DeltaCredit Bank JSC

Consolidated Financial Statements
and Independent Auditor's Report
for the year ended 31 December 2014

Contents

DELTACREDIT BANK JSC

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint- Stock Company DeltaCredit Bank (the "Bank"), and special purpose entity Limited Liability Company "Red and Black Prime Russia MBS No.1 Limited" (the "SPE"), (together "the Group") as of 31 December 2014, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issue by management on 15 April 2015:

On behalf of the Board of Management:

Michel Colbert,
Chairman of the Board of Management
Commercial Bank DeltaCredit, JSC

15 April 2015
Moscow

Elena Kudiik,
Chief Financial Officer
Commercial Bank DeltaCredit, JSC

15 April 2015
Moscow

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INDEPENDENT AUDITOR'S REPORT

To: Shareholder and Board of Directors of DeltaCredit Bank JSC.

We have audited the accompanying consolidated financial statements of DeltaCredit Bank JSC ("the Bank") and its special purpose entity Limited Liability Company "Red and Black Prime Russia MBS No.1 Limited" (collectively – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

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

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

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

We report our findings below:

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

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

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

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

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

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

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

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

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

Deloitte & Touche

15 April 2015
Moscow, Russia Federation

Svetlana Ploutalova, Partner
(certificate no. 01-000[illegible] dated March 19, 2012)

ZAO Deloitte & Touche CIS

DeltaCredit Bank JSC
Consolidated Statement of Financial Position as at 31 December 2014
(in thousands of Russian Rubles)

	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	5	6,277,638	3,634,175
Mandatory cash balances with the Central Bank of the Russian Federation (CBRF)	23	42,253	30,824
Amounts due from banks	6	5,341,164	3,179,398
Mortgage loans to individuals	7	122,611,158	93,078,708
Property, equipment and intangible assets	8	103,883	103,881
Assets acquired by adjudication	7	72,266	101,621
Other assets	9	1,060,334	595,868
Total assets		**135,508,696**	**100,724,475**
Liabilities			
Customer accounts	10	3,055,003	2,412,833
Amounts due to banks and other financial institutions	11	14,042,870	9,416,235
Financing from related parties	12	36,347,243	33,899,107
Bonds issued	13	63,652,213	39,587,365
Notes issued	14	1,155,274	911,383
Financial liabilities at fair value through profit or loss	15	93,097	79,201
Deferred tax liability	20	339,326	171,442
Other liabilities	9	308,339	258,922
Total liabilities		**118,993,365**	**86,736,488**
Shareholder's equity			
Share capital	16	2,430,763	2,430,763
Share premium		580,551	580,551
Retained earnings		13,450,777	10,981,359
Cumulative translation reserve		53,240	(4,686)
Total equity		**16,515,331**	**13,987,987**
Total liabilities and equity		**135,508,696**	**100,724,475**

Signed and authorised for release on behalf of the Board of Management of the Bank

Michel Colbert
Chairman of the Board of Management

15 April 2015
Moscow

Elena Kudlik
Chief Financial Officer

15 April 2015
Moscow

The accompanying notes on pages 10 to 71 are an integral part of these consolidated financial statements.

DeltaCredit Bank JSC
Consolidated Statement of Profit or Loss for the year ended 31 December 2014
(in thousands of Russian Rubles)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	17	13,720,730	10,130,239
Interest expense	17	(8,417,586)	(5,779,456)
Net interest income		**5,303,144**	**4,350,783**
Net loss from foreign exchange translation		(139,000)	(3,842)
Fee and commission income	18	577,827	488,888
Fee and commission expense	18	(201,501)	(139,738)
Net loss on financial liabilities at fair value through profit or loss		(28,667)	(27,165)
Other operating income	19	34,256	94,667
Net banking income		**5,546,059**	**4,763,593**
Personnel expenses		(989,402)	(817,454)
Depreciation expenses	8	(36,077)	(34,631)
Other operating expenses	19	(681,393)	(545,704)
Gross operating income		**3,839,187**	**3,365,804**
Loans impairment losses	7	(325,459)	(105,511)
Profit before income tax expense		**3,513,728**	**3,260,293**
Income tax expense	20	(744,310)	(653,993)
Net profit for the period		**2,769,418**	**2,606,300**

Michel Colbert
Chairman of the Board of Management

15 April 2015
Moscow

Elena Kudlik
Chief Financial Officer

15 April 2015
Moscow

The accompanying notes on pages 10 to 71 are an integral part of these consolidated financial statements.

	Year ended 31 December 2014	Year ended 31 December 2013
Net profit for the period	2,769,418	2,606,300
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	57,926	7,082
Other comprehensive income after income tax	**57,926**	**7,082**
Total comprehensive income	**2,827,344**	**2,613,382**

Michel Colbert
Chairman of the Board of Management

15 April 2015
Moscow

Elena Kudlik
Chief Financial Officer

15 April 2015
Moscow

The accompanying notes on pages 10 to 71 are an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Retained earnings	Cumulative translation reserve	Total
Balance as of 31 December 2012		**2,430,763**	**580,551**	**9,075,059**	**(11,768)**	**12,074,605**
Total comprehensive income for the period, net of income tax		-	-	2,606,300	7,082	2,613,382
Dividends declared and paid	16	-	-	(700,000)	-	(700,000)
Balance as of 31 December 2013		**2,430,763**	**580,551**	**10,981,359**	**(4,686)**	**13,987,987**
Total comprehensive income for the period, net of income tax		-	-	2,769,418	57,926	2,827,344
Dividends declared and paid	16	-	-	(300,000)	-	(300,000)
Balance as of 31 December 2014		**2,430,763**	**580,551**	**13,450,777**	**53,240**	**16,515,331**

Michel Colbert
Chairman of the Board of Management

15 April 2015
Moscow

Elena Kudlik
Chief Financial Officer

15 April 2015
Moscow

The accompanying notes on pages 10 to 71 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities			
Interest received		13,524,505	10,149,244
Interest paid		(8,047,084)	(5,480,266)
Fees and commissions received		535,119	459,054
Fees and commissions paid		(146,990)	(98,956)
Other operating income received		27,126	27,310
Operating expenses paid		(1,721,528)	(1,385,167)
Cash flows from operating activities before changes in operating assets and liabilities		**4,171,148**	**3,671,219**
Changes in operating assets and liabilities			
Net change in mandatory cash balances with the CBRF		(11,429)	21,113
Net change in amounts due from banks		(2,104,572)	1,830,425
Net change in mortgage loans to individuals		(13,588,625)	(17,568,145)
Net change in other assets		(405,767)	(351,979)
Net change in customer accounts		632,126	870,126
Net change in other liabilities		(43,424)	(35,205)
Cash used in operating activities before taxation		**(11,350,543)**	**(11,562,446)**
Income tax paid		(598,423)	(591,671)
Net cash used in operating activities		**(11,948,966)**	**(12,154,117)**
Cash flows from investing activities			
Acquisition of property, equipment and intangible assets	8	(37,337)	(46,563)
Net cash used in investing activities		**(37,337)**	**(46,563)**
Cash flows from financing activities			
Dividends paid on ordinary shares	16	(300,000)	(700,000)
Repayments of financing from related parties		(14,028,930)	(6,230,554)
Receipts of financing from related parties		7,000,000	1,205,032
Repayments of amounts due to to banks and other financial institutions		(2,273,811)	(2,333,355)
Receipts of amounts due from banks and other financial institutions		2,100,271	1,789,419
Proceeds from bonds issued		23,548,002	19,914,453
Repayment of securitized notes issued		(347,637)	(342,065)
Net cash from financing activities		**15,697,895**	**13,302,930**
Effect of exchange rate changes on cash and cash equivalents		**(1,068,129)**	**57,405**
Net increase in cash and cash equivalents		**2,643,463**	**1,159,655**
Cash and cash equivalents at the beginning of the period		3,634,175	2,474,520
Cash and cash equivalents at the end of the period	5	**6,277,638**	**3,634,175**

During the years ended 31 December 2014 and 31 December 2013, the Group obtained property received as collateral as non-cash settlement for uncollectible mortgage loans. These non-cash settlements in the amount of RUR 23,207 thousand (31 December 2013: RUR 37,076 thousand) were excluded from the consolidated statement of cash flows.

Michel Colbert
Chairman of the Board of Management

15 April 2015
Moscow

Elena Kudzik
Chief Financial Officer

15 April 2015
Moscow

The accompanying notes on pages 10 to 71 are an integral part of these consolidated financial statements.

1 Principal Activities

These consolidated financial statements include the financial statements of Commercial Bank DeltaCredit, Joint stock company (the "Bank"), and its special purpose entity Limited Liability Company "Red and Black Prime Russia MBS No.1 Limited" (the "SPE"), (together “the Group”).

The Bank is a commercial bank incorporated as a closed joint-stock company under the laws of the Russian Federation (“RF”). Up to January 2011 the immediate holding company of the Bank was DC Mortgage Finance Netherlands B.V. (“DCMF”), which was wholly-owned by Société Générale S.A. In January 2011 the first stage of the assets consolidation by Société Générale Group in Russia was completed. As a result, on 17 January 2011 the Bank was acquired by “Rosbank” PJSC (“Rosbank”). Rosbank is one of the largest privately owned banks in Russia in terms of network; it operates more than 700 outlets, covering over 70 of Russia’s regions. Société Générale is the principal shareholder of Rosbank owning 92.4% of its shares. Société Générale is the ultimate controlling party of the Bank.

The Bank operates under a banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 1999. The Bank’s original shareholders were JP Morgan Overseas Capital Corporation and Morgan Guarantee International Finance Corporation. The Bank previously operated as ZAO JP Morgan Bank, and on 24 July 2001 changed its name to DeltaCredit Bank.

The Bank has two termless licenses issued by the CBRF that allow the Bank to perform all types of banking operations according to the Federal Law on Banks and Banking Activity, except for operations with precious metals and making bank transfers without opening bank accounts. In February 2005, the Bank became a member of the deposit insurance system provided by the State Corporation “Agency for Deposit Insurance”.

The Bank’s registered office is located: 125009, Russia, Moscow, 4/7 Vozdvizhenka St., Bld. 2. The Bank currently maintains outlets in St. Petersburg, Nizhniy Novgorod, Samara, Chelyabinsk, Ekaterinburg, Novosibirsk, Perm, Kazan, Ufa, Krasnoyarsk, Tumen, Vladimir and Togliatti. The number of the Bank’s employees as at 31 December 2014 was 670 (31 December 2013: 623).

The SPE, a limited liability company, incorporated under the laws of Ireland under company registration number 432754 and having its registered office at Ireland, Dublin, 85 Merrion Square, was established for the purpose of purchasing the mortgage loan portfolio from the Bank and issuing notes against such portfolio.

The Bank is a specialized lender of which the core business is the provision of mortgage loans and mortgage loans purchases in the Russian Federation.

Residential mortgage products are distributed to retail customers through a distribution network with an emphasis on cost efficiency. The network consists of the Bank’s outlets and a regional network of partner banks.

Funding is obtained from both domestic and global financial markets from wholesale credit lines, issuance of debt securities and securitisation of loans.

As of 31 December 2014 and 31 December 2013, the shareholders, and the composition of the Board of Directors and Board of Management were as follows:

	31 December 2014		**31 December 2013**	
	% Ownership	**% Votes**	**% Ownership**	**% Votes**
“Rosbank” PJSC	100.0	100.0	100.0	100.0
	100.0	**100.0**	**100.0**	**100.0**

1 Principal Activities (continued)

Board of Directors as of	
31 December 2014	**31 December 2013**
Didier Hauguel	Didier Hauguel
Serge Ozerov	Serge Ozerov
Francois Bloch	Francois Bloch
Christian Schricke	Christian Schricke
Alexis Lacroix	Alexis Lacroix

Board of Management as of	
31 December 2014	**31 December 2013**
Elena Kudlik	Serge Ozerov
Irina Aslanova	Elena Kudlik
Natalia Bogacheva	Irina Aslanova
Denis Kovalev	Denis Kovalev

2 Basis of Presentation

General

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

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation in the retail segment. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

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

The Group presents its statement of financial position broadly in order of liquidity.

These consolidated financial statements are presented in thousands of RUR unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments as explained in the accounting policies below.

The Group's operations are highly integrated and primarily constitute a single industry segment, mortgage lending in the Russian Federation.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Bank is the RUR and that of the SPE is the United States Dollar ("USD"). The presentational currency of the consolidated financial statements of the Group is the RUR. All values are rounded to the nearest thousand RUR, except when otherwise indicated.

2 Basic of Presentation (continued)

Offsetting

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

3 Significant Accounting Policies

Basis of consolidation

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

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

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

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

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

Control over the SPE arose through the predetermination of the activities of the SPE (operating on “autopilot”). The Board of Directors of the SPE considered and resolved to enter into the transaction determined within the frames of the “autopilot” thereby placing contractual obligations on the SPE which it must adhere to or be in breach of its legal obligations. For this reason Management believes that the SPE must be consolidated, despite the fact the Bank does not hold a majority of voting rights in the SPE.

The Group’s mortgage portfolio includes the securitized mortgage loan pool. Management views that the majority of the risks and rewards of ownership of the securitized loan pool have been retained by the Group. Accordingly the Group has not derecognized the securitized mortgage pool from its consolidated statement of financial position.

Where necessary, adjustments are made to the financial statements of the SPE to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

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

3 Significant Accounting Policies (continued)

Recognition and measurement of financial instruments (continued)

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents are items that can be converted into cash within thirty days. All interbank placements including overnight placements with original maturity of less or equal to thirty days are also classified as cash and cash equivalents. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

Mandatory cash balances with the Central Bank of the Russian Federation

Mandatory cash balances with the CBRF represent the amount of obligatory reserves deposited with the CBRF in accordance with the requirements established by the CBRF. The mandatory cash balances with the CBRF are subject to restrictions on their availability, therefore for purposes of determining cash flows, the mandatory cash balances with the CBRF are not included as a cash equivalent. The Bank is required to maintain the mandatory cash balances with the CBRF at the constant basis.

3 Significant Accounting Policies (continued)

Due from banks

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

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified as valued at fair value through profit or loss if they meet any of the following conditions: (1) acquired principally for the purpose of selling them in the near future; (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking; or (3) are designated as derivatives (except for the case when a derivative is defined as an effective hedging instrument).

A financial asset or liability other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (2) the financial asset or liability forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The Group uses quoted market prices and pricing models to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated statement of profit or loss for the period. The Group does not reclassify financial instruments in or out of this category while they are held (except for cases of reclassification in accordance with amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosure").

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to mitigate its risk associated with interest rate risk.

Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting.

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

Reclassification of financial assets

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

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

3 Significant Accounting Policies (continued)

Reclassification of financial assets (continued)

- Financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

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

Mortgage loans to individuals

Loans originated by the Group by providing money directly to the borrower, other than those that are originated with the intent of being sold immediately or in the short-term, which are recorded as trading assets, are categorized as originated loans.

Loans to individuals, all rights for which were purchased by the Bank from other Russian banks in accordance with assignment agreements, other than those that are purchased with the intent of being sold immediately or in the short-term, are categorized as purchased loans.

Securitized loans represent loans to individuals which were transferred to the SPE under a Mortgage certificates purchase agreement in the course of a securitisation deal.

Originated loans and advances are recognized when cash is transferred to borrowers. Initially, both categories of loans are recorded at fair value adjusted for transaction costs and gains, and subsequently are carried at amortized cost using the effective interest method less allowance for loan impairment. Amortized cost is based on the fair value of cash consideration given determined by reference to market prices at origination date.

Allowance for impairment losses

Credit risk allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due according to the original contractual terms. For loans and receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the allowance is the difference between the carrying amount and the estimated recoverable amount of an individual loan, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the instrument's original effective interest rate.

The allowance for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the reporting date. These have been estimated based upon historical patterns of losses in each component and reflect the current economic environment in which the borrowers operate.

Restructured loans

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

3 Significant Accounting Policies (continued)

Write off of mortgage loans to individuals

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the management has exercised all available possibilities to collect amounts due to the Group and after the Group has sold all available collateral.

Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost less accumulated depreciation, amortization and allowance for impairment. Changes in the expected useful life are accounted for by changing the depreciation/ amortization period or method, as appropriate, and treated as changes in accounting estimates.

Leasehold improvements include expenditures incurred subsequent to entering a long-term operating lease of banking premises. The Group treats these expenses as leasehold improvements since they are directly attributable costs of bringing the premises to working condition for their intended use. The Bank assumes that it is highly probable that future economic benefits associated with the leasehold improvements will flow to the Bank. Leasehold improvements are stated at cost less accumulated depreciation and allowance for impairment, where required.

Depreciation is calculated using the straight-line method to write down the cost of property, equipment to their residual values, using the following depreciation rates:

Office and computer equipment	20%-25% per annum
Leasehold improvements	10% per annum
Motor vehicles	20% per annum

Intangible assets are generally amortized on a straight-line basis over their estimated useful lives which are generally from 2 to 10 years.

An item of property, equipment and intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other operating income or other operating expenses in the consolidated statement of profit or loss in the year the asset is derecognized.

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

Impairment of property, equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

3 Significant Accounting Policies (continued)

Impairment of property, equipment and intangible assets (continued)

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

Assets acquired by adjudication

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated statement of profit or loss as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred.

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

3 Significant Accounting Policies (continued)

Taxation (continued)

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

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

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

Borrowings

Borrowings, which include amounts due to banks and other financial institutions, bonds and notes issued and financing from related parties are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings, using the effective interest method.

Borrowings originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayments discounted at market interest rates for similar borrowings.

For borrowings from non-related parties, the difference between the fair value and the nominal value at origination is credited or charged to the consolidated statement of profit or loss as gains on origination of liabilities at rates below market or losses on origination of liabilities at rates above market. For borrowings from related parties, such differences are credited or charged directly to other comprehensive income. Subsequently, the carrying amount of such borrowings is adjusted for amortization of the gains/losses on origination and the related expense is recorded as interest expense within the consolidated statement of profit or loss using the effective interest method. If the Group purchases its own debt, it is 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 losses/gains arising from early retirement of debt.

Other credit-related commitments

In the normal course of business, the Group enters into other credit related commitments including guarantees. A specific allowance is recorded against other credit related commitments when losses are considered probable.

Contingencies

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

Share capital and share premium

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Share premium represents the excess of share capital contributions over the nominal value of the shares issued.

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

3 Significant Accounting Policies (continued)

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State Pension System of the Russian Federation, which requires current contributions by the employer to be calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-retirement benefits.

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized in the consolidated statement of profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points 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. When loans become impaired, they are written down to their recoverable amounts and interest income is thereafter recorded based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Recognition of fee and commission income and expense

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

Foreign currency translation

Transactions denominated in a foreign currency are recorded at the exchange rate effective at the transaction date. Exchange differences resulting from the settlements of transactions denominated in foreign currencies are included in the consolidated statement of profit or loss using the exchange rate effective at that date.

Monetary assets and liabilities denominated in foreign currencies are translated into RUR at the official exchange rate of the Central Bank of the Russian Federation at the end of each reporting period. Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the consolidated statement of profit or loss as net gains/losses from foreign exchange translation.

The results and the financial position of the SPE are translated into the presentation currency as follows. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the corresponding reporting date. Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). All resulting exchange differences are recognized within other comprehensive income as cumulative translation reserve.

3 Significant Accounting Policies (continued)

Rates of exchange

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

	31 December 2014	31 December 2013
RUR/1 US Dollar	56.2584	32.7292
RUR/1 Euro	68.3427	44.9699

Collateral

The Group obtains collateral in respect of mortgage loans to individuals. The collateral primarily takes the form of a lien over the customer's apartments and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

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

- Cumulative translation reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations;

Securitisation

As part of its operational activities, the Bank securitises its financial assets, through the sale of these assets to special purpose entities that issue debt securities to investors. Special purpose entity is an entity that is created to accomplish a narrow and well-defined objective such as the securitization of the Bank's mortgage loans. The securitised financial assets may be retained by the Group and are classified as mortgage loans to individuals in the consolidated financial statements.

Significant accounting estimates

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans

The Group regularly reviews its loans to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables.

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers.

3 Significant Accounting Policies (continued)

Significant accounting estimates (continued)

Allowance for impairment of loans (continued)

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

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

Allowance for restructured loans

In 2014 the Group made the decision to estimate impairment loss for restructured loans. Restructured loans are loans for which the amount, term or financial terms are altered on a contractual basis due to the borrower insolvency (this insolvency must be proven or demonstrably inevitable in the absence of restructuring) in order to ensure payment sustainability. Restructured loans are considered as such at least for 3 years after the restructuring date. Impairment loss is recognized for restructured loans during the first year after the restructuring date. For the subsequent two years impairment loss is not recognized for restructured loans unless a missed payment of over 30 days occurs. A restructured loan may come out of the restructuring classification if all of the flowing conditions are fulfilled:

- At least 3 years have passed after the restructuring date.
- Regular payments occur according to contractual schedule.
- There is no missed payment over 30 days.

Significant accounting judgments

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

Mortgage loans purchased from other banks, in which the Group has either an unlimited right of recourse or right to recourse during 12 months from the date of repurchase in the event of a borrower's default, have been recognized as part of the Group's own loans as the Group receives predominantly all incomes relating to these loans and, while not entirely accepting credit risk, it accepts prepayment and interest rate risks, which in aggregate are considered to be substantially all the risks related to these loans (as the loans are fully collateralized). Therefore, management views that substantially all risks and rewards of ownership of these loans have been transferred to the Group.

Adoption of new and revised standards

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

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

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

3 Significant Accounting Policies (continued)

Adoption of new and revised standards (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (continued)

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

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

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

These amendments do not have any effect on the Group's consolidated financial statements as the Group is not an investment entity.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

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

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

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

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*. These amendments affect disclosures only which are presented in the Note 25.

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

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

IFRIC 21 Levies

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

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

3 Significant Accounting Policies (continued)

Standards and interpretations in issue and not yet adopted

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

Amendments to IAS 19 – Defined Benefit Plans: Employee contributions

The amendments to IAS 19 *Employee Benefits* clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The Group's management does not expect any impact of these amendments on the financial statements as the Group's defined benefit plans do not stipulate contributions from employees.

IFRS 14 Regulatory Deferral Accounts

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

The five steps in the model are as follows:

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

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

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

3 Significant Accounting Policies (continued)

Standards and interpretations in issue and not yet adopted (continued)

IFRS 9 Financial Instruments

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

The key requirements of IFRS 9 are:

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

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

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

3 Significant Accounting Policies (continued)

Standards and interpretations in issue and not yet adopted (continued)

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

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

The management of the Group does not anticipate that the application of these amendments will have an impact on the Group's consolidated financial statements, as the Group is not engaged in joint operations.

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively.

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

Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41.

The management of the Group does not expect any impact of adoption of these amendments on the consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted.

The management of the Group does not expect any impact of these amendments on the Group's consolidated financial statements.

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

The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

3 Significant Accounting Policies (continued)

Standards and interpretations in issue and not yet adopted (continued)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted.

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

Annual Improvements to IFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

3 Significant Accounting Policies (continued)

Standards and interpretations in issue and not yet adopted (continued)

Annual Improvements to IFRSs 2011-2013 Cycle (continued)

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

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

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

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

4 Reclassifications

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

	As previosly reported	**Reclassifiaction amount**	**As reclassified**
	31 December 2013	**31 December 2013**	**31 December 2013**
Net loss from foreign exchange translation	(4,502)	660	(3,842)
Other operating income	95,327	(660)	94,667
Total	**90,825**	**-**	**90,825**

5 Cash and Cash Equivalents

	31 December 2014	31 December 2013
Cash on hand	659,841	310,461
Cash balances with the CBRF (other than mandatory cash balances)	460,282	213,622
Correspondent accounts, overnight placements with other banks and interbank loans less than 30 days		
Russian Federation	4,344,542	1,809,715
Other countries	812,973	1,300,377
Total cash and cash equivalents	**6,277,638**	**3,634,175**

The following table details credit rating of cash and cash equivalents according to Fitch as of reporting date:

	31 December 2014	31 December 2013
Rating BB+	5,120,552	360,600
Rating BBB	655,804	213,622
Rating AA-	393,809	782,144
Rating A+	57,054	-
Rating A	47,275	-
Rating B+	1,503	360
Rating B-	552	-
Rating BBB+	-	1,822,151
Rating BBB-	-	450,701
No Rating	1,089	4,597
Total cash and cash equivalents	**6,277,638**	**3,634,175**

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 22.

6 Amounts Due from Banks

Amounts due from banks include deposits placed with banks-members of Société Générale Group in the amount of RUR 5,341,164 thousand (31 December 2013: RUR 2,757,390 thousand).

As at 31 December 2014 and 2013 the Group had balances due from one bank a member of the Rosbank Group, with individual exposure exceeding 10% of the Group's equity (see Note 26).

The following table details credit rating of amounts due from banks according to Fitch that is neither past due nor impaired:

	31 December 2014	31 December 2013
Rating BBB	5,341,164	422,008
Rating BBB+	-	2,757,390
Total amounts due from banks	**5,341,164**	**3,179,398**

Geographical, currency, maturity and interest rate analyses of amounts due from banks are disclosed in Note 22.

7 Mortgage Loans to Individuals

	31 December 2014	31 December 2013
Originated loans	99,201,116	74,491,540
Purchased loans:		
- Under recourse agreement	7,069,113	6,518,056
- With no recourse agreement	14,725,356	10,528,741
Securitized loans	1,221,574	1,105,868
Total loans before accrued income and allowance	**122,217,159**	**92,644,205**
Accrued interest income on originated and purchased loans	952,447	713,932
Accrued interest income on securitized loans	15,033	9,434
Total loans before allowance	**123,184,639**	**93,367,571**
Less: Allowance for loan impairment	(573,481)	(288,863)
Total mortgage loans to individuals	**122,611,158**	**93,078,708**

Assets acquired by adjudication (foreclosed property) as at 31 December 2014 totaled RUR 72,266 thousand (31 December 2013: RUR 101,621 thousand) represent collateralized property repossessed by the Group from its defaulted borrowers, which the Bank intends to realize in 2015. The Group repossessed collateralized property in the amount of RUR 23,207 thousand and RUR 37,076 thousand during the year 2014 and 2013 respectively.

As the Group originates only mortgage loans to individuals, the Group therefore does not have loans in its portfolio which are individually significant in relation to the Group's equity.

As at 31 December 2014 mortgage loans to individuals included restructured loans totaling RUR 764,388 thousand (31 December 2013: RUR 135,604 thousand). If those loans have not been restructured they would have been past due or impaired. In 2014 the Group has changed the approach for restructured loans classification. For details, please refer to Note 3.

7 Mortgage Loans to Individuals (continued)

Analysis on overdue loans to individuals is presented below:

Class of financial asset	Carrying amount as at 31 December 2014	Of which						
		neither impaired nor past due	not impaired as of reporting date but past due	restructured		impaired		
			less than 90 days overdue	not past due	less than 90 days overdue	91 - 180 days overdue	181 - 360 days overdue	more than 360 days overdue
Mortgage loans to individuals, excluding securitized loans	121,948,032	116,899,003	3,112,725	540,145	224,243	342,029	354,198	475,689
Less: Allowance for loan impairment	(546,467)	-	-	(54,014)	(22,424)	(34,169)	(88,643)	(347,217)
Securitized loans	1,236,607	1,043,910	147,087	-	-	14,685	8,393	22,532
Less: Allowance for loan impairment	(27,014)	-	-	-	-	(1,522)	(2,262)	(23,230)
Total mortgage loans to individuals	**122,611,158**	**117,942,913**	**3,259,812**	**486,131**	**201,819**	**321,023**	**271,686**	**127,774**

Class of financial asset	Carrying amount as at 31 December 2013	Of which				
		neither impaired nor past due	not impaired as of reporting date but past due	impaired		
			less than 90 days overdue	91 - 180 days overdue	181 - 360 days overdue	more than 360 days overdue
Mortgage loans to individuals, excluding securitized loans	92,252,269	90,843,349	873,205	94,243	136,890	304,582
Less: Allowance for loan impairment	(274,435)	-	-	(9,443)	(34,286)	(230,706)
Securitized loans	1,115,302	1,019,295	68,449	5,937	4,829	16,792
Less: Allowance for loan impairment	(14,428)	-	-	(603)	(1,231)	(12,594)
Total mortgage loans to individuals	**93,078,708**	**91,862,644**	**941,654**	**90,134**	**106,202**	**78,074**

7 Mortgage Loans to Individuals (continued)

Movements in the provision for loan impairment are as follows:

	31 December 2014	31 December 2013
Provision for loans impairment at 1 January	**288,863**	**226,935**
Write-offs	(52,873)	(45,693)
Recoveries of loans previously written off	944	1,207
Translation difference	11,088	903
Additional provision recognized	325,459	105,511
Provision for loans impairment at the end of the period	**573,481**	**288,863**

The Group has property as collateral for its mortgage loans. For every loan the fair value of the collateral exceeds the carrying value of the loan. The property disclosed in the table below is based on its fair value at the time of loan origination.

	31 December 2014	31 December 2013
Property	253,440,513	190,260,268
Collateral received	**253,440,513**	**190,260,268**

The fair value of properties received as collateral is disclosed based on the estimated fair value at the origination date of the loan. The fair value of properties is reestimated if the average quarterly market price per 1 square meter of residential property fluctuates for more than 30%. The average loan to value of the mortgage book is 48 percent as at 31 December 2014 (31 December 2013: 49 percent). The amount disclosed above for fair value of collateral is substantially higher than the loan outstanding balances because the loans have been amortized over time reducing the loan to value coverage and the fair value of collateral for certain loans is substantially more than the loans outstanding balances.

At 31 December 2014, the fair value of collateral that the Group holds relating to impaired loans amounts to RUR 1,689,673 thousand (31 December 2013: RUR 853,539 thousand).

Geographical, currency, maturity and interest rate analyses of mortgage loans to individuals are disclosed in Note 22.

Mortgage loans to individuals that were pledged as collateral are disclosed in Note 23.

8 Property, Equipment and Intangible Assets

	Office and computer equipment	Leasehold improvements	Motor vehicles	Intangible assets	Total
Net book amount at 31 December 2013	**49,211**	**676**	**378**	**53,616**	**103,881**
Book amount at cost					
Opening balance	164,368	41,285	2,926	84,679	293,258
Additions	15,567	-	4,493	17,277	37,337
Disposals	(7,942)	-	(1,238)	(3,327)	(12,507)
Closing balance	**171,993**	**41,285**	**6,181**	**98,629**	**318,088**
Accumulated depreciation and amortiozation					
Opening balance	115,157	40,609	2,548	31,063	189,377
Charge for the period	17,596	212	1,062	17,207	36,077
Disposals	(6,684)	-	(1,238)	(3,327)	(11,249)
Closing balance	**126,069**	**40,821**	**2,372**	**44,943**	**214,205**
Net book amount at 31 December 2014	**45,924**	**464**	**3,809**	**53,686**	**103,883**

	Office and computer equipment	Leasehold improvements	Motor vehicles	Intangible assets	Total
Net book amount at 31 December 2012	**47,268**	**995**	**1,116**	**43,075**	**92,454**
Book amount at cost					
Opening balance	145,421	41,285	2,926	66,844	256,476
Additions	21,318	-	-	25,245	46,563
Disposals	(2,371)	-	-	(7,410)	(9,781)
Closing balance	**164,368**	**41,285**	**2,926**	**84,679**	**293,258**
Accumulated depreciation and amortiozation					
Opening balance	98,153	40,290	1,810	23,769	164,022
Charge for the period	18,870	319	738	14,704	34,631
Disposals	(1,866)	-	-	(7,410)	(9,276)
Closing balance	**115,157**	**40,609**	**2,548**	**31,063**	**189,377**
Net book amount at 31 December 2013	**49,211**	**676**	**378**	**53,616**	**103,881**

Intangible assets of the Bank are mainly represented by software and software licenses.

As at 31 December 2014 and 31 December 2013 fully depreciated assets included in property and equipment comprised RUR 133,035 thousand and RUR 134,491 thousand, respectively.

9 Other Assets and Other Liabilities

Other Assets comprise:

	31 December 2014	31 December 2013
Other financial assets		
Settlements with other debtors	157,757	99,942
Insurance agent fees receivable	80,534	59,950
Total other financial assets	**238,291**	**159,892**
Other non-financial assets		
Settlements with depositaries	472,950	322,750
Deferred expenses	251,364	96,917
Income tax prepaid	77,559	-
Rent prepaid	13,365	13,365
Low-value items	6,805	2,944
Total other non-financial assets	**822,043**	**435,976**
Total other assets	**1,060,334**	**595,868**

Other Liabilities comprise:

	31 December 2014	31 December 2013
Other financial liabilities		
Salary and bonuses payable	137,049	97,465
Commissions payable	77,781	45,827
Unused vacation provision	22,741	16,576
Other accruals	23,893	8,197
Fees for professional services	3,531	9,827
Other	37,744	38,570
Total other financial liabilities	**302,739**	**216,462**
Other non-financial liabilities		
Advances received for assets acquired by adjudication	5,600	12,000
Income tax and other taxes payable	-	30,460
Total other non-financial liabilities	**5,600**	**42,460**
Total other liabilities	**308,339**	**258,922**

10 Customer Accounts

Customer Accounts comprise:

	31 December 2014	31 December 2013
Repayable on demand	1,706,033	1,826,359
Time deposits	1,348,970	586,474
Total customer accounts	**3,055,003**	**2,412,833**

Customer accounts are mainly represented by deposits of individuals kept for mortgage loans servicing or down payment accumulation.

As at 31 December 2014 and 31 December 2013 deposits by customers totaling RUR 1,340,508 thousand (see Note 26) and RUR 580,344 thousand (44% and 24% of total customer accounts), respectively, were due to insurance companies which represented a significant concentration.

11 Amounts Due to Banks and Other Financial Institutions

	31 December 2014	31 December 2013
European Bank for Reconstruction and Development ("EBRD")	6,786,628	4,658,881
Overseas Private Investments Corporation ("OPIC")	3,430,608	2,190,970
Kreditanstalt fuer Wiederaufbau ("KfW')	2,802,676	1,779,706
International Finance Corporation ("IFC")	1,022,958	786,678
Total due to banks and other financial institutions	**14,042,870**	**9,416,235**

Borrowings from EBRD, OPIC, IFC and part of borrowing from KfW are secured by guarantees issued by Société Générale.

Geographical, currency, maturity and interest rate analyses of amounts due to banks and other financial institutions are disclosed in Note 22.

The Group is obliged to comply with financial covenants in relation to certain borrowings from banks and other financial institutions disclosed above. These covenants include liquidity ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2014 and 2013, except for Interest Rate Risk Ratio required by IFC. The Interest Rate Risk Ratio was breached as at 31 December 2014, however this breach does not result in any accelerated repayments and hence no requirement to reclassify the loan to the category “demand and less than 1 month” in the Group’s liquidity position disclosure in Note 22.

12 Financing from Related Parties

For definition of related parties and other transactions with related parties refer to Note 26.

As at 31 December 2014 and 31 December 2013 financing from related parties represents borrowings from Rosbank and Société Générale.

As at 31 December 2014 financing from Société Générale, the ultimate controlling party, represents borrowings with a nominal value of RUR 22,315,272 thousand (31 December 2013: RUR 24,696,264 thousand).

Financing from Société Générale includes a subordinated loan of RUR 1,250,000 thousand received on 30 May 2008 with maturity of 8 years. In the event of bankruptcy or liquidation of the Group, repayment of the subordinated debt is subordinate to the repayments of the Group’s liabilities to all other creditors.

12 Financing from Related Parties (continued)

As at 31 December 2014 financing from Rosbank represents borrowings with a nominal value of RUR 13,250,336 thousand (31 December 2013: RUR 8,309,168 thousand).

Financing from Related Parties comprise:

	31 December 2014	31 December 2013
Financing at amortized cost, long-term	35,085,906	32,638,044
Subordinated loan	1,261,337	1,261,063
Total financing from related parties	**36,347,243**	**33,899,107**

Geographical, currency, maturity and interest rate analyses of financing from related parties are disclosed in Note 22.

13 Bonds Issued

In June 2011 the Group issued 06 series corporate bonds with a nominal value of RUR 5,000,000 thousand bearing an annual coupon rate of 7.2%. In June 2014, at the put option date, no investors exercised their put option rights. Full bond's issue was rollovered with the change of annual coupon rate to 9.9% till the final maturity date 15 June 2016.

In November 2011 the Group issued 08-IP series covered bonds with a nominal value of RUR 5,000,000 thousand bearing an annual coupon rate of 8.33%. In November 2014, at the put option date, 26.7% of investors exercised their put option rights. 73.3% of bond's issue was rollovered with the change of annual coupon rate to 11.75% till the final maturity date in November 2016.

In July 2013 the Group has issued 10-IP series covered bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 8.65%. These covered bonds include a written put option allowing the investors to sell the covered bonds back to the Group in July 2016 at par value. The bonds mature in July 2018.

The above listed bonds issues were secured by guarantees of Société Générale (see Note 26).

In August 2012 the Group issued BO-03 series bonds with a nominal value of RUR 4,000,000 thousand bearing annual coupon rate of 9.25%. In August 2013 certain investors representing 2.46% of the bonds issued exercised their put options at par value after with annual coupon rate changed to 8.25%. The remaining bonds will mature in August 2015.

In December 2012 the Group issued 09-IP series covered bonds with a nominal value of RUR 5,000,000 thousand bearing an annual coupon rate of 9.15%. These covered bonds include a written put option allowing the investors to sell the covered bonds back to the Group in December 2015 at par value. The bonds will mature in December 2017. These covered bonds have Moody's rating of Baa1, which is higher rating than the rating of the Bank. Such rating uplift was based on additional assessment of the mortgage cover pool.

In April 2013 the Group has issued residential covered bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 8.50%. The bonds mature in April 2016. These residential covered bonds do not include put or call options.

13 Bonds Issued (continued)

In September 2013 the Group has issued 12-IP series residential covered bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 8.45%. These residential covered bonds include a written put option allowing the investors to sell the bonds back to the Group in September 2016 at par value. The bonds mature in August 2018. These covered bonds have Moody's rating of Baa1, which is higher rating than the rating of the Bank. Such rating uplift was also based on additional assessment of the mortgage cover pool.

In October 2013 the Group has issued BO-05 series bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 8.40%. These bonds include a written put option allowing the investors to sell the bonds back to the Group in October 2016 at par value. The bonds mature in October 2023.

In March 2014 the Group has issued 14-IP series residential covered bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 12%. The bonds mature in March 2024. These residential covered bonds do not include put or call options.

In May 2014 the Group has issued BO-06 series bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 10.35%. These bonds do not include put or call options. The bonds mature in May 2024.

In June 2014 the Group has issued BO-01 series bonds with nominal amount of RUR 3,000,000 thousand and bearing an annual coupon rate of 10.55%. These bonds include a written put option allowing the investors to sell the bonds back to the Group in June 2019 at par value. The bonds mature in June 2024.

In October 2014 the Group has issued 13-IP series residential covered bonds with nominal amount of RUR 7,000,000 thousand and bearing an annual coupon rate of 11.10%. These residential covered bonds include a written put option allowing the investors to sell the bonds back to the Group in October 2016 at par value. The bonds mature in October 2024. These covered bonds have Moody's rating of Baa1, which is higher rating than the rating of the Bank. Such rating uplift was also based on additional assessment of the mortgage cover pool.

In October 2014 the Group has issued 15-IP series residential covered bonds with nominal amount of RUR 5,000,000 thousand and bearing an annual coupon rate of 11.92%. The bonds mature in October 2017. These residential covered bonds do not include put or call options.

In accordance with the terms of the covered bonds issue the Bank has to comply with the CBRF ratios. As at 31 December 2014 and as at 31 December 2013 the Bank was in compliance with such CBRF ratios.

Mortgage loans to individuals that were pledged as collateral for covered bonds are disclosed in Note 23.

In addition to bonds issued as at 31 December 2014 the Group has four issues of bonds admitted to trading on the MICEX Stock Exchange, but not issued yet. Nominal amount of these potential issues is RUR 17,000,000 thousand.

14 Notes Issued

In April 2007 the Group securitised mortgage loans in the amount of USD 206,300 thousand or RUR 5,346,904 thousand. The securitisation is structured as a sale of a pool of loans to the SPE. The Group financed the purchase through the issuance of Mortgage Backed Floating Rate Notes maturing in 2035.

Issued notes comprise:

	Nominal Value thousand USD	**Nominal interest rate, %**	**Amortized value as at 31 December 2014** thousand RUR	**Amortized value as at 31 December 2013** thousand RUR
Class A Senior Notes	173,200	1.05%+ 1 month LIBOR	824,186	668,575
Class B	14,500	1.45%+ 1 month LIBOR	122,201	71,203
Class C	18,600	3.35%+ 1 month LIBOR	208,887	171,605
Total notes issued	**206,300**		**1,155,274**	**911,383**

15 Financial Liabilities at Fair Value through Profit or Loss

As a result of the securitisation transaction (see Note 14), the SPE issued 1 month LIBOR floating rate notes and purchased mortgage loans, the majority of which consisted of fixed rate mortgage loans with the rest consisting of mortgage loans tied to 12- month LIBOR.

In order to manage its interest rate exposure, the SPE entered into two balance guaranteed swap transactions with Société Générale CIB on 12 April 2007 in the form of a confirmation letter to the ISDA Master Agreement.

As at 31 December 2014 the fair value of the swap is RUR 93,097 thousand (31 December 2013: RUR 79,201 thousand). The gain from the change in fair value is recognized in net loss on financial instruments at fair value through profit or loss in the amount of RUR 29,416 thousand (31 December 2013: RUR 41,061 thousand).

16 Shareholder's Equity

Issued and fully paid share capital of the Group comprises:

	Number of shares	Nominal amount, RUR	Carrying value
		31 December 2014	
Ordinary shares	2,586,999,999	2,586,999,999	2,430,763
Total share capital	**2,586,999,999**	**2,586,999,999**	**2,430,763**
		31 December 2013	
Ordinary shares	2,586,999,999	2,586,999,999	2,430,763
Total share capital	**2,586,999,999**	**2,586,999,999**	**2,430,763**

All ordinary shares have a nominal value RUR 1 per share, rank equally and carry one vote. Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general shareholders' meetings of the Group. The Group does not have any authorized but not issued capital.

Equity reserves represent share premium and cumulative translation reserve the nature of which is described in Note 3.

In 2014 the Group declared dividends for the year 2013 of RUR 0.11596 per share on ordinary shares. In July 2014 the Group paid dividends totaling RUR 300,000 thousand on ordinary shares.

In 2013 the Group declared dividends for 2012 of RUR 0.27058 per share on ordinary shares. In August 2013 the Group paid dividends totaling RUR 700,000 thousand on ordinary shares.

17 Interest Income and Expense

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income comprises:		
Interest income on financial assets recorded at amortized cost	13,720,730	10,130,239
Total interest income	**13,720,730**	**10,130,239**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on mortgage loans to individuals	12,536,635	9,689,072
Interest on amounts due from banks	1,184,095	441,167
Total interest income on financial assets recorded at amortized cost	**13,720,730**	**10,130,239**
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	8,417,586	5,779,456
Total interest expense	**8,417,586**	**5,779,456**
Interest expense on financial liabilities recorded at amortized cost comprises:		
Interest on bonds issued	4,716,999	2,297,483
Interest on financing from related parties	2,972,663	2,872,150
Interest on amounts due to banks and other financial institutions	639,000	559,654
Interest on customer accounts	69,364	27,107
Interest on notes issued	19,560	23,062
Total interest expense on financial liabilities recorded at amortized cost	**8,417,586**	**5,779,456**
Net interest income	**5,303,144**	**4,350,783**

18 Fee and Commission Income and Expense

	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income		
Insurance agent fees	235,963	185,542
Commission on cash and settlements transactions	146,730	128,603
Fines and penalties	51,637	54,427
Comission for underwriting services provided	49,663	38,528
Commission on rental of safe deposits boxes	23,687	18,760
Commission for pledge enforecement services	13,772	-
Correspondent programme entry fee	10,000	17,195
Commission for clients' applications processing	9,036	10,108
Commission on issued guarantees	8,671	11,281
Other commission income	28,668	24,444
Total fee and commission income	**577,827**	**488,888**
Fee and commission expense		
Commission on guarantees received	162,526	119,925
Fees and comissions paid to banks and other financial institutions	29,251	11,199
Commission on settlement transactions	9,724	8,614
Total fee and commission expense	**201,501**	**139,738**
Net fee and commission income	**376,326**	**349,150**

19 Other Operating Income and Expenses

Other operating income and expenses comprise the following:

	Year ended 31 December 2014	Year ended 31 December 2013
Other operating income		
Income from sale of assets acquired by adjudication	10,377	14,910
Other	23,879	79,757
Total other operating income	**34,256**	**94,667**
Other operating expenses		
Rent expense	201,856	177,169
Professional services	107,641	61,198
Taxes other than on income	85,416	72,455
Advertising and representative expenses	80,126	57,859
Information technology	38,618	18,461
Telecommunication services	21,160	20,099
Expenses on documents storage	16,968	14,886
Maintenance of buildings and equipment	14,252	17,523
Repairs	13,925	13,082
Travelling and transportation	11,818	9,410
Communications and information services	9,472	9,157
Materials and office supplies	8,735	6,328
Low-value equipment expenses	8,388	12,394
Security expense	6,757	6,845
Insurance expense	4,058	2,211
Other	52,203	46,627
Total other operating expenses	**681,393**	**545,704**

20 Income Tax Expense

The Group measures and records its current income tax payable and its tax bases for its assets and liabilities in accordance with the tax regulations of Russian Federation for the Bank and in accordance with tax regulations of Ireland for the SPE, and these regulations may differ from IFRS.

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

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

Income tax expense comprises the following:

	Year ended 31 December 2014	Year ended 31 December 2013
Current tax charge	576,426	605,827
Deferred tax charge	167,884	48,166
Income tax expense for the year	**744,310**	**653,993**

20 Income Tax Expense (continued)

The income tax rate applicable to the majority of the Group's income is 20% (31 December 2013: 20%). Reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before income tax	**3,513,728**	**3,260,293**
Theoretical tax charge at the applicable statutory rate	702,746	652,059
Income of SPE taxed at different rate	(3,761)	(4,224)
Permanent differences	45,325	6,158
Income tax expense	**744,310**	**653,993**

Deferred tax liabilities/assets as of 31 December 2014 and 31 December 2013 and their movements for the respective periods comprise:

Tax effect of deductible temporary difference	**31 December 2013**	**Recognized in the statement of profit or loss**	**31 December 2014**
Financing from related parties	6,576	(8,276)	(1,700)
Deferred tax asset	**6,576**	**(8,276)**	**(1,700)**
Mortgage loans to individuals	(122,411)	(126,029)	(248,440)
Property, equipment and intangible assets	(10,289)	(2,216)	(12,505)
Amounts due to banks and other financial institutions	(10,915)	(5,289)	(16,204)
Bonds issued	(18,182)	(17,808)	(35,990)
Other	(16,221)	(8,266)	(24,487)
Deferred tax liability	**(178,018)**	**(159,608)**	**(337,626)**
Net deferred tax liability	**(171,442)**	**(167,884)**	**(339,326)**

Tax effect of deductible temporary difference	**31 December 2012**	**Recognized in the statement of profit or loss**	**31 December 2013**
Financing from related parties	17,275	(10,699)	6,576
Deferred tax asset	**17,275**	**(10,699)**	**6,576**
Mortgage loans to individuals	(116,121)	(6,290)	(122,411)
Property, equipment and intangible assets	(9,101)	(1,188)	(10,289)
Amounts due to banks and other financial institutions	(12,873)	1,958	(10,915)
Bonds issued	(9,544)	(8,638)	(18,182)
Other	7,088	(23,309)	(16,221)
Deferred tax liability	**(140,551)**	**(37,467)**	**(178,018)**
Net deferred tax liability	**(123,276)**	**(48,166)**	**(171,442)**

21 Transferred Financial Assets

Transferred financial assets are the mortgage loans, which were collateralized to the third parties in the frame of the securitization transaction (see Note 14).

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2014 are disclosed below:

	Mortgage loans to individuals
Date of transfer	April 2007
Total carrying amount of the original assets before the transfer	5,243,358
As at 31 December 2014:	
Carrying amount of assets	1,222,179
Carrying amount of associated liabilities (see Note 14)	1,155,274
For those liabilities that have recourse only to the transferred assets:	
Fair value of assets	1,222,179
Fair value of associated liabilities	1,155,274
Net position	**66,905**

22 Risk Management

Risk is inherent in the Group's activities and it is managed through a process of ongoing risk identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to financial and operational risks.

There have been no changes in any risk management policies since year end.

Financial risks

The primary objectives of the financial risk management function are to establish risk limits for credit, liquidity and market risks, and then ensure that exposure to risks stays within these limits. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower are approved regularly by the Board of Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations. Exposure to credit risk is also managed, in part, by obtaining collateral and personal guarantees.

22 Risk Management (continued)

Financial risks (continued)

Credit risk (continued)

The Bank's Credit Policy stipulates the main activities related to credit risk management and credit risk monitoring. The Credit Policy is approved by the Board of Management. Under the Credit Policy decision-making powers regarding loans origination are distributed between the Board of Management and the Credit Committee. The Bank's Credit Committee transfers the full scope of its powers regarding approval of applications for mortgage loans in the frame of approved standard loan programs to individual members of the Credit Committee and to the specialists of the Analytical Unit of the Credit Department (underwriters), at the same time limiting these powers by the loan amount.

For interbank lending activities, the Bank engages in transactions only with stable and reliable financial institutions. The Bank mostly originates short-term interbank loans, which also allows minimizing the credit risk. The Bank's Risk Committee sets credit limits for the Bank's counterparties - financial institutions. Further these limits are approved by Société Générale.

31 December 2014	**Maximum exposure**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents (excluding cash on hand)	5,617,797	-	5,617,797
Amounts due from banks	5,341,164	-	5,341,164
Mortgage loans to individuals	122,611,158	122,611,158	-
Other financial assets	238,291	-	238,291
Total credit risk exposure	**133,808,410**	**122,611,158**	**11,197,252**

31 December 2013	**Maximum exposure**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents (excluding cash on hand)	3,323,714	-	3,323,714
Amounts due from banks	3,179,398	-	3,179,398
Mortgage loans to individuals	93,078,708	93,078,708	-
Other financial assets	159,892	-	159,892
Guarantees issued	2,000,000	-	2,000,000
Total credit risk exposure	**101,741,712**	**93,078,708**	**8,663,004**

All mortgage loans to individuals issued by the Group are collateralized with the subject property and for every loan the fair value of the collateral exceeds the carrying value of the loan.

The following table details credit ratings of mortgage loans to individuals that are neither impaired nor past due.

	31 December 2014				
	Neither impaired nor past due			**Impaired and/or past due**	**Total**
	High grade	**Standard grade**	**Sub-standard**		
Mortgage loans to individuals	113,008,375	3,562,035	868,738	4,508,884	121,948,032
Securitized loans	1,043,910	-	-	192,697	1,236,607
Total	**114,052,285**	**3,562,035**	**868,738**	**4,701,581**	**123,184,639**

22 Risk Management (continued)

Financial risks (continued)

Credit risk (continued)

	31 December 2013				
	Neither impaired nor past due			Impaired and/or past due	Total
	High grade	Standard grade	Sub-standard		
Mortgage loans to individuals	88,370,035	1,990,733	482,581	1,408,920	92,252,269
Securitized loans	1,019,295	-	-	96,007	1,115,302
Total	**89,389,330**	**1,990,733**	**482,581**	**1,504,927**	**93,367,571**

Past due or impaired loans comprise:

	Not impaired but past due/ Restructured and past due		Impaired and past due			
31 December 2014	less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	more than 360 days	Total
Mortgage loans to individuals	2,665,553	818,502	356,714	362,591	498,221	4,701,581
Total	**2,665,553**	**818,502**	**356,714**	**362,591**	**498,221**	**4,701,581**

	Not impaired but past due		Impaired and past due			
31 December 2013	less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	more than 360 days	Total
Mortgage loans to individuals	722,817	218,837	100,180	141,719	321,374	1,504,927
Total	**722,817**	**218,837**	**100,180**	**141,719**	**321,374**	**1,504,927**

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The maximum limit of a loan is calculated using a ratio of debt pressure on a borrower and value of the collateral.

Loan categorization is based on both payment history and the financial condition of the borrower. High grade includes loans which demonstrate both continuous good loan servicing and good financial condition of the borrower. Standard grade consists of loans with characteristics of average loan servicing and/or average financial conditions. Standard grade loans are not past due as of the reporting date but demonstrated 30 to 60 days delinquency during the past six months prior to the reporting date. All other loans are included in sub-standard grade and represent loans which are not past due as of the reporting date but demonstrated more than 60 days delinquency during the past six months prior to the reporting date.

Interest income on impaired loans constituted RUR 152,714 thousand for the year ended 31 December 2014 (for the year ended 31 December 2013: RUR 83,044 thousand).

22 Risk Management (continued)

Financial risks (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Prepayment risk

The Group is exposed to prepayment risk through providing fixed and variable rate mortgage loans, which give the borrower the right to early repay the loan.

The prepayment effect on interest income is set out below. The effect was estimated based on prepayment statistics.

	31 December 2014		31 December 2013	
	Effect on interest income	Effect on equity	Effect on interest income	Effect on equity
	(1,201,684)	**(961,346)**	**(843,235)**	**(674,589)**
Mortgage loans to individuals				
USD	(239,612)	(191,689)	(170,281)	(136,225)
RUR	(962,072)	(769,657)	(672,954)	(538,364)

Prepayment risk is the risk that the Group will incur a financial loss because its customers repay earlier than expected and part of the income scheduled for the remaining life of the loan would not be earned. The above effect of prepayment risk on income represents projected loss that the Group can incur till the end of 2015 if the customers make prepayments. In order to manage prepayment risk, the Group sets minimum amount of prepayment for customers and makes projections on future prepayments based on historical statistics. Projection of prepayment effect for 2014 is based on historical statistics.

The following tables demonstrate the sensitivity to a reasonably possible change in prepayment volume, with all other variables held constant, of the Group's interest income and equity, as at the respective reporting date.

31 December 2014			
Currency	Change in prepayment volume %	Effect on interest income	Effect on equity
USD	±10%	±23,961	±19,169
RUR	±10%	±96,207	±76,966

31 December 2013			
Currency	Change in prepayment volume %	Effect on interest income	Effect on equity
USD	±10%	±17,028	±13,622
RUR	±10%	±67,295	±53,836

22 Risk Management (continued)

Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. In addition the Group has also committed lines of credit that it can access to meet liquidity needs. Liquidity risk is managed by the Asset and Liability Management Committee (ALM Committee) and the Treasury of the Group in accordance with the approved "Liquidity Measurement, Management and Control Policy" and “Assets and Liabilities Management Policy”.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The table below shows financial assets and liabilities by their remaining maturities, based on the net present value of future principal and interest cash flows, based on repayment obligations. With regard to mortgage loans to individuals, management believes that the development of the mortgage loan market in Russia in the medium term will result in loans being repaid prior to maturity and the expected prepayment effect calculated based on historical repayment statistics and market expectations has been reflected in the following liquidity disclosures.

22 Risk Management (continued)

Financial risks (continued)

Liquidity risk (continued)

The liquidity position of the Group based on discounted cash flows taking into account expected prepayments as at 31 December 2014 is set out below:

31 December 2014	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 6 years	From 6 to 10 years	Total
Non- derivative financial assets							
Cash and cash equivalents	6,277,638	-	-	-	-	-	6,277,638
Amounts due from banks	-	2,133,357	3,207,807	-	-	-	5,341,164
Mortgage loans to individuals	3,813,390	4,720,399	17,975,981	39,352,359	41,114,930	15,634,099	122,611,158
Other financial assets	-	219,367	9,462	9,462	-	-	238,291
Total non- derivative financial assets	**10,091,028**	**7,073,123**	**21,193,250**	**39,361,821**	**41,114,930**	**15,634,099**	**134,468,251**
Non- derivative financial liabilities and commitments							
Customer accounts	1,707,785	647	408,430	357,797	422,185	158,159	3,055,003
Amounts due to banks and other financial institutions	149,923	355,700	1,993,543	5,164,859	5,088,144	1,290,701	14,042,870
Financing from related parties	-	2,309,168	5,487,480	20,993,185	7,557,410	-	36,347,243
Bonds issued	472,056	516,229	13,281,595	36,372,744	6,162,133	6,847,456	63,652,213
Notes issued	27,095	52,753	217,934	446,421	411,071	-	1,155,274
Financial liabilities at fair value through profit or loss	3,750	7,756	28,238	41,173	12,180	-	93,097
Other financial liabilities	-	242,562	49,012	11,165	-	-	302,739
Total non- derivative financial liabilities and commitments	**2,360,609**	**3,484,815**	**21,466,232**	**63,387,344**	**19,653,123**	**8,296,316**	**118,648,439**
Net liquidity gap	**7,730,419**	**3,588,308**	**(272,982)**	**(24,025,523)**	**21,461,807**	**7,337,783**	**15,819,812**
Cumulative liquidity gap	**7,730,419**	**11,318,727**	**11,045,745**	**(12,979,778)**	**8,482,029**	**15,819,812**	

Financing attracted in the first quarter 2015 (see Note 29) closed a negative cumulative liquidity gap in the time bucket “from 1 to 3 years”.

22 Risk Management (continued)

Financial risks (continued)

Liquidity risk (continued)

The liquidity position of the Group based on discounted cash flows taking into account prepayments as at 31 December 2013 is set out below:

31 December 2013	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 6 years	From 6 to 10 years	Total
Non- derivative financial assets							
Cash and cash equivalents	3,634,175	-	-	-	-	-	3,634,175
Amounts due from banks	-	3,179,398	-	-	-	-	3,179,398
Mortgage loans to individuals	3,286,897	3,527,791	13,347,384	29,217,917	30,809,164	12,889,555	93,078,708
Other financial assets	-	150,381	-	9,511	-	-	159,892
Total non- derivative financial assets	**6,921,072**	**6,857,570**	**13,347,384**	**29,227,428**	**30,809,164**	**12,889,555**	**100,052,173**
Non- derivative financial liabilities and commitments							
Customer accounts	1,826,359	-	6,127	-	264,099	316,248	2,412,833
Amounts due to banks and other financial institutions	159,722	324,675	1,594,121	2,954,278	3,384,649	998,790	9,416,235
Financing from related parties	-	433,519	10,730,342	13,797,464	8,937,782	-	33,899,107
Bonds issued	322,296	372,282	11,746,326	27,146,461	-	-	39,587,365
Notes issued	20,479	39,889	165,008	339,414	292,851	53,742	911,383
Financial liabilities at fair value through profit or loss	2,782	5,809	21,796	37,743	10,922	149	79,201
Other financial liabilities	-	183,274	21,967	11,221	-	-	216,462
Guarantees issued	-	-	2,000,000	-	-	-	2,000,000
Total non- derivative financial liabilities and commitments	**2,331,638**	**1,359,448**	**26,285,687**	**44,286,581**	**12,890,303**	**1,368,929**	**88,522,586**
Net liquidity gap	**4,589,434**	**5,498,122**	**(12,938,303)**	**(15,059,153)**	**17,918,861**	**11,520,626**	**11,529,587**
Cumulative liquidity gap	**4,589,434**	**10,087,556**	**(2,850,747)**	**(17,909,900)**	**8,961**	**11,529,587**	

The Group monitors long term liquidity gap and plans to manage it through arranging new bonds issues and attracting new funding from international financial institutions.

22 Risk Management (continued)

Financial risks (continued)

Liquidity risk (continued)

Undiscounted contractual cash flows on financial liabilities as at 31 December 2014 comprise:

31 December 2014	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 6 years	From 6 to 10 years	Total
Non- derivative financial liabilities and commitments							
Customer accounts	1,707,788	654	442,364	424,277	576,040	242,582	3,393,705
Amounts due to banks and other financial institutions	150,863	359,650	2,068,916	5,829,112	6,702,715	1,950,274	17,061,530
Financing from related parties	-	2,328,251	5,778,788	23,672,780	11,013,521	-	42,793,340
Bonds issued	472,950	524,960	15,128,444	53,540,735	11,795,760	15,646,897	97,109,746
Notes issued	29,399	57,368	239,073	502,357	499,943	-	1,328,140
Financial liabilities at fair value through profit or loss	4,891	10,115	36,825	53,694	15,884	-	121,409
Other financial liabilities	-	242,562	49,012	11,165	-	-	302,739
Total undiscounted non-derivative financial liabilities and commitments	**2,365,891**	**3,523,560**	**23,743,422**	**84,034,120**	**30,603,863**	**17,839,753**	**162,110,609**

22 Risk Management (continued)

Financial risks (continued)

Liquidity risk (continued)

Undiscounted contractual cash flows on financial liabilities as at 31 December 2013 comprise:

31 December 2013	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 6 years	From 6 to 10 years	Total
Non- derivative financial liabilities and commitments							
Customer accounts	1,826,359	-	11,397	-	368,546	496,950	2,703,252
Amounts due to banks and other financial institutions	160,724	327,472	1,661,765	3,330,528	4,412,711	1,493,639	11,386,839
Financing from related parties	-	438,138	11,399,053	15,985,440	11,529,096	-	39,351,727
Bonds issued	322,750	376,966	13,927,690	38,529,400	-	-	53,156,806
Notes issued	24,091	47,020	196,200	413,881	394,489	69,312	1,144,993
Financial liabilities at fair value through profit or loss	4,423	9,232	34,645	59,989	17,361	238	125,888
Other financial liabilities	-	183,274	21,967	11,221	-	-	216,462
Guarantees issued	-	-	2,000,000	-	-	-	2,000,000
Total undiscounted non-derivative financial liabilities and commitments	**2,338,347**	**1,382,102**	**29,252,717**	**58,330,459**	**16,722,203**	**2,060,139**	**110,085,967**

Market risk

The Group actively manages its exposure to market risks. Market risks arise from open positions in currency products, interest rates, all of which are exposed to general and specific market movements as well as to geographical location. To minimize market risk the Group does not actively engage in transactions with financial instruments exposed to significant market risk. The Group does not hold trading securities portfolio, does not actively engage in transactions with derivatives. The Group does not conduct speculative foreign exchange trading. On a daily basis the Bank monitors its open currency position.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Asset and Liability Committee sets guidelines to minimize the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group does not carry out speculative operations which can lead to currency risk exposure. The Group performs conversion operations in the internal currency market to eliminate open foreign currency positions.

22 Risk Management (continued)

Financial risks (continued)

Currency risk (continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2014. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorized by currency.

	RUR	USD USD 1 = RUR 56.2584	Euro Euro 1 = RUR 68.3427	Total
Non- derivative financial assets				
Cash and cash equivalents	3,864,717	2,358,435	54,486	6,277,638
Amounts due from banks	4,215,478	1,125,686	-	5,341,164
Mortgage loans to individuals	92,808,389	29,802,769	-	122,611,158
Other financial assets	198,099	21,268	18,924	238,291
Total non- derivative financial assets	**101,086,683**	**33,308,158**	**73,410**	**134,468,251**
Non- derivative financial liabilities and commitments				
Customer accounts	2,692,429	306,562	56,012	3,055,003
Amounts due to banks and other financial institutions	3,444,964	10,597,906	-	14,042,870
Financing from related parties	15,302,316	21,044,927	-	36,347,243
Bonds issued	63,652,213	-	-	63,652,213
Notes issued	-	1,155,274	-	1,155,274
Financial liabilities at fair value through profit or loss	-	93,097	-	93,097
Other financial liabilities	214,791	63,226	24,722	302,739
Total non- derivative financial liabilities and commitments	**85,306,713**	**33,260,992**	**80,734**	**118,648,439**
Net position	**15,779,970**	**47,166**	**(7,324)**	**15,819,812**

22 Risk Management (continued)

Financial risks (continued)

Currency risk (continued)

At 31 December 2013 the Group had the following positions in currency:

	RUR	USD USD 1 = RUR 32.7292	Euro Euro 1 = RUR 44.9699	Total
Non- derivative financial assets				
Cash and cash equivalents	2,266,456	1,358,969	8,750	3,634,175
Amounts due from banks	3,179,398	-	-	3,179,398
Mortgage loans to individuals	71,132,498	21,946,211	-	93,078,709
Other financial assets	133,551	16,830	9,511	159,892
Total non- derivative financial assets	**76,711,903**	**23,322,010**	**18,261**	**100,052,173**
Non- derivative financial liabilities and commitments				
Customer accounts	2,240,215	169,824	2,794	2,412,833
Amounts due to banks and other financial institutions	2,512,501	6,903,734	-	9,416,235
Financing from related parties	18,668,906	15,230,201	-	33,899,107
Bonds issued	39,587,365	-	-	39,587,365
Notes issued	-	911,383	-	911,383
Financial liabilities at fair value through profit or loss	-	79,201	-	79,201
Other financial liabilities	170,829	29,976	15,657	216,462
Guarantees issued	2,000,000	-	-	2,000,000
Total non- derivative financial liabilities and commitments	**65,179,816**	**23,324,319**	**18,451**	**88,522,586**
Net position	**11,532,087**	**(2,309)**	**(190)**	**11,529,587**

As a result of significant operations in USD the Group's consolidated statement of financial position can be affected significantly by movements in the USD/RUR exchange rates. The Bank seeks to mitigate the effect of its structural currency exposure by borrowing in USD to fund USD assets.

31 December 2014

Currency	Exchange rate	Change in currency rate %	Effect on profit before tax	Effect on equity
USD	56.2584	±20%	±9,433	±7,547
EUR	68.3427	±20%	±(1,465)	±(1,172)

31 December 2013

Currency	Exchange rate	Change in currency rate %	Effect on profit before tax	Effect on equity
USD	32.7292	±10%	±(231)	±(185)
EUR	44.9699	±10%	±(19)	±(15)

By the end of 2014 the RUR depreciated significantly against the USD. As a result monthly instalments for mortgage loans denominated in USD have increased significantly. For mortgage loans denominated in foreign currencies, borrowers are facing difficulties in performing their obligations of repaying these mortgage loans and the Bank offers a range of solutions to them. The solutions include a refinancing

22 Risk Management (continued)

Financial risks (continued)

Currency risk (continued)

program, under which a borrower receives RUR denominated mortgage loan in order to repay the current USD denominated mortgage loan. Refinancing is made with a decreased interest rate as compared to existing mortgage loan terms in the Bank. The Bank as well offers restructuring programs allowing a decrease to the amount of monthly payments for the period from 3 to 12 months or extending the whole of the loan term.

Interest rate risk

Interest rate risk arises from possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is exposed to interest rate risk, principally as a result of loans to banks and mortgage loans to individuals, at fixed interest rates, in amounts and for periods that differ from those of term borrowings at fixed interest rates.

The ALM Committee sets guidelines to limit the level of interest rate mismatch that may be undertaken. The objective of the guidelines is to keep well-balanced assets and liabilities in terms of their structure, maturity and rates. The Group analyzes possible gaps in assets and liabilities in terms of rates and maturity, takes steps on minimization and covering of such risks.

The interest rates on the mortgage loans to individuals are either fixed or variable or combined. As at 31 December 2014 1.48% of the Group's mortgage loan portfolio included loans with an interest rate indexed to LIBOR (31 December 2013: 1.47%) and 0.62% (31 December 2013: 1.03%) with an interest rate indexed to MosPrime, which is reset on an annual basis and quarterly basis, respectively.

The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

22 Risk Management (continued)

Financial risks (continued)

Interest rate risk (continued)

31 December 2014	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 6 years	From 6 to 10 years	Non-interest bearing	Total
Non- derivative financial assets								
Cash and cash equivalents	4,539,686	-	-	-	-	-	1,737,952	6,277,638
Amounts due from banks	-	2,133,357	3,207,807	-	-	-	-	5,341,164
Mortgage loans to individuals	4,627,220	4,806,986	20,491,746	45,200,097	44,025,908	3,459,201	-	122,611,158
Other financial assets	-	-	-	-	-	-	238,291	238,291
Total non- derivative financial assets	**9,166,906**	**6,940,343**	**23,699,553**	**45,200,097**	**44,025,908**	**3,459,201**	**1,976,243**	**134,468,251**
Non- derivative financial liabilities and commitments								
Customer accounts	8,959	647	408,430	357,797	422,185	158,159	1,698,826	3,055,003
Amounts due to banks and other financial institutions	149,923	355,700	1,993,543	5,164,859	5,088,144	1,290,701	-	14,042,870
Financing from related parties	-	2,309,168	5,487,480	20,993,185	7,557,410	-	-	36,347,243
Bonds issued	472,056	516,229	13,281,595	36,372,744	6,162,133	6,847,456	-	63,652,213
Notes issued	27,095	52,753	217,934	446,421	411,071	-	-	1,155,274
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	93,097	93,097
Other financial liabilities	-	-	-	-	-	-	302,739	302,739
Total non- derivative financial liabilities and commitments	**658,033**	**3,234,497**	**21,388,982**	**63,335,006**	**19,640,943**	**8,296,316**	**2,094,662**	**118,648,439**
Net interest sensitivity gap	**8,508,873**	**3,705,846**	**2,310,571**	**(18,134,909)**	**24,384,965**	**(4,837,115)**	**(118,419)**	**15,819,812**
Net cumulative interest sensitivity gap	**8,508,873**	**12,214,719**	**14,525,290**	**(3,609,619)**	**20,775,346**	**15,938,231**		

Financing attracted in the first quarter 2015 (see Note 29) closed a negative cumulative liquidity gap in the time bucket “from 1 to 3 years”.

22 Risk Management (continued)

Financial risks (continued)

Interest rate risk (continued)

31 December 2013	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 6 years	From 6 to 10 years	Non-interest bearing	Total
Non- derivative financial assets								
Cash and cash equivalents	2,818,629	-	-	-	-	-	815,546	3,634,175
Amounts due from banks	-	3,179,398	-	-	-	-	-	3,179,398
Mortgage loans to individuals	3,862,206	4,159,312	14,709,181	32,958,936	34,841,760	2,547,313	-	93,078,708
Other financial assets	-	-	-	-	-	-	159,892	159,892
Total non- derivative financial assets	**6,680,835**	**7,338,710**	**14,709,181**	**32,958,936**	**34,841,760**	**2,547,313**	**975,438**	**100,052,173**
Non- derivative financial liabilities and commitments								
Customer accounts	4,057	-	6,127	-	264,099	316,248	1,822,302	2,412,833
Amounts due to banks and other financial institutions	159,722	324,675	1,594,121	2,954,279	3,384,649	998,789	-	9,416,235
Financing from related parties	-	433,519	10,730,342	13,797,464	8,937,782	-	-	33,899,107
Bonds issued	322,296	372,282	11,746,326	27,146,461	-	-	-	39,587,365
Notes issued	20,479	39,889	165,008	339,414	292,851	53,742	-	911,383
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	79,201	79,201
Other financial liabilities	-	-	-	-	-	-	216,462	216,462
Guarantees issued	-	-	-	-	-	-	2,000,000	2,000,000
Total non- derivative financial liabilities and commitments	**506,554**	**1,170,365**	**24,241,924**	**44,237,618**	**12,879,381**	**1,368,779**	**4,117,965**	**88,522,586**
Net interest sensitivity gap	**6,174,281**	**6,168,345**	**(9,532,743)**	**(11,278,682)**	**21,962,379**	**1,178,534**	**(3,142,527)**	**11,529,587**
Net cumulative interest sensitivity gap	**6,174,281**	**12,342,626**	**2,809,883**	**(8,468,799)**	**13,493,580**	**14,672,114**		

22 Risk Management (continued)

Financial risks (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity, as at the respective reporting date.

	Increase/(decrease) in basis points	Effect on profit before tax	Effect on equity
31 December 2014			
RUR	+500	38,315	30,652
USD	+200	13,253	10,603
RUR	-500	(38,315)	(30,652)
USD	-200	(13,253)	(10,603)
31 December 2013			
RUR	+15	1,444	1,155
USD	+10	448	358
RUR	-15	(1,444)	(1,155)
USD	-10	(448)	(358)

The table below summarizes the weighted average interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using period-end effective interest rates.

	31 December 2014		31 December 2013	
	USD	RUR	USD	RUR
Non- derivative financial assets				
Cash and cash equivalents	-	8.9%	0.02%	6.2%
Amounts due from banks	2.4%	11.7%	-	6.5%
Mortgage loans to individuals	9.9%	13.1%	9.8%	12.7%
Non- derivative financial liabilities and commitments				
Customer accounts	3.4%	8.9%	3.1%	8.4%
Amounts due to banks and other financial institutions	4.7%	11.3%	4.6%	10.4%
Financing from related parties	4.9%	9.9%	5.0%	10.2%
Bonds issued	-	10.2%	-	8.8%
Notes issued	2.1%	-	2.1%	-

22 Risk Management (continued)

Financial risks (continued)

Interest rate risk (continued)

Included in the table below are the Group's financial assets and financial liabilities categorized by fixed and variable interest rates excluding effect of interest rate swaps (see Note 15).

31 December 2014							
	Fixed rate			Variable rate			
	RUR	USD	Weight (%)	MOSPRIME (RUR)	LIBOR (USD)	Weight (%)	Total
Non- derivative financial assets							
Cash and cash equivalents	2,851,929	1,687,757	100%	-	-	0%	4,539,686
Amounts due from banks	4,215,478	1,125,686	100%	-	-	0%	5,341,164
Mortgage loans to individuals, excluding securitized portfolio, gross	92,193,316	27,183,020	98%	767,560	1,804,136	2%	121,948,032
Securitized portfolio, gross	-	1,197,430	97%	-	39,177	3%	1,236,607
Allowance for loan impairment	(151,227)	(395,618)	95%	(1,259)	(25,377)	5%	(573,481)
Non- derivative financial liabilities and commitments							
Customer accounts	1,341,291	14,885	100%	-	-	0%	1,356,176
Amounts due to banks and other financial institutions	3,444,963	10,597,907	100%	-	-	0%	14,042,870
Financing from related parties	15,302,316	21,044,927	100%	-	-	0%	36,347,243
Bonds issued	63,652,213	-	100%	-	-	0%	63,652,213
Notes issued	-	-	-	-	1,155,274	100%	1,155,274
Net interest sensitivity gap	**15,368,713**	**(859,444)**		**766,301**	**662,662**		**15,938,232**

22 Risk Management (continued)

Financial risks (continued)

Interest rate risk (continued)

31 December 2013							
	Fixed rate			Variable rate			
	RUR	USD	Weight (%)	MOSPRIME (RUR)	LIBOR (USD)	Weight (%)	Total
Non- derivative financial assets							
Cash and cash equivalents	1,788,663	1,029,966	100%	-	-	0%	2,818,629
Amounts due from banks	3,179,398	-	100%	-	-	0%	3,179,398
Mortgage loans to individuals, excluding securitized portfolio, gross	70,287,040	19,668,859	98%	964,236	1,332,135	2%	92,252,270
Securitized portfolio, gross	-	1,077,573	97%	-	37,729	3%	1,115,302
Allowance for loan impairment	(117,171)	(159,723)	96%	(1,607)	(10,362)	4%	(288,863)
Non- derivative financial liabilities and commitments							
Customer accounts	583,058	7,471	100%	-	-	0%	590,529
Amounts due to banks and other financial institutions	2,512,501	6,903,734	100%	-	-	0%	9,416,235
Financing from related parties	18,668,906	15,230,201	100%	-	-	0%	33,899,107
Bonds issued	39,587,365	-	100%	-	-	0%	39,587,365
Notes issued	-	-	0%	-	911,383	100%	911,383
Net interest sensitivity gap	**13,786,100**	**(524,731)**		**962,629**	**448,119**		**14,672,117**

22 Risk Management (continued)

Financial risks (continued)

Geographical risk

The Bank is registered in Moscow and operates in the Russian Federation.

The geographical concentration of the Group's financial assets and liabilities as at 31 December 2014 is set out below:

	Russia	OECD	Total
Non- derivative financial assets			
Cash and cash equivalents	5,464,665	812,973	6,277,638
Amounts due from banks	5,341,164	-	5,341,164
Mortgage loans to individuals	122,611,158	-	122,611,158
Other financial assets	198,100	40,191	238,291
Total non- derivative financial assets	**133,615,087**	**853,164**	**134,468,251**
Non- derivative financial liabilities and commitments			
Customer accounts	3,055,003	-	3,055,003
Amounts due to banks and other financial institutions	-	14,042,870	14,042,870
Financing from related parties	13,665,469	22,681,774	36,347,243
Bonds issued	63,652,213	-	63,652,213
Notes issued	-	1,155,274	1,155,274
Financial liabilities at fair value through profit or loss	-	93,097	93,097
Other financial liabilities	203,024	99,715	302,739
Total non- derivative financial liabilities and commitments	**80,575,709**	**38,072,730**	**118,648,439**
Net position	**53,039,378**	**(37,219,566)**	**15,819,812**

22 Risk Management (continued)

Financial risks (continued)

Geographical risk (continued)

The geographical concentration of the Group's financial assets and liabilities as at 31 December 2013 is set out below:

	Russia	OECD	Total
Non- derivative financial assets			
Cash and cash equivalents	2,333,798	1,300,377	3,634,175
Amounts due from banks	3,179,398	-	3,179,398
Mortgage loans to individuals	93,078,708	-	93,078,708
Other financial assets	148,269	11,623	159,892
Total non- derivative financial assets	**98,740,173**	**1,312,000**	**100,052,173**
Non- derivative financial liabilities and commitments			
Customer accounts	2,412,833	-	2,412,833
Amounts due to banks and other financial institutions	-	9,416,235	9,416,235
Financing from related parties	8,598,037	25,301,070	33,899,107
Bonds issued	39,587,365	-	39,587,365
Notes issued	-	911,383	911,383
Financial liabilities at fair value through profit or loss	-	79,201	79,201
Other financial liabilities	166,199	50,263	216,462
Guarantees issued	2,000,000	-	2,000,000
Total non- derivative financial liabilities and commitments	**52,764,434**	**35,758,152**	**88,522,586**
Net position	**45,975,739**	**(34,446,152)**	**11,529,587**

Operational risks

The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational risks.

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

Compliance risk

Compliance risk is defined as the risk of damage to the Group's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards. In addition to reputational damage, failure to effectively manage compliance risk can expose financial institutions to fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses. A failure (or perceived failure) can adversely impact customers, staff and the shareholder of the Group.

The management understands that good compliance risk management involves understanding and delivering on the expectations of customers and stakeholders, thereby improving the quality of key relationships based on honesty, integrity and fairness.

22 Risk Management (continued)

Operational risks (continued)

Compliance risk (continued)

The Bank has effective compliance control system realized through the functions performed by the Risk Management Department in accordance with the internal documentation. Compliance responsibilities are also carried out by all staff in different units as per their expertise.

The main issues of the compliance control function in the Bank are realized through:

- identification (on a pro-active basis), documentation and assessment of the compliance risks associated with the Bank's business activities, including the development of new products and business practices, the proposed establishment of new types of business or customer relationships, or material changes in the nature of such relationships;
- dealing with and leading and co-ordination of investigations into issues of conflict of interest (of the Bank, staff, etc), cases of alleged corruption, money laundering, terrorist financing, and complaints received with regard to bank-financed operations;
- assessment of the appropriateness and consistency of the Bank's regulatory framework (statutory documents, policies, strategies, guidelines, rules, regulations and procedures in force) related to compliance issues, promptly following up any identified deficiencies in the policies and procedures and, where necessary, formulating proposals for amendments.

Analysis of the compliance risk control system is carried out based on the results of the Permanent Supervision Process successfully implemented in the Bank. The main principle of the Permanent Supervision Process is self-assessment of the existing processes performed by all Bank's departments concerned for the detection of the compliance risk events and improvement of the control processes.

23 Contingencies and Commitments

Russian operating environment

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

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

At the end of January 2015, an international credit agency Standard & Poor's downgraded Russia's sovereign rating from BBB- to BB+. Further Fitch Ratings credit agency downgraded sovereign rating to BBB-. In February 2015 Moody's Investors Service credit agency also downgraded Russia's sovereign rating from Baa3 to Ba1.

In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly.

These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the RUR and other negative economic consequences.

During the year ended 31 December 2014 exchange rate of RUR for 1 dollar of the United States ("USD") has depreciated from 32.73 to 56.26. Average exchange rate for 2014 was 38.45 RUR for USD (2013: 31.85 RUR for USD). The GDP of Russia for the 2014 has increased by 0.6% in comparison to GDP of the same period of 2013 year per CBRF.

23 Contingencies and Commitments (continued)

Russian operating environment (continued)

According to the statistical analytical data provided by the CBRF, the volume of originated mortgage loans for the year end 2014 compared to the same period of 2013 has increased by 1.3 times: RUR 1,762.5 billion against RUR 1,353.6 billion. The number of mortgage loans originated during 2014 year increased by 1.2 times in comparison with the same period of 2013 and constituted 1,012 thousand loans.

Because the Russian Federation produces and exports large volumes of oil and gas, the Russian Federation's economy is particularly sensitive to the price of oil and gas on the world which decreased significantly during 2014.

Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Legal proceedings

From time to time and in the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group and accordingly no provision has been made in these consolidated financial statements.

Tax legislation

Provisions of the RF tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the RF tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the RF tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the RF tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

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

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the RF Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

23 Contingencies and Commitments (continued)

Tax legislation (continued)

The SPE is a qualifying Company within the meaning of Section 110 of the Taxes Consolidation Act, 1997. As such, the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25 per cent but are computed in accordance with the provisions applicable to Case I of Schedule D.

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

Contingencies and commitments

As at 31 December 2014 and 31 December 2013 the Group's commitments and contingencies comprised the following:

	31 December 2014	31 December 2013
Contingent liabilities		
Guarantees issued	-	2,000,000
Operating lease commitments		
Not later than 1 year	80,284	46,257
Later than 1 year but not later than 5 years	-	2,535
Total operating lease commitments	**80,284**	**48,792**
Commitments and contingencies	**80,284**	**2,048,792**

Guarantee issued as at 31 December 2013 represents guarantee issued by the Group in favor of the CBRF on behalf of Rusfinance bank. The guarantee matured in July 2014.

Assets pledged and restricted

As at 31 December 2014 RUR 45,716,356 thousand of mortgage loans to individuals were pledged as collateral under covered bonds and notes issued (31 December 2013: RUR 27,045,832 thousand).

Mandatory cash balances with the CBRF in the amount of RUR 42,253 thousand (31 December 2013: RUR 30,824 thousand) represent mandatory reserve deposits which are not available to finance the Group's day to day operations. The Group is required to maintain mandatory reserve deposits at the CBRF at all times.

24 Segment Reporting

The Group's operations primarily constitute a single industry segment as the Group sells standard mortgage products within the Russian Federation. As such no disclosure of revenue, costs, assets and liabilities has been made in the financial statements as required by IFRS 8 "Operating segments" as the Group considers itself to be a single operating segment.

25 Fair Value Measurements

Fair value is defined as 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 estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value.

Financial and non-financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

- Cash and cash equivalents and Mandatory cash balances with the Central Bank of the Russian Federation (CBRF), due to the shot-term environment and availability restrictions of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The fair value of amounts due from banks and mortgage loans to individuals is estimated by application of market interest rates when the loans were originated with the year-end market rates offered on similar loans with the deduction of the allowances for credit losses from the calculated fair value amounts.
- The fair value of the term deposits is estimated by application of market interest rates when the deposits were placed with the year-end market rates offered on similar deposits. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of amounts due to banks and other financial institutions and financing from related parties is estimated by application of market interest rates when the financing was received with the year-end market rates offered on similar financing.
- The fair value of issued bonds and notes is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds for which market rates are quoted.
- Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.

The valuation techniques have been consistently applied across the years.

25 Fair Value Measurements (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (continued)

Management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value.

Set out below is comparison by category of carrying amount and fair value of all the Group's financial instruments:

	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Non- derivative financial assets				
Cash and cash equivalents	6,277,638	6,277,638	3,634,175	3,634,175
Amounts due from banks	5,341,164	5,341,164	3,179,398	3,179,398
Mortgage loans to individuals	122,611,158	120,964,475	93,078,708	94,361,249
Other financial assets	238,291	238,291	159,892	159,892
Non- derivative financial liabilities				
Customer accounts	3,055,003	3,055,003	2,412,833	2,412,833
Amounts due to banks and other financial institutions	14,042,870	14,168,671	9,416,235	9,650,557
Financing from related parties	36,347,243	35,484,675	33,899,107	34,910,261
Bonds issued	63,652,213	60,622,837	39,587,365	39,080,200
Notes issued	1,155,274	1,155,274	911,383	911,383
Financial liabilities at fair value through profit or loss	93,097	93,097	79,201	79,201
Other financial liabilities	302,739	302,739	216,462	216,462

31 December 2014	Quoted prices in an active market (Level 1)	Valuation techniques using observable inputs (Level 2)	Total
Non- derivative financial assets			
Cash and cash equivalents	-	6,277,638	6,277,638
Amounts due from banks	-	5,341,164	5,341,164
Mortgage loans to individuals	-	120,964,475	120,964,475
Other financial assets	-	238,291	238,291
Non- derivative financial liabilities			
Customer accounts	-	3,055,003	3,055,003
Amounts due to banks and other financial institutions	-	14,168,671	14,168,671
Financing from related parties	-	35,484,675	35,484,675
Bonds issued	53,079,200	7,543,637	60,622,837
Notes issued	-	1,155,274	1,155,274
Other financial liabilities	-	302,739	302,739

25 Fair Value Measurements (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (continued)

31 December 2013	Quoted prices in an active market (Level 1)	Valuation techniques using observable inputs (Level 2)	Total
Non- derivative financial assets			
Cash and cash equivalents	-	3,634,175	3,634,175
Amounts due from banks	-	3,179,398	3,179,398
Mortgage loans to individuals	-	94,361,249	94,361,249
Other financial assets	-	159,892	159,892
Non- derivative financial liabilities			
Customer accounts	-	2,412,833	2,412,833
Amounts due to banks and other financial institutions	-	9,650,557	9,650,557
Financing from related parties	-	34,910,261	34,910,261
Bonds issued	39,080,200	-	39,080,200
Notes issued	-	911,383	911,383
Other financial liabilities	-	216,462	216,462

Fair value of the Group's financial and non-financial assets and financial and non-financial liabilities measured at fair value on a recurring basis

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

31 December 2014	Valuation techniques using observable inputs (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Non-current assets held for sale			
Assets acquired by adjudication	72,266	-	72,266
Total non-current assets held for sale	**72,266**	**-**	**72,266**
Derivative financial liabilities			
Financial liabilities at fair value through profit or loss	-	93,097	93,097
Total derivative financial liabilities	**-**	**93,097**	**93,097**

25 Fair Value Measurements (continued)

Fair value of the Group's financial and non-financial assets and financial and non-financial liabilities measured at fair value on a recurring basis (continued)

31 December 2013	Valuation techniques using observable inputs (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Non-current assets held for sale			
Assets acquired by adjudication	101,621	-	101,621
Total non-current assets held for sale	**101,621**	**-**	**101,621**
Derivative financial liabilities			
Financial liabilities at fair value through profit or loss	-	79,201	79,201
Total derivative financial liabilities	**-**	**79,201**	**79,201**

There were no transfers between Levels 1 and 2 in the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Derivative financial instruments under Level 3 represent swaps which the SPE has entered to, disclosed in Note 15. The valuation technique is based on the assumptions of the projected mortgage pool repayments and the share of floating rate loans in the total mortgage pool. These assumptions are relatively stable and are not expected to change so that to affect the swaps fair value significantly.

Changes in the swaps fair value during the period are as follows:

	31 December 2014	31 December 2013
Fair value at 1 January	**79,201**	**112,658**
Total gains for the period recognised in profit or loss	(29,416)	(41,061)
Translation difference	43,312	7,604
Fair value at the end of the period	**93,097**	**79,201**

Total gains for the period are presented in the consolidated statement of profit or loss. Translation difference is comprised of RUR 13,627 thousand translation gain (31 December 2013: RUR 1,137 thousand) presented in the consolidated statement of other comprehensive income and RUR 56,939 thousand exchange difference loss (31 December 2013: RUR 8,741 thousand) presented in the consolidated statement of profit or loss.

26 Related Party Transactions

For the purposes of these financial statements, parties are considered to be as defined by IAS 24 "Related Party Disclosures":

(a) A person or a close member of that person's family is related to the Group if that person:

i. has control or joint control over the Group;

ii. has significant influence over the Group; or

iii. is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

i. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Group.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are entered into in the normal course of business with the shareholder of the Bank, Société Générale, its affiliates, directors and senior management. The outstanding balances at the year end and income and expense items as well as other transactions for the year with related parties are as follows:

(a) Transactions with key management personnel

Total remuneration included in personnel expenses is as follows:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Key management personnel	90,366	50,559
Social security costs	9,661	5,738
Total management remuneration	**100,027**	**56,297**

26 Related Party Transactions (continued)

(b) Transactions with Société Générale Group entities except for Rosbank Group entities

Included in the consolidated statement of financial position:

	31 December 2014	31 December 2013
Cash and cash equivalents	47,275	360,600
Customer accounts	580,344	580,344
Financing from related parties	22,681,774	25,301,070
Financial liabilities at fair value through profit or loss	93,097	79,201
Other financial assets	18,924	9,511
Other financial liabilities	60,033	34,796

Included in the consolidated statement of profit or loss:

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on amounts due from banks	245,414	1,165
Interest on financing from related parties	(1,681,619)	(2,083,121)
Interest on customer accounts	(46,872)	(22,344)
Commission on settlement transactions	(272)	(99)
Commissions on guarantees received	(162,526)	(119,925)
Net loss on financial liabilities at fair value through profit or loss	(28,667)	(27,165)
Other operating income	4,542	3,003
Insurance agent fees	8,652	1,926
Professional services	(3,713)	(8,702)

The Group has entered into two interest rate swap agreements with Société Générale CIB on 12 April 2007 to manage the interest rate risk associated with the floating rate notes, as described in Note 15.

(c) Transactions with Rosbank Group entities

Included in the consolidated statement of financial position:

	31 December 2014	31 December 2013
Cash and cash equivalents	4,342,398	1,254,058
Amounts due from banks	5,341,164	2,757,390
Financing from related parties	13,665,469	8,598,037
Bonds issued	9,305,391	-

26 Related Party Transactions (continued)

(c) Transactions with Rosbank Group entities (continued)

Included in the consolidated statement of profit or loss:

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on amounts due from banks	761,573	307,885
Interest on financing from related parties	(1,291,043)	(789,029)
Interest on bonds issued	(518,633)	-
Commission on issued guarantees	8,671	11,281
Comission for underwriting services provided	33,761	26,295
Commission for pledge enforecement services	13,772	-
Other operating income	4,310	-
Commission on settlement transactions	(370)	(743)
Other operating expenses	(8)	(15)

Commitments and contingencies:

	31 December 2014	31 December 2013
Guarantees issued	-	2,000,000

In 2013 the guarantees were issued in favor of the CBRF on behalf of Rusfinance Bank. The details of the transactions are disclosed in Note 23.

27 Capital Management

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

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group's overall capital risk management policy remains unchanged from 2008.

CBRF capital adequacy ratio

The CBRF requires banks to maintain a minimum capital adequacy ratio of 10% of risk-weighted assets, computed based on RAL. As of 31 December 2014 and 31 December 2013, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

In the fourth quarter 2014 the CBRF allowed banks to apply the official exchange rate as of 1 October 2014 for translation of foreign currency denominated assets involved in the calculation of CBRF capital adequacy ratio. This permission relates only to assets recognized as at 31 December 2014. The Bank is not exercising this permission and uses current official exchange rate in the calculation of CBRF capital adequacy ratio.

27 Capital Management (continued)

Capital adequacy ratio under Basel Capital Accord 1988 with amendments

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

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

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

The Group's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, are 25.56% and 28.26% as of 31 December 2014 and 31 December 2013, respectively, exceed the minimum ratio of 8% recommended by the Basel Accord.

	31 December 2014	**31 December 2013**
Tier 1 capital	16,461,645	13,934,371
Tier 2 capital	252,267	504,425
Total capital	**16,713,912**	**14,438,796**
Risk weighted assets	65,394,795	51,098,300

28 Share Based Payments

On 2 November 2010 Société Générale announced granting of 16 shares and 24 shares to each employee of the Société Générale Group, including those of the Bank, in the years ending 31 December 2015 and 2016, respectively. The share price at the initiation of the program was EUR 42.10. This share based payment program will be accounted as a cash settled share based program over the vesting periods. The cost of the program will be reimbursed by the SG at the end of the vesting periods.

29 Subsequent Events

For further financing of its activity in February 2015 the Group has issued16-IP series residential covered bonds with nominal value of RUR 5,000,000 thousand bearing an annual coupon rate of 8.50 %. The bonds mature in February 2018. These covered bonds do not include put or call options.

In February 2015 the Group has registered 18 issues of stock bonds series BO-09 – BO-26 with total nominal value of RUR 68,000,000 thousand, maturity of each issue – 10 years from the date of placement.

In January 2015 according to legislation requirements the Bank has changed its name from Commercial Bank DeltaCredit, Closed joint stock company to Commercial Bank DeltaCredit, Joint stock company.

Michel Colbert was appointed as Chairman of the Board of Management on 26 February 2015. Serge Ozerov, former Chairman of the Board of Management, resigned from this position but remains a member of the Bank's Board of Directors.