For 31 December 2014 impairment of investment securities available-for-sale comprised RR 0.8 billion (31 December 2013: RR 5.2 billion) and was recognized in profit or loss. The unrealized gains / (losses) on revaluation of investment securities available-for-sale other than impairment loss are recognized in other comprehensive income and presented in equity as fair value reserve for investment securities available-for-sale as at 31 December 2014 in the amount of loss of RR 171.4 billion (31 December 2013: in the amount of gain of RR 1.3 billion).

At 31 December 2014 and 31 December 2013 there were no renegotiated balances that would otherwise be past due.

13 Investment Securities Available-for-Sale (continued)

Analysis by credit quality of debt investment securities available-for-sale outstanding at 31 December 2014 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	364.4	—	—	364.4
Foreign government bonds	176.2	31.7	10.2	218.1
Corporate bonds	136.9	29.1	31.1	197.1
Municipal and subfederal bonds	2.3	20.3	1.4	24.0
Russian Federation Eurobonds	2.8	—	—	2.8
Promissory notes	—	—	0.4	0.4
Total debt investment securities available-for-sale	**682.6**	**81.1**	**43.1**	**806.8**

Analysis by credit quality of debt investment securities available-for-sale outstanding at 31 December 2013 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	106.2	42.7	7.0	155.9
Federal loan bonds (OFZ bonds)	142.6	—	—	142.6
Foreign government bonds	74.2	28.2	10.8	113.2
Russian Federation Eurobonds	30.2	—	—	30.2
Municipal and subfederal bonds	2.8	2.1	—	4.9
Total debt investment securities available-for-sale	**356.0**	**73.0**	**17.8**	**446.8**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

The estimated fair value of investment securities available-for-sale and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of investment securities available-for-sale are disclosed in Note 33. The information on securities issued by state-controlled entities is disclosed in Note 40.

14 Investment Securities Held-to-Maturity

in billions of Russian Roubles	31 December 2014	31 December 2013
Foreign government bonds	53.8	36.3
Corporate bonds	44.0	69.1
Federal loan bonds (OFZ bonds)	21.4	67.6
Municipal and subfederal bonds	1.6	30.9
Russian Federation Eurobonds	1.5	—
Total investment securities held-to-maturity before provision for impairment	**122.3**	**203.9**
Less provision for impairment	(4.4)	(1.4)
Total investment securities held-to-maturity after provision for impairment	**117.9**	**202.5**

The changes in provision for impairment of investment securities held-to-maturity for the year ended 31 December 2014 and 31 December 2013 is presented below:

in billions of Russian Roubles	2014	2013
Provision for impairment of investment securities held-to-maturity as at 1 January	**1.4**	**—**
Net provision charge for impairment during the year	4.4	1.4
Securities held-to-maturity written off during the year	(1.4)	—
Provision for impairment of investment securities held-to-maturity as at 31 December	**4.4**	**1.4**

In the second quarter of 2014 the Group changed its intention regarding the part of investments in Russian Federation Eurobonds previously classified as available-for-sale. Taking into account changed intention and the ability of the Group to hold these securities to maturity, these investments were reclassified from available-for-sale category into held-to-maturity category. The fair value of reclassified securities as at the date of reclassification amounted to RR 15.9 billion.

Analysis by credit quality of debt investment securities held-to-maturity outstanding at 31 December 2014 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Foreign government bonds	51.2	1.7	0.9	53.8
Corporate bonds	7.0	26.9	10.1	44.0
Federal loan bonds (OFZ bonds)	21.4	—	—	21.4
Municipal and subfederal bonds	0.1	1.1	0.4	1.6
Russian Federation Eurobonds	1.5	—	—	1.5
Total investment securities held-to-maturity	**81.2**	**29.7**	**11.4**	**122.3**

14 Investment Securities Held-to-Maturity (continued)

Analysis by credit quality of debt investment securities held-to-maturity outstanding at 31 December 2013 is as follows:

In billions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Corporate bonds	7.5	52.5	9.1	69.1
Federal loan bonds (OFZ bonds)	67.6	—	—	67.6
Foreign government bonds	34.4	1.3	0.6	36.3
Municipal and subfederal bonds	26.5	4.4	—	30.9
Total investment securities held-to-maturity	**136.0**	**58.2**	**9.7**	**203.9**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

At 31 December 2014 and at 31 December 2013 there are no renegotiated debt investment securities held-to-maturity that would otherwise be past due. All debt investment securities held-to-maturity are not past due.

The estimated fair value of investment securities held-to-maturity and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of investment securities held-to-maturity are disclosed in Note 33. The information on securities issued by state-controlled entities is disclosed in Note 40.

15 Premises and Equipment

in billions of Russian Roubles	Note	Office premises	Other premises	Office and equipment	Vehicles and other equipment	Constru-ction in progress	Total
Cost or revalued amount at 31 December 2012		**281.1**	**4.3**	**238.1**	**28.0**	**53.6**	**605.1**
Accumulated depreciation		**(7.8)**	**(0.3)**	**(149.7)**	**(11.3)**	**—**	**(169.1)**
Carrying amount at 31 December 2012		**273.3**	**4.0**	**88.4**	**16.7**	**53.6**	**436.0**
Additions		14.6	2.6	47.8	9.9	51.3	126.2
Transfers		40.0	—	0.1	0.2	(40.6)	(0.3)
Transfers to investment property from fixed assets		(0.2)	—	—	—	—	(0.2)
Transfers to assets held for sale at cost		—	—	—	(0.5)	—	(0.5)
Disposals – at cost or revalued amount		(18.3)	(0.4)	(10.9)	(2.3)	(10.1)	(42.0)
Foreign currencies translation related to cost or revalued amount		1.1	—	(0.1)	0.2	0.1	1.3
Disposals - accumulated depreciation		0.4	—	10.4	2.0	—	12.8
Depreciation charge	27,29	(9.2)	—	(41.5)	(4.2)	—	(54.9)
Depreciation charge during the year capitalized in inventory		—	(0.4)	—	(0.1)	—	(0.5)
Foreign currencies translation related to depreciation		(0.3)	—	(0.3)	—	—	(0.6)
Carrying amount at 31 December 2013		**301.4**	**5.8**	**93.9**	**21.9**	**54.3**	**477.3**
Cost or revalued amount at 31 December 2013		**318.3**	**6.5**	**275.0**	**35.5**	**54.3**	**689.6**
Accumulated depreciation		**(16.9)**	**(0.7)**	**(181.1)**	**(13.6)**	**—**	**(212.3)**
Additions		7.5	4.6	45.3	21.9	61.7	141.0
Transfers		29.4	36.7	(4.1)	9.5	(71.6)	(0.1)
Transfers to investment property from fixed assets		—	(4.8)	—	—	—	(4.8)
Transfers to assets held for sale at cost		—	(34.6)	—	(6.9)	(0.9)	(42.4)
Disposals – at cost or revalued amount		(13.1)	(0.3)	(17.0)	(3.4)	(13.0)	(46.8)
Impairment of fixed assets recognised in profit or loss		—	(0.3)	—	—	—	(0.3)
Foreign currencies translation related to cost or revalued amount		5.2	0.1	6.2	4.3	0.2	16.0
Disposals - accumulated depreciation		1.1	—	16.9	2.0	—	20.0
Depreciation charge	27,29	(9.8)	(1.3)	(42.8)	(7.1)	—	(61.0)
Depreciation charge during the year capitalized in goods produced		(0.1)	—	(0.1)	(0.1)	—	(0.3)
Transfers to assets held for sale from accrued depreciation of fixed assets		—	1.5	—	0.8	—	2.3
Transfers of accumulated depreciation		0.2	—	2.4	(2.6)	—	—
Foreign currencies translation related to depreciation		(0.3)	(0.1)	(2.2)	(1.9)	—	(4.5)
Carrying amount at 31 December 2014		**321.5**	**7.3**	**98.5**	**38.4**	**30.7**	**496.4**
Cost or revalued amount at 31 December 2014		**347.3**	**7.9**	**305.4**	**60.9**	**30.7**	**752.2**
Accumulated depreciation		**(25.8)**	**(0.6)**	**(206.9)**	**(22.5)**	**—**	**(255.8)**

Construction in progress consists of construction or refurbishment of the Group's premises and equipment. Upon completion, assets are transferred to office premises, other premises or equipment categories.

Office premises have been revalued to market value at 31 December 2011. At 31 December 2014 the carrying amount of office premises would have been RR 214.7 billion (31 December 2013: RR 200.1 billion) had the premises been carried at cost less depreciation.

As at 31 December 2014 included in office and computer equipment were fully depreciated items in the amount of RR 93.6 billion (31 December 2013: RR 73.4 billion). As at 31 December 2014 included in vehicles and other equipment were fully depreciated items in the amount of RR 4.8 billion (31 December 2013: RR 6.0 billion).

Analysis of fair value measurement of office premises is disclosed in Note 36. Maturity analyses of premises and equipment is disclosed in Note 33.

16 Other Assets

in billions of Russian Roubles	Note	31 December 2014	31 December 2013
Other financial assets			
Derivative financial instruments	35	806.7	108.9
Margin calls given		223.2	19.7
Settlements on currency conversion operations		159.4	19.8
Receivables on bank cards settlements		81.9	162.3
Restricted cash balances		24.9	4.9
Settlements on operations with securities		22.9	12.8
Trade receivables		17.3	8.6
Receivables from Deposit Insurance Agency		17.1	54.0
Accrued fees and commissions		7.2	5.4
Funds in settlement		6.8	7.2
Other		5.3	4.4
Provision for impairment of other financial assets		(3.1)	(1.8)
Total other financial assets		**1,369.6**	**406.2**
Other non-financial assets			
Intangible assets		77.7	55.7
Prepayment on income tax		69.7	2.0
Inventory		66.8	71.2
Precious metals		35.1	42.4
Prepayments for premises and other assets		31.7	93.6
Goodwill		23.7	20.2
Prepaid expenses		8.5	10.2
Tax settlements (other than on income)		7.3	8.2
Investment property		7.1	15.3
Investments in associates		4.3	4.4
Other		18.1	13.7
Provision for impairment of other non-financial assets		(10.1)	(9.4)
Total other non-financial assets		**339.9**	**327.5**
Total other assets		**1,709.5**	**733.7**

As at 31 December 2014 receivables on bank cards settlements of RR 81.9 billion (31 December 2013: RR 162.3 billion) represent receivables due within 30 days on operations of the Group`s customers with plastic cards.

As at 31 December 2014 receivables from Deposit Insurance Agency of RR 17.1 billion (31 December 2013: RR 54.0 bilion) represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. The settlement of receivables due to the Bank from the Deposit Insurance Agency is conducted in tranches and not earlier than 3 months from the date of first payment of deposit compensations to clients or from the date of previous tranche transfer.

The Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1.4 million per individual in case of the withdrawal of a license of a bank or the Bank of Russia imposed moratorium on payments. The limit of the guaranteed repayment was increased to RR 1.4 million from RR 0.7 million on 29 December 2014 due to amendments to the Federal law ‘On insurance of individual deposits in the banks of the Russian Federation’ which got into force on that date.

16 Other Assets (continued)

Movements in the provision for impairment of other assets during the year ended 31 December 2014 are as follows:

in billions of Russian Roubles	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
Provision for impairment as at 31 December 2013	**0.8**	**1.0**	**2.1**	**7.3**	**11.2**
(Net recovery of provision) / net provision charge for impairment of other assets during the year	(0.4)	5.0	1.9	5.2	11.7
Other assets written off during the year as uncollectible	(0.1)	(1.5)	(0.3)	(3.5)	(5.4)
Transfers to assets held for sale	—	(1.6)	(2.6)	—	(4.2)
Foreign currencies translation	—	(0.1)	—	—	(0.1)
Provision for impairment as at 31 December 2014	**0.3**	**2.8**	**1.1**	**9.0**	**13.2**

Movements in the provision for impairment of other assets during the year ended 31 December 2013 are as follows:

in billions of Russian Roubles	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
Provision for impairment as at 31 December 2012	**0.1**	**2.3**	**1.1**	**5.0**	**8.5**
Net provision charge / (net recovery of provision) for impairment of other assets during the year	0.8	(1.0)	1.1	2.9	3.8
Other assets written off during the year as uncollectible	(0.1)	(0.3)	(0.1)	(0.6)	(1.1)
Provision for impairment as at 31 December 2013	**0.8**	**1.0**	**2.1**	**7.3**	**11.2**

Provision for impairment of other assets is recognized by the Group on operations conducted in the normal course of the Group's business. Provision is assessed on the basis of the Group's best estimates of recoverability of other assets.

Movements in goodwill arising on the acquisition of subsidiaries are:

in billions of Russian Roubles	2014	2013
Carrying amount as at 1 January	**20.2**	**25.0**
Acquisition of subsidiaries	—	3.7
Impairment of goodwill	(1.2)	(8.7)
Foreign currency translation	4.7	0.2
Carrying amount as at 31 December	**23.7**	**20.2**

16 Other Assets (continued)

During the year ended 31 December 2014 based on results of the impairment test the Group recognized in these consolidated financial statements impairment of goodwill on the subsidiary “Moscovsky Gorodskoy Golf Club” in the amount of RR 0.8 billion. Also the Group recognized impairment of goodwill on several insignificant subsidiaries in the amount of RR 0.4 billion.

Movements in intangible assets for the year ended 31 December 2014 and for the year ended 31 December 2013 are as follows:

In billions of Russian Roubles	Note	Intangible assets acquired through business combination	Other intangible assets	Total intangible assets
Cost of intangible assets at 31 December 2012		**41.0**	**28.8**	**69.8**
Accumulated depreciation		**(5.2)**	**(12.2)**	**(17.4)**
Carrying amount at 31 December 2012		**35.8**	**16.6**	**52.4**
Additions		—	14.3	**14.3**
Internally generated		—	2.8	**2.8**
Acquisitions through business combinations		1.6	—	**1.6**
Disposals – at cost		—	(1.5)	**(1.5)**
Foreign currencies translation related to cost		(1.2)	—	**(1.2)**
Depreciation charge	29	(7.9)	(6.5)	**(14.4)**
Disposals - accumulated depreciation		—	1.0	**1.0**
Foreign currencies translation related to depreciation		0.6	0.1	**0.7**
Carrying amount at 31 December 2013		**28.9**	**26.8**	**55.7**
Cost of intangible asset at 31 December 2013		**41.4**	**44.4**	**85.8**
Accumulated depreciation		**(12.5)**	**(17.6)**	**(30.1)**
Additions		—	20.1	**20.1**
Internally generated		—	5.2	**5.2**
Transfers to assets held for sale at cost		(0.9)	—	**(0.9)**
Disposals – at cost		—	(0.8)	**(0.8)**
Foreign currencies translation related to cost		14.9	5.6	**20.5**
Depreciation charge	29	(8.3)	(6.7)	**(15.0)**
Disposals - accumulated depreciation		—	0.1	**0.1**
Foreign currencies translation related to depreciation		(4.4)	(2.8)	**(7.2)**
Carrying amount at 31 December 2014		**30.2**	**47.5**	**77.7**
Cost of intangible assets at 31 December 2014		**55.4**	**74.5**	**129.9**
Accumulated depreciation		**(25.2)**	**(27.0)**	**(52.2)**

The estimated fair value of other financial assets is disclosed in Note 36. Currency and maturity analyses of other assets are disclosed in Note 33. The information on related party balances as well as state-controlled entities and government bodies balances is disclosed in Notes 39 and 40.

17 Due to Banks

in billions of Russian Roubles	31 December 2014	31 December 2013
Term placements of banks	2,448.9	738.0
Direct repo deals with banks	1,052.4	1,293.9
Correspondent accounts and overnight placements of banks	138.7	79.4
Total due to banks	**3,640.0**	**2,111.3**

Term placements of banks represent funds received on interbank market.

Refer to Note 37 for information on the amounts in due to banks received under sale and repurchase agreements and fair value of securities pledged.

The estimated fair value of due to banks and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of due to banks are disclosed in Note 33. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 39 and 40.

18 Due to Individuals and Corporate Customers

in billions of Russian Roubles	31 December 2014	31 December 2013
Individuals:		
- Current/demand accounts	1,886.2	1,748.4
- Term deposits	7,442.1	6,687.4
- Direct repo deals	0.1	—
Total due to individuals	**9,328.4**	**8,435.8**
State and public organizations:		
- Current/settlement accounts	134.0	158.7
- Term deposits	605.2	88.6
Total due to state and public organizations	**739.2**	**247.3**
Other corporate customers:		
- Current/settlement accounts	1,685.7	1,504.8
- Term deposits	3,780.8	1,863.5
- Direct repo deals	28.8	12.8
Total due to other corporate customers	**5,495.3**	**3,381.1**
Total due to corporate customers	**6,234.5**	**3,628.4**
Total due to individuals and corporate customers	**15,562.9**	**12,064.2**

18 Due to Individuals and Corporate Customers (continued)

Economic sector concentrations within customer accounts are as follows:

in billions of Russian Roubles	31 December 2014 Amount	31 December 2014 %	31 December 2013 Amount	31 December 2013 %
Individuals	9,328.4	59.9	8,435.8	69.9
Services	1,319.3	8.5	829.5	6.9
Oil and gas	1,022.9	6.6	534.2	4.4
Municipal bodies and state organizations	808.0	5.2	90.0	0.7
Trade	684.7	4.4	509.0	4.2
Construction	352.4	2.3	382.9	3.2
Machinery	319.4	2.1	213.4	1.8
Transport, aviation, space industry	232.7	1.5	114.0	0.9
Metallurgy	230.9	1.5	125.9	1.0
Energy	216.4	1.4	140.7	1.2
Food and agriculture	156.7	1.0	97.1	0.8
Chemical	125.4	0.8	92.4	0.8
Telecommunications	118.9	0.8	94.5	0.8
Timber industry	40.1	0.3	31.1	0.3
Other	606.7	3.7	373.7	3.1
Total due to individuals and corporate customers	**15,562.9**	**100.0**	**12,064.2**	**100.0**

As at 31 December 2014 included in Due to corporate customers are deposits of RR 118.3 billion (31 December 2013: RR 107.7 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 34.

As at 31 December 2014 the Group had 20 largest customers with balances above RR 30.9 billion each (31 December 2013: 20 customers with balances above RR 12.1 billion each). The aggregate balance of these customers was RR 2,256.4 billion (31 December 2013: RR 1,043.6 billion) or 14.5% (31 December 2013: 8.7%) of total due to individuals and corporate customers.

Refer to Note 37 for information on the amounts in due to corporate customers received under sale and repurchase agreements and fair value of securities pledged.

The estimated fair value of due to individuals and corporate customers and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 33. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 39 and 40.

19 Debt Securities in Issue

in billions of Russian Roubles	31 December 2014	31 December 2013
Loan participation notes issued under the MTN programme of Sberbank	629.9	324.9
Savings certificates	456.8	344.5
Bonds issued:		
- on the local market	80.2	44.7
- on international capital markets	33.0	14.7
Promissory notes	73.3	74.7
Notes issued under the ECP programme of Sberbank	15.9	46.9
Bonds issued under mortgage securitization programme of Sberbank	9.7	—
Deposit certificates	2.7	1.6
Equity linked notes and credit linked notes	1.1	1.4
Total debt securities in issue	**1,302.6**	**853.4**

19 Debt Securities in Issue (continued)

In December 2014 the Group arranged a securitization transaction through a special purpose entity under which three tranches of mortgage-backed amortizing notes with nominal value of RR 11.1 billion were issued. These securities were collateralized with portfolio mortgage loans to individuals secured by residential properties (loans were not derecognized by the Group) with amortized cost of RR 10.3 billion. The first tranche with the nominal value of RR 6.7 billion has the coupon rate of 9.0% p.a.; the second tranche with the nominal value of RR 3.3 billion has the coupon rate of 3.0% p.a.; and the third junior tranche with the nominal value of RR 1.1 billion has a floating coupon rate. The first and the second tranches have equal seniority. The bonds final original maturity is December 2046, however, the early redemption option is available to the Group based on terms and volumes of repayment of securitized mortgage loans by individuals. As the third tranche was purchased by the Group, thus, it is eliminated in these financial statements.

Description of the debt securities issued under MTN programme of Sberbank is presented in the table below:

						31 December 2014		31 December 2013	
Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.
Loan participation notes issued under the MTN programme of Sberbank									
Series 4	07 July 2010	07 July 2015	USD	1,500	5.5	**86.2**	5.4	**50.0**	5.4
Series 5	24 September 2010	24 March 2017	USD	1,250	5.4	**70.0**	5.4	**41.2**	5.4
Series 6	12 November 2010	12 November 2014	CHF	400	3.5	**–**	–	**14.7**	3.6
Series 7	16 June 2011	16 June 2021	USD	1,000	5.7	**54.1**	5.8	**32.8**	5.8
Series 8	07 February 2012	07 February 2017	USD	1,300	5.0	**71.0**	4.8	**43.6**	4.8
Series 9	07 February 2012	07 February 2022	USD	1,500	6.1	**87.6**	5.6	**52.0**	5.6
Series 10	14 March 2012	14 September 2015	CHF	410	3.1	**23.6**	3.2	**15.2**	3.2
Series 11	28 June 2012	28 June 2019	USD	1,000	5.2	**55.9**	5.3	**32.7**	5.3
Series 13	31 January 2013	31 January 2016	RUB	25,000	7.0	**24.6**	7.2	**25.7**	7.2
Series 14	28 February 2013	28 February 2017	CHF	250	2.1	**14.5**	2.1	**9.3**	2.1
Series 15	04 March 2013	04 March 2018	TRY	550	7.4	**12.6**	7.6	**7.7**	7.6
Series 18	06 March 2014	06 March 2019	USD	500	4.2	**28.5**	4.2	**–**	–
Series 19	07 March 2014	07 March 2019	EUR	500	3.1	**34.5**	3.1	**–**	–
Series 20	26 June 2014	15 November 2019	EUR	1,000	3.4	**66.8**	3.4	**–**	–
Total loan participation notes issued under the MTN programme of Sberbank						**629.9**		**324.9**	

In November 2014 the Group repaid in full the Series 6 of the loan participation notes issued under the MTN programme of Sberbank for the amount of CHF 0.4 billion. The notes were issued in November 2010 and had contractual interest rate of 3.5% p.a.

Bonds issued represent interest-bearing securities issued by the members of the Group. They are denominated in Russian Roubles, Turkish Lyra, Belarusian Roubles, US Dollars, Euro and Kazakh Tenge and have maturity dates from January 2015 to September 2023 (31 December 2013: from January 2014 to September 2023). Interest rates on these securities vary from 1.3% to 22.0% p.a. (31 December 2013: from 1.1% to 28.5% p.a.).

19 Debt Securities in Issue (continued)

In November 2012 the Bank launched Euro-Commercial Paper programme (ECP programme) for the total amount of issues limited by USD 3 billion. As at 31 December 2014 the outstanding amount of funds issued totalled USD 0.3 billion and EUR 0.04 billion. As at 31 December 2014 these notes were accounted for at amortized cost of RR 15.9 billion (31 December 2013: RR 46.9 billion). The issues include both zero-coupon and coupon issues. The notes have maturity dates from January 2015 to July 2015 (31 December 2013: from January 2014 to December 2014) with effective interest rates varying from 1.2% to 1.7% p.a. (31 December 2013: from 0.5% to 1.6% p.a.).

Promissory notes are interest-bearing or discount securities issued by the Group. They are denominated in Russian Roubles, US Dollars and Euro and have maturity dates from two weeks to seven years (31 December 2013: from two weeks to seven years). Interest or discount rates on promissory notes issued by the Group vary from 0.01% to 26.3% p.a. (31 December 2013: from 0.1% to 9.0% p.a.).

Savings certificates are interest-bearing securities issued by the Group. They are denominated in Russian Roubles and have maturity dates from three months to three years (31 December 2013: from three months to three years). Interest rates on these securities vary from 6.4% to 13.25% p.a. (31 December 2013: from 5.5% to 9.8% p.a.).

Equity linked notes and credit linked notes represent interest-bearing and non-interest-bearing securities issued by the Group. They are denominated mainly in US Dollars and Russian Roubles (31 December 2013: mainly in Russian Roubles) and have maturity dates from ”on demand” to November 2023 (31 December 2013: from ”on demand” to November 2023). Interest rates on these securities vary from 8.65% to 11.5% p.a. (31 December 2013: from 0.0% to 14.9% p.a.).

The estimated fair value of debt securities in issue and fair value measurement used are disclosed in Note 36. Currency and maturity analyses are disclosed in Note 33.

20 Other Borrowed Funds

in billions of Russian Roubles	31 December 2014	31 December 2013
Trade finance deals	453.0	380.8
Syndicated loans received	84.2	118.3
Total other borrowed funds	**537.2**	**499.1**

Description of the syndicated loans issued by the Group is presented in the table below:

						31 December 2014		31 December 2013	
Issue	**Drawdown date**	**Maturity date**	**Currency**	**Nominal value in currency of issue, in millions of currency**	**Contractual interest rate, %p.a.**	**Carrying value, in billions of RR**	**Effective interest rate, %p.a.**	**Carrying value, in billions of RR**	**Effective interest rate, %p.a.**
Syndicated loans									
Issue 1 - tranche in USD	25 November 2011	25 November 2014	USD	1,059	3m LIBOR + 1.50%	-	-	**34.6**	2.1
Issue 1 - tranche in EUR	25 November 2011	25 November 2014	EUR	103	3m EURIBOR + 1.10%	-	-	**4.6**	1.6
Issue 2	30 October 2012	30 October 2015	USD	1,500	3m LIBOR + 1.50%	**84.2**	2.2	**48.8**	2.2
Issue 3	21 November 2013	20 November 2014	EUR	1,419	0.62%	-	-	**21.7**	0.62
Issue 4	21 November 2013	20 November 2014	USD	560	0.65%	-	-	**8.6**	0.65
Total carrying amount						**84.2**		**118.3**	

In November 2014 the Group repaid in full the multicurrency syndicated loan in the amount of USD 1.1 billion and EUR 0.1 billion which was received in November 2011 from a consortium of foreign banks and had contractual floating interest rates of 3 months LIBOR + 1.5% p.a. for the tranche in USD dollars and 3 months EURIBOR + 1.1% p.a. for the tranche in EUR respectively.

Also in November 2014 the Group repaid in full the syndicated loans in the amount of EUR 1.4 billion and USD 0.6 billion which were received in November 2013 and had contractual interest rates of 0.62% p.a. for the loan in EUR and 0.65% p.a. for the loan in USD dollars respectively.

As at 31 December 2014 trade finance deals were accounted for at amortised cost of RR 453.0 billion (31 December 2013: RR 380.8 billion), had interest rates varying from 0.2% to 14.0% p.a. (31 December 2013: from 0.7% to 6.4% p.a.) and maturity dates from January 2015 to June 2027 (31 December 2013: from January 2014 to December 2021).

The estimated fair value of other borrowed funds and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of other borrowed funds are disclosed in Note 33.

21 Other Liabilities

in billions of Russian Roubles	Note	31 December 2014	31 December 2013
Other financial liabilities			
Derivative financial instruments	35	747.4	65.7
Payables on insurance and pension fund operations		120.2	7.8
Margin calls received		89.1	9.9
Payables on bank card settlements		65.0	87.6
Trade payables		40.1	29.4
Accrued employee benefit costs		37.4	29.2
Funds in settlement		31.9	18.8
Settlements on currency conversion operations		29.8	6.9
Obligation to deliver securities		21.7	21.4
Deposit insurance system fees payable		8.6	7.4
Settlements on operations with securities		4.1	3.1
Other		18.3	12.3
Total other financial liabilities		**1,213.6**	**299.5**
Other non-financial liabilities			
Taxes payable other than on income		20.6	25.2
Provisions for credit related commitments and legal claims		11.7	1.6
Income tax payable		5.1	2.3
Advances received		4.3	10.3
Provisions and advances received on pension and insurance operations		2.0	1.1
Deferred commissions received on guarantees issued		1.7	1.5
Other		6.0	10.7
Total other non-financial liabilities		**51.4**	**52.7**
Total other liabilities		**1,265.0**	**352.2**

Payables on Insurance and pension fund operations. The Group's insurance and pension business operations has increased during the year ended 31 December 2014. Those payables consist predominantly of actuarial provision. The table below represents the movement of this provision for the year ended 31 December 2014.

in billions of Russian Roubles	Insurance contract liabilities with DPF	Insurance contract liabilities without DPF	Investment contract liabilities with DPF	Total gross insurance and pension contract liabilities
Provision as at 31 December 2013	**0.6**	**7.2**	**—**	**7.8**
Acquisition of new subsidiary	73.8	—	7.7	81.5
Increase related to new contracts	1.9	24.8	—	26.7
Changes on run-off contracts	0.9	(0.5)	2.0	2.4
Foreign currency translation	0.2	0.3	—	0.5
Provision as at 31 December 2014	**77.4**	**31.8**	**9.7**	**118.9**

21 Other Liabilities (continued)

The table below represents the movement of actuarial provision for the year ended 31 December 2013:

in billions of Russian Roubles	Insurance contract liabilities with DPF	Insurance contract liabilities without DPF	Investment contract liabilities with DPF	Total gross insurance and pension contract liabilities
Provision as at 31 December 2012	**0.1**	**0.4**	**—**	**0.5**
Increase related to new contracts	0.5	6.8	—	7.3
Provision as at 31 December 2013	**0.6**	**7.2**	**—**	**7.8**

Defined pension plans of the Group. The Group applies IAS 19 Employee Benefits for accounting for its pension liabilities. As at 31 December 2014 the Group operates two benefit pension plans – benefit plan with defined pension payments and benefit plan with defined pension contributions. The Group takes direct liability to provide pension payments and contributions defined according to the Group's pension programmes.

All the employees of the Bank (including retired) who are entitled for state pension payments or have five years or less to retirement as at 1 January 2011 participate in the benefit plan with defined pension payments. The amount of payments is determined based on employee staying with the Bank at the date of retirement. As at 31 December 2014 the Bank operates 17 separate pension programmes with defined payments, for Central Head Office and each Regional Head Office.

All the employees of the Bank with three years of continuous employment with the Bank except the Management Board members, those employees who have five years or less to retirement as at 1 January 2011 or those who are already entitled for state pension payments participate in the benefit plan with defined pension contributions (which are calculated as a percent of wage). According to the programme employees whose continuous employment with the Bank reaches seven years become unconditionally entitled for these contributions upon retirement.

As at 31 December 2014 pension liabilities of the Group comprised RR 10.0 billion (31 December 2013: RR 8.2 billion) and were included in accrued employee benefit costs in Other liabilities line of the consolidated statement of financial position. Pension expenses for the year ended 31 December 2014 amounted to RR 3.5 billion (31 December 2013: RR 2.0 billion) and were included in staff costs within operating expenses.

The estimated fair value of other financial liabilities and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of other liabilities are disclosed in Note 33.

22 Subordinated Debt

in billions of Russian Roubles	31 December 2014	31 December 2013
Subordinated debt received from the Bank of Russia	503.9	303.3
Subordinated debt received under the MTN programme of Sberbank	226.7	98.5
Other subordinated debt	38.9	22.9
Total subordinated debt	**769.5**	**424.7**

Description of the subordinated loans received by the Group is presented in the table below:

						31 December 2014		31 December 2013	
Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.
Subordinated debt received from the Bank of Russia									
	16 December 2008	31 December 2019	RUB	300,000	6.5	**303.3**	6.5	**303.3**	6.5
	18 June 2014	31 December 2019	RUB	200,000	6.5	**200.6**	6.5	**–**	–
Total subordinated debt received from the Bank of Russia						**503.9**		**303.3**	
Subordinated debt received under the MTN programme of Sberbank									
Series 12	29 October 2012	29 October 2022	USD	2,000	5.1	**113.3**	5.2	**65.7**	5.2
Series 16	23 May 2013	23 May 2023	USD	1,000	5.3	**56.3**	5.4	**32.8**	5.4
Series 17	26 February 2014	26 February 2024	USD	1,000	5.5	**57.1**	5.6	**–**	–
Total subordinated debt received under the MTN programme of Sberbank						**226.7**		**98.5**	

In June 2014 the Group received subordinated loan of RR 200 billion from the Bank of Russia. This loan has the same contractual fixed interest rate of 6.5% p.a. and the same maturity date of 31 December 2019 as the previous subordinated loan received from the Bank of Russia. As at 31 December 2014 the total amount of subordinated loan received from the Bank of Russia was accounted for at amortized cost of RR 503.9 billion (31 December 2013: RR 303.3 billion); the effective interest rate on the loan was 6.5% p.a. (31 December 2013: 6.5% p.a.).

In the event of the Bank's liquidation the holders of these debts would be subordinated to all other creditors.

The estimated fair value of subordinated debt and fair value measurement used are disclosed in Note 36. Currency and maturity analyses of subordinated debt are disclosed in Note 33. The information on related party balances is disclosed in Note 39.

23 Share Capital and Treasury Shares

In billions of Russian Roubles, except for number of shares	31 December 2014 Number of shares, in millions	Nominal amount	Inflation adjusted amount	31 December 2013 Number of shares, in millions	Nominal amount	Inflation adjusted amount
Ordinary shares	21,587	64.8	83.3	21,587	64.8	83.3
Preference shares	1,000	3.0	4.4	1,000	3.0	4.4
Total share capital	**22,587**	**67.8**	**87.7**	**22,587**	**67.8**	**87.7**

As at 31 December 2014 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. All issued ordinary shares are fully paid. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends are set at 106.7% of nominal value in 2014 for the year ended 31 December 2013 (31 December 2013: 106.7% of nominal value for the year ended 31 December 2012). Preference share dividends rank above ordinary dividends.

The treasury shares as at 31 December 2014 and 31 December 2013 were as follows:

In billions of Russian Roubles, except for number of shares	Number of shares, in millions	Inflation adjusted amount	31 December 2014 Acquisition cost	Number of shares, in millions	Inflation adjusted amount	31 December 2013 Acquisition cost
Ordinary shares	57.0	0.2	4.8	51.4	0.2	4.7
Preference shares	36.9	0.2	2.8	30.0	0.1	2.5
Total treasury shares	**93.9**	**0.4**	**7.6**	**81.4**	**0.3**	**7.2**

24 Interest Income and Expense

	Year ended 31 December	
in billions of Russian Roubles	**2014**	**2013**
Interest income		
Interest income on financial assets not at fair value through profit or loss		
Interest income on financial assets carried at amortized cost:		
- Loans and advances to customers	1,668.7	1,335.7
- Debt investment securities held-to-maturity	34.4	24.9
- Due from banks	18.6	11.0
- Correspondent accounts with banks	0.6	0.5
	1,722.3	**1,372.1**
Interest income on financial assets available-for-sale:		
- Debt investment securities available-for-sale	107.5	98.2
	107.5	**98.2**
Total Interest income on financial assets not at fair value through profit or loss	**1,829.8**	**1,470.3**
Interest income on financial assets at fair value through profit or loss:		
- Debt trading securities	4.2	7.0
- Debt securities designated as at fair value through profit or loss	3.8	1.2
- Other interest income	0.1	0.1
	8.1	**8.3**
Total interest income	**1,837.9**	**1,478.6**
Interest expense		
Term deposits of individuals	(313.6)	(304.1)
Term placements of banks	(164.2)	(64.0)
Term deposits of legal entities	(152.9)	(104.7)
Debt securities in issue	(52.7)	(45.2)
Subordinated debt	(35.9)	(25.1)
Current/settlement accounts of legal entities	(35.3)	(21.9)
Current/demand accounts of individuals	(14.0)	(10.9)
Other borrowed funds	(12.8)	(8.7)
Correspondent accounts of banks	(2.7)	(2.1)
Other interest expense	(1.0)	(1.1)
Total interest expense	**(785.1)**	**(587.8)**
Deposit insurance expenses	(33.1)	(28.6)
Net interest income	**1,019.7**	**862.2**

25 Fee and Commission Income and Expense

	Year ended 31 December	
in billions of Russian Roubles	**2014**	**2013**
Fee and commission income		
Cash and settlements transactions with legal entities	165.2	128.1
Cash and settlements transactions with individuals	68.9	55.1
Operations with foreign currencies and precious metals	33.2	15.2
Agent commissions	27.4	27.1
Documentary commissions	18.6	14.8
Cash collection	6.5	5.6
Operations on financial markets on behalf of clients and investment banking operations	4.6	1.9
Other	5.1	5.9
Total fee and commission income	**329.5**	**253.7**
Fee and commission expense		
Settlement transactions	(43.3)	(28.2)
Cash collection	(0.4)	(0.4)
Operations with foreign currencies	(0.3)	(0.2)
Other	(3.2)	(3.6)
Total fee and commission expense	**(47.2)**	**(32.4)**
Net fee and commission income	**282.3**	**221.3**

26 Net Results Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation

	Year ended 31 December	
in billions of Russian Roubles	**2014**	**2013**
Net foreign exchange translation gains / (losses)	168.5	(2.0)
Net (losses) / gains on operations with foreign currency derivatives	(161.4)	1.1
Net gains arising from trading in foreign currencies	1.0	3.6
Total gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	**8.1**	**2.7**

27 Net Results of Non-banking Business Activities

in billions of Russian Roubles	Year ended 31 December 2014	2013
Revenue from sale of goods	16.2	24.8
Revenue from completed construction contracts	5.5	1.1
Revenue from rendering of services	0.8	—
Revenue from operating lease	0.1	0.1
Revenue from other activities	4.9	4.2
Total revenue of non-banking business activities	**27.5**	**30.2**
Cost of sales and other expenses:		
- cost of goods sold	(14.2)	(21.5)
- staff costs	(4.7)	(3.0)
- depreciation of fixed assets	(2.3)	(0.4)
- maintenance of premises and equipment	(2.0)	(0.2)
- transport costs	(0.1)	—
- other expenses	(7.9)	(4.3)
Total cost of sales and other expenses of non-banking business activities	**(31.2)**	**(29.4)**
Net result of non-banking business activities	**(3.7)**	**0.8**

28 Net Results from Insurance and Pension Fund Operations

in billions of Russian Roubles	Year ended 31 December 2014	2013
Net premium		
Gross premium written	39.0	7.9
Premium ceded to reinsurers	(0.1)	—
Premium returns	(0.3)	—
Total net premiums	**38.6**	**7.9**
Net claims and benefits		
Gross benefits and claims paid	(0.5)	—
Net change in contract liabilities	(30.5)	(7.2)
Total net claims and benefits	**(31.0)**	**(7.2)**
Acquisition cost	—	(0.2)
Net income from insurance and pension contracts	**7.6**	**0.5**

29 Operating Expenses

in billions of Russian Roubles	Year ended 31 December 2014	2013
Staff costs	318.8	285.3
Depreciation of premises and equipment	58.7	54.5
Repairs and maintenance of premises and equipment	36.3	31.8
Administrative expenses	35.3	23.3
Taxes other than on income	29.7	24.6
Operating lease expenses	22.9	17.5
Telecommunication expenses	18.8	16.6
Amortization of intangible assets	15.0	14.4
Consulting and assurance services	11.2	9.2
Advertising and marketing services	9.6	10.2
Other	8.8	16.8
Total operating expenses	**565.1**	**504.2**

30 Income Taxes

Income tax expenses consist of the following components:

in billions of Russian Roubles	Year ended 31 December 2014	2013
Current tax	23.2	97.6
Deferred tax	60.7	(3.9)
Income tax expense for the year	**83.9**	**93.7**

The income tax rate applicable to the major part of the Group's income for 31 December 2014 is 20% (31 December 2013: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

in billions of Russian Roubles	Year ended 31 December 2014	2013
IFRS profit before tax	**374.2**	**455.7**
Theoretical tax charge at statutory rate (2014: 20%; 2013: 20%)	74.8	91.1
Tax effect on income on government securities taxed at different rates	(3.4)	(3.3)
Tax effect on gains / (losses) taxed at different rates in other jurisdictions	3.9	0.4
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible staff costs	0.5	1.0
- Unrecognised tax asset of subsidiaries	4.4	3.7
- Non-deductible losses on cessions	2.6	0.4
- Other non-temporary differences	1.1	0.4
Income tax expense for the year	**83.9**	**93.7**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (31 December 2013: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15%, 9% and 0% (31 December 2013: 15%, 9% and 0%) and on dividends that is taxed at a standard rate of 9% (31 December 2013: 9%).

in billions of Russian Roubles	31 December 2013	Business combinations	Credited/ (charged) to profit or loss	Recognized in other comprehen-sive income	Recognized directly in equity	Unrecogni-zed currency translation differences	31 December 2014
Tax effect of deductible temporary differences							
Deferred fees and commissions income	5.1	—	(1.0)	—	—	0.1	4.2
Accrued employee benefit costs	2.0	—	(1.0)	—	—	0.1	1.1
Low value items write-off	2.6	—	(0.3)	—	—	—	2.3
Accrued interest on loans	3.0	—	6.9	—	—	—	9.9
Other	15.2	(0.8)	7.6	—	—	1.9	23.9
Gross deferred tax asset	**27.9**	**(0.8)**	**12.2**	**—**	**—**	**2.1**	**41.4**
Tax effect of taxable temporary differences							
Loan impairment provision	(7.3)	—	(14.2)	—	—	2.2	(19.3)
Premises and equipment	(22.5)	2.4	3.5	—	0.4	(0.4)	(16.6)
Valuation of securities	7.5	—	(50.8)	43.1	—	0.3	0.1
Other	(17.1)	(0.2)	(11.4)	—	—	(3.1)	(31.8)
Gross deferred tax liability	**(39.4)**	**2.2**	**(72.9)**	**43.1**	**0.4**	**(1.0)**	**(67.6)**
Total net deferred tax (liability) / asset	**(11.5)**	**1.4**	**(60.7)**	**43.1**	**0.4**	**1.1**	**(26.2)**

30 Income Taxes (continued)

in billions of Russian Roubles	31 December 2012	Business combinations	Credited/ (charged) to profit or loss	Recognized in other comprehen-sive income	Recognized directly in equity	Unrecogni-zed currency translation differences	31 December 2013
Tax effect of deductible temporary differences							
Deferred fees and commissions income	5.3	—	(0.1)	—	—	(0.1)	5.1
Accrued employee benefit costs	0.9	—	1.1	—	—	—	2.0
Low value items write-off	2.5	—	0.1	—	—	—	2.6
Accrued interest on loans	3.8	—	(0.8)	—	—	—	3.0
Valuation of securities	7.0	—	(8.9)	9.4	—	—	7.5
Other	8.7	—	6.3	—	(0.1)	0.3	15.2
Gross deferred tax asset	**28.2**	**—**	**(2.3)**	**9.4**	**(0.1)**	**0.2**	**35.4**
Tax effect of taxable temporary differences							
Loan impairment provision	(13.7)	—	6.0	—	0.6	(0.2)	(7.3)
Premises and equipment	(20.7)	(0.4)	(1.4)	—	—	—	(22.5)
Other	(19.5)	(0.1)	1.6	—	0.4	0.5	(17.1)
Gross deferred tax liability	**(53.9)**	**(0.5)**	**6.2**	**—**	**1.0**	**0.3**	**(46.9)**
Total net deferred tax (liability) / asset	**(25.7)**	**(0.5)**	**3.9**	**9.4**	**0.9**	**0.5**	**(11.5)**

As at 31 December 2014 the deductible temporary difference between investments in subsidiaries in the statement of financial position of the parent company for tax purposes and value of net assets of subsidiaries under IFRS amounted to RR 32.1 billion (31 December 2013: the taxable temporary difference of RR 47.9 billion). In accordance with IAS 12 Income Taxes respective deferred tax liability of RR 6.4 billion (31 December 2013: respective deferred tax asset of RR 9.6 billion) was not recognized in the financial statements.

31 Earnings per Share and Dividends

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equal to the basic earnings per share.

	Year ended 31 December	
in billions of Russian Roubles	**2014**	**2013**
Profit for the year attributable to the shareholders of the Bank	292.2	363.8
Less preference dividends declared	(3.1)	(3.1)
Profit attributable to the ordinary shareholders of the Bank	**289.1**	**360.7**
Weighted average number of ordinary shares in issue (billions)	21.5	21.5
Earnings per ordinary share, basic and diluted (expressed in RR per share)	**13.45**	**16.78**

On 6 June 2014, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 72.3 billion for 2013 including RR 0.2 billion paid to one of the subsidiaries of the Bank. On 31 May 2013, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 58.7 billion for 2012 including RR 0.2 billion paid to one of the subsidiaries of the Bank.

	2014		2013	
in billions of Russian Roubles	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable at 1 January	0.4	0.1	0.2	0.1
Dividends declared during the year	69.0	3.1	55.4	3.1
Dividends paid during the year	(68.9)	(3.1)	(55.2)	(3.1)
Dividends payable as at 31 December	**0.5**	**0.1**	**0.4**	**0.1**
Dividends per share declared during the year (RR per share)	**3.20**	**3.20**	**2.57**	**3.30**

All dividends were declared and paid in Russian Roubles.

32 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – Central head office, 16 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
  - Central head office of the Group,
  - Regional head office of Moscow,
  - Subsidiaries of the Group located in the region.
- **Central and Northern regions of European part of Russia, including:**

  Regional head offices:
  - Severny – Yaroslavl,
  - Severo-Zapadny – Saint-Petersburg,
  - Tsentralno-Chernozemny – Voronezh,
  - Srednerussky – Moscow;

  Subsidiaries of the Group located in the region.
- **Volga region and South of European part of Russia, including:**

  Regional head offices:
  - Volgo-Vyatsky – Nizhniy Novgorod,
  - Povolzhsky – Samara,
  - Severo-Kavkazsky – Stavropol,
  - Yugo-Zapadny – Rostov-on-Don;

  Subsidiaries of the Group located in the region.
- **Ural, Siberia and Far East of Russia, including:**

  Regional head offices:
  - Zapadno-Uralsky – Perm,
  - Uralsky – Ekaterinburg,
  - Sibirsky – Novosibirsk,
  - Zapadno-Sibirsky – Tumen,
  - Dalnevostochny – Khabarovsk,
  - Vostochno-Sibirsky – Krasnoyarsk,
  - Baikalsky – Irkutsk;

  Subsidiaries of the Group located in the region.
- **Other countries, including:**
  - Subsidiaries located in Turkey,
  - Subsidiaries located in Ukraine, Kazakhstan, Belarus,
  - Subsidiaries located in Austria and Switzerland,
  - Subsidiaries of Sberbank Europe AG located in Central and Eastern Europe,
  - Companies of ex-Troika Dialog Group Ltd. located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
  - A branch office in India.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segments' reporting and operating results which are provided to the Management of the Group for analysis are prepared under Russian accounting standards, except the segments' reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

32 Segment Analysis (continued)

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 December 2014 is as follows:

in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	10,370.3	3,553.0	2,965.0	4,062.0	4,432.7	**25,383.0**
Total liabilities	10,329.8	3,499.3	2,517.1	3,321.8	3,702.8	**23,370.8**

Segment reporting of the Group's assets and liabilities as at 31 December 2013 is as follows:

in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	7,103.9	2,797.3	2,516.6	3,400.8	2,438.5	**18,257.1**
Total liabilities	6,720.8	2,914.1	2,131.4	2,683.7	1,919.5	**16,369.5**

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as of 31 December 2014 and 31 December 2013 is as follows:

		31 December 2014		31 December 2013
in billions of Russian Roubles	Total assets	Total liabilities	Total assets	Total liabilities
Total amount per reportable segment	**25,383.0**	**23,370.8**	**18,257.1**	**16,369.5**
Financial assets and liabilities netting	(207.2)	(207.2)	(55.2)	(55.2)
Adjustment to staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	—	21.5	0.2	22.2
Adjustment of loans provisions	134.4	—	60.5	—
Adjustment of derivatives at fair value	(43.6)	0.1	(1.1)	1.2
Accounting for loans by effective rate method	(19.3)	—	(17.9)	—
Write off of low value assets	(15.9)	—	(15.3)	—
Adjustment of other provisions	16.2	(1.1)	16.5	—
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	(20.3)	—	(27.7)	—
Accounting for financial contracts with embedded derivatives	(10.7)	—	(2.3)	—
Accounting for financing by the effective rate method	—	0.4	(1.5)	(0.5)
Accrual of expenses from customer loyalty programs	—	9.1	—	4.7
Currency translation of investments in subsidiaries	(8.5)	—	—	—
Impairment on securities	(6.2)	—	(3.7)	—
Adjustment for guarantee provision	—	(30.5)	—	(30.1)
Adjustment for legal claims provision	—	1.6	—	1.6
Recognition of deferred commission income from guarantees	—	1.5	—	1.4
Reclassification of securities between portfolios	(0.6)	—	(0.4)	—
Accounting for mortgage loans securitisation	(0.6)	(0.5)	—	—
Adjustment for deferred tax	(0.4)	15.1	—	15.9
Other	0.5	(0.1)	1.1	(1.8)
The Group's total amount under IFRS	**25,200.8**	**23,180.7**	**18,210.3**	**16,328.9**

32 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2014 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	602.0	320.1	282.6	407.7	214.4	**1,826.8**
Interest expense	(381.3)	(130.0)	(94.0)	(116.7)	(91.0)	**(813.0)**
Inter-segment (expense) / income	(3.5)	53.7	(10.5)	(39.7)	—	—
Fee and commission income	46.7	68.7	57.8	84.3	39.6	**297.1**
Fee and commission expense	(14.9)	(6.0)	(4.1)	(8.8)	(10.0)	**(43.8)**
Net (losses) / gains arising from securities	(18.4)	—	—	—	2.7	**(15.7)**
Net gains / (losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	274.3	7.8	2.7	6.3	(164.3)	**126.8**
Net (losses) / gains arising from operations with other derivatives	(99.3)	—	—	—	97.9	**(1.4)**
Net (losses) / gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	(16.5)	0.6	0.6	1.0	1.3	**(13.0)**
Revenue of non-banking business activities	9.6	0.8	14.7	—	2.4	**27.5**
Cost of sales and other expenses of non-banking business activities	(10.3)	(0.6)	(16.9)	(0.1)	(3.3)	**(31.2)**
Net income from insurance and pension fund operations	8.2	(0.2)	(0.2)	(0.2)	—	**7.6**
Goodwill impairment	(1.2)	—	—	—	—	**(1.2)**
Impairment of fixed assets	—	—	(0.3)	—	—	**(0.3)**
Net other operating gains / (losses)	25.1	1.6	2.2	(5.0)	(0.2)	**23.7**
Operating income before provision charge for loan impairment	**420.5**	**316.5**	**234.6**	**328.8**	**89.5**	**1,389.9**
Net provision charge for impairment of debt financial assets	(196.5)	(47.3)	(42.9)	(109.4)	(48.3)	**(444.4)**
Operating income	**224.0**	**269.2**	**191.7**	**219.4**	**41.2**	**945.5**
Operating expenses	(170.1)	(97.1)	(93.5)	(121.4)	(92.5)	**(574.6)**
Profit / (loss) before tax (Segment result)	**53.9**	**172.1**	**98.2**	**98.0**	**(51.3)**	**370.9**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	27.6	19.2	58.9	26.5	8.8	**141.0**
Depreciation of premises and equipment	(24.2)	(8.4)	(10.5)	(12.2)	(4.3)	**(59.6)**

32 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2013 is as follows:

in billions of Russian Roubles	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Total**
Interest income	482.4	257.1	225.9	330.1	171.2	**1,466.7**
Interest expense	(264.8)	(110.4)	(77.0)	(96.2)	(67.6)	**(616.0)**
Inter-segment (expense) / income	(30.8)	47.3	0.3	(16.8)	—	—
Fee and commission income	51.3	54.7	46.1	68.3	30.3	**250.7**
Fee and commission expense	(20.8)	(0.5)	(0.6)	(0.8)	(7.1)	**(29.8)**
Net gains arising from securities	9.1	—	—	—	2.5	**11.6**
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	11.9	1.0	0.4	0.8	—	**14.1**
Net gains / (losses) arising from operations with other derivatives	6.0	—	—	—	(2.2)	**3.8**
Net gains arising from operations with precious metals, precious metals derivatives and precious metals accounts translation	2.4	—	—	—	0.2	**2.6**
Revenue of non-banking business activities	8.2	0.1	20.2	—	1.7	**30.2**
Cost of sales and other expenses of non-banking business activities	(9.1)	(0.1)	(19.2)	(0.1)	(0.9)	**(29.4)**
Net income from insurance and pension fund operations	0.5	—	—	—	—	**0.5**
Net other operating (losses) / gains	(2.2)	0.9	0.6	1.5	1.8	**2.6**
Operating income before provision charge for loan impairment	**244.1**	**250.1**	**196.7**	**286.8**	**129.9**	**1,107.6**
Net provision charge for impairment of debt financial assets	(11.8)	(29.0)	(19.7)	(26.4)	(25.4)	**(112.3)**
Operating income after provision charge for loan impairment	**232.3**	**221.1**	**177.0**	**260.4**	**104.5**	**995.3**
Operating expenses	(141.2)	(92.2)	(91.3)	(116.5)	(80.2)	**(521.4)**
Profit before tax (Segment result)	**91.1**	**128.9**	**85.7**	**143.9**	**24.3**	**473.9**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	30.8	23.4	34.7	32.9	8.9	**130.7**
Depreciation of premises and equipment	(19.2)	(7.8)	(6.7)	(10.5)	(3.5)	**(47.7)**

32 Segment Analysis (continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's statement of profit or loss items under IFRS for the year ended 31 December 2014 as follows:

in billions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net losses arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**370.9**	**1,826.8**	**(813.0)**	**297.1**	**(15.7)**	**126.8**
Adjustment to staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	1.2	—	—	—	—	—
Adjustment of loans provisions	73.6	—	—	—	(2.6)	—
Adjustment of derivatives at fair value	(41.4)	—	(5.2)	—	(3.7)	(68.9)
Accounting for loans by effective rate method	(3.7)	(6.5)	—	—	—	—
Write off of low value assets	(0.7)	—	—	—	—	—
Adjustment of other provisions	0.9	(3.0)	—	—	—	—
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	9.0	—	—	—	—	—
Accounting for financial contracts with embedded derivatives	(8.4)	—	—	—	—	(5.3)
Accounting for financing by the effective rate method	0.9	—	—	—	1.1	(0.7)
Accrual of expenses from customer loyalty programs	(4.4)	—	—	—	—	—
Currency translation of investments in subsidiaries	(25.9)	—	—	—	—	(25.9)
Impairment on securities	(2.6)	—	—	—	(2.6)	—
Adjustment for guarantee provision	—	—	—	—	—	—
Financial assets and liabilities netting	—	(0.1)	0.1	—	—	—
Reclassification of securities between portfolios	4.5	(1.1)	—	—	9.0	(0.1)
Other	0.2	0.2	—	—	—	0.1
Reclassification of financial statements line items due to accounting differences	—	21.6	33.0	32.4	—	(17.9)
The Group's total amount under IFRS	**374.2**	**1,837.9**	**(785.1)**	**329.5**	**(14.5)**	**8.1**

32 Segment Analysis (continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's statement of profit or loss items under IFRS for the year ended 31 December 2013 as follows:

in billions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net gains arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**473.9**	**1,466.7**	**(616.0)**	**250.7**	**11.6**	**14.1**
Adjustment to staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(3.7)	—	—	—	—	—
Adjustment of loans provisions	(25.0)	—	—	—	—	—
Adjustment of derivatives at fair value	(6.2)	—	—	—	—	(11.0)
Accounting for loans by effective rate method	3.5	4.2	—	—	—	—
Write off of low value assets	2.6	—	—	—	—	—
Adjustment of other provisions	14.4	(3.6)	—	—	—	—
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	8.2	—	—	—	—	—
Accounting for financial contracts with embedded derivatives	(1.7)	—	—	—	—	(1.7)
Accounting for financing by the effective rate method	(0.2)	(0.1)	(0.2)	—	—	0.4
Accrual of expenses from customer loyalty programs	(2.5)	—	—	—	—	—
Currency translation of investments in subsidiaries	—	—	—	—	—	—
Impairment on securities	(6.6)	—	—	—	(6.6)	—
Adjustment for legal claims provision	0.7	—	—	—	—	—
Reclassification of securities between portfolios	(4.4)	(1.2)	—	—	(5.4)	0.1
Other	1.8	0.1	2.3	—	—	—
Reclassification of financial statements line items due to accounting differences	0.9	12.5	26.1	3.0	1.2	0.8
The Group's total amount under IFRS	**455.7**	**1,478.6**	**(587.8)**	**253.7**	**0.8**	**2.7**

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated as at fair value through profit or loss in IFRS reporting but classified as available-for-sale in statutory accounting records.

The sum of the line Accounting for derivatives at fair value includes adjustments to reflect non-recognition of Day 1 gain from the complex structured transactions with embedded derivatives as well as recognition of embedded derivatives in the consolidated statement of financial position, the creation of CVA/DVA and the bid/offer provisions, as the necessary components of fair value.

For the year ended 31 December 2014 the Group's revenues from customers in the Russian Federation amounted to RR 1,975.4 billion (for the year ended 31 December 2013: RR 1,590.9 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 242.6 billion (for the year ended 31 December 2013: RR 200.5 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the year ended 31 December 2014 and 31 December 2013.

33 Financial and Insurance Risk Management

The risk management function within the Group is carried out in respect of major types of risks: credit, market, liquidity, insurance, operational and compliance risk. Market risk includes interest rate risk, equity risk and currency risk. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits. The Group is exposed to insurance risks due to the growth of the insurance and pension business of the Group. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational risk.

Integrated risk management system (IRMS) of the Group is defined by Integrated risk management policy of the Bank and represented as three-level process defined below:

- First management level (performed by The Bank's Management Board, The Group Risks Committee) – is management of aggregated risk. This process results in setting requirements and limits to the management of specific groups of risks, to the management of the Group members' risks as well as appointment of collective bodies and subdivisions of the Group responsible for the management of certain risk groups.
- Second management level (performed by the appropriate Bank's committees) – the management of specific groups of risks considering requirements and limits stated on the first management level.
- Third management level (performed by collective bodies and structural subdivisions of the Group) – the management of specific groups of risks in the companies of the Group considering requirements and limits stated on the first and second management level.

Integrated risk management process includes five core group steps:

- Risk identification and measurement of its materiality for the Group – aimed to identify all the significant risks which the Group is exposed to;
- Developing system for managing significant risks – aimed to allocate functions (or actualize such allocation) of risk management between executives, subdivisions and collective bodies of the Bank and its subsidiaries as well as developing (or actualize such development) methodological framework regulating risk management for the Group;
- Forecasting risk exposure level – aimed to define target risk level using risk-metrics in business-plan of the Group and each of its members;
- Setting risk appetite for the Group and each of its members – aimed to confirm by the Bank and then by its Supervisory Board maximum allowable risk exposure for the Group and launch of limit and restriction system that will enable not to exceed the maximum risk level;
- Management of aggregated risk level of the Group – aimed to provide correspondence between risk level and target values.

The Group is constantly developing risk management system in order to correspond to the best practices and recommendations of regulators. Thereupon it is expected that risk management methods and processes would be integrated and improved on aggregate level as well as on the level of specific risks management systems.

Credit risk is the risk of losses caused by failure to fulfill, as well as untimely or incomplete fulfillment of financial obligations by debtor in accordance with contract conditions. Among financial obligations mentioned above there are obligations of debtor concerning loans received including interbank loans, bonds, other placed funds including requirements for repurchase of debt securities, shares and promissory notes, provided in accordance with loan agreement, discounted bills, bank guarantees for which money paid by the organization was not compensated by the principal, finance deals with assignment of monetary claim (factoring), rights (claims) obtained in accordance with agreement (cession), mortgages obtained on secondary market, deals of financial assets sale (purchase) with deferred payments (supply of financial assets), paid letter of credit (including uncovered letter of credit), return of cash (assets) in accordance with deal of financial assets purchase with an obligation of their repurchase, claims for financial leasing operations.

Credit risks include migration credit risk, concentration risk, finance markets counterparty risk and residual risk.

Migration credit risk is the loss risk related to the full or partial loss of financial asset's value (for example, loan or debt security) due to the default or worsening of counterparty credit quality (migration.

33 Financial and Insurance Risk Management (Continued)

Concentration risk (under credit risk) is the risk related to:

- Significant loans provided to single borrower or group of connected borrowers;
- Loans concentration in certain economic sectors, segments, portfolios or geographical sectors;
- Securities investment concentration in certain economic sectors, segments, portfolios or geographical sectors;
- Other exposures which can have a similar economic factors sensitivity.

Financial markets counterparty risk is the risk related to the unwillingness or failure of counterparty to pay its obligations under a transaction in full and timely. Counterparty risk relates to credit risk exposure for term deals, which can change in the course of time in line with basic market factors or underlying assets price.

Counterparty risk consists of two components:

- Pre-settlement risk which represents the loss risk related to the probability of counterparty to fail to fulfil its obligation during the transaction;
- Settlement risk which represents the loss risk related to counterparty’s failure to fulfil its obligation after Group’s obligations were performed under the contract (by cash payments, securities or other assets transfer) at the settlement date.

Residual risk is the risk remaining in the result of Group’s risk mitigation methods which could not satisfy expectation in relation to received collateral, for example litigation risk or liquidity risk.

Credit risk management policy applied by the Group aims at increasing competitive advantage of the Group by expanding the list of counterparties and the range of credit products, implementing systemic approach to credit risk to maintain or bring down the level of credit risk losses, optimization of credit portfolio structure by industry, region and product.

The Group applies the following basic methods of credit risk management:

- prevention of credit risk by identifying, analyzing and assessing potential risks before entering the transaction creating risk exposure;
- planning the level of credit risk by assessing the level of expected losses;
- implementation of common assessment processes and identification of risks;
- limiting credit risk by setting exposure or risk limits;
- structuring of transactions;
- collateral management for transactions on financial markets;
- monitoring and control of credit risk level;
- application of the system of decision-making authority;
- provisions for impairment losses.

In the sphere of credit risk management the Group sets following objectives:

- implementation of systemic approach to credit risk, optimization of Group’s credit portfolio structure by industry, region and product in order to limit credit risk level;
- increasing competitive advantage of the Group by more precise assessment of risks taken as well as the implementation of measures aimed at credit risk management including maintaining or bringing down the level of credit risk losses;
- retention of sustainability during expansion of product range of Group members (introduction of more complicated products) in consequence of reasonable assessment and taken risks’ management particularly credit risks.

33 Financial and Insurance Risk Management (Continued)

Credit risk management system of the Group is organized on the basis of integrated risk management principles as well as following principles:

- application of modern methods and instruments in credit risk management of the Bank and the Group as a whole developed on the basis of unified approach used for building crediting processes standardized to the maximum taking into account client segmentation by risk profile and minimization of process member's quantity due to centralization and process automation;
- objectivity, concreteness and precision of credit risk assessment, application of reliable actual and statistical information;
- integration of credit risk management process into organizational structure of the Bank and Group members;
- application of unified rules for allocation and delimitation of authorities for credit risk management based on combination of centralized and decentralized approaches;
- independence of departments responsible for credit risk assessment and control from departments that initiate deals generating credit risk;
- credit risk management system of the Group meets the requirements of the Bank of Russia / bank regulator (for the credit organizations – members of the Group operating outside the Russian Federation) as well as the requirements of the Russian law or law of other countries under which Group members operate;
- control and risk limitation as well as control over expected loss of the Group in consequence of borrower/group of related borrowers' default are performed by means of Group limit system.

The Group applies the following key credit risk management methods:

- credit risk mitigation by the way of identification, analysis and evaluation of potential credit risks at the stage prior to operations exposed to credit risk;
- implementation of unified risk evaluation and identification process;
- planning of credit risk level by evaluation of expected losses;
- credit risk mitigation by limits set-up and/or other risk restrictions;
- deal structuring;
- collateral management;
- application of decision authority system;
- monitoring and control of credit risk limitation process.

The system of Group credit risk level control and monitoring is performed on the basis of principles stated in Group's internal normative documents providing preliminary, current and subsequent control over operations subject to credit risk, observance of stated risk limits and timely performance of its actualization.

There is multilevel system of limit for each business line generated in the Group based on the limitation of credit risk for credit operations and operations on financial markets.

For retail credit risks set limits are based on the assessment of borrower's risk and divided into groups in the following way:

- structure limits (this group includes such limit types as limit of crediting by scheme, limit of guarantee for the corporate client, limit for the product/group of approved products);
- authority limits (divided into authority limits of collegial body and personal limits);
- limits of risk concentration by the size of credit product provided to the borrower (this group includes the limit of borrower's debt amount);
- limits for the department giving the credit (this group includes the limit of received application amount).

33 Financial and Insurance Risk Management (Continued)

Assessment of the Group’s credit risk is made in aggregate, by individual portfolios of credit risk bearing assets, by individual counterparties, transactions and groups, by country, geographic region and by industry.

The Group operates a system of internal ratings based on economic-mathematical models for estimating the probability of default of counterparties and transactions. Assessment of credit risks of the Group's counterparties in transactions which carry credit risks depends on the counterparty category:

- corporate customers, credit institutions, financial companies, clients – the subjects of small business, sovereigns, subjects of the Russian Federation and municipal entities, insurance and leasing companies are assessed on the basis of the system of credit ratings and expected cash flow models or other important indicators;
- individuals and clients – the subjects of micro business are assessed based on their creditworthiness in accordance with the Bank's internal regulatory documents and express assessment.

The Group’s system of credit ratings provides a differentiated assessment of probability of default/non-execution by the counterparties of their obligations by analyzing quantitative (financial) and qualitative factors of credit risk (factors of market and external influence, characteristics of management quality, assessment of business reputation and others), materiality of their impact on the ability of the counterparty to serve and repay their obligations.

The Group’s internal procedures provide for a multi-factor approach, the factor list being standardized depending on the counterparty category: risk factors related to counterparty’s creditworthiness and its volatility, ownership structure, business reputation, credit history, cash flow and financial risks control, transparency, position of the client in the industry and the region, strength of support from local administration and parent companies (in case of a holding) as well as the so-called early warning factors are subject to mandatory monitoring and control. Based on the analysis of these risk factors the probability of default is assessed and graded by counterparty/transaction with their subsequent classification ratings.

The Group closely monitors its credit risk concentration and compliance with prudential regulations of the regulator, making analysis and forecast of credit risk level. In analysis, monitoring and management of credit risk concentration the following methods are used:

- a distributed criteria mechanism for identifying legally and economically related borrowers, followed by the centralized maintenance of a uniform hierarchical list of groups of related borrowers;
- control of large loans per borrower in groups of related borrowers,
- identifying groups of borrowers by industry, country and region.

Separately the Group monitors country risk which aims to manage and to limit risks related to different countries. Country risk limits are structure risk limits which restrict Group’s geographical concentration risk (other than risks related to operations conducted in the Russian Federation) and which do not limit counterparty risk for standalone operations.

Collateral is the main instrument decreasing credit risk of non-payment under the credit contract. The Group usually requires collateral for granted loans. Different kinds of collateral could be approved in order to limit credit risk simultaneously. In accordance with Group’s policy collateral for loans provided to legal entities (pledge amount and/or liability amount (limit of responsibilities) through surety agreement and/or guarantee amount) should cover the amount of credit and interests, accrued during not less than 3 months.

One of the concepts concerning hedge of credit deals risks is represented by developed Pledge policy (as a part of Credit policy) which defines basis principles and elements of work organization for pledges in case of loan granting.

Pledge policy is concentrated on the improvement of quality of credit portfolio in the part of collateral. Collateral quality depends on the probability of cash receipt in amount of supporting pledge in case of enforcement or realization of pledge. Collateral quality can be indirectly characterized by the list and materiality of risks conjugated to the pledge and is represented by the range of factors (liquidity, reliability of cost determination, impairment risks, susceptibility to the risks of loss and damage, law risks and others).

Pledge amount assessment is performed on the base of internal expert valuation of Group experts, assessment of independent valuers or pledge amount stated in borrower’s financial reports with discount correction. Using surety of creditworthiness legal entities as the collateral requires risk assessment from the side of guarantor as well as from borrower’s side.

33 Financial and Insurance Risk Management (Continued)

At the same time, the Group operates a multi-dimensional system of authority to determine the level of decision-making for each loan application. Each territorial unit is assigned a risk profile, which defines the discretionary powers of the unit to take independent decisions, depending on the risk category of the requested loan. In its turn, the risk category of the requested loan depends on the aggregate risk limit and the risk category of the borrower/group of related borrowers and also on loan product category. Thus, existing systems of limits and decision-making authority allows to optimize the lending process and provides for proper management of credit risk.

Using the macroeconomic scenarios, the Group conducts sensitivity analyses of credit risk level by both counterparty and credit portfolio to identify macro factors of maximum correlation with the counterparties' probability of default. Statistics on radical changes of macro factors is used in stress-scenario for ratings models for the purpose of stress-testing.

Due to the deterioration in the Russian economy in 2014 Group performed the following actions in order to minimize credit risk exposure in:

- Retail lending: lending requirements and as well as decision-making approach tightening for loans and plastic cards issuance; limitations on some products lending.
- Micro-business segment: tightening of lending requirements to the clients; limitation on lending in high-risk industries, as well as some products; collateral requirements tightening; and minimization of risk approach.

The Group monitors debt recovery at all phases of debt collection. In case of identification of problem areas/phases in the process of debt recovery, drop in debt recovery ratio and non-performing loans growth in territorial units, customer or product segments, the optimization of lending/collection process is performed.

Market risk is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices and other market indicators. The main goal of Market Risk Management is the optimization of market risk level within the Group, compliance of the risk level risk with limits set and minimization of loss in case of unfavorable scenario realization.

The Group categorises market risk into:

- **Currency risk** is the risk of losses or reduction of income due to fluctuations in the prevailing foreign currency exchange rates;
- **Interest rate risk** is the risk of losses or reduction of income due to fluctuations in interest rates;
- **Equity price risk** is the risk of losses or reduction of income due to changes in fair value of equity securities, for example, ordinary and preference shares;
- **Commodity risk** is the risk of losses or reduction of income due to changes in value of commodity assets, in particular, precious metals;
- **Volatility risk** is the risk of losses or reduction of income on option operations due to changes in imputed option volatility of underlying assets;
- **Liquidity risk** is the risk of inability to open / close or change of a market position on the market, exchange, or in case of market quotation against a particular counterparty, and an inability to fulfill contractual obligations in time without incurring losses unacceptable to the financial stability.

The Group manages its market risks through securities portfolios management and control over open positions in currencies, interest rates and derivatives. Authorized bodies and departments determine the methodology for the market risk management and set limits on particular transactions.

Market risk limits are set on the basis of the value-at-risk analysis (VaR), scenario analysis and stress-testing as well as regulatory requirements of the Bank of Russia and recommendations of the Basel Committee on Banking Supervision. The Group calculates VaR for the operations on financial markets both by components and in aggregate, determining the diversification effect.

The Group divides the principles of market risk management under the trading and banking book. Authority to manage the market risk are divided between Market Risk Committee (MRC) of the Bank and Bank Committee of assets and liabilities management (ALMC) by type of market risk on a group of operations (trading and non-trading operations).

33 Financial and Insurance Risk Management (Continued)

Market risk management is carried out in accordance with the "Policy for managing market and credit risk operations on financial markets" and "Policy for managing interest rate and currency risk of the banking book".

Market risk on non-trading positions

Interest rate risk on non-trading assets and liabilities. The Group accepts risk on market interest rate fluctuations effect on cash flows. Interest rate risk of non-trading positions includes:

- the risk of a parallel shift, change in the slope and shape of the yield curve resulting from the maturities (repricing) mismatch of assets and liabilities sensitive to interest rate changes;
- basis risk, which results from a mismatch in the degree of interest rate sensitivity, of assets and liabilities with similar maturity (repricing term); and
- risk of early repayment (repricing) of interest rate sensitive assets and liabilities.

Increasing interest rates can drive the cost of borrowed funds up quicker than return on investments, thus worsening financial results and interest rate margin.

The objective of managing this type of market risk is minimization of potential losses caused by realization of interest rate risk and stabilization of bank interest margin regardless of market conditions and the requirements of regulator.

Policy and Procedures.The Group performs non-trading position interest risk management. The Management Board and ALMC of banking subsidiairies are responsible for efficient management and control of non-trading position interest rate risk as well they should monitor maintainance of unified Group standards and control limits of local regulators and Bank of Russia for this risk.

At the Group level ALMC, Treasury, Risk Methodology and Control department and Validation division share the non-trading position interest risk management function, i.e.:

- ALMC controls and monitors non-trading position interest risk at high level, including approval of limits systems and principles of limits set-up, investigates limits breakage, approves strategy and target interest rate position;
- Treasury performs operational and strategic non-trading position interest risk management based on ALMC's decisions, including valuation and stress-testing of interest risk, development of interest rate risk strategy, performance of operational management of interest rate position and development of regular reports;
- Risk Methodology and Control department performs independent control over the interest rate limits maintenance and escalation of limits breakage to ALMC and Group risk committee on a regular basis;
- Validation division performs independent control over interest rate risk models which includes regular model validation, control over model changes and provision of validation result to Group risk committee.

Risk Assessment. This type of interest rate risk is assessed using the standardized shock in accordance with Basel Committee for Banking Supervision (BCBS) recommendations. Forecasting of possible changes in interest rates is carried out separately for Russian Rouble positions and positions in foreign currency. The shock of interest rates is calculated as 1% and 99% of the allocation quantile of average annual interest rate's change by historical simulations method using data no less than the last 5 years. As basic rate for the purpose of shock assessment the following rates are applied:

- in Russian roubles the indicative rate is used for interest swap in RUR with 2 year term (RR IRS 2Y);
- in US Dollars, EUR and other foreign currencies - the rate LIBOR 3M is used.

33 Financial and Insurance Risk Management (Continued)

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2014 and 31 December 2013:

	Decrease in interest rates		Increase in interest rates	
	31 December 2014	*31 December 2013*	*31 December 2014*	*31 December 2013*
Russian Rouble				
Change in interest rates, bps	(626)	(292)	1 130	570
Change in profit before tax, billions of Russian Roubles	261.4	89.0	(472.2)	(173.6)
Foreign currencies				
Change in interest rates, bps	(15)	(19)	56	66
Change in profit before tax, billions of Russian Roubles	(0.2)	0.12	0.6	(0.41)

Currency risk of non-trading assets and liabilities. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions.

As part of managing foreign exchange risk the Group sets sublimits for open foreign exchange positions for Regional Head Offices. Besides, limits and control system are in place for conversion operations which sets open position limits for foreign currencies, limits on operations on the international and domestic markets.

The Bank's Treasury Department undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Group's currency risk exposure at a minimum level. The Group uses swaps, forwards and USD futures contracts tradable on MOEX as the main instruments for risk management.

Market risk on the operations on financial markets. Among credentials of MRC there is management over market risk of the trade operations on financial markets, concerning liquidity risk MRC obeys to ALMC.

Market risks are controlled by monitoring of operations on foreign exchange and securities market by departments independent of trading divisions. Monitoring of market risks implies continual control over trading deals at all steps of operational process.

For the purposes of market risk management of the financial markets' operations, trade operations are aggregated in portfolios with hierarchical structure defined in accordance with risk types and responsibilities allocation. Market risk management of the trade operations in Group is performed through the system of authorized bodies, making decisions depending on risk level and portfolio hierarchy, such system allows to reach efficiency and flexibility of decision making.

In 2013 was launched the process of managing market risks on trade operations on a group basis, the adoption of which was initiated in banking subsidiaries.

The Group derives following most important types of market risk of the trade operations.

Interest rate risk on the trade operations. The Group is exposed to interest rate risk of its trade operations with debt securities and derivatives.

For managing and limiting interest rate risk in accordance with the "Policy for managing market and credit risk operations on financial markets" MRC as well as persons authorized by it set following types of limits and restrictions: limits on investments, limits on sensitivity to interest rate changes (DV01), concentration limits, limits on losses of trade operations, VaR limits, limits on direct and reverse REPO-deals.

33 Financial and Insurance Risk Management (Continued)

Equity Price Risk. The Group is exposed to equity price risk through changes in fair value of corporate equity securities as well as its derivatives in case of Group having positions in them. In order to limit equity price risk the MRC and persons authorized by it set common position limits, limits on losses of trade operations, VaR limits, sensitivity limits. Regional Head Offices does not take part in trade operations with shares.

Currency Risk. In order to limit the foreign exchange risk of financial market operations MRC as well as persons authorized by it set VaR limits and limits for open foreign exchange positions for all operations, which are sensitive to currency risk.

Value-at-Risk, VaR. The VaR methodology is one of the main instruments of assessing market risk of the Group. VaR allows to estimate the maximum financial loss with a defined confidence level of probability and time horizon.

The Group calculates VaR using the historical modeling methodology. This method allows to evaluate probability scenarios of future price fluctuations on the basis of past changes taking into account market indicators correlations (e.g. interest rates and foreign exchange rates) as well as changes in price of specific instruments not due to changes in the market situation.

VaR is calculated using the following assumptions:

- historical data on changes in financial market indicators comprise 2 years preceding the reporting date;
- the market indicators used include currency exchange rates, bond, equity and precious metal prices as well as interest rates levels;
- movements in financial market indicators are calculated over a 10-day period, i.e. an average period when the Group is able to close or hedge its positions exposed to market risk; and
- a 99% one-way confidence level is used, which means that losses in the amount exceeding VaR are expected by the Group maximum once every 100 trading days.

For evaluating the adequacy of the applied VaR calculation model the Group regularly back-tests the model by comparing the modeled losses with actual losses.

Despite the fact that VaR allows to measure risk, its shortcomings must be taken into account such as:

- past price fluctuations are not sufficient to assess accurately future price fluctuations;
- calculation of financial market price indicators over a 10-day period is based on the assumption that the Group will be able to close (or hedge) all positions within this period. This assessment may be far from accurate in measuring risk exposure at the time of reduced market liquidity, when the period of closing (or hedging) the Group’s positions may increase;
- using 99% one-way confidence level of probability does not provide for estimating losses with a probability below 1%; and
- VaR is calculated based on end-of-day position and misses the intra-day risks accepted by the Group.

Taking into account the shortcomings of the VaR methodology the Group applies scenario analysis and stress-testing to have a better understanding of market risk exposure.

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2014:

In billions of Russian Roubles	Value as at 31 December 2014	Average value for 2014	Maximum value for 2014	Minimum value for 2014	Impact on equity	Impact on profit
Interest rate risk on debt securities	46.7	31.4	46.7	20.5	2.1%	15.3%
Equity price risk	1.0	1.5	2.1	1.0	0.0%	0.3%
Currency risk	2.8	3.8	6.3	0.3	0.1%	0.9%
Market risk including diversification effect	47.6	32.7	47.6	23.8	2.1%	15.6%
Diversification effect	3.0	–	–	–	0.1%	1.1%

33 Financial and Insurance Risk Management (Continued)

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2013:

In billions of Russian Roubles	**Value as at 31 December 2013**	**Average value for 2013**	**Maximum value for 2013**	**Minimum value for 2013**	**Impact on equity**	**Impact on profit**
Interest rate risk on debt securities	17.2	16.1	17.2	15.0	0.9%	4.4%
Equity price risk	2.2	2.2	2.5	2.0	0.1%	0.6%
Currency risk	5.7	5.5	5.7	5.3	0.3%	1.5%
Market risk including diversification effect	18.8	18.5	18.9	18.0	0.9%	4.8%
Diversification effect	6.4	–	–	–	0.3%	1.6%

Data in the tables above are calculated on the basis of the Bank's internal management accounting system which is based on the statutory accounting reports of the Bank.

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2014. Foreign exchange risk on forward and future contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

in billions of Russian Roubles	**Russian Roubles**	**US Dollars**	**Euro**	**Turkish Lyra**	**Other**	**Total**
Assets						
Cash and cash equivalents	1,090.5	793.6	280.2	48.8	95.7	**2,308.8**
Mandatory cash balances with central banks	142.8	132.8	33.2	5.7	51.2	**365.7**
Trading securities	17.7	15.7	0.5	2.6	0.8	**37.3**
Securities designated as at fair value through profit or loss	65.8	11.5	—	—	0.4	**77.7**
Due from banks	116.8	22.0	69.1	0.2	32.7	**240.8**
Loans and advances to customers	11,443.0	4,015.0	938.4	831.5	528.7	**17,756.6**
Securities pledged under repurchase agreements	682.1	332.6	77.1	67.3	10.2	**1,169.3**
Investment securities available-for-sale	547.8	75.9	56.5	112.9	36.6	**829.7**
Investment securities held-to-maturity	47.4	23.4	3.7	42.8	0.6	**117.9**
Other financial assets (less fair value of derivatives)	187.4	268.8	81.0	10.2	15.5	**562.9**
Total financial assets	**14,341.3**	**5,691.3**	**1,539.7**	**1,122.0**	**772.4**	**23,466.7**
Liabilities						
Due to banks	2,819.2	494.9	218.3	44.0	63.6	**3,640.0**
Due to individuals	6,473.1	1,203.8	1,047.8	366.5	237.2	**9,328.4**
Due to corporate customers	2,858.3	2,314.2	520.6	268.8	272.6	**6,234.5**
Debt securities in issue	548.3	485.2	147.2	59.1	62.8	**1,302.6**
Other borrowed funds	—	392.2	103.2	32.5	9.3	**537.2**
Other financial liabilities (less fair value of derivatives)	286.1	120.7	14.2	40.0	5.2	**466.2**
Subordinated debt	505.6	247.3	7.3	—	9.3	**769.5**
Total financial liabilities	**13,490.6**	**5,258.3**	**2,058.6**	**810.9**	**660.0**	**22,278.4**
Net financial assets/(liabilities)	**850.7**	**433.0**	**(518.9)**	**311.1**	**112.4**	**1,188.3**
Net derivatives	**242.8**	**(551.7)**	**467.9**	**(159.7)**	**60.0**	**59.3**
Credit related commitments before provision for impairment (Note 34)	**2,890.1**	**1,131.5**	**372.4**	**767.0**	**114.4**	**5,275.4**

33 Financial and Insurance Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2013.

in billions of Russian Roubles	Russian Roubles	US Dollars	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	1,023.0	120.6	77.2	27.3	78.9	**1,327.0**
Mandatory cash balances with central banks	112.2	52.0	45.3	12.1	29.9	**251.5**
Trading securities	66.3	29.5	3.4	1.5	0.5	**101.2**
Securities designated as at fair value through profit or loss	14.2	3.2	—	—	0.1	**17.5**
Due from banks	210.5	35.1	44.8	3.2	36.9	**330.5**
Loans and advances to customers	9,371.1	2,270.3	508.7	457.3	326.3	**12,933.7**
Securities pledged under repurchase agreements	1,153.0	140.8	32.9	10.7	6.4	**1,343.8**
Investment securities available-for-sale	244.9	101.1	49.5	48.3	32.4	**476.2**
Investment securities held-to-maturity	136.9	32.8	2.8	29.5	0.5	**202.5**
Other financial assets (less fair value of derivatives)	250.5	28.4	5.5	6.4	6.5	**297.3**
Total financial assets	**12,582.6**	**2,813.8**	**770.1**	**596.3**	**518.4**	**17,281.2**
Liabilities						
Due to banks	1,834.0	151.2	80.3	10.1	35.7	**2,111.3**
Due to individuals	6,785.5	676.2	582.8	210.6	180.7	**8,435.8**
Due to corporate customers	2,039.7	1,046.0	222.4	125.7	194.6	**3,628.4**
Debt securities in issue	425.9	321.0	20.7	32.4	53.4	**853.4**
Other borrowed funds	0.1	376.8	94.2	28.0	—	**499.1**
Other financial liabilities (less fair value of derivatives)	151.5	42.7	11.9	23.7	4.0	**233.8**
Subordinated debt	303.2	110.3	4.7	—	6.5	**424.7**
Total financial liabilities	**11,539.9**	**2,724.2**	**1,017.0**	**430.5**	**474.9**	**16,186.5**
Net financial assets/ (liabilities)	**1,042.7**	**89.6**	**(246.9)**	**165.8**	**43.5**	**1,094.7**
Net derivatives	**271.7**	**(341.3)**	**218.3**	**(101.5)**	**(4.0)**	**43.2**
Credit related commitments before provision for impairment (Note 34)	**2,524.2**	**847.0**	**258.5**	**320.4**	**62.2**	**4,012.3**

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

Liquidity risk. Liquidity risk is defined as the ability of the Group to fulfill all its obligations to the clients and counterparties subject to the requirements of the local regulator unconditionally and promptly in the normal course of business as well as during crisis situations. The Group is subject to the liquidity risk caused by daily calls on its available cash resources from obligations to clients, settlements of interbank deposits, guarantees payments and other operations. The Group does not maintain cash resources to meet all of the above mentioned needs, performing on the basis of current market situation, information from business divisions and accrued historical data, a forecast of sufficient level of cash and liquidity reserves necessary for the fulfillment of obligations at a different time horizons.

33 Financial and Insurance Risk Management (Continued)

The Group liquidity risk management is aimed at ensuring timely and complete fulfillment of present payment obligations of all Group members on the condition of absolute compliance to the requirements of local regulator.

For this purpose the Group:

- maintains a stable and diversified liabilities structure including resources attracted from different groups of investors/clients into term instruments as well as into funds on demand,
- invests in highly liquid and liquid financial assets diversified by currencies and maturities for quick and effective coverage of unexpected gaps in liquidity;
- controls the usage of the current liquidity reserves and initiates an increase in those reserves by the way of optimization of the usage of financial assets in place;
- has an opportunity to attract funds from financial markets in short period of time.

Policy and Procedures. The Bank's Treasury performs analysis and forecasts and advices Management on regulation of short-term, medium-term and long-term liquidity to satisfy Group members needs. Liquidity position and execution of requirements on managing the liquidity risk are controlled by the ALMC of the Bank. Liquidity risk is assessed, managed and controlled on the basis of "Policy of "Sberbank of Russia" OJSC for liquidity risk management", "Standard of "Sberbank of Russia" OJSC for liquidity risk-metrics calculation" and the guidelines of the Bank of Russia, local regulators and the Basel Committee for Banking Supervision. The Bank performs control and management over liquidity on the level of the Group including the coordination of all external borrowings of the Group members in order to minimize the cost of funding taking into the account the current macroeconomic enviroment and market conditions.

The managing bodies of banking subsidiaries are responsible for efficiently managing and controlling the liquidity of banking subsidiaries. They are also responsible for monitoring limits and controls required by the Group's internal regulations and the requirements of local regulators. Assessment, management and control of banking subsidiaries liquidity risk are performed in accordance with unified Group standards.

Group liquidity risk management is based on the initiative of the Bank of Russia / local regulators taking into consideration the use of the best world practices and applies following methods of assessment and liquidity risk management instruments:

- forecasting key balance sheet line items of Group members by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficit and amounts of mandatory rules stated by local regulators;
- forecasting assets and liabilities structure for different scenarios of Group balance development to control the required volume of liquid assets in medium-term and long-term perspective in the context of making plans concerning funding;
- control and forecasting of amounts of the main liquidity factors on the basis of "Standard of "Sberbank of Russia" OJSC for liquidity risk-metrics calculation";
- settlement of limits for risk metrics including but not only components of risk appetite of the individual Group members as well as the Group in a whole;
- stress-testing of liquidity profile by analysis of different scenarios and stress phases as well as planning activities to maintain the required liquidity level during crisis.

33 Financial and Insurance Risk Management (Continued)

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities. The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity as at 31 December 2014 is set out below:

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
Liabilities						
Due to banks	1,850.8	1,453.9	297.8	77.6	52.3	3,732.4
Due to individuals	2,250.4	2,624.7	2,580.0	1,927.6	237.7	9,620.4
Due to corporate customers	3,767.3	1,277.3	250.8	649.2	368.1	6,312.7
Debt securities in issue	67.9	258.5	351.3	328.4	458.4	1,464.5
Other borrowed funds	54.9	155.9	207.0	95.2	45.3	558.3
Other financial liabilities (including derivative financial instruments)	444.2	294.0	167.8	170.5	162.1	1,238.6
Subordinated debt	—	7.3	39.0	109.2	885.9	1,041.4
Total liabilities	**8,435.5**	**6,071.6**	**3,893.7**	**3,357.7**	**2,209.8**	**23,968.3**
Credit related commitments	5,275.4	—	—	—	—	5,275.4

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity as at 31 December 2013 is set out below:

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
Liabilities						
Due to banks	1,675.1	176.8	179.9	53.0	51.1	2,135.9
Due to individuals	2,360.8	1,406.4	1,097.4	3,446.5	430.0	8,741.1
Due to corporate customers	1,303.4	442.5	186.1	1,707.2	97.2	3,736.4
Debt securities in issue	73.9	197.1	183.0	217.7	284.0	955.7
Other borrowed funds	56.9	128.4	156.1	144.8	36.7	522.9
Other financial liabilities (including derivative financial instruments)	179.7	49.8	21.6	39.7	26.0	316.8
Subordinated debt	—	2.8	22.4	54.8	515.7	595.7
Total liabilities	**5,649.8**	**2,403.8**	**1,846.5**	**5,663.7**	**1,440.7**	**17,004.5**
Credit related commitments	4,012.3	—	—	—	—	4,012.3

33 Financial and Insurance Risk Management (Continued)

Following principles underlying gap analysis presentation and the Group liquidity risk management are based on the mix of CBR initiatives and the Bank's practice:

- Cash and cash equivalents represent highly liquid assets and are classified as "on demand and less than 1 month";
- Trading securities, securities designated as at fair value through profit or loss and highly liquid portion of investment securities available-for-sale are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in gap analysis table as "on demand and less than 1 month";
- Investment securities available-for-sale which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "no stated maturity" (for equities);
- Investment securities held-to-maturity including those pledged under repurchase agreements are classified based on the remaining contractual maturities;
- Highly liquid portion of securities pledged under repurchase agreements is disclosed based on the remaining maturities of repurchase agreements;
- Loans and advances to customers, amounts due from banks, other assets, debt securities in issue, amounts due to banks, other borrowed funds and other liabilities are included into gap analysis table based on remaining contractual maturities (for loans and advances to customers "overdue" category represents only actual payments which were overdue);
- Customer deposits aren't disclosed as "on demand and less than 1 month" although customers have an opportunity to withdraw money from any account, including term deposits, before maturity date, losing the right on accrued interest. Customer deposits diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long-term and stable source of funding, and as a result they are allocated per expected time of funds outflow in the gap analysis table on the basis of statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances.

33 Financial and Insurance Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2014 is set out below.

in billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,308.8	—	—	—	—	—	**2,308.8**
Mandatory cash balances with central banks	150.9	70.3	34.6	77.2	32.7	—	**365.7**
Trading securities	37.3	—	—	—	—	—	**37.3**
Securities designated as at fair value through profit or loss	77.7	—	—	—	—	—	**77.7**
Due from banks	143.9	28.3	24.4	29.0	15.2	—	**240.8**
Loans and advances to customers	937.8	1,817.1	2,425.6	5,252.0	7,131.6	192.5	**17,756.6**
Securities pledged under repurchase agreements	828.5	18.8	37.3	131.5	153.2	—	**1,169.3**
Investment securities available-for-sale	782.7	1.8	3.1	11.8	29.7	0.6	**829.7**
Investment securities held-to-maturity	1.5	5.2	7.4	21.9	81.9	—	**117.9**
Deferred income tax asset	—	—	—	—	—	19.1	**19.1**
Premises and equipment	—	—	—	—	—	496.4	**496.4**
Assets of the disposal group and non-current assets held for sale	72.0	—	—	—	—	—	**72.0**
Other assets	558.9	265.0	351.7	322.0	123.7	88.2	**1,709.5**
Total assets	**5,900.0**	**2,206.5**	**2,884.1**	**5,845.4**	**7,568.0**	**796.8**	**25,200.8**
Liabilities							
Due to banks	1,835.3	1,410.9	274.0	74.9	44.9	—	**3,640.0**
Due to individuals	1,958.0	1,700.7	1,659.3	3,551.7	458.7	—	**9,328.4**
Due to corporate customers	2,433.8	891.0	178.2	1,711.6	1,019.9	—	**6,234.5**
Debt securities in issue	64.4	239.2	320.0	271.9	407.1	—	**1,302.6**
Other borrowed funds	52.6	152.6	200.3	90.0	41.7	—	**537.2**
Deferred income tax liability	—	—	—	—	—	45.3	**45.3**
Liabilities of the disposal group	58.2	—	—	—	—	—	**58.2**
Other liabilities	222.0	329.3	234.9	189.3	191.7	97.8	**1,265.0**
Subordinated debt	—	0.8	—	17.9	750.8	—	**769.5**
Total liabilities	**6,624.3**	**4,724.5**	**2,866.7**	**5,907.3**	**2,914.8**	**143.1**	**23,180.7**
Net liquidity gap	**(724.3)**	**(2,518.0)**	**17.4**	**(61.9)**	**4,653.2**	**653.7**	**2,020.1**
Cumulative liquidity gap as at 31 December 2014	**(724.3)**	**(3,242.3)**	**(3,224.9)**	**(3,286.8)**	**1,366.4**	**2,020.1**	**—**

In 2014 due to geopolitical tensions, the Group increased the volume of funds borrowed from the Bank of Russia, and other state and municipal organizations and bodies (Note 18 and 39). Traditionally, at the end of the calendar year, the state and municipal organizations place funds in short term instruments of the Group, as a result, a significant part of these resources has maturity up to 1 month. Funds attracted from the Bank of Russia predominantly have maturity up to 6 months (almost all of them are attracted under the Regulation №312-P of the Bank of Russia). The Group's management believes that given the efforts of the Bank of Russia to extend funding facilities to the Russian banking system and the expected inflow of funds into customer accounts of state and municipal organizations, the Group will be able to further maintain the comfortable level of these resources. In order to mitigate further liquidity gap increase the Group has set a well-established and regular process of raising funding by using the Bank of Russia refinancing instruments (mainly loans under the Regulation №312-P of CBR). Furthermore, the Group constantly increases the range of refinancing instruments available.

33 Financial and Insurance Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2013 is set out below.

in billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	1,327.0	—	—	—	—	—	**1,327.0**
Mandatory cash balances with central banks	72.2	37.1	26.2	101.0	15.0	—	**251.5**
Trading securities	101.2	—	—	—	—	—	**101.2**
Securities designated as at fair value through profit or loss	17.5	—	—	—	—	—	**17.5**
Due from banks	185.2	112.6	18.8	9.2	4.7	—	**330.5**
Loans and advances to customers	616.9	1,337.6	1,941.4	4,200.0	4,743.9	93.9	**12,933.7**
Securities pledged under repurchase agreements	1,094.0	9.9	25.5	39.1	175.3	—	**1,343.8**
Investment securities available-for-sale	444.6	4.5	2.0	6.0	18.8	0.3	**476.2**
Investment securities held-to-maturity	0.5	20.6	28.4	55.0	98.0	—	**202.5**
Deferred income tax asset	—	—	—	—	—	12.3	**12.3**
Premises and equipment	—	—	—	—	—	477.3	**477.3**
Assets of the disposal group and non-current assets held for sale	3.1	—	—	—	—	—	**3.1**
Other assets	311.2	89.9	32.4	115.7	82.2	102.3	**733.7**
Total assets	**4,173.4**	**1,612.2**	**2,074.7**	**4,526.0**	**5,137.9**	**686.1**	**18,210.3**
Liabilities							
Due to banks	1,669.1	176.8	169.9	50.1	45.4	—	**2,111.3**
Due to individuals	2,337.2	1,301.5	1,019.7	3,349.5	427.8	0.1	**8,435.8**
Due to corporate customers	1,298.8	414.8	162.2	1,659.5	93.1	—	**3,628.4**
Debt securities in issue	72.3	186.7	165.9	178.7	249.8	—	**853.4**
Other borrowed funds	48.5	125.5	150.3	137.2	37.6	—	**499.1**
Deferred income tax liability	—	—	—	—	—	23.8	**23.8**
Liabilities of the disposal group	0.2	—	—	—	—	—	**0.2**
Other liabilities	180.5	67.7	23.3	36.6	22.6	21.5	**352.2**
Subordinated debt	—	—	—	4.5	420.2	—	**424.7**
Total liabilities	**5,606.6**	**2,273.0**	**1,691.3**	**5,416.1**	**1,296.5**	**45.4**	**16,328.9**
Net liquidity gap	**(1,433.2)**	**(660.8)**	**383.4**	**(890.1)**	**3,841.4**	**640.7**	**1,881.4**
Cumulative liquidity gap as at 31 December 2013	**(1,433.2)**	**(2,094.0)**	**(1,710.6)**	**(2,600.7)**	**1,240.7**	**1,881.4**	**—**

Insurance risk. The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- *Mortality and morbidity rates*

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

33 Financial and Insurance Risk Management (Continued)

- *Longevity*

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

- *Investment return*

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

- *Expenses*

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

- *Lapse and surrender rates*

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

- *Discount rate*

Life insurance and pension liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

- *Minimal interest guarantees*

According to the current legislation the Group has a liability for at least zero rate interest return on assets covering pension contribution received from Pension Fund of the Russian Federation and other non-state pension funds. Financial responsibility of the Group will include non-negative investment return over assets covering pension liabilities during each five years period of contract term starting from 1 January 2015.

Operational Risk. Operational risk is the risk of Group losses caused by defects of internal processes, functioning of informational systems, unapproved/unlawful actions or mistakes of employees as well as due to external events.

Operational risk management system is defined by the Policy for operational risk management and aimed at prevention of such risk or maximum possible decrease of potential loss danger (direct and/or related) connected to internal process organization and external factors (events), measurement of operational risk for the calculation of necessary regulatory and economic capital as well as generation of adequate system of internal control.

Operational risk management process in Group includes following basic phases:

- operational risk identification;
- operational risk assessment;
- analysis of problem zones of processes, development of solution and decision- making concerning optimization / change in processes in order to decrease operational risk level;
- operational risk monitoring;
- control and/or decrease of operational risk.

33 Financial and Insurance Risk Management (Continued)

In order to perform the phases mentioned above such operational risk management instruments as collection of internal data concerning losses caused by the realization of operational risk incidents, self-appraisal of departments and scenario analysis for operational risks are integrated in the Group.

Risk-coordinators were appointed in all organization departments of the Bank and group members who are employees whose composition of functions includes interaction with operational risk departments concerning questions of identification, measurement, monitoring and control over operational risk. In particular risk-coordinators inform about realized incidents of operational risk as well as measure potential risks during self-appraisal.

In order to monitor operational risk the Group uses the system of reports for the management and collegial bodies, involved in risk management process. Operational risk reporting is formed on daily, monthly and quarterly basis.

Evaluation of risk data and incurred losses allow identifying areas of risk concentration for further development of measures which would contribute to the decrease in Group's risk level. Performed in 2014 risk mitigation measures were consistent and aimed to improve the existing processes and technologies of operations performance. Those measures and the level of residual risk are monitored on a regular basis by business units and operational risk units, as well as by management and executive bodies of the Bank and the Group.

In order to prevent or/and decrease losses arised from operational risk the Group has developed and used mechanisms and procedures such as overall reglamentation of business-processes and procedures, segregation of duties, rules and procedures for deals and transactions execution, control over credit limit discipline, action plan for information security, continuity, improvement of an audit procedures and quality control over performance of automatized systems and hardware complex, property and assets insurance, ongoing professional development of staff across the Group's hierarchy, etc.

Compliance Risk. Compliance risk is the risk of legal or other regulator bodies' sanctions, material finance loss or loss to reputation the Bank or Group member may suffer as a result of its failure to comply with laws, regulations, rules , related self-regulatory organization standards and code or conduct applicable to its banking activities.

The Group's main focus areas in the compliance risk management are as follows:

- prevention of abuse of authority and corruption of the Group employees;
- avoidance and regulation of conflicts of interest which appear in the Group normal course of activity;
- anti-money laundering and financing of terrorism;
- compliance with global markets license and other regulations;
- market behavior and fair play compliance during the global market trading, prevention of unfair business practice (insider trading, price manipulation and etc.);
- compliance with economic sanctions and restrictions set up by the Russian Federation, other countries and international organizations;
- assurance of customer rights, including investment activity.

As a result of work in those areas Group has developed and approved internal compliance documents and control procedures. Compliance control is organized consistently with involvement of all Group employees and is performed continuously.

Compliance risk identification is performed by monitoring and analyzing of:

- changes in legislation and regulation;
- results of regulatory authorities' audit, internal control division, revisions and audit of Group, risk valuation and risk analyzing divisions, compliance risk results;
- new products and processes, current products and processes, as well as changes in those.

Compliance principles, standards and procedures are mandatory for all Group members.

34 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of the claims. During the year ended 31 December 2014 the Group recognized provision in the consolidated statement of profit or loss in the amount of RR 0.8 billion (for the year ended 31 December 2013: 0.1 billion) for the claims on which the Group expects cash outflows in the amount of RR 1.6 billion (31 December 2013: 0.8 billion).

Tax legislation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities.

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

Starting 2012 the Group has developed and introduced methodology of compliance with the Russian transfer pricing legislation which was applied by the Group with respect to “controlled” transactions in 2014. Deviation of prices applied by the Group in certain “controlled” transactions from market prices calculated in accordance with the Russian transfer pricing rules resulted in accrual by the Group of additional tax liabilities which amount in 2014 does not have material effect on these consolidated financial statements.

Federal law No. 376-FZ dated 24 November 2014 (widely known as “controlled foreign companies” law) introduced in the Russian tax legislation the concept of “controlled foreign companies” and rules for taxation of their profit in the Russian Federation. The adoption of this law generally leads to an increase in the administrative and in several cases tax burden for the Russian entities that have subsidiary structures incorporated outside the Russian Federation.

The Group operates in various foreign jurisdictions and includes, inter alia, subsidiary companies and banks incorporated in Belarus, Ukraine, Kazakhstan, Turkey, Switzerland, Austria, Hungary, Croatia, Slovenia, Serbia, Slovakia, Czech Republic, Bosnia and Herzegovina and other countries.

No assurance can currently be given as to the possible impact of new rules introduced by the Law № 376-FZ on the Group’s tax obligations. At the same time profit of foreign subsidiary banks incorporated in countries which have valid double taxation agreements with the Russian Federation and support the exchange of information with the Russian tax authorities for tax purposes should not be taxed in the Russian Federation. Moreover, there should be no actual impact of the rules introduced by the Law № 376-FZ on the financial results of the Group in 2014 due to the fact that additional tax liabilities arising under these new rules (if any) will be reflected in future reporting periods.

Capital expenditure commitments. As at 31 December 2014 the Group had contractual capital expenditure commitments in respect of premises and equipment totaling RR 5.4 billion (31 December 2013: RR 13.9 billion) and in respect of computer equipment acquisition of RR 18.3 billion (31 December 2013: RR 9.2 billion). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

34 Contingencies and Commitments (Continued)

Operating lease commitments. When the Group is the lessee, the future minimum lease payments under operating leases, both cancellable and non-cancellable, are as follows:

		31 December 2014		31 December 2013
In billions of Russian Roubles	**Lease payments under cancellable operating lease**	**Lease payments under non-cancellable operating lease**	**Lease payments under cancellable operating lease**	**Lease payments under non-cancellable operating lease**
Not later than 1 year	17.0	3.3	13.2	1.8
Later than 1 year and not later than 5 years	55.7	15.6	29.7	5.5
Later than 5 years	46.0	24.9	29.2	4.2
Total operating lease commitments	**118.7**	**43.8**	**72.1**	**11.5**

Credit related commitments. The primary purpose of credit related commitments instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet the obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than direct lending.

Commitments to extend credit represent unused portions of authorizations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

in billions of Russian Roubles	**31 December 2014**	**31 December 2013**
Guarantees issued	1,951.7	1,362.4
Commitments to extend credit	1,710.8	1,477.8
Undrawn credit lines	820.3	545.7
Export letters of credit	541.9	399.5
Import letters of credit and letters of credit for domestic settlements	250.7	226.9
Total credit related commitments before provision	**5,275.4**	**4,012.3**
Provision	(9.3)	(2.1)
Total credit related commitments after provision	**5,266.1**	**4,010.2**

At 31 December 2014 included in Due to corporate customers are deposits of RR 118.3 billion (31 December 2013: RR 107.7 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 18.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash payments, as these financial instruments may expire or terminate without any payments being made.

34 Contingencies and Commitments (Continued)

The analyses of provision for impairment of credit related commitments for the year ended 31 December 2014 and 31 December 2013 is presented below:

in billions of Russian Roubles	2014	2013
Provision for impairment as at 1 January	**2.1**	**2.0**
Net provision charge during the year	5.9	0.6
Foreign currencies translation	1.3	(0.5)
Provision for impairment as at 31 December	**9.3**	**2.1**

Assets under management. As at 31 December 2014 and 31 December 2013 several asset management companies of the Group were managing assets of various investment entities. The net value of such assets was as follows:

In billions of Russian Roubles	31 December 2014	31 December 2013
Pension funds and insurance companies	60.6	90.7
Designated funds	39.6	3.9
Mutual investment funds	27.7	25.3
Individual	7.5	8.9
Venture funds	2.0	2.6
Hedge funds	—	5.2
Other	5.0	6.2
Total	**142.4**	**142.8**

35 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. Fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

Fair value of forward contracts is calculated as present value of amounts receivable less present value of amounts payable. The inputs in the discounted cash flows model used are forward exchange rate quotations and quoted implied depo rates. Such instruments are classified as level 2 of fair value hierarchy. Refer to Note 36.

Fair value of option contracts is calculated using the Black-Scholes model and for certain types of options using stochastic local volatility model. Adjustments for credit risk are made where appropriate. The main inputs of this model are current market price and implied volatility. Where these inputs could be observed on the open market, the carrying amounts are disclosed as level 2 of fair value hierarchy. Otherwise, the amounts are disclosed as level 3. Refer to Note 36.

The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

35 Derivative Financial Instruments (continued)

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2014:

	Fair value of principal debt amount or agreed amount			
In billions of Russian Roubles	**Receivables**	**Payables**	**Assets - Positive fair value**	**Liabilities - Negative fair value**
Foreign currency:				
Market swaps	474.0	(493.7)	15.4	(35.1)
OTC options	363.2	(304.8)	225.8	(167.4)
OTC swaps	1,331.2	(1,397.2)	65.0	(131.0)
Forwards	562.6	(537.1)	100.2	(74.7)
Futures	1.5	(5.1)	1.5	(5.1)
Total	**2,732.5**	**(2,737.9)**	**407.9**	**(413.3)**
Interest rate:				
Market options	4.0	(4.0)	—	—
Market swaps	12.4	(12.2)	0.2	—
OTC options	3.0	(2.8)	2.9	(2.7)
OTC swaps	307.6	(297.7)	40.5	(30.6)
Forwards	—	—	—	—
Futures	0.7	(0.6)	0.7	(0.6)
Total	**327.7**	**(317.3)**	**44.3**	**(33.9)**
Foreign currency interest rate:				
OTC swaps	1,254.0	(1,223.4)	282.6	(252.0)
Total	**1,254.0**	**(1,223.4)**	**282.6**	**(252.0)**
Commodities including precious metals:				
Market options	0.4	(0.2)	0.2	—
OTC options	49.7	(47.2)	45.4	(42.9)
OTC swaps	91.8	(83.9)	7.9	—
Forwards	0.6	(2.1)	0.1	(1.6)
Futures	0.7	(0.2)	0.7	(0.2)
Total	**143.2**	**(133.6)**	**54.3**	**(44.7)**
Equities:				
Market options	1.1	(1.7)	1.1	(1.7)
OTC options	0.6	(0.5)	0.6	(0.5)
Forwards	0.6	(0.3)	0.6	(0.3)
Futures	0.5	(0.5)	0.5	(0.5)
Total	**2.8**	**(3.0)**	**2.8**	**(3.0)**
Debt securities:				
Market options	1.0	—	1.0	—
Futures	0.1	(0.1)	0.1	(0.1)
Total	**1.1**	**(0.1)**	**1.1**	**(0.1)**
Other:				
Market options	0.1	—	0.1	—
Total	**0.1**	**—**	**0.1**	**—**
Credit risk:				
OTC swaps	16.4	(3.2)	13.6	(0.4)
Total	**16.4**	**(3.2)**	**13.6**	**(0.4)**
Total	**4,477.8**	**(4,418.5)**	**806.7**	**(747.4)**

35 Derivative Financial Instruments (continued)

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2013:

In billions of Russian Roubles	Fair value of principal debt amount or agreed amount: Receivables	Payables	Assets - Positive fair value	Liabilities - Negative fair value
Foreign currency:				
Market swaps	35.9	(36.0)	—	(0.1)
OTC options	294.4	(291.6)	24.9	(22.1)
OTC swaps	1,301.3	(1,287.0)	18.7	(4.4)
Forwards	317.0	(316.1)	3.1	(2.2)
Futures	0.7	(0.7)	0.7	(0.7)
Total	**1,949.3**	**(1,931.4)**	**47.4**	**(29.5)**
Interest rate:				
Market options	2.6	(2.6)	—	—
Market swaps	5.8	(5.7)	0.1	—
OTC options	3.6	(3.6)	0.8	(0.8)
OTC swaps	139.3	(139.0)	13.1	(12.8)
Forwards	0.2	(0.2)	—	—
Total	**151.5**	**(151.1)**	**14.0**	**(13.6)**
Foreign currency interest rate:				
OTC swaps	837.5	(818.7)	35.4	(16.6)
Total	**837.5**	**(818.7)**	**35.4**	**(16.6)**
Commodities including precious metals:				
OTC options	10.3	(10.4)	4.4	(4.5)
OTC swaps	19.4	(15.1)	4.3	—
Forwards	3.6	(3.9)	0.2	(0.5)
Futures	0.6	(0.2)	0.6	(0.2)
Total	**33.9**	**(29.6)**	**9.5**	**(5.2)**
Equities:				
Market options	0.4	—	0.4	—
OTC options	2.3	(1.5)	1.0	(0.2)
OTC swaps	0.1	(0.4)	0.1	(0.4)
Forwards	0.3	—	0.3	—
Futures	0.1	(0.1)	0.1	(0.1)
Total	**3.2**	**(2.0)**	**1.9**	**(0.7)**
Other:				
Market options	0.1	—	0.1	—
OTC options	0.4	(0.4)	—	—
Forwards	0.2	—	0.2	—
Futures	0.1	—	0.1	—
Total	**0.8**	**(0.4)**	**0.4**	**—**
Credit risk:				
OTC swaps	1.1	(0.9)	0.3	(0.1)
Total	**1.1**	**(0.9)**	**0.3**	**(0.1)**
Total	**2,977.3**	**(2,934.1)**	**108.9**	**(65.7)**

During the year the Group has incurred a net loss on foreign currency derivatives in the amount of RR 161.4 billion (31 December 2013: a net gain of RR 1.1 billion) and incurred a net loss on precious metals derivatives in the amount of RR 0.1 billion (31 December 2013: a net loss of RR 4.4 billion), which is recorded in the Group's consolidated statement of profit or loss within net results arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation, and net results arising from operations with precious metals, precious metals derivatives and precious metals accounts translation correspondingly.

36 Fair Value Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The following table show an analysis of classes of assets carried at fair value by level of the fair value hierarchy as at 31 December 2014:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Trading securities	**30.5**	**6.2**	**0.6**	**37.3**
Corporate bonds	16.1	6.0	—	**22.1**
Federal loan bonds (OFZ bonds)	8.3	—	—	**8.3**
Corporate shares	2.6	0.2	0.6	**3.4**
Foreign government bonds	3.3	—	—	**3.3**
Municipal and subfederal bonds	0.2	—	—	**0.2**
Securities designated as at fair value through profit or loss	**56.1**	**7.1**	**14.5**	**77.7**
Corporate bonds	36.2	1.8	—	**38.0**
Corporate shares	0.2	—	13.6	**13.8**
Federal loan bonds (OFZ bonds)	12.4	—	—	**12.4**
Municipal and subfederal bonds	7.0	0.2	—	**7.2**
Investments in mutual funds	—	3.7	0.9	**4.6**
Foreign government bonds	—	1.4	—	**1.4**
Russian Federation Eurobonds	0.3	—	—	**0.3**
Securities pledged under repurchase agreements	**825.5**	**3.8**	**—**	**829.3**
Corporate bonds	307.8	3.8	—	**311.6**
Federal loan bonds (OFZ bonds)	251.8	—	—	**251.8**
Russian Federation Eurobonds	188.4	—	—	**188.4**
Foreign government bonds	55.5	—	—	**55.5**
Municipal and subfederal bonds	21.9	—	—	**21.9**
Corporate shares	0.1	—	—	**0.1**
Investment securities available-for-sale	**772.5**	**57.2**	**—**	**829.7**
Federal loan bonds (OFZ bonds)	364.4	—	—	**364.4**
Foreign government bonds	200.8	17.3	—	**218.1**
Corporate bonds	158.1	39.0	—	**197.1**
Municipal and subfederal bonds	24.0	—	—	**24.0**
Corporate shares	22.4	0.5	—	**22.9**
Russian Federation Eurobonds	2.8	—	—	**2.8**
Promissory notes	—	0.4	—	**0.4**
Derivative financial instruments	**3.5**	**784.0**	**19.2**	**806.7**
OTC swaps	—	391.9	17.7	**409.6**
OTC options	—	274.7	—	**274.7**
Forwards	—	100.9	—	**100.9**
Market swaps	—	15.6	—	**15.6**
Futures	3.5	—	—	**3.5**
Market options	—	0.9	1.5	**2.4**
Investment property	**—**	**—**	**7.1**	**7.1**
Office premises	**—**	**—**	**347.3**	**347.3**
Total assets carried at fair value	**1,688.1**	**858.3**	**388.7**	**2,935.1**

36 Fair Value Disclosures (continued)

The following table show an analysis of classes of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2014:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Due from banks	—	240.8	—	**240.8**
Loans and advances to customers	—	745.7	16,791.0	**17,536.7**
Investment securities held-to-maturity	119.7	1.7	—	**121.4**
Investment securities held-to-maturity pledged under repurchase agreement	297.7	—	—	**297.7**
Total assets for which fair values are disclosed	**417.4**	**988.2**	**16,791.0**	**18,196.6**

The following table shows an analysis of classes of liabilities carried at fair value and of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2014:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	**6.5**	**740.9**	**—**	**747.4**
OTC swaps	—	414.0	—	**414.0**
OTC options	—	213.5	—	**213.5**
Forwards	—	76.6	—	**76.6**
Market swaps	—	35.1	—	**35.1**
Futures	6.5	—	—	**6.5**
Market options	—	1.7	—	**1.7**
Obligation to deliver securities	**15.9**	**5.8**	**—**	**21.7**
Russian Federation Eurobonds	9.2	—	—	**9.2**
Corporate shares	5.2	—	—	**5.2**
Corporate bonds	0.1	4.9	—	**5.0**
Foreign government bonds	0.3	0.9	—	**1.2**
Federal loan bonds (OFZ bonds)	1.1	—	—	**1.1**
Equity linked notes and credit linked notes	**—**	**1.1**	**—**	**1.1**
Total liabilities carried at fair value	**22.4**	**747.8**	**—**	**770.2**
Liabilities for which fair values are disclosed				
Due to banks	—	3,640.8	—	**3,640.8**
Due to individuals	—	1,096.8	8,225.1	**9,321.9**
Due to corporate customers	—	885.9	5,313.1	**6,199.0**
Debt securities in issue	574.1	667.1	1.3	**1,242.5**
Other borrowed funds	—	543.7	—	**543.7**
Subordinated debt	169.9	542.1	—	**712.0**
Total liabilities for which fair values are disclosed	**744.0**	**7,376.4**	**13,539.5**	**21,659.9**

36 Fair Value Disclosures (continued)

Level 2 includes debt securities of first-class borrowers and derivative financial instruments that are not actively traded on the market. Fair value of these financial instruments was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable on the active market. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following describes the methodologies and assumptions used to determine fair values for financial instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs derived from well-known market information systems are mainly interest rate swaps, currency swaps, forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Option-pricing is mostly done with Black-Scholes model and for certain types of options with stochastic local volatility model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatility.

Trading securities, securities designated as at fair value through profit or loss and investment securities available-for-sale

Trading securities, securities designated as at fair value through profit or loss and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities measured as at fair value during the year ended 31 December 2014:

	Transfers between Level 1 and Level 2	
in billions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Trading securities	7.9	0.1
Securities designated as at fair value through profit or loss	0.8	0.4
Investment securities available-for-sale	4.8	3.5
Total transfers of financial assets	**13.5**	**4.0**
Financial liabilities		
Obligation to deliver securities	3.6	0.1
Total transfers of financial liabilities	**3.6**	**0.1**

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded. The liquidity of the market is not sufficient to use the market quotation for its valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

36 Fair Value Disclosures (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded as at fair value as at 31 December 2014:

in billions of Russian Roubles	At 31 December 2013	Total (losses)/gains reported in statement of profit or loss	Foreign currency revaluation	Purchases	Sales	Transfers from Level 3	Transfers to Level 3	At 31 December 2014
Financial assets								
Trading securities	**1.8**	(1.1)	—	—	(0.1)	—	—	**0.6**
Securities designated as at fair value through profit or loss	**9.1**	2.2	0.1	3.2	(0.1)	—	—	**14.5**
Derivative financial instruments	**17.6**	2.5	2.2	2.1	(5.0)	(0.2)	—	**19.2**
Investment property	**15.3**	1.2	0.2	0.5	(9.9)	(5.0)	4.8	**7.1**
Total level 3 financial assets	**43.8**	**4.8**	**2.5**	**5.8**	**(15.1)**	**(5.2)**	**4.8**	**41.4**
Financial liabilities								
Derivative financial instruments	**0.1**	(0.1)	—	—	—	—	—	—
Equity linked notes and credit linked notes	**1.0**	—	—	—	(1.0)	—	—	—
Total level 3 financial liabilities	**1.1**	**(0.1)**	—	—	**(1.0)**	—	—	—

For the year ended 31 December 2014 the gains in the amount of RR 4.2 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

Total losses recognized as profit or loss on trading securities which are presented in the table above are reported in the statement of profit or loss within net losses arising from trading securities.

Total gains recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the statement of profit or loss within net losses arising from securities designated as at fair value through profit or loss.

Total gains recognized as profit or loss on investment property which are presented in the table above are reported in the statement of profit or loss within other operating income.

Total results recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in the statement of profit or loss within net gains arising from operations with other derivatives.

Valuation of share in a real estate company of RR 5.9 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated capitalization rate which depend on forecasts on property prices. WACC as at 31 December 2014 is 18.6%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.5 billion lower / RR 0.5 billion higher. Should the capitalization rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.9 billion lower / RR 1.0 billion higher.

Valuation of non-voting share in a special investment fund (SIF) with investments in oil companies of RR 3.9 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. WACC as at 31 December 2014 is 13.5%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.04 billion lower / RR 0.04 billion higher.

36 Fair Value Disclosures (continued)

Valuation of investment in a mining company of RR 2.4 billion using valuation techniques based on non-observable inputs

Fair value of investments was determined based on net assets value, while valuation of the investments in the company's operational subsidiaries was based on discounted cash flow model using the following key assumptions: type of WACC, operational expenses, cost of investments, price and volume of sale.

WACC of operational companies as at 31 December 2014 is 11.9%, 14.7%, 15.8% and 18.0%. Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.2 billion lower / RR 0.2 billion higher.

Valuation of share in a company with a real estate located in Moscow of RR 1.2 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following income parameters: sale price and rental rate.

Should the income parameters used by the Group in the valuation model increase/decrease by 5.0%, the carrying value of the financial instrument would be RR 0.04 billion lower / RR 0.04 billion higher.

Valuation of investments in mutual fund which main assets comprised real estate investments of RR 0.8 billion using valuation techniques based on non-observable inputs

Fair value of investments in mutual funds' units whose main assets comprise real estate investments are determined based on fair value of properties. Each property is revalued regularly by independent appraisers using sales comparison and income approaches. Application of market average ranges, which is considered to be a reasonably possible change of assumptions used in valuation model for calculation of fair value of such units, results in increase/decrease of fair value by RR 0.08 billion in case of application of the highest/lowest end of the range respectively.

Valuation of share in an airline company of RR 0.6 billion using valuation techniques based on non-observable inputs

Investment in an airline company is valued using guideline companies method (combination of trading and transaction multiples). Following multiples were applied for calculation of fair value of the investment: EV/EBITDA.

The following significant assumptions were used in the model: ratio (50% / 50%) applied to the results derived from trading and transaction multiples valuation models, discount (53.4%) related to current market risks applied to trading and transaction multiples. As of 31 December 2014 the most significant assumption used in the model was the discount.

The potential effect of measuring the fair value based on the trading and deals multiple without applying the discount, which is considered a reasonably possible alternative assumption, would result in an increase of the fair value by RR 0.7 billion.

Valuation of foreign currency and precious metals derivatives contracts of RR 17.7 billion using non-observable inputs

The inputs used for estimation of fair values of foreign currency derivatives as at 31 December 2014 were the adjusted yields to maturity of the Belarusian Eurobonds in USD with different maturity dates varying from 16.5% to 19.2%. The input used for estimation of fair values of precious metals derivatives as at 31 December 2014 was the interest rate of attracting deposits in precious metals from individuals, which is 6.0%.

The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles which is 50.0%. Should the input rate for Belarusian roubles decrease for 2000 base points the carrying value of the foreign currency derivatives would be RR 0.6 billion lower, the carrying value of the precious metals derivatives would be RR 0.3 billion lower.

36 Fair Value Disclosures (continued)

Valuation of market index derivatives contracts of RR 1.5 billion using non-observable inputs

These derivative financial assets are options whose underlying assets are quotes of certain market indices, published on a daily basis. The evaluation of these assets is based on the model valuation of derivatives. The model uses Black - Scholes option pricing model on the basis of market information about quotations benchmark indices, the historical volatility of the quotations with additional expert assumptions regarding the discount rate and the expiration date of the options.

On the basis of the current volatility of the reporting period most likely evolution of the underlying assets from +/- 4.46% to +/- 15.79% would impact on the fair value of derivatives in the range of RR+/- 0.1 billion.

The following table shows an analysis of classes of assets carried at fair value by level of the fair value hierarchy as at 31 December 2013:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Trading securities	**98.2**	**1.2**	**1.8**	**101.2**
Corporate bonds	57.3	0.6	—	**57.9**
Corporate shares	15.5	0.3	1.1	**16.9**
Federal loan bonds (OFZ bonds)	13.2	—	—	**13.2**
Russian Federation Eurobonds	6.6	—	—	**6.6**
Municipal and subfederal bonds	2.7	—	—	**2.7**
Foreign government bonds	2.0	0.3	—	**2.3**
Investments in mutual funds	0.9	—	0.7	**1.6**
Securities designated as at fair value through profit or loss	**7.5**	**0.9**	**9.1**	**17.5**
Corporate shares	—	—	7.9	**7.9**
Federal loan bonds (OFZ bonds)	7.1	—	—	**7.1**
Investments in mutual funds	—	0.3	1.1	**1.4**
Foreign government bonds	—	0.6	0.1	**0.7**
Corporate bonds	0.4	—	—	**0.4**
Securities pledged under repurchase agreements	**1,093.5**	**—**	**—**	**1,093.5**
Federal loan bonds (OFZ bonds)	576.0	—	—	**576.0**
Corporate bonds	348.9	—	—	**348.9**
Russian Federation Eurobonds	102.8	—	—	**102.8**
Municipal and subfederal bonds	51.4	—	—	**51.4**
Foreign government bonds	13.5	—	—	**13.5**
Corporate shares	0.9	—	—	**0.9**
Investment securities available-for-sale	**425.2**	**51.0**	**—**	**476.2**
Corporate bonds	117.0	38.9	—	**155.9**
Federal loan bonds (OFZ bonds)	142.6	—	—	**142.6**
Foreign government bonds	101.4	11.8	—	**113.2**
Russian Federation Eurobonds	30.2	—	—	**30.2**
Corporate shares	29.1	0.3	—	**29.4**
Municipal and subfederal bonds	4.9	—	—	**4.9**
Derivative financial instruments	**1.5**	**89.8**	**17.6**	**108.9**
OTC swaps	—	55.1	16.8	**71.9**
OTC options	—	30.3	0.8	**31.1**
Forwards	—	3.8	—	**3.8**
Futures	1.5	—	—	**1.5**
Market options	—	0.5	—	**0.5**
Market swaps	—	0.1	—	**0.1**
Investment property	**—**	**—**	**15.3**	**15.3**
Office premises	**—**	**—**	**318.3**	**318.3**
Total assets carried at fair value	**1,625.9**	**142.9**	**362.1**	**2,130.9**

36 Fair Value Disclosures (continued)

The following table shows an analysis of classes of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2013:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Due from banks	—	330.5	—	**330.5**
Loans and advances to customers	—	118.5	13,243.0	**13,361.5**
Investment securities held-to-maturity	199.3	0.9	—	**200.2**
Investment securities held-to-maturity pledged under repurchase agreement	250.3	—	—	**250.3**
Total assets for which fair values are disclosed	**449.6**	**449.9**	**13,243.0**	**14,142.5**

The following table shows an analysis of classes of liabilities carried at fair value and of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2013:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	**1.0**	**64.6**	**0.1**	**65.7**
OTC swaps	—	34.3	—	**34.3**
OTC options	—	27.5	0.1	**27.6**
Forwards	—	2.7	—	**2.7**
Futures	1.0	—	—	**1.0**
Market swaps	—	0.1	—	**0.1**
Obligation to deliver securities	**19.9**	**1.5**	**—**	**21.4**
Corporate bonds	13.3	1.0	—	**14.3**
Corporate shares	4.2	—	—	**4.2**
Foreign government bonds	1.3	0.5	—	**1.8**
Russian Federation Eurobonds	0.8	—	—	**0.8**
Federal loan bonds (OFZ bonds)	0.3	—	—	**0.3**
Equity linked notes and credit linked notes	**—**	**0.4**	**1.0**	**1.4**
Total liabilities carried at fair value	**20.9**	**66.5**	**1.1**	**88.5**
Liabilities for which fair values are disclosed				
Due to banks	—	2,111.3	—	**2,111.3**
Due to individuals	—	154.2	8,276.1	**8,430.3**
Due to corporate customers	—	180.0	3,517.3	**3,697.3**
Debt securities in issue	341.7	518.1	—	**859.8**
Other borrowed funds	—	501.0	—	**501.0**
Subordinated debt	92.6	325.4	—	**418.0**
Total liabilities for which fair values are disclosed	**434.3**	**3,790.0**	**11,793.4**	**16,017.7**

36 Fair Value Disclosures (continued)

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities measured as at fair value during the year ended 31 December 2013:

	Transfers between Level 1 and Level 2	
in billions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Trading securities	—	0.6
Investment securities available-for-sale	2.1	0.6
Total transfers of financial assets	**2.1**	**1.2**
Financial liabilities		
Obligation to deliver securities	—	0.8
Total transfers of financial liabilities	**—**	**0.8**

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded. The liquidity of the market is not sufficient to use the market quotation for its valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded as at fair value as at 31 December 2013:

in billions of Russian Roubles	**At 31 December 2012**	**Total (losses)/gains reported in statement of profit or loss**	**Foreign currency revaluation**	**Purchases**	**Sales**	**Transfers from Level 3**	**Transfers to Level 3**	**At 31 December 2013**
Financial assets								
Trading securities	**0.9**	0.8	—	0.1	(1.0)	—	1.0	**1.8**
Securities designated as at fair value through profit or loss	**7.1**	(4.0)	—	7.6	(1.6)	—	—	**9.1**
Investment securities available-for-sale	**18.1**	—	—	—	(5.2)	(12.9)	—	**—**
Derivative financial instruments	**22.2**	1.2	(0.6)	0.2	(5.1)	(0.3)	—	**17.6**
Investment property	**15.3**	(0.1)	—	0.5	(0.4)	—	—	**15.3**
Total level 3 financial assets	**63.6**	**(2.1)**	**(0.6)**	**8.4**	**(13.3)**	**(13.2)**	**1.0**	**43.8**
Financial liabilities								
Derivative financial instruments	**0.3**	0.1	—	—	(0.3)	—	—	**0.1**
Equity linked notes and credit linked notes	**1.0**	—	—	—	—	—	—	**1.0**
Total level 3 financial liabilities	**1.3**	**0.1**	**—**	**—**	**(0.3)**	**—**	**—**	**1.1**

36 Fair Value Disclosures (continued)

During the year ended 31 December 2013 there was a transfer of Investment securities available-for-sale representing shares of the Russian stock exchange from Level 3 to Level 1 as they became actively traded during the year ended 31 December 2013. The carrying amount of shares of the stock exchange as at the date of transfer was RR 13.7 billion.

For the year ended 31 December 2013 the losses in the amount of RR 4.1 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on trading securities which are presented in the table above are reported in the statement of profit or loss within net losses arising from trading securities.

Total losses recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the statement of profit or loss within net losses arising from securities designated as at fair value through profit or loss.

Total losses recognized as profit or loss on investment property which are presented in the table above are reported in the statement of profit or loss within other operating income.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in the statement of profit or loss within net gains arising from operations with other derivatives.

Valuation of securities designated as at fair value through profit or loss in a real estate company of RR 4.5 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated capitalization rate which depend on forecasts on property prices. As at 31 December 2013 the estimated value of the WACC used by the Group comprised 10.0%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.05 billion lower / RR 0.05 billion higher. Should the capitalization rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 1.1 billion lower / RR 1.0 billion higher.

Valuation of investments in mutual fund which main assets comprised real estate investments of RR 1.7 billion using valuation techniques based on non-observable inputs

Fair value of investments in mutual funds' units which main assets comprised real estate investments is determined based on fair value of property units. Each property unit is revalued regularly by independent appraisals using sales comparison and income approach. Application of market average rates, which is considered to be a reasonably possible change of assumptions used in valuation model for calculation of fair value of such units, resulted in increase/decrease of fair value by RR 0.07 billion in case of application of the highest / lowest level of the range respectively.

Valuation of share in a special oil and gas investment entity of RR 1.6 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. As at 31 December 2013 the estimated value of the WACC used by the Group comprised 10.0%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.03 billion lower / RR 0.03 billion higher.

36 Fair Value Disclosures (continued)

Valuation of foreign currency derivatives contracts and precious metals derivatives of RR 16.8 billion using non-observable inputs

The input used for estimation of fair values of foreign currency derivatives as at 31 December 2013 was the yield to maturity of the Belarusian Eurobonds in USD 7.5%. The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date 34.9%. Should the input rate for Belarusian roubles decrease for 1000 basis points the carrying value of the foreign currency derivatives would be 3.9% lower.

Fair values of financial assets and liabilities not accounted at fair value in the financial statements are disclosed below. There are following financial assets and financial liabilities not disclosed in the table below because their carrying amount is a reasonable approximation of fair value due to their short-term nature or repricing to current market rates:

- cash and cash equivalents,
- mandatory cash balances with central banks,
- other financial assets,
- other financial liabilities.

Fair values of financial assets not accounted at fair value in the financial statements are as follows:

	31 December 2014		31 December 2013	
in billions of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets carried at amortized cost				
Due from banks	240.8	240.8	330.5	330.5
Loans and advances to customers:				
- Commercial loans to legal entities	8,570.1	8,605.4	5,930.5	6,103.6
- Specialized loans to legal entities	4,530.9	4,489.4	3,366.0	3,531.0
- Consumer and other loans to individuals	1,762.7	1,642.7	1,612.7	1,691.4
- Mortgage loans to individuals	2,230.2	2,139.6	1,542.8	1,553.2
- Credit cards and overdrafts	500.6	500.6	328.4	328.5
- Car loans to individuals	162.1	159.0	153.3	153.8
Securities pledged under repurchase agreements:				
- Investment securities held-to-maturity pledged under repurchase agreements	340.0	297.7	250.3	250.3
Investment securities held-to-maturity	117.9	121.4	202.5	200.2
Total financial assets carried at amortized cost	**18,455.3**	**18,196.6**	**13,717.0**	**14,142.5**

36 Fair Value Disclosures (continued)

Fair values of financial liabilities not accounted at fair value in the financial statements are as follows:

	31 December 2014		31 December 2013	
in billions of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities carried at amortized cost				
Due to banks	3,640.0	3,640.8	2,111.3	2,111.3
Due to Individuals:				
- Current/demand accounts	1,886.2	1,886.2	1,748.4	1,748.4
- Term deposits	7,442.1	7,435.6	6,687.4	6,681.9
- Direct repo deals	0.1	0.1	—	—
Due to corporate customers:				
- Current/settlement accounts of state and public organizations	134.0	134.0	158.7	158.7
- Term deposits of state and public organizations	605.2	588.7	88.6	90.3
- Current/settlement accounts of other corporate customers	1,685.7	1,685.7	1,504.8	1,504.8
- Term deposits of other corporate customers	3,780.8	3,761.8	1,863.5	1,930.7
- Direct repo deals	28.8	28.8	12.8	12.8
Debt securities in issue:				
- Loan participation notes issued under the MTN programme of Sberbank	629.9	571.1	324.9	334.8
- Savings certificates	456.8	457.2	344.5	343.1
- Bonds issued:				
- on the local market	80.2	79.9	44.7	44.5
- on international capital markets	33.0	33.1	14.7	14.8
- Promissory notes	73.3	72.9	74.7	74.2
- Notes issued under the ECP programme of Sberbank	15.9	15.9	46.9	46.8
- Bonds issued under mortgage securitization programme of Sberbank	9.7	9.7	—	—
- Deposit certificates	2.7	2.7	1.6	1.6
Other borrowed funds	537.2	543.7	499.1	501.0
Subordinated debt:				
- Subordinated debt received by the Group from the Bank of Russia	503.9	503.9	303.3	303.3
- Subordinated debt received under the MTN programme of Sberbank	226.7	169.9	98.5	92.6
- Other Subordinated debt	38.9	38.2	22.9	22.1
Total financial liabilities carried at amortized cost	**21,811.1**	**21,659.9**	**15,951.3**	**16,017.7**

Financial instruments carried at fair value. Trading securities, securities designated at fair value through profit or loss, financial derivatives, available-for-sale financial assets, equity linked notes and credit linked notes, obligation to deliver securities are carried in the consolidated statement of financial position at fair value.

Cash and cash equivalents are carried at amortized cost which approximately equals their current fair value.

Refer to Note 3 for accounting policy on financial instruments carried at fair value.

36 Fair Value Disclosures (continued)

Loans and receivables carried at amortized cost. The fair value of floating rate instruments is normally their carrying amount. Due to significant changes in market situation interest rates for loans and advances to customers and due from banks issued at fixed interest rates can be revised. Therefore interest rates for loans issued just before reporting date do not differ significantly from interest rates for new credit instruments with similar credit risk and remaining maturity. If under the Group assessment interest rates for the loans issued before reporting date differ significantly from current interest rates for similar credit instruments the fair value for these loans is estimated. The estimation is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

Estimated fair value of other financial assets including trade debtors equals their carrying amount considering short-term nature of these assets.

Liabilities carried at amortized cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Group's credit risk and also depend on currency and maturity of the instrument and ranged from 0.01% p.a. to 26.3% p.a. (31 December 2013: from 0.0% p.a. to 28.5% p.a.).

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 35.

37 Transfers of Financial Assets

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

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business.

				31 December 2014				31 December 2013
	Due to banks		Due to customers		Due to banks		Due to customers	
in billions of Russian Roubles	Current value of assets	Carrying value of related liability	Current value of assets	Carrying value of related liability	Current value of assets	Carrying value of related liability	Current value of assets	Carrying value of related liability
Securities pledged under repurchase agreements	1,139.7	1,051.4	29.6	28.4	1,337.5	1,267.8	6.3	6.0
Securities issued by the Bank pledged under repurchase agreements	—	—	0.2	0.2	6.3	5.3	—	—
Securities of clients pledged under repurchase agreements	0.8	1.0	0.3	0.3	30.3	20.8	8.9	6.8
Total before margin calls	**1,140.5**	**1,052.4**	**30.1**	**28.9**	**1,374.1**	**1,293.9**	**15.2**	**12.8**
Other financial assets (margin calls under repurchase agreements)	0.1	—	0.2	—	0.7	—	0.6	—
Total	**1,140.6**	**1,052.4**	**30.3**	**28.9**	**1,374.8**	**1,293.9**	**15.8**	**12.8**

Refer to Note 12 for detailed information on types of securities pledged under repurchase agreements.

37 Transfers of Financial Assets (continued)

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The summary of the assets transferred without derecognition is presented below:

in billions of Russian Roubles	Carrying value of assets	Carrying value of related liability (31 December 2014)	Carrying value of assets	Carrying value of related liability (31 December 2013)
Cash and cash equivalents	0.1	0.1	0.1	0.1
Loans to corporate customers	2,114.3	2,022.3	125.3	110.8
Securities	44.1	40.3	28.5	28.5
Other assets	152.3	346.2	18.3	39.7
Total	**2,310.8**	**2,408.9**	**172.2**	**179.1**

Refer to Note 19 for detailed information on bonds issued under mortgage securitization programme of Sberbank.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

in billions of Russian Roubles	Amount of loans granted under repo agreements	Fair value of securities received as collateral (31 December 2014)	Amount of loans granted under repo agreements	Fair value of securities received as collateral (31 December 2013)
Cash and cash equivalents	36.0	38.8	27.2	28.6
Due from banks	82.1	102.4	131.3	154.8
Loans and advances to customers	121.5	210.1	137.0	202.8
Total	**239.6**	**351.3**	**295.5**	**386.2**

38 Offsetting of Financial Instruments

Financial instruments subject to offsetting, enforceable master netting (ISDA, RISDA, etc.) and similar arrangements are as follows as at 31 December 2014:

in billions of Russian Roubles	Gross amount of recognized financial assets/ liabilities	Gross amount of recognized financial assets/ liabilities set off in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount
Financial assets						
Derivative financial assets	705.7	(0.1)	705.6	(403.6)	(42.4)	259.6
Reverse repurchase agreements	239.6	—	239.6	(239.6)	—	—
Total financial assets	**945.3**	**(0.1)**	**945.2**	**(643.2)**	**(42.4)**	**259.6**
Financial liabilities						
Derivative financial liabilities	747.4	(0.1)	747.3	(403.6)	(147.6)	196.1
Direct repurchase agreements	1,081.3	—	1,081.3	(1,081.3)	—	—
Total financial liabilities	**1,828.7**	**(0.1)**	**1,828.6**	**(1,484.9)**	**(147.6)**	**196.1**

The comparative information as at 31 December 2013 is presented in the table below:

in billions of Russian Roubles	Gross amount of recognized financial assets/ liabilities	Gross amount of recognized financial assets/ liabilities set off in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount
Financial assets						
Derivative financial assets	69.5	(0.9)	68.6	(38.9)	(7.2)	22.5
Reverse repurchase agreements	295.5	—	295.5	(295.5)	—	—
Other financial assets	99.4	(0.2)	99.2	(2.2)	(0.6)	96.4
Total financial assets	**464.4**	**(1.1)**	**463.3**	**(336.6)**	**(7.8)**	**118.9**
Financial liabilities						
Derivative financial liabilities	82.2	(0.9)	81.3	(38.9)	(9.9)	32.5
Direct repurchase agreements	1,306.7	—	1,306.7	(1,306.7)	—	—
Other financial liabilities	6.2	(0.2)	6.0	(2.2)	(1.8)	2.0
Total financial liabilities	**1,395.1**	**(1.1)**	**1,394.0**	**(1,347.8)**	**(11.7)**	**34.5**

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

39 Related Party Transactions

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

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 40 for significant transactions with state-controlled entities and government bodies.

As at 31 December 2014 and 31 December 2013, the outstanding balances with the Bank of Russia and other related parties were as follows:

		31 December 2014		31 December 2013
in billions of Russian Roubles	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Assets				
Cash and cash equivalents	228.8	—	348.8	—
Mandatory cash balances with the Bank of Russia	142.7	—	112.3	—
Due from banks (contractual interest rates: 4.5% p.a. - 9.0% p.a.)	1.6	—	—	—
Gross loans and advances to customers (contractual interest rates: 9.0% p.a. - 20.0% p.a.)	—	18.9	—	14.0
Non-current assets held for sale and assets of the disposal group	—	5.6	—	—
Other assets	—	1.4	—	51.5
Liabilities				
Due to banks (contractual interest rates: 5.8% p.a. - 18.8% p.a.)	3,027.9	—	1,669.4	—
Due to individuals	—	5.8	—	6.6
Due to corporate customers (contractual interest rates: 0.3% p.a. - 14.1% p.a.)	—	2.0	—	0.6
Subordinated debt (contractual interest rate: 6.5% p.a.)	503.9	—	303.3	—
Other liabilities	—	1.0	—	3.4

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2014 and 31 December 2013 were as follows:

				Year ended 31 December
		2014		2013
in billions of Russian Roubles	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Interest income	0.2	2.1	0.1	1.6
Interest expense on subordinated debt	(26.4)	—	(19.5)	—
Interest expense other than on subordinated debt	(146.1)	(0.5)	(48.3)	(0.4)
Revenue of non-banking business activities	—	5.0	—	1.7
Commission expense	(1.7)	(0.3)	(1.5)	(0.8)
Other operating income	—	0.1	—	0.2

For the year ended 31 December 2014, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 2.8 billion (for the year ended 31 December 2013: RR 3.2 billion).

40 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled or significantly influenced by it. The Group provides the government-related entities with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with government-related entities are carried out on general market terms and constitute the minority of the Group's operations.

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2014 are disclosed below:

in billions of Russian Roubles		**Loans and advances to customers / Due from banks**	**Due to corporate customers / Due to banks**	**Guarantees issued**
Client	**Sector**			
Client 1	Oil and gas	119.7	133.9	25.5
Client 2	Energy	172.8	97.6	3.9
Client 3	Machinery	169.6	51.4	37.2
Client 4	Machinery	179.0	45.2	15.2
Client 5	Government and municipal bodies	—	217.5	—
Client 6	Energy	173.2	39.5	—
Client 7	Machinery	126.9	30.6	9.0
Client 8	Machinery	42.5	10.6	109.8
Client 9	Machinery	93.8	33.6	25.8
Client 10	Telecommunications	102.1	—	8.7
Client 11	Banking	—	—	100.0
Client 12	Energy	51.3	47.6	0.1
Client 13	Government and municipal bodies	—	89.5	—
Client 14	Oil and gas	—	62.8	—
Client 15	Banking	5.7	51.7	—
Client 16	Machinery	5.8	19.4	20.7
Client 17	Machinery	30.7	2.1	8.4
Client 18	Transport, aviation, space industry	6.0	9.1	25.6
Client 19	Transport, aviation, space industry	14.1	2.7	14.4
Client 20	Machinery	15.6	0.6	14.4

Additionally as at 31 December 2014 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 17.1 billion (31 December 2013: RR 54.0 billion) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other financial assets in the consolidated statement of financial position. Refer to Note 16.

40 Operations with State-Controlled Entities and Government Bodies (continued)

Balances with government-related entities as at 31 December 2013 disclosed below contain balances which are significant in terms of the carrying amount as at 31 December 2014 (Clients 1-20), and additional list of Clients with the balances which were significant as at 31 December 2013 (Clients 21-27):

in billions of Russian Roubles		**Loans and advances to customers / Due from banks**	**Due to corporate customers / Due to banks**	**Guarantees issued**
Client	**Sector**			
Client 1	Oil and gas	117.5	76.8	20.6
Client 2	Energy	163.3	38.6	—
Client 3	Machinery	134.9	45.0	23.5
Client 4	Machinery	115.7	36.2	16.0
Client 5	Government and municipal bodies	—	—	—
Client 6	Energy	147.7	19.0	—
Client 7	Machinery	98.9	—	8.4
Client 8	Machinery	22.0	—	98.2
Client 9	Machinery	48.3	15.8	3.5
Client 10	Telecommunications	116.0	—	5.9
Client 11	Banking	71.9	0.2	90.0
Client 12	Energy	—	61.9	0.1
Client 13	Government and municipal bodies	—	—	—
Client 14	Oil and gas	—	—	—
Client 15	Banking	8.3	54.3	—
Client 16	Machinery	—	—	13.5
Client 17	Machinery	21.6	4.4	5.6
Client 18	Transport, aviation, space industry	5.7	—	25.2
Client 19	Transport, aviation, space industry	7.9	—	11.6
Client 20	Machinery	9.5	—	13.1
Client 21	Oil and gas	—	34.2	—
Client 22	Transport, aviation, space industry	5.0	—	21.2
Client 23	Transport, aviation, space industry	—	—	22.7
Client 24	Transport, aviation, space industry	6.5	2.6	8.9
Client 25	Services	—	22.7	—
Client 26	Other	58.9	—	—
Client 27	Other	—	33.7	—

As at 31 December 2014 and 31 December 2013 the Group's investments in securities issued by government-related corporate entities were as follows:

		31 December 2014		**31 December 2013**
in billions of Russian Roubles	**Corporate bonds**	**Corporate shares**	**Corporate bonds**	**Corporate shares**
Trading securities	11.4	1.0	25.9	5.1
Securities designated as at fair value through profit or loss	36.3	0.2	—	—
Securities pledged under repurchase agreements	261.4	0.1	131.0	0.6
Investment securities available-for-sale	87.3	22.0	105.9	13.6
Investment securities held-to-maturity	15.8	—	19.7	—

For disclosures on investments in government debt securities please refer to Notes 9, 10, 12, 13 and 14.

41 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 December 2014:

Name	Nature of business	Percentage of ownership	Country of registration
DenizBank (DenizBank AS)	banking	99.85%	Turkey
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	98.43%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
JSC Sberbank of Russia	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.15%	Switzerland
Cetelem Bank LLC	banking	74.00%	Russia
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
Troika Dialog Group Ltd.	finance	100.00%	Cayman islands
LLC Insurance company “Sberbank insurance life”	finance	100.00%	Russia
CJSC Rublevo-Archangelskoe	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
LLC Aukcion	services	100.00%	Russia
PS Yandex.Money LLC	telecommunications	75.00% minus one Russian Rouble	Russia
CJSC Non-state Pension Fund of Sberbank	finance	100.00%	Russia

In June 2014 due the change in legal form of the company “Non-state Pension Fund of Sberbank” (Pension fund) to closed joint stock company the Group received 100% share in Pension fund free of charge. The Group is consolidating the Pension fund since 30 June 2014.

In January 2015 Pension fund became a member of policyholders’ rights guarantee system.

Amounts of fair values of assets/liabilities from the business combination at the acquisition date were as follows:

(unaudited) *in billions of Russian Roubles*	Fair value
Cash and cash equivalents	9.9
Securities designated as at fair value through profit and loss	51.1
Due from banks	20.9
Total assets	**81.9**
Other financial liabilities	(81.6)
Total liabilities	**(81.6)**
Fair value of net assets of subsidiary	**0.3**
Calculation of goodwill:	
Total purchase consideration	**–**
Fair value of net assets of subsidiary	**0.3**
Gain from a bargain purchase	**0.3**

The Group’s consolidated net profit for the year ended 31 December 2014 would not change materially if the acquisition occurred on 1 January 2014.

In February 2015 following negotiations held in 2014 the Group has signed share sale agreement to dispose of NPJSC Krasnaya Polyana. The execution of the share sale agreement is subject to the fulfilment of conditions precedent. The Group expects the share sale agreement to be executed within a period of less than twelve months after the reporting date and classified assets of RR 66.8 billion and liabilities of RR 58.0 billion of NPJSC Krasnaya Polyana as a disposal group as of 31 December 2014.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2014 was 20.4% (31 December 2013: 15.4%).

42 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia statutory capital ratio has to be maintained by the Bank above the minimum level of 10.0%. As at 31 December 2014 this regulatory capital adequacy ratio N1.0 was 11.4% (31 December 2013: 12.5%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation.

The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8.0%. As at 31 December 2014 and 31 December 2013, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

in billions of Russian Roubles	**31 December 2014**	**31 December 2013**
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	1,718.8	1,495.2
Treasury shares	(7.6)	(7.2)
less Goodwill	(23.7)	(20.2)
Total Tier 1 capital	***2,007.8***	***1,788.1***
Tier 2 capital		
Revaluation reserve for premises	72.3	75.8
Fair value reserve for investment securities available-for-sale	(77.1)	0.6
Foreign currency translation reserve	83.2	(13.7)
Eligible subordinated debt	753.4	420.1
less Investments in associates	(4.3)	(4.4)
Total Tier 2 capital	***827.5***	***478.4***
Total capital	**2,835.3**	**2,266.5**
Risk weighted assets (RWA)		
Credit risk	22,845.3	16,397.1
Market risk	519.7	550.0
Total risk weighted assets (RWA)	**23,365.0**	**16,947.1**
Core capital adequacy ratio (Total Tier 1 capital / Total RWA), %	**8.6**	**10.6**
Total capital adequacy ratio (Total capital / Total RWA), %	**12.1**	**13.4**

43 Subsequent Events

In March 2015, following the amendments to the Federal Law of the Russian Federation "On additional measures for supporting the financial system of the Russian Federation" terms and conditions on subordinated loans received from the Bank of Russia in the total nominal value of RR 500 billion were modified. The Bank elected the option provided by the above Federal law to prolong these subordinated debts for 50 years at 6.5% p.a. with the clause for unilateral (without consent form Bank of Russia) maturity extension of these subordinated instruments and ability for interest rate repricing after 31 December 2019.