Open Joint-Stock Company
SEB Bank

International Financial Reporting Standards
Financial Statements and Independent Auditor's Report

31 December 2014

CONTENTS

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Independent Auditor's Report

To the Shareholder of OAO "SEB Bank":

We have audited the accompanying financial statements of OAO "SEB Bank" (the "Bank"), which comprise the statement of financial position as at 31 December 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

ZAO PricewaterhouseCoopers Audit

27 April 2015
Moscow, Russian Federation

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In thousands of Russian Roubles	**Note**	**31 December 2014**	**31 December 2013**
ASSETS			
Cash and cash equivalents	7	3 020 899	1 513 592
Mandatory cash balances with the Central Bank of the Russian Federation		97 870	41 737
Due from other banks	8	1 638 660	2 583 972
Loans and advances to customers	9	10 733 809	6 570 380
Other financial assets at fair value through profit or loss	26	268 284	11 649
Other financial assets	10	2 433	4 262
Premises and equipment	11	133 471	142 832
Intangible assets	11	7 629	4 545
Other assets	12	11 328	11 759
TOTAL ASSETS		**15 914 383**	**10 884 728**
LIABILITIES			
Due to other banks	13	9 606 833	6 187 271
Customer accounts	14	2 745 401	1 677 207
Other financial liabilities at fair value through profit or loss	26	266 420	9 918
Other financial liabilities	16	17 330	18 497
Current income tax liability		5 220	2 802
Deferred income tax liability	22	7 841	6 401
Other liabilities	17	33 526	24 828
Subordinated deposit	15	202 537	117 829
TOTAL LIABILITIES		**12 885 108**	**8 044 753**
EQUITY			
Share capital	18	2 523 327	2 523 327
Additional paid-in capital		251 766	251 766
Retained earnings		254 182	64 882
TOTAL EQUITY		**3 029 275**	**2 839 975**
TOTAL LIABILITIES AND EQUITY		**15 914 383**	**10 884 728**

Approved for issue and signed on behalf of the Executive Board on 27 April 2015.

M.R. Lotosh
Acting Chairman of the Executive Board

Открытое акционерное общество «СЭБ Банк» * Санкт-Петербург * SEB

I.P. Grishina
Chief Accountant

In thousands of Russian Roubles	**Note**	**2014**	**2013**
Interest income	19	1 069 015	586 193
Interest expense	19	(707 651)	(355 138)
Net interest income		**361 364**	**231 055**
(Provision)/recovery of provision for loan impairment	9	(5 276)	4 540
Net interest income after provision for loan impairment		**356 088**	**235 595**
Fee and commission income	20	59 114	64 425
Fee and commission expense	20	(8 512)	(9 526)
Losses less gains from trading in foreign currencies		(374 567)	(48 296)
Foreign exchange translation gains less losses		433 895	103 656
Gains less losses from financial derivatives		17 416	2 774
Other operating income		8 286	8 574
Administrative and other operating expenses	21	(251 454)	(243 995)
Profit before tax		**240 266**	**113 207**
Income tax expense	22	(50 966)	(26 002)
PROFIT FOR THE YEAR		**189 300**	**87 205**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**189 300**	**87 205**

In thousands of Russian Roubles	**Share capital**	**Additional paid-in capital**	**(Accumulated deficit)/retained earnings**	**Total equity**
Balance at 31 December 2012	**2 523 327**	**251 766**	**(22 323)**	**2 752 770**
Total comprehensive income for 2013	-	-	87 205	87 205
Balance at 31 December 2013	**2 523 327**	**251 766**	**64 882**	**2 839 975**
Total comprehensive income for 2014	-	-	189 300	189 300
Balance at 31 December 2014	**2 523 327**	**251 766**	**254 182**	**3 029 275**

In thousands of Russian Roubles	Note	2014	2013
Cash flows from operating activities			
Interest received		1 000 204	590 999
Interest paid		(605 641)	(359 608)
Fees and commissions received		60 977	66 948
Fees and commissions paid		(8 512)	(9 526)
Losses less gains from trading in foreign currencies		(374 567)	(48 296)
Gains less losses from financial derivatives		17 283	1 043
Other operating income received		8 286	8 814
Staff costs paid		(130 663)	(142 527)
Administrative and other operating expenses paid		(99 126)	(82 164)
Income tax paid		(47 108)	(26 481)
Cash flows used in operating activities before changes in operating assets and liabilities		**(178 865)**	**(798)**
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(56 133)	50 460
Net decrease/(increase) in due from other banks		942 000	(69 527)
Net increase in loans and advances to customers		(3 414 728)	(460 980)
Net decrease in other financial assets		1 931	3 172
Net increase in other assets		(1 737)	(553)
Net increase in due to other banks		2 699 159	1 180 763
Net increase/(decrease) in customer accounts		910 957	(347 713)
Net decrease in other financial liabilities		(2 049)	(37 853)
Net increase/(decrease) in other liabilities		2 303	(1 673)
Net cash from operating activities		**902 838**	**315 298**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(1 358)	(1 817)
Acquisition of intangible assets	11	(7 335)	(2 565)
Net cash used in investment activities		**(8 693)**	**(4 382)**
Cash flows from financing activities			
Interest expense on subordinated deposit		(1 775)	(1 500)
Net cash used in financing activities		**(1 775)**	**(1 500)**
Effect of exchange rate changes on cash and cash equivalents		**614 937**	**1 038**
Net increase in cash and cash equivalents		**1 507 307**	**310 454**
Cash and cash equivalents at the beginning of the year	7	1 513 592	1 203 138
Cash and cash equivalents at the end of the year	7	**3 020 899**	**1 513 592**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for OAO SEB Bank (the “Bank”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Bank’s immediate parent is Skandinaviska Enskilda Banken AB, Sweden (the “Parent”) (2013: Skandinaviska Enskilda Banken AB, Sweden).

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under full banking licences issued by the Central Bank of the Russian Federation (“CBRF”) since 20 September 2007 for performing banking transactions with roubles and foreign currencies and attracting individual deposits in roubles and foreign currencies. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments. The Bank also issues guarantees in favour of third parties by participating in risks on loans extended by the Parent and provision of depositary services for international banks of SEB Group.

The Bank's development concept stipulates transition to provision of services exclusively to corporate clients of SEB Group in Russia, and, therefore, the Bank gradually stops issuing loans to Russian companies who are not SEB Group's clients as well as transactions with individuals.

Registered address and place of business. The Bank is registered and operates at the following address:

11 Mikhailova st., St Petersburg, Russian Federation,195009.

The Bank also has a representative office at the following address:

7 Gasheka st., Moscow, Russian Federation, 123056.

Presentation currency. These financial statements are presented in thousands of Russian roubles (“RR thousands"), unless otherwise stated.

2 Operating Environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is sensitive to oil and gas prices. The tax, currency and customs regulatory frameworks within the Russian Federation continue to develop and are subject to frequent changes and varying interpretations (Note 25). A fall in oil prices, continuing political tension in the region, as well as international sanctions against Russian companies and individuals have had a negative impact on the Russian economy in 2014. As a result, in 2014:

- the CBRF exchange rate changed from RR 32.7292 to RR 56.2584 per USD;
- the CBRF key rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 10.5% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index went down from 1 443 to 791 points;
- access to international financial markets to raise funding was limited for certain entities;
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. After 31 December 2014:

- In January 2015, Fitch Ratings downgraded Russia's credit rating to BBB-, Standard & Poor's cut it to BB+, and Moody's Investors Service downgraded it to Ba1 in February 2015, which for the first time in ten years is below the investment grade. Fitch Ratings kept Russia's sovereign rating at the investment grade. All these rating agencies provided negative outlooks for the future, which means that Russia's credit rating may be further downgraded;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- the CBRF key rate decreased from 17.0% p.a. to 14.0% p.a. in March 2015.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 27.

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include overnight interbank placements and settlement account in trading systems. Funds restricted for a period of more than one banking day on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

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

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

Receivables. Trade receivables are accrued when the Bank has performed its obligations under the contract and are carried at amortised cost.

Prepayments. Prepayments are recognised if the Bank has made prepayment under the contract on services which have not yet been provided, and recorded at initial cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue, except technical delay (overdue less than 30 days);
- the borrower experiences a significant financial difficulty as evidenced by borrower’s financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the fair value of collateral decreases below the carrying value of a related loan.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

Credit related commitments. The Bank enters into credit related commitments, including undrawn credit lines and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet obligations to third parties and carry the same credit risk as loans. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

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

Construction in progress is carried at cost less provision for impairment, where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

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

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Depreciation of premises and equipment. Depreciation on fixed assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Premises – 50 years;

Office and computer equipment - 5-6 years;

Leasehold improvements - over the term of the underlying lease.

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

Intangible assets. The Bank's intangible assets have definite useful life and primarily include computer software.

Acquired computer software licences are included in intangibles assets on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. Amounts due to other banks are carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Subordinated deposits. Subordinated deposits are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value.

All derivative financial instruments are carried as assets where their fair value is positive and as liabilities where their fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss as gains less losses for the year arising from trading in foreign currency. The Bank does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (Continued)

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

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

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are offset.

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

Trade and other payables. Payables are accounted for on the accruals basis and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Additional paid-in capital. Additional paid-in capital represents free aid of the shareholders. Additional paid-in capital is carried at amortised cost.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the Note “Events after the end of the reporting period”. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Dividends payable. Dividends payable on shares in the Bank's custody are recognised on payment of dividends by the issuer to the Bank and recorded at amortised value.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability. Commitment fees received by the Bank to issue commitments and originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset’s effective interest rate which was used to measure the impairment loss.

3 Summary of Significant Accounting Policies (Continued)

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

Income from consulting services which are included in income from provision of consulting services to the Parent on organisation of direct lending to large Russian companies is recorded on an accrual basis by reference to completion of respective reports which are sent to the Parent in electronic format.

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

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

As at 31 December 2014, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 56.2584 and EUR 1 = RR 68.3427 (2013: USD 1 = RR 32.7292, EUR 1 = RR 44.9699). The principal rate of exchange used for translating income and expenses was USD 1 = RR 56.2584 and EUR 1 = RR 68.3427 (2013: USD 1 = RR 32.7292, EUR 1 = RR 44.9699).

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

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

Amendments of the financial statements after issue. Any further changes to these financial statements require approval of the Bank's Management who authorised these financial statements for issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment loss on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 2 231 thousand (2013: RR 1 704 thousand), respectively.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 29.

5 Adoption of New or Revised Standards and Interpretations

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

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances:(i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amendment did not have any material impact on the Bank's financial statements.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amendments did not have any material impact on the Bank's financial statements.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Bank's financial statements.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amendments did not have any material impact on the Bank's financial statements.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendments did not have any material impact on the Bank's financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

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

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

6 New Accounting Pronouncements (Continued)

Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Bank is currently assessing the impact of the amendments on its financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

6 New Accounting Pronouncements (Continued)

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

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**2014**	**2013**
Cash on hand	37 771	52 038
Cash balances with the CBRF (other than mandatory cash balances)	1 978 186	812 449
Correspondent accounts and overnight placements with other banks		
- Russian Federation	2 179	302 212
- other countries	903 108	337 663
Settlement accounts with trading systems	99 655	9 230
Total cash and cash equivalents	**3 020 899**	**1 513 592**

All cash and cash equivalents are current and not collateralised.

Credit quality of cash and cash equivalents balances may be summarised as follows at 31 December 2014 and 31 December 2013:

In thousands of Russian Roubles	**2014**	**2013**
Cash on hand	37 771	52 038
Cash balances with the CBRF (other than mandatory cash balances)	1 978 186	812 449
Correspondent accounts and overnight placements with other banks		
- International banks of SEB Group	869 137	335 113
- Other international banks	33 971	2 550
- Russian banks	2 179	302 212
Other Russian financial institutions (accounts with trading systems)	99 655	9 230
Total cash and cash equivalents	**3 020 899**	**1 513 592**

Management believes that international banks of SEB Group have lower credit risk than other international banks, and other international banks, in their turn, have lower credit risk than Russian banks. The credit rating of SEB Group's banks is A+ as per Fitch Ratings (2013: A+). Other international banks include largest international banks with credit ratings above BBB according to the Fitch rating scale. The credit rating of Russian banks is BBB- as per Fitch Ratings (2013: BBB).

As at 31 December 2014 and 31 December 2013, the carrying amount of cash and cash equivalents approximates their fair value. Refer to Note 27.

Interest rate analysis of cash and cash equivalents is disclosed in Note 23. The information on related party balances is disclosed in Note 29.

8 Due from Other Banks

In thousands of Russian Roubles	**2014**	**2013**
Long-term placements with banks of SEB Group	-	754 697
Short-term placements with banks of SEB Group	1 638 660	277 199
Short-term placements with Russian banks	-	1 552 076
Total due from other banks	**1 638 660**	**2 583 972**

8 Due from Other Banks (Continued)

The current portfolio of due from other banks is an instrument of short-term investment of temporary available Bank's funds.

All due from other banks are current and not collateralised.

The credit rating of SEB Group's banks is A+ as per Fitch Ratings.

At 31 December 2014, due from other banks represents short-term placements with banks of SEB Group with A+ credit rating based on Fitch Ratings (2013: long-term and short-term placements with banks of SEB Group with A+ credit rating based on Fitch Ratings and with a leading Russian bank with BBB credit rating based on Fitch Ratings). Management believes that the Bank does not have significant credit risk in relation to these placements as at 31 December 2014 and 31 December 2013.

As at 31 December 2014 and 31 December 2013, the carrying amount of due from other banks equals their fair value. Refer to Note 27.

Interest rate and maturity analyses of due from other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

9 Loans and Advances to Customers

In thousands of Russian Roubles	**2014**	**2013**
Loans to large companies	6 368 414	5 197 782
Other loans:		
- Loans to medium companies	2 000 151	493 682
- Loans to small companies	2 193 163	682 027
- Mortgage loans to individuals	114 473	117 243
- Consumer loans to individuals	79 920	96 682
Less: Provision for loan impairment	(22 312)	(17 036)
Total loans and advances to customers	**10 733 809**	**6 570 380**

Loans to large companies include loans provided to Russian subsidiaries of SEB Group's clients 100% secured by the Parent's guarantee. Other loans to companies include loans to medium companies with annual revenues from Euro 10 000 thousand or equivalent of this amount in Russian roubles to Euro 50 000 thousand or equivalent of this amount in Russian roubles and amount of assets over Euro 10 000 thousand or equivalent of this amount in Russian roubles, loans to small companies with annual revenue of less than Euro 10 000 thousand or equivalent of this amount in Russian roubles or amount of assets less than Euro 10 000 thousand or equivalent of this amount in Russian roubles, mortgage loans to individuals and consumer loans to individuals.

9 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2014 are as follows:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Provision for loan impairment at 1 January 2014	**-**	**-**	**8 353**	**4 191**	**4 492**	**17 036**
Provision/(recovery of provision) for loan impairment during the year	-	-	6 005	727	(1 456)	5 276
Provision for loan impairment at 31 December 2014	**-**	**-**	**14 358**	**4 918**	**3 036**	**22 312**

Movements in the provision for loan impairment during 2013 are as follows:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Provision for loan impairment at 1 January 2013	**142**	**-**	**11 754**	**4 823**	**4 857**	**21 576**
Recovery of provision for loan impairment during the year	(142)	-	(3 401)	(632)	(365)	(4 540)
Provision for loan impairment at 31 December 2013	**-**	**-**	**8 353**	**4 191**	**4 492**	**17 036**

9 Loans and Advances to Customers (Continued)

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

	2014		2013	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Development (lease)	3 025 186	28.1	3 017 419	45.8
Manufacturing	2 989 946	27.8	2 115 479	32.1
Construction	1 639 110	15.2	-	-
Leasing	1 351 951	12.6	461 803	7.0
Trade	559 159	5.2	490 316	7.4
Individuals	194 393	1.8	213 925	3.2
Other	996 376	9.3	288 474	4.4
Total loans and advances to customers before provision for loan impairment	**10 756 121**	**100.0**	**6 587 416**	**100.0**

The Bank regularly analyses credit exposure to the largest group of related borrowers in terms of the total amount of loans issued. At 31 December 2014, the total amount due to the Bank from the largest borrower was RR 3 025 186 thousand (2013: RR 3 017 419 thousand) which constituted 28.1% (2013: 45.8%) of the gross value of loans and advances to customers.

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Current and not impaired						
- Loans secured by the Parent's guarantees	6 340 660	2 000 151	2 178 805	-	-	**10 519 616**
- Loans not secured by the Parent's guarantees:						
- Group A	27 754	-	-	-	-	**27 754**
- Loans to individuals						
- Group 1	-	-	-	96 138	68 349	**164 487**
- Group 2	-	-	-	18 335	8 400	**26 735**
Total neither past due nor impaired	**6 368 414**	**2 000 151**	**2 178 805**	**114 473**	**76 749**	**10 738 592**
Individually impaired						
- more than 360 days overdue	-	-	14 358	-	3 171	**17 529**
Total individually impaired loans	**-**	**-**	**14 358**	**-**	**3 171**	**17 529**
Less: provision for impairment	-	-	(14 358)	(4 918)	(3 036)	(22 312)
Total loans and advances to customers	**6 368 414**	**2 000 151**	**2 178 805**	**109 555**	**76 884**	**10 733 809**

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Current and not impaired						
- Loans secured by the Parent's guarantees	5 197 782	493 682	633 962	-	-	**6 325 426**
- Loans not secured by the Parent's guarantees:						
- Group A	-	-	39 712	-	-	**39 712**
- Loans to individuals						
- Group 1	-	-	-	98 710	85 269	**183 979**
- Group 2	-	-	-	18 533	10 649	**29 182**
Total neither past due nor impaired	**5 197 782**	**493 682**	**673 674**	**117 243**	**95 918**	**6 578 299**
Individually impaired						
- more than 360 days overdue	-	-	8 353	-	764	**9 117**
Total individually impaired loans	**-**	**-**	**8 353**	**-**	**764**	**9 117**
Less: provision for impairment	-	-	(8 353)	(4 191)	(4 492)	(17 036)
Total loans and advances to customers	**5 197 782**	**493 682**	**673 674**	**113 052**	**92 190**	**6 570 380**

9 Loans and Advances to Customers (Continued)

The Bank applied the portfolio provisioning methodology prescribed by IAS 39 “Financial Instruments: Recognition and Measurement” and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank’s policy is to classify each loan as ‘current and not impaired’ until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

Current and not impaired loans are loans not overdue as at the balance sheet date and for which there are no factors indicating the borrowers’ inability to repay the debt to the Bank in full. Credit quality is analysed for current and not impaired loans based on borrowers’ performance.

Group A includes loans to legal entities with a low level credit risk for which repayment of liabilities is expected within the period set in the loan agreement. Comprehensive analysis of the operating and business activities of the borrowers under this category and other data confirm that their activity is sustainable and there are no negative trends that may have an adverse effect on the financial stability of these borrowers in the future.

Group 1 includes loans to individuals with a low level of credit risk for which repayment of liabilities is expected within the period set in the loan agreement based on the borrowers' current income level.

Group 2 includes loans to individuals with moderate credit risk for which some negative factors, including a decrease in income and/or a loss of the source of income may sometimes cause delays in repayment under respective loan agreements.

The Bank does not apply the internal rating system while analysing credit quality of loans to individuals.

The primary factors that the Bank considers in determining whether the loan is impaired are its overdue status or existence of any signs that the borrowers may not be able to repay their debt to the Bank in full. When considering if a loan is impaired, the Bank also monitors the state of collateral and any claims to the borrower raised by the tax, law enforcement bodies and counterparties, as well as monitors the movements on accounts with the Bank. A loan is treated as impaired if the principal amount and interest payments exceed fair value of the security.

The amount reported as past due but not impaired and individually impaired are the whole balance of such loans, not only the individual instalments that are past due.

9 Loans and Advances to Customers (Continued)

Neither past due nor impaired loans and advances to customers depending on the types of collateral as at 31 December 2014 are provided below:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Loans collateralised by:						
- the Parent's guarantees	6 340 660	2 000 151	2 178 805	-	-	**10 519 616**
- real estate	-	-		114 473	76 749	**191 222**
- other assets	27 754	-	-	-	-	**27 754**
Total neither past due nor impaired loans and advances to customers	**6 368 414**	**2 000 151**	**2 178 805**	**114 473**	**76 749**	**10 738 592**

Neither past due nor impaired loans and advances to customers depending on the types of collateral as at 31 December 2013 are provided below:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Loans collateralised by:						
- the Parent's guarantees	5 197 782	493 682	633 962	-	-	**6 325 426**
- real estate	-	-	39 712	117 243	93 081	**250 036**
- other assets	-	-	-	-	2 837	**2 837**
Total neither past due nor impaired loans and advances to customers	**5 197 782**	**493 682**	**673 674**	**117 243**	**95 918**	**6 578 299**

Other assets mainly include equipment and receivables on loans to legal entities and cars for individuals. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

9 Loans and Advances to Customers (Continued)

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on loan amounts (before impairment) at 31 December 2014 is set out below:

	Over-collateralised assets		Under-collateralised assets	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans to large companies	652 195	799 235	5 716 219	5 683 427
Loans to medium companies	223 713	475 371	1 776 437	1 736 685
Loans to small companies	2 193 163	3 912 084	-	-
Mortgage loans to individuals	114 473	241 884	-	-
Consumer loans to individuals	79 920	188 760	-	-
Total	**3 263 464**	**5 617 334**	**7 492 656**	**7 420 112**

The effect of collateral on loan amounts (before impairment) at 31 December 2013 is set out below:

	Over-collateralised assets		Under-collateralised assets	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans to large companies	379 290	450 000	4 818 492	4 800 000
Loans to medium companies	493 682	632 981	-	-
Loans to small companies	561 821	1 683 637	120 206	120 000
Mortgage loans to individuals	117 243	246 711	-	-
Consumer loans to individuals	96 682	228 064	-	-
Total	**1 648 718**	**3 241 393**	**4 938 698**	**4 920 000**

The fair value of collateral was estimated by the Bank's lending department on the basis of the Bank's internal methodologies that take into consideration expert valuation of market value based upon publicly available information with account for expected sales expenses and potential date of sale. The fair value of collateral is the amount which can be obtained by individuals who have a legal title to these assets.

9 Loans and Advances to Customers (Continued)

At 31 December 2014, the estimated fair value of loans and advances to customers was RR 11 023 772 thousand (2013: RR 6 614 276 thousand). Refer to Note 27.

Interest rate and maturity analyses of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

10 Other Financial Assets

In thousands of Russian Roubles	**2014**	**2013**
Receivables on commissions for custody services	2 043	2 561
Receivables on commissions for cash and settlement services	340	530
Receivables on commissions for financial guarantees	-	1 155
Other	50	16
Total other financial assets	**2 433**	**4 262**

At 31 December 2014 and 31 December 2013, other financial assets are short-term in nature and are neither past due nor impaired.

Receivables on commissions for financial guarantees are due from the Parent and a bank of SEB Group. Receivables on commissions for custody services are due from international banks of SEB Group. The credit rating of SEB Group's banks is A+ as per Fitch Ratings.

Carrying value of each class of other financial assets approximates the fair value at 31 December 2014 and 31 December 2013. Refer to Note 27.

Interest rate and maturity analyses of other financial assets are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

11 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Note	Land and premises	Office and computer equipment	Total premises and equipment	Intangible assets	Total
Cost at 31 December 2012		174 698	70 997	**245 695**	33 846	**279 541**
Accumulated depreciation and amortisation		(46 084)	(46 363)	**(92 447)**	(27 309)	**(119 756)**
Carrying amount at 31 December 2012		**128 614**	**24 634**	**153 248**	**6 537**	**159 785**
Additions		937	880	**1 817**	2 565	**4 382**
Disposals		-	(2 701)	**(2 701)**	(11 818)	**(14 519)**
Depreciation and amortisation	21	(3 774)	(8 443)	**(12 217)**	(4 558)	**(16 775)**
Depreciation and amortisation on disposals		-	2 685	**2 685**	11 819	**14 504**
Cost at 31 December 2013		175 635	69 176	**244 811**	24 593	**269 404**
Accumulated depreciation and amortisation		(49 858)	(52 121)	**(101 979)**	(20 048)	**(122 027)**
Carrying amount at 31 December 2013		**125 777**	**17 055**	**142 832**	**4 545**	**147 377**
Additions		79	1 279	**1 358**	7 335	**8 693**
Disposals		-	(2 336)	**(2 336)**	(15)	**(2 351)**
Depreciation and amortisation	21	(3 784)	(6 908)	**(10 692)**	(4 236)	**(14 928)**
Depreciation and amortisation on disposals		-	2 309	**2 309**	-	**2 309**
Carrying amount at 31 December 2014		**122 072**	**11 399**	**133 471**	**7 629**	**141 100**
Cost at 31 December 2014		175 714	68 119	**243 833**	31 913	**275 746**
Accumulated depreciation and amortisation		(53 642)	(56 720)	**(110 362)**	(24 284)	**(134 646)**
Carrying amount at 31 December 2014		**122 072**	**11 399**	**133 471**	**7 629**	**141 100**

12 Other Assets

In thousands of Russian Roubles	2014	2013
Advances to suppliers and contractors	6 851	8 053
Deferred expenses on software maintenance	1 399	1 195
Deferred insurance expenses	854	908
Prepaid taxes other than income tax	464	39
Other	1 760	1 564
Total other assets	**11 328**	**11 759**

13 Due to Other Banks

In thousands of Russian Roubles	2014	2013
Placements of other banks	9 499 340	6 102 414
Correspondent accounts of other banks	107 493	84 857
Total due to other banks	**9 606 833**	**6 187 271**

At 31 December 2014 and 31 December 2013, due to other banks include placements of the Bank's Parent in Russian roubles, US dollars and euros with maturity dates from January 2015 to September 2019 (2013: from January 2014 to December 2017) and interest rates from 0.5% to 12.9% p.a. (2013: from 0.7% to 8.8% p.a.).

At 31 December 2014 and 31 December 2013, correspondent accounts of banks represent the funds of the Parent and international banks of SEB Group in Russian roubles.

At 31 December 2014, the estimated fair value of due to other banks was RR 10 144 434 thousand (2013: RR 6 203 158 thousand). Refer to Note 27.

Interest rate and maturity analyses of due to other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

14 Customer Accounts

In thousands of Russian Roubles	2014	2013
Legal entities		
- Current/settlement accounts	1 336 459	850 380
- Term deposits	1 402 381	822 610
Individuals		
- Current/demand accounts	4 733	2 859
- Term deposits	1 828	1 358
Total customer accounts	**2 745 401**	**1 677 207**

14 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

	2014		2013	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Trade	1 206 525	43.9	342 739	20.4
Manufacturing	766 811	27.9	314 505	18.8
Real estate	194 821	7.1	271 387	16.2
Consulting services	159 531	5.8	60 331	3.6
Financial lease	103 329	3.8	485 025	28.9
Insurance	77 142	2.8	72 032	4.3
Individuals	6 561	0.2	4 217	0.3
Construction	745	0.0	7 506	0.4
Other	229 936	8.4	119 465	7.1
Total customer accounts	**2 745 401**	**100**	**1 677 207**	**100**

At 31 December 2014, the aggregate balance of customer accounts of the 10 largest customers - legal entities of the Bank was RR 1 691 896 thousand (2013: RR 1 236 197 thousand) or 61.6% (2013: 73.7%) of total customer accounts.

The carrying value of customer accounts approximates their fair value at 31 December 2014 and 31 December 2013. Refer to Note 27.

Interest rate and maturity analyses of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

15 Subordinated Deposit

In thousands of Russian Roubles	**2014**	**2013**
Subordinated deposit	202 537	117 829
Total subordinated deposit	**202 537**	**117 829**

In 2007, the Bank attracted a subordinated deposit of USD 3 600 thousand from the Parent with maturity in April 2014. In 2009, this subordinated deposit was prolonged until April 2019. At 31 December 2014, the carrying value of this subordinated deposit was USD 3 600 thousand, the equivalent of RR 202 530 thousand (2013: USD 3 600 thousand, the equivalent of RR 117 825 thousand). This subordinated deposit was attracted under a floating interest rate of LIBOR USD for three months + 1% p.a. with quarterly payment of interest.

The subordinated deposit ranks after all other creditors in case of liquidation.

As at 31 December 2014, the estimated fair value of the subordinated deposit was RR 165 832 thousand (2013: RR 93 225 thousand). Refer to Note 27.

Interest rate and maturity analyses of the subordinated deposit are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

16 Other Financial Liabilities

In thousands of Russian Roubles	Note	2014	2013
Financial guarantees	25	6 568	7 525
Obligation to pay fees for guarantees received		6 081	456
Rent prepayments		1 887	1 620
Dividends payable on shares in custody		851	-
Payables on other operating expenses		614	1 039
Deferred fee and commission income		466	4 839
Deposit against a foreign exchange deal		-	1 300
Security deposit under lease agreement		-	613
Other		863	1 105
Total other financial liabilities		**17 330**	**18 497**

For transferred dividends of issuers whose shares are in the Bank's custody, the Bank acts as an agent on payment of dividends to ultimate shareholders of these issuers. The amount payable with regard to these payments as at 31 December 2014 was repaid by the Bank in January 2015.

Carrying value of each class of other financial liabilities approximates the fair value at 31 December 2014 and 31 December 2013. Refer to Note 27.

Interest rate and maturity analyses of other financial assets are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

17 Other Liabilities

In thousands of Russian Roubles	2014	2013
Provision for bonuses to employees	14 949	10 897
Payables on employee remuneration	9 318	7 330
Provision for unused annual vacations	5 636	5 444
Taxes payable other than on income	2 733	1 107
Other	890	50
Total other liabilities	**33 526**	**24 828**

18 Share Capital

In thousands of Russian Roubles except for number of shares	**Number of outstanding shares (in thousands)**	**Ordinary shares**	**Total**
At 31 December 2012	**239 200**	**2 523 327**	**2 523 327**
At 31 December 2013	**239 200**	**2 523 327**	**2 523 327**
At 31 December 2014	**239 200**	**2 523 327**	**2 523 327**

At 31 December 2014, the nominal registered amount of the Bank's issued share capital prior to the restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002 is RR 2 392 000 thousand (2013: RR 2 392 000 thousand). All of the Bank's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 10 per share (2013: RR 10 per share). Each share carries one vote.

19 Interest Income and Expense

In thousands of Russian Roubles	**2014**	**2013**
Interest income		
Loans and advances to customers	821 153	463 810
Due from other banks	247 393	122 221
Correspondent accounts with other banks	469	162
Total interest income	**1 069 015**	**586 193**
Interest expense		
Term placements of other banks	623 468	322 689
Term deposits of legal entities	78 519	28 335
Current/settlement accounts	3 886	2 622
Subordinated deposit	1 778	1 492
Total interest expense	**707 651**	**355 138**
Net interest income	**361 364**	**231 055**

In 2014, the Bank did not recognise interest income on individually impaired loans (2013: the Bank did not recognise interest income on individually impaired loans).

The information on related party balances is disclosed in Note 29.

20 Fee and Commission Income and Expense

In thousands of Russian Roubles	2014	2013
Fee and commission income		
- Custody services	25 130	30 264
- Guarantees issued	13 181	14 363
- Currency control	10 298	8 218
- Cash transactions	8 103	7 565
- Settlement transactions	2 355	3 973
- Other	47	42
Total fee and commission income	**59 114**	**64 425**
Fee and commission expense		
- Custody services	5 607	6 809
- Settlement transactions	1 931	1 954
- Fees to stock exchange	562	582
- Other	412	181
Total fee and commission expense	**8 512**	**9 526**
Net fee and commission income	**50 602**	**54 899**

Fee and commission income on guarantees issued in 2014 and 2013 primarily include fees received by the Bank from the Parent under risk-participation agreements in relation to the borrowers of the Parent. The information on related party balances is disclosed in Note 29.

21 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2014	2013
Staff costs		149 849	144 843
Rent		15 089	14 709
Taxes other than on income		13 567	12 167
Software maintenance expenses		16 851	11 167
Other costs of premises and equipment		12 024	11 957
Depreciation of premises and equipment	11	10 692	12 217
Professional services		9 537	12 445
Telecommunication expenses		4 476	3 107
Amortisation of intangible assets	11	4 236	4 558
Business trip expenses		3 997	3 974
Security services		3 415	3 682
Transport expenses		1 944	1 058
Other		5 777	8 111
Total administrative and other operating expenses		**251 454**	**243 995**

Included in staff costs are social security contributions of RR 19 587 thousand (2013: RR 18 977 thousand), of which RR 15 432 thousand (2013: RR 14 952 thousand) are pension contributions.

22 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	**2014**	**2013**
Current tax	49 526	26 481
Deferred tax	1 440	(479)
Income tax expense for the year	**50 966**	**26 002**

(b) Reconciliation between the tax expense and profit multiplied by applicable tax rate

The income tax rate applicable to the majority of the Bank's 2014 income is 20% (2013: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	**2014**	**2013**
Profit before tax	**240 266**	**113 207**
Theoretical tax charge at statutory rate (2014: 20%; 2013: 20%)	48 053	22 640
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	2 913	3 362
Income tax charged to profit and loss	**50 966**	**26 002**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2013: 20%).

In thousands of Russian Roubles	**1 January 2014**	**Credited/ (charged) to profit or loss**	**31 December 2014**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(12 631)	590	(12 041)
Intangible assets	2 199	182	2 381
Provision for loan impairment	(1 197)	(569)	(1 766)
Other assets and liabilities	3 471	(1 498)	1 973
Net accrued expenses and income	1 757	(145)	1 612
Net deferred tax liability	**(6 401)**	**(1 440)**	**(7 841)**

22 Income Taxes (Continued)

In thousands of Russian Roubles	1 January 2013	Credited/ (charged) to profit or loss	31 December 2013
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(12 970)	339	(12 631)
Intangible assets	1 883	316	2 199
Provision for loan impairment	(1 811)	614	(1 197)
Other assets and liabilities	4 306	(835)	3 471
Net accrued expenses and income	1 712	45	1 757
Net deferred tax liability	**(6 880)**	**479**	**(6 401)**

23 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical and liquidity risks), operational risks and legal risks.

The key objective of financial risk management is to minimise the Bank's losses associated with these risks. This objective is achieved through setting limits and ensuring they are complied with. The operational and legal risks are managed by development of and compliance with internal regulations and procedures.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to the Bank's claims to the counterparties that are accompanied by credit risk.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and by setting limits on the basis of the loan portfolio structure by currency, types of borrowers and credit instruments. Credit limits for borrowers are approved by the Bank's Board of Directors.

Credit risks are monitored, and compliance with established limits is analysed, on a monthly basis, and the limits are subject to an annual or more frequent review.

Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees, insuring pledged property of corporates and individuals as well as by insuring life, health and working ability of individuals.

23 Financial Risk Management (Continued)

In order to monitor credit risk exposures, regular reports are produced by the Credit Department’s officers based on a structured analysis focusing on the customer’s business and financial performance. All information on significant exposures against customers with deteriorating creditworthiness is reported to and reviewed by the Bank's Credit Committees. The Bank uses formalised internal credit ratings to monitor exposures to credit risk. The Credit Department together with the Bank's Back Office perform ageing analysis of loans and follows up on overdue loans (if any).

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in currency and interest rate instruments, all of which are exposed to general and specific market movements. The Bank sets limits on the value of market risk that may be accepted. The use of this approach does not always prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Bank set limits on the level of exposure by currency and in total for both overnight and intra-day positions in compliance with the CBRF requirements (the maximum open currency position in individual foreign currencies and precious metals is 10 percent of the Bank’s statutory capital, the total of all open currency positions in individual foreign currencies and precious metals is 20 percent of the Bank’s statutory capital). The control over compliance with the limits is exercised daily by responsible units of the Bank. Reports on compliance with the established limits on the level of currency risk accepted by the Bank are provided to the Bank’s management and the heads of the Bank's departments. The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the end of reporting period:

	31 December 2014			31 December 2013		
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
Russian Roubles	12 820 511	9 880 849	2 939 662	9 687 609	6 965 370	2 722 239
Euro	434 715	454 741	(20 026)	818 210	814 805	3 405
US Dollars	2 479 465	2 475 646	3 819	211 760	223 034	(11 274)
Other currencies	27 264	27 285	(21)	8 013	7 513	500
Total	**15 761 955**	**12 838 521**	**2 923 434**	**10 725 592**	**8 010 722**	**2 714 870**

The above analysis includes only monetary assets and liabilities. Non-monetary assets and liabilities are not considered to give rise to any material currency risk.

23 Financial Risk Management (Continued)

In 2014 and 2013, the Bank's open currency position in US dollars, euro and other currencies varied within the limits set by the CBRF.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates based on the management's assumptions, applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

In thousands of Russian Roubles	**31 December 2014**	**31 December 2013**
Movements in EUR exchange rate by +/- 20%	-/+ 4 005	+/- 681
Movements in USD exchange rate by +/- 20%	+/- 764	-/+ 2 255

Movements in other currencies' exchange rates will have no material effect on the profit or loss of the Bank. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

The Bank's Board of Directors sets limits on the level of mismatch of the amount of interest-bearing assets and liabilities that may be undertaken. The Bank's responsible business units monitor compliance with the set limits on a regular basis.

Assessment of the Bank's exposure to interest rate risk is based upon gap analysis of financial instruments sensitive to changes in interest rate. These financial instruments are analysed by the earlier of contractual interest repricing or maturity dates. Changes in net interest income resulting from changes in the value of financial instruments sensitive to interest rate fluctuations at the date of their redemption or interest repricing determine the amount of interest rate risk exposure. Changes in the amount of net interest income depend upon net cumulative gap on financial instruments sensitive to changes in interest rate and possible changes in the interest rate at the end of the annual reporting period.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest re-pricing or maturity dates:

23 Financial Risk Management (Continued)

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
31 December 2014					
Total financial assets	7 731 410	3 408 505	2 200 402	2 421 638	**15 761 955**
Total financial liabilities	(5 518 345)	(2 863 480)	(2 281 916)	(2 174 780)	**(12 838 521)**
Net interest sensitivity gap at 31 December 2014	**2 213 065**	**545 025**	**(81 514)**	**246 858**	**2 923 434**
31 December 2013					
Total financial assets	3 456 416	1 058 861	2 444 318	3 765 997	**10 725 592**
Total financial liabilities	(2 038 401)	(487 222)	(1 706 438)	(3 778 661)	**(8 010 722)**
Net interest sensitivity gap at 31 December 2013	**1 418 015**	**571 639**	**737 880**	**(12 664)**	**2 714 870**

Interest risk management is supplemented by sensitivity analysis of the Bank's profit and equity to expected movements in the interest rate. As a result of the analysis performed as at 31 December 2014, the Bank's management made a projection that on average, interest rates will not change more than by 600 basis points within 2015 (2013: 200 basis points within 2014).

The following table presents change in the Bank's cash flows within one year based on forecasted movements in interest rates, with all other variables held constant:

In thousands of Russian Roubles	**31 December 2014**
Increase in interest rates by 600 basis points	(23 057)
Decrease in interest rates by 600 basis points	23 057

In thousands of Russian Roubles	**31 December 2013**
Increase in interest rates by 200 basis points	13 511
Decrease in interest rates by 200 basis points	(13 511)

The interest rate sensitivity analysis did not take into consideration the balances of the customer's current accounts because the Bank's management does not expect any changes in interest rates on customer current accounts.

23 Financial Risk Management (Continued)

The table below summarises average weighted interest rates based on reports reviewed by the Bank's key management personnel:

	2014				2013			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Correspondent accounts and overnight placements with other banks	16.5	0.1	-	0.4	3.5	0.1	-	1.0
Due from other banks	15.2	-	-	-	6.1	-	-	-
Loans and advances to customers	12.5	9.4	7.9	-	7.8	9.5	3.1	-
Liabilities								
Due to other banks	10.2	3.6	1.0	-	6.6	3.6	0.8	-
Customer accounts				-				-
- current and settlement accounts	1.7	-	-	-	2.3	-	-	-
- term deposits	13.4	0.1	0.1	-	5.1	0.1	0.1	-
Subordinated deposit	-	1.3	-	-	-	1.2	-	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency. Weighted interest rates on customer’s current and settlement accounts were calculated only for interest-bearing accounts.

Geographical risk concentrations. The geographical concentration of the Bank’s financial assets and liabilities at 31 December 2014 is set out below:

In thousands of Russian Roubles	**Russian Federation**	**OECD countries**	**Non- OECD countries**	**Total**
Financial assets				
Cash and cash equivalents	2 118 641	902 215	42	**3 020 899**
Mandatory cash balances with the Central Bank of the Russian Federation	97 870	-	-	**97 870**
Due from other banks		1 638 660	-	**1 638 660**
Loans and advances to customers	9 089 427	1 644 382	-	**10 733 809**
Other financial assets at fair value through profit or loss	4 872	263 412	-	**268 284**
Other financial assets	390	2 043	-	**2 433**
Total financial assets	**11 311 200**	**4 450 712**	**42**	**15 761 955**
Financial liabilities				
Due to other banks	-	9 606 833	-	**9 606 833**
Customer accounts	2 729 010	14 919	1 472	**2 745 401**
Other financial liabilities at fair value through profit or loss	261 750	4 670	-	**266 420**
Other financial liabilities	10 021	6 457	851	**17 330**
Subordinated debt	-	202 537	-	**202 537**
Total financial liabilities	**3 000 781**	**9 835 416**	**2 323**	**12 838 521**
Net position in on-balance sheet financial instruments	**8 310 490**	**(5 384 704)**	**(2 281)**	**2 923 434**

23 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	**Russian Federation**	**OECD countries**	**Non- OECD countries**	**Total**
Financial assets				
Cash and cash equivalents	1 175 929	337 650	13	**1 513 592**
Mandatory cash balances with the Central Bank of the Russian Federation	41 737	-	-	**41 737**
Due from other banks	1 552 076	1 031 896	-	**2 583 972**
Loans and advances to customers	6 564 543	5 837	-	**6 570 380**
Other financial assets at fair value through profit or loss	2 036	9 613	-	**11 649**
Other financial assets	576	3 686	-	**4 262**
Total financial assets	**9 336 897**	**1 388 682**	**13**	**10 725 592**
Financial liabilities				
Due to other banks	-	6 187 271	-	**6 187 271**
Customer accounts	1 658 483	17862	862	**1 677 207**
Other financial liabilities at fair value through profit or loss	8 100	1 818	-	**9 918**
Other financial liabilities	12 860	5 235	402	**18 497**
Subordinated debt	-	117 829	-	**117 829**
Total financial liabilities	**1 679 443**	**6 330 015**	**1 264**	**8 010 722**
Net position in on-balance sheet financial instruments	**7 657 454**	**(4 941 333)**	**(1 251)**	**2 714 870**

Liquidity risk. Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises when the maturity of assets and liabilities does not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for the management of the Bank. Due to diversity of transactions performed and uncertainty associated with them, full matching of assets and liabilities by their maturity is not a common practice, which allows to increase profitability of transactions, but also increases the risk of losses. The current liquidity risk is managed by the Bank's Financial Markets Department. Limits on individual indicators reflecting the level of liquidity risk accepted by the Bank are set by the Chairman of the Executive Board and by the Board of Directors.

The Bank seeks to maintain a stable funding base comprising primarily the funds of the parent bank and deposits of individuals and to maintain sufficient cash and cash equivalents in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

23 Financial Risk Management (Continued)

The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBRF. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 200.4% at 31 December 2014 (2013: 153.4%).
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 162.0% at 31 December 2014 (2013: 201.4%).
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 68.7% at 31 December 2014 (2013: 57.4%).

Management believes that as at 31 December 2014, 31 December 2013 and within the reporting periods then ended, the liquidity ratios of the Bank complied with the statutory established level: N2 - at least 15%, N3 – at least 50%, N4 – not higher than 120%.

The Financial Markets Division receives information about financial assets and liabilities on a daily basis and ensures availability of balances on correspondent accounts and sufficient liquidity within the Bank as a whole.

The Financial Markets Division monitors daily liquidity position and conducts regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions.

The table below shows combined assets and liabilities at 31 December 2014 by their remaining contractual maturity. The asset and liability amounts disclosed in the table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

23 Financial Risk Management (Continued)

Analysis of the Bank's assets and liabilities by contractual maturities as at 31 December 2014 is provided in the table below.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Due to other banks	123 458	231 947	4 031 061	6 729 238	-	**11 115 704**
Customer accounts	2 630 134	44 132	81 850	-	-	**2 756 116**
Subordinated deposit	-	642	1 941	211 049	-	**213 632**
Other financial liabilities (other than financial guarantees)	2 361	18 040	261 064	2 285	-	**283 750**
Total financial liabilities	**2 755 953**	**294 761**	**4 375 916**	**6 942 572**	**-**	**14 369 202**
Contingencies and commitments						
Guarantees issued	2 930 401	-	-	-	-	**2 930 401**
Irrevocable credit lines	100 000	-	-	-	-	**100 000**
Total potential future payments for financial and contingent liabilities	**5 786 354**	**294 761**	**4 375 916**	**6 942 572**	**-**	**17 399 603**

23 Financial Risk Management (Continued)

Analysis of the Bank's assets and liabilities by contractual maturities as at 31 December 2013 is provided in the table below.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Due to other banks	862 122	76 446	1 979 405	3 870 225	-	**6 788 198**
Customer accounts	1 163 677	468 589	52 889	-	-	**1 685 155**
Subordinated deposit	-	371	1 122	5 962	118 278	**125 733**
Other financial liabilities	13 041	1 622	4 771	8 915	178	**28 527**
Total financial liabilities	**2 038 840**	**547 028**	**2 038 187**	**3 885 102**	**118 456**	**8 627 613**
Contingencies and commitments						
Guarantees issued	1 739 336	-	-	-	-	**1 739 336**
Irrevocable credit lines	100 000	-	-	-	-	**100 000**
Total potential future payments for financial and contingent liabilities	**3 878 176**	**547 028**	**2 038 187**	**3 885 102**	**118 456**	**10 466 949**

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

Management believes that in spite of a substantial portion of customer deposits being on demand (customers' current/settlement accounts), diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

23 Financial Risk Management (Continued)

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows: At 31 December 2014:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial assets						
Cash and cash equivalents	3 020 899	-	-	-	-	**3 020 899**
Mandatory cash balances with the Central Bank of the Russian Federation	93 534	1 548	2 788	-	-	**97 870**
Due from other banks	1 244 073	343 108	51 479	-	-	**1 638 660**
Loans and advances to customers	435 422	724 504	3 321 484	6 155 521	96 878	**10 733 809**
Other financial assets	2 433	9 835	258 239	210	-	**270 717**
Total financial assets	4 796 361	1 078 995	3 633 990	6 155 731	96 878	**15 761 955**
Financial liabilities						
Due to other banks	222 038	171 081	3 294 530	5 919 184	-	**9 606 833**
Customer accounts	2 623 779	43 416	78 206	-	-	**2 745 401**
Subordinated deposit	-	7	-	202 530	-	**202 537**
Other financial liabilities (other than financial guarantees)	2 361	18 040	261 064	2 285	-	**283 750**
Total financial liabilities	2 848 178	232 544	3 633 800	6 123 999	-	**12 838 521**
Net liquidity gap	**1 948 183**	**846 451**	**190**	**31 732**	**96 878**	**2 923 434**
Net cumulative liquidity gap	**1 948 183**	**2 794 634**	**2 794 824**	**2 826 556**	**2 923 434**	

23 Financial Risk Management (Continued)

The maturity analysis of financial assets and liabilities at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial assets						
Cash and cash equivalents	1 513 592	-	-	-	-	**1 513 592**
Mandatory cash balances with the Central Bank of the Russian Federation	28 949	11 520	1 268	-	-	**41 737**
Due from other banks	1 552 076	1 006 447	25 449	-	-	**2 583 972**
Loans and advances to customers	333 100	52 414	2 418 869	3 638 484	127 513	**6 570 380**
Other financial assets	15 911	-	-	-	-	**15 911**
Total financial assets	**3 443 628**	**1 070 381**	**2 445 586**	**3 638 484**	**127 513**	**10 725 592**
Financial liabilities						
Due to other banks	862 049	22 666	1 650 705	3 651 851	-	**6 187 271**
Customer accounts	1 163 311	462 934	50 962	-	-	**1 677 207**
Subordinated deposit	-	-	-	-	117 829	**117 829**
Other financial liabilities	13 041	1 622	4 771	8 915	66	**28 415**
Total financial liabilities	**2 038 401**	**487 222**	**1 706 438**	**3 660 766**	**117 895**	**8 010 722**
Net liquidity gap	**1 405 227**	**583 159**	**739 148**	**(22 282)**	**9 618**	**2 714 870**
Net cumulative liquidity gap	**1 405 227**	**1 988 386**	**2 727 534**	**2 705 252**	**2 714 870**	

24 Management of Capital

The Bank’s objectives when managing capital are to comply with the capital requirements set by the Central Bank of the Russian Federation and to safeguard the Bank’s ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank’s Chairman of the Executive Board and the Chief Accountant.

Under the current capital requirements set by the CBRF, banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratios N1.1, N1.2, N1.0”), regulated by the Bank of Russia's Instruction No. 139-I of 3 December 2012 “On Obligatory Ratios for Banks” (“Instruction No. 139-I”), above the prescribed minimum level. At 1 January 2015 this minimum level was 10% for N1.0 ratio, 5% for N1.1 ratio and 5.5% for N1.2 ratio.

The regulatory capital (N1.0) on the basis of the Bank's reports prepared in accordance with Russian legislation as at 31 December 2014 and 31 December 2013 is presented in the following table.

In thousands of Russian Roubles	**2014**	**2013**
Total regulatory capital	**3 068 571**	**2 894 195**
Capital adequacy ratio	48.40%	52.60%

The amount of capital calculated under CBRF requirements differs from the amount of equity for IFRS purposes principally by the amount of loan portfolio impairment, revaluation of premises and deferred tax liability.

The Bank complied with all externally imposed capital requirements throughout 2014 and 2013.

The measures which the Bank may apply in case the capital inadequacy include: additional share issue, disposal of assets, reduction of lending, attraction of funds to deposit accounts and attraction of interbank loans from the Parent. Allocation of capital between individual transactions and lines of business is primarily caused by the intention to increase return (profit margin) on allocated capital. Although the key driver for allocation of capital between individual transactions and lines of business is maximisation of return on capital considering the risk, this driver is not the only one when the decision is made. The Bank also considers whether this line of business fits the Bank’s long-term plans and development strategy. The Bank’s policy in respect of capital management and its allocation is analysed by the Bank’s Board of Directors on a regular basis within the process of consideration and approval of annual budgets.

25 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and internal professional advice management of the Bank is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

As Russian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

25 Contingencies and Commitments (Continued)

The Bank's management believes that its interpretation of the relevant legislation is appropriate and the Bank’s tax, currency and customs positions will be sustained. Therefore, as at 31 December 2014 the management has not made any provision for potential tax liabilities (2013: nil).

Capital expenditure commitments. At 31 December 2014, the Bank had no contractual capital expenditure commitments (2013: nil).

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

In thousands of Russian Roubles	**2014**	**2013**
Not later than 1 year	13 019	15 992
Due between 1 and 5 years	54 414	31 747
Total operating lease commitments	**67 433**	**47 739**

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

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**2014**	**2013**
Financial guarantees issued	2 930 401	1 739 336
Irrevocable credit lines	100 000	100 000
Total credit related commitments	**3 030 401**	**1 839 336**

The fair value of credit related commitments was RR 6 568 thousand at 31 December 2014 (2013: RR 7 525 thousand). Refer to Note 27.

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**2014**	**2013**
Euros	1 602 180	107 598
Russian Roubles	1 249 859	967 911
US Dollars	178 362	763 827
Total	**3 030 401**	**1 839 336**

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 97 870 thousand (2013: RR 41 737 thousand) represent mandatory reserve deposits which are not available to finance the Bank’s day-to-day operations.

26 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature:

In thousands of Russian Roubles	**Note**	**2014** Contracts with positive fair value	**2014** Contracts with negative fair value
Foreign exchange spot contracts, forwards and swaps: fair values, at the end of the reporting period, of			
- USD receivable on settlement (+)		335 980	-
- USD payable on settlement (-)		-	(335 514)
- Euros receivable on settlement (+)		853 268	22 311
- Euros payable on settlement (-)		(22 268)	(851 997)
- RR receivable on settlement (+)		22 679	921 456
- RR payable on settlement (-)		(921 375)	(22 676)
Net fair value of foreign exchange forwards and swaps		**268 284**	**(266 420)**

The table below sets out fair values, at 31 December 2013, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank.

In thousands of Russian Roubles	**Note**	**2013** Contracts with positive fair value	**2013** Contracts with negative fair value
Foreign exchange spot contracts, forwards and swaps: fair values, at the end of the reporting period, of			
- USD receivable on settlement (+)		391 901	109 602
- USD payable on settlement (-)		(118 706)	(382 207)
- Euros receivable on settlement (+)		400 198	-
- Euros payable on settlement (-)		-	(399 676)
- RR receivable on settlement (+)		120 734	773 783
- RR payable on settlement (-)		(782 478)	(111 420)
Net fair value of foreign exchange forwards and swaps		**11 649**	**(9 918)**

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

27 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. At 31 December 2014, the levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Russian Roubles	**Level 2**	**Total**
ASSETS AT FAIR VALUE		
Other financial assets		
Foreign exchange forward contracts	268 284	268 284
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**268 284**	**268 284**

In thousands of Russian Roubles	**Level 2**	**Total**
LIABILITIES CARRIED AT FAIR VALUE		
Other financial liabilities		
- Foreign exchange forward contracts	266 420	266 420
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**266 420**	**266 420**

27 Fair Value of Financial Instruments (Continued)

At 31 December 2013, the levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Russian Roubles	**Level 2**	**Total**
ASSETS AT FAIR VALUE		
Other financial assets		
Foreign exchange forward contracts	11 649	11 649
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**11 649**	**11 649**

In thousands of Russian Roubles	**Level 2**	**Total**
LIABILITIES CARRIED AT FAIR VALUE		
Other financial liabilities		
- Foreign exchange forward contracts	9 918	9 918
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**9 918**	**9 918**

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2014:

In thousands of Russian Roubles	**Fair value 31 December 2014**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
Other financial assets	**268 284**		
Foreign exchange forward contracts	268 284	Market similarity comparison	Spot and forward exchange rates
LIABILITIES CARRIED AT FAIR VALUE			
Other financial liabilities	**266 420**		
- Foreign exchange forward contracts	266 420	Market similarity comparison	Spot and forward exchange rates

27 Fair Value of Financial Instruments (Continued)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2013:

In thousands of Russian Roubles	**Fair value at 31 December 2013**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
Other financial assets	**11 649**		
Foreign exchange forward contracts	11 649	Market similarity comparison	Spot and forward exchange rates
LIABILITIES CARRIED AT FAIR VALUE			
Other financial liabilities	**9 918**		
- Foreign exchange forward contracts	9 918	Market similarity comparison	Spot and forward exchange rates

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2014 (2013: no changes in valuation technique for level 2 recurring fair value measurements).

27 Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2014			31 December 2013		
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Carrying amount**	**Level 1**	**Level 2**	**Carrying amount**
Cash and cash equivalents	**37 771**	**2 983 128**	**3 020 899**	**52 038**	**1 461 554**	**1 513 592**
- Cash on hand	37 771	-	37 771	52 038	-	52 038
- Balances with the CBRF (other than mandatory reserve deposits)	-	1 978 186	1 978 186	-	812 449	812 449
- Correspondent accounts and overnight placements	-	905 287	905 287	-	639 875	639 875
- Settlement accounts with trading systems	-	99 655	99 655	-	9 230	9 230
Mandatory cash balances with the Central Bank of the Russian Federation	-	**97 870**	**97 870**	-	**41 737**	**41 737**
Due from other banks	-	**1 638 660**	**1 638 660**	-	**2 583 972**	**2 583 972**
- Placements with banks of SEB Group	-	1 638 660	1 638 660	-	1 031 896	1 031 896
- Placements with a Russian bank	-	-	-	-	1 552 076	1 552 076
Loans and advances to customers	-	**11 023 772**	**10 733 809**	-	**6 614 276**	**6 570 380**
- Loans to large companies	-	6 384 981	6 368 414	-	5 221 198	5 197 782
- Loans to medium companies	-	2 405 409	2 000 151	-	490 602	493 682
- Loans to small companies	-	2 036 378	2 178 805	-	684 453	673 674
- Mortgage loans to individuals	-	116 765	109 555	-	119 736	113 052
- Consumer loans to individuals	-	80 239	76 884	-	98 287	92 190
Other financial assets	-	**2 433**	**2 433**	-	**4 262**	**4 262**
- Receivables on commissions for financial guarantees	-	-	-	-	1 155	1 155
- Receivables on commissions for custody services	-	2 043	2 043	-	2 561	2 561
- Receivables on commissions for cash and settlement services	-	340	340	-	530	530
- Other	-	50	50	-	16	16
TOTAL	**37 771**	**15 745 863**	**15 493 671**	**52 038**	**10 705 801**	**10 713 943**

27 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2014		31 December 2013	
In thousands of Russian Roubles	**Level 2**	**Carrying amount**	**Level 2**	**Carrying amount**
Due to other banks	**10 144 434**	**9 606 833**	**6 203 158**	**6 187 271**
Customer accounts	**2 745 401**	**2 745 401**	**1 677 207**	**1 677 207**
- Current/settlement accounts of legal entities	1 336 459	1 336 459	850 380	850 380
- Term deposits of legal entities	1 402 381	1 402 381	822 610	822 610
- Current/demand accounts of individuals	4 733	4 733	2 859	2 859
- Term deposits of individuals	1 828	1 828	1 358	1 358
Subordinated deposit	**165 832**	**202 537**	**93 225**	**117 829**
Other financial liabilities	**17 330**	**17 330**	**18 497**	**18 497**
- Financial guarantees	6 568	6 568	7 525	7 525
- Obligation to pay fees for guarantees received	6 081	6 081	456	456
- Rent prepayments	1 887	1 887	1 620	1 620
- Dividends payable on shares in custody	851	851	-	-
- Payables on other operating expenses	614	614	1 039	1 039
- Deferred fee and commission income	466	466	4 839	4 839
- Deposit against a foreign exchange deal	-	-	1 300	1 300
- Security deposit under lease agreement	-	-	613	613
- Other	863	863	1 105	1 105
TOTAL	**13 072 997**	**12 572 101**	**7 992 087**	**8 000 804**

27 Fair Value of Financial Instruments (Continued)

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

28 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 “Financial Instruments: Recognition and Measurement”, Bank classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss (“FVTPL”). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. At the same time, under IFRS 7 "Financial Instruments: Disclosures", the Bank groups financial assets by class. The following table provides a reconciliation of classes of financial assets with measurement categories at 31 December 2014:

In thousands of Russian Roubles	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Total**
FINANCIAL ASSETS			
Cash and cash equivalents			
- Cash on hand	37 771	-	37 771
- Balances with the CBRF (other than mandatory reserve deposits)	1 978 186	-	1 978 186
- Correspondent accounts and overnight placements	905 287	-	905 287
- Settlement accounts with trading systems	99 655	-	99 655
Mandatory cash balances with the Central Bank of the Russian Federation	97 870	-	97 870
Due from other banks			
- Placements with banks of SEB Group	1 638 660	-	1 638 660
Loans and advances to customers			
- Loans to large companies	6 368 414	-	6 368 414
- Loans to medium companies	2 000 151	-	2 000 151
- Loans to small companies	2 178 805	-	2 178 805
- Mortgage loans to individuals	109 555	-	109 555
- Consumer loans to individuals	76 884	-	76 884
Other financial assets at fair value through profit or loss	-	268 284	268 284
Other financial assets			
- Receivables on commissions for custody services	2 043	-	2 043
- Receivables on commissions for cash and settlement services	340	-	340
- Other	50	-	50
TOTAL FINANCIAL ASSETS	**15 493 671**	**268 284**	**15 761 955**

28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets to the measurement categories defined in IAS 39 “Financial Instruments: Recognition and Measurement” as at 31 December 2013:

In thousands of Russian Roubles	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Total**
FINANCIAL ASSETS			
Cash and cash equivalents			
- Cash on hand	52 038	-	52 038
- Balances with the CBRF (other than mandatory reserve deposits)	812 449	-	812 449
- Correspondent accounts and overnight placements	639 875	-	639 875
- Settlement accounts with trading systems	9 230	-	9 230
Mandatory cash balances with the Central Bank of the Russian Federation	41 737	-	41 737
Due from other banks			
- Placements with banks of SEB Group	1 031 896	-	1 031 896
- Placements with a Russian bank	1 552 076	-	1 552 076
Loans and advances to customers			
- Loans to large companies	5 197 782	-	5 197 782
- Loans to medium companies	493 682	-	493 682
- Loans to small companies	673 674	-	673 674
- Mortgage loans to individuals	113 052	-	113 052
- Consumer loans to individuals	92 190	-	92 190
Other financial assets			
- Receivables on commissions for financial guarantees	1 155	-	1 155
- Receivables on commissions for custody services	2 561	-	2 561
- Receivables on commissions for cash and settlement services	530	-	530
- Foreign exchange forward contracts	-	11 649	11 649
- Other	16	-	16
TOTAL FINANCIAL ASSETS	**10 713 943**	**11 649**	**10 725 592**

At 31 December 2014 and 31 December 2013, all of the Bank’s financial liabilities except for derivatives at fair value were carried at amortised cost.

29 Related Party Transactions

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

29 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Correspondent accounts with other banks (contractual interest rate: 0.00% p.a. – 2.43% p.a.)	864 390	4 747	-	869 137
Due from other banks (contractual interest rate: 8.55% - 30.00% p.a.)	1 638 660	-	-	1 638 660
Loans and advances to customers (contractual interest rate: 11.25% p.a.)	-	-	2 008	2 008
Impairment provisions for loans and advances to customers at 31 December 2014	-	-	(76)	(76)
Financial assets at fair value through profit or loss	263 412	-	-	263 412
Other financial assets	1 038	1 005	-	2 043
Correspondent accounts of other banks (contractual interest rate: 0.00% p.a.)	24 554	82 939	-	107 493
Placements of other banks (contractual interest rate: 0.50% p.a. – 12.90% p.a.)	9 499 340	-	-	9 499 340
Customer accounts (current accounts) (contractual interest rate: 0.00%)	-	-	816	816
Subordinated deposit (contractual interest rate: 3 months LIBOR USD +1.00% p.a.)	202 537	-	-	202 537

The income and expense items with related parties for 2014 were as follows:

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Interest income	138 535	-	178	138 713
Interest expense	(625 240)	(19 927)	-	(645 167)
Fee and commission income	12 235	13 009	-	25 244
Other operating income	-	604	-	604

At 31 December 2014, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Guarantees issued by the Bank	108 927	-	-	108 927
Guarantees received by the Bank on customers' obligations	18 786 908	4 632 568	-	23 419 476
Irrevocable credit lines	100 000	-	-	100 000

29 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2014 were:

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Amounts lent to related parties during the period under loan agreements	29 194 583	-	-	29 194 583
Amounts repaid by related parties during the period under loan agreements	28 386 583	-	-	28 386 583

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

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Correspondent accounts with other banks (contractual interest rate: 0.00% p.a. – 6.36% p.a.)	333 636	1 477	-	335 113
Loans and advances to customers (contractual interest rate: 8.25% p.a.)	1 031 896	-	2 253	1 034 149
Impairment provisions for loans and advances to customers at 31 December 2013	-	-	(89)	(89)
Other financial assets	11 927	1 372	-	13 299
Correspondent accounts of other banks (contractual interest rate: 0.00% p.a.)	75 206	9 651	-	84 857
Due to other banks (contractual interest rate: 0.70% – 8.20% p.a.)	6 102 414	-	-	6 102 414
Customer accounts (current accounts and term deposits) (contractual interest rate: 0.00% - 5.00% p.a.)	-	461 926	185	462 111
Subordinated deposit (contractual interest rate: 3 months LIBOR USD +1.00% p.a.)	117 829	-	-	117 829

The income and expense items with related parties for 2013 were as follows:

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Interest income	52 566	-	714	53 280
Interest expense	(324 181)	(13 762)	-	(338 153)
Fee and commission income	28 426	7 907	-	36 333
Other operating income	84	1	-	85

29 Related Party Transactions (Continued)

At 31 December 2013, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Guarantees issued by the Bank	60 616	-	-	60 616
Guarantees received by the Bank on customers' obligations	12 163 036	2 912 329	-	15 075 365
Irrevocable credit lines	100 000	-	-	100 000

Aggregate amounts lent to and repaid by related parties during 2013 were:

In thousands of Russian Roubles	**Parent bank**	**Entities under common control**	**Key management personnel**	**Total**
Amounts lent to related parties during the period under loan agreements	7 366 361	-	-	7 366 361
Amounts repaid by related parties during the period under loan agreements	7 591 361	-	-	7 591 361

The Bank's internal policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The information about the Parent and the ultimate controlling party of the Bank is disclosed in Note 1.

Total remuneration paid to the key management personnel for 2014 was RR 85 963 thousand (2013: RR 84 325 thousand).

At 1 January 2015, the number of the Bank's staff was 100 (1 January 2014: 102), and the number of the key management personnel was 36 (1 January 2014: 38).

In 2014 and 2013, no remuneration was paid to the members of the Board of Directors. The members of the Bank's Board of Directors are employees of the Parent, and primarily provide services to the Parent, and their remuneration is paid by the Parent. The Board of Directors meets several times per year and it is impracticable to identify which portion of total remuneration of the Bank's Board of Directors paid by the Parent relates to the Bank.

30 Events After the End of the Reporting Period

On 16 March 2015, International Rating Agency Fitch Ratings downgraded the Bank's Long-term Issuer Default Rating (IDR) in foreign currency to “BBB-“ with negative outlook.

The short-term IDR in foreign currency was affirmed at “F3”.

The national long-term rating has been affirmed at “AAA(rus)” with stable outlook.

The support rating has been affirmed at “2”.