China Construction Bank (Russia) Limited

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

31 December 2014

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Independent Auditor's Report

To the Participant and Board of Directors of LLC China Construction Bank:

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

Management's Responsibility for the 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 express an opinion on the fair presentation of these financial statements.

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 2014 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

18 March 2015
Moscow, Russian Federation

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China Construction Bank (Russia) Limited
Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2014	31 December 2013 (revised data)
ASSETS			
Cash and cash equivalents	7	10 800 980	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation		140 816	114 163
Due from other banks	8	2 012 837	1 956 666
Loans and advances to customers	9	6 626 586	2 040 717
Deferred income tax asset	19	11 297	8 885
Intangible assets	10	18 386	15 915
Premises and equipment	10	20 153	30 643
Other financial assets	11	492	15 713
Other assets	12	9 709	7 538
TOTAL ASSETS		**19 641 256**	**6 434 010**
LIABILITIES			
Due to other banks	13	12 070 357	2 186 584
Customer accounts	14	3 089 082	13 701
Other liabilities	15	8 178	8 284
Current income tax payable		5 959	2 792
Total liabilities		**15 173 576**	**2 211 361**
Equity			
Share capital	16	4 200 000	4 200 000
Retained earnings		267 680	22 649
Total equity		**4 467 680**	**4 222 649**
TOTAL LIABILITIES AND EQUITY		**19 641 256**	**6 434 010**

Approved for issue and signed on 18 March 2014

Gao Rong
CEO

Anna Garaeva
Chief Accountant

In thousands of Russian Roubles	**Note**	**2014**	**For the period from 4 March 2013 to 31 December 2013 (restated)**
Interest income	17	440 505	199 096
Interest expense	17	(63 928)	(5 521)
Net interest income		**376 577**	**193 575**
Fee and commission income		12 172	236
Fee and commission expense		(2 102)	(210)
Foreign exchange translation gains less losses		247 539	513
Results from dealing in foreign currencies		(100 111)	18 277
Administrative and other operating expenses	**18**	(244 080)	(184 700)
Other operating income		32 059	13
Profit before tax		**322 054**	**27 704**
Income tax expense	19	(77 023)	(5 055)
Profit for the year/for the period from 4 March 2013 to 31 December 2013	**16**	**245 031**	**22 649**
Total comprehensive income for the year/for the period from 4 March 2013 to 31 December 2013		**245 031**	**22 649**

In thousands of Russian Roubles	Note	Share capital	Retained earnings	Total
Balance at 4 March 2013		**-**	**-**	**-**
Share capital	16	4 200 000	-	**4 200 000**
Profit for the period from 4 March 2013 to 31 December 2013	16	-	22 649	**22 649**
Balance at 31 December 2013		**4 200 000**	**22 649**	**4 222 649**
Profit for the year	16	-	245 031	**245 031**
Balance at 31 December 2014		**4 200 000**	**267 680**	**4 467 680**

In thousands of Russian Roubles	Note	For the period from 1 January 2014 to 31 December 2014	For the period from 4 March 2013 to 31 December 2013
Cash flows from operating activities			
Interest received		454 416	190 815
Interest paid		(39 204)	(5 521)
Fees and commissions received		12 172	236
Fees and commissions paid		(2 102)	(210)
Loss (Income) received from transactions with foreign currencies		(254 644)	18 277
Other operating income received		32 059	13
Staff costs paid		(152 652)	(74 185)
Administrative and other operating expenses paid		(88 221)	(102 447)
Income tax paid		(76 268)	(11 148)
Cash flows from operating activities before changes in operating assets and liabilities		**(114 444)**	**15 830**
Change in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank		(26 653)	(114 163)
Net decrease (increase) in due from other banks		1 071 390	(1 952 503)
Net increase in loans and advances to customers		(2 496 812)	(2 036 550)
Net decrease (increase) in other assets		13 796	(22 414)
Net increase in due to other banks		8 008 492	2 186 584
Net increase in customer accounts		39 045	13 701
Net increase in other liabilities		7 350	1 222
Net cash from operating activities		**6 502 164**	**(1 908 293)**
Cash flows from investing activities			
Acquisition of premises and equipment	10	(2 001)	(31 863)
Acquisition of intangible assets	10	(3 176)	(16 586)
Net cash generated from investing activities		**(5 177)**	**(48 449)**
Cash flows from financing activities			
Charter or Share Capital Contribution	16	-	4 200 000
Net cash from financing activities		**-**	**4 200 000**
Effect of exchange rate changes on cash and cash equivalents		**2 060 223**	**512**
Net increase in cash and cash equivalents		**8 557 210**	**2 243 770**
Cash and cash equivalents at the beginning of the reporting period		**2 243 770**	**-**
Cash and cash equivalents at the end of the reporting period		**10 800 980**	**2 243 770**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the period from 1 January 2014 to 31 December 2014 for China Construction Bank (Russia) Limited (the "Bank").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a limited liability company and was set up in accordance with Russian regulations on 4 March 2013. The Bank is a 100% subsidiary of China Construction Bank Corporation, which owners include the Ministry of Finance and the Government of the People's Republic of China (the "Parent Bank"). The Parent Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the People's Republic of China.

The Bank has been operating under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") on 20 March 2013.

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. 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., certificate No. 1001 of 20 March 2013. The State Deposit Insurance Scheme 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 has no branches. The Bank does not have any internal structural and isolated divisions, including in foreign countries.

The Bank is not a head of any banking group (banking holding).

The number of Bank's employees at 1 January 2015 was 56 (31 December 2013: 38).

Registered address and place of business. The Bank's registered address is: Lybansky proezd, 11, building 1, Moscow 101000, Russian Federation.

The Bank operates in the Russian Federation.

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*.** A fall in oil prices by approximately 45% during 2014 resulted in economic slowdown of the Russian economy. The economic situation was also affected by international sanctions against Russian companies and individuals and the measures taken by the Russian Federation in response to these sanctions. During the year ended 31 December 2014:

- USD exchange rate to Russian Rouble increased from USD 1 = RR 32.7 at 31 December 2013 to USD 1 = RR 56.3 at 31 December 2014;
- the Central Bank's key refinancing rate increased from 5.5% p.a. to 17.0% p.a.;
- RTS share index went down from 1 445 to 791 points at the year end.

In January 2015, Fitch Ratings downgraded Russia's credit rating to BBB-, while Standard & Poor's cut it to BB+, which for the first time in ten years is below the investment grade. In February 2015, Moody's Investors Service downgraded Russia's sovereign credit rating to Ba1, which is below the investment grade. Fitch Ratings kept Russia's sovereign rating at the investment grade. On February 2, 2015 the Central Bank's key rate decreased from 17.0% p.a. to 15.0% p.a. On March 16, 2015 the Central Bank's key rate further decreased from 15.0% p.a. to 14.0% p.a.;

2 Operating Environment of the Bank (Continued)

After the end of the reporting year, at 18 March 2015, the exchange rate was USD 1 = RR 68.3 and RTS share index reached 900 points. These events and the related uncertainty and volatility in the financial markets may have a significant impact on the Bank's operations and financial position, the effect of which is difficult to predict. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. The future economic and regulatory situation may differ from management's current expectations.

These and other events may have a significant impact on the Bank's operations and financial position in future, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Bank's operations may differ from management's current expectations.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Bank. Management believes it is taking all the necessary measures to support the sustainability and development of the Bank's business.

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 the period from 1 January 2014 to 31 December 2014, unless otherwise stated (refer to Note 5).

Going concern. Management prepared these financial statements on a going concern basis.

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.

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 of assets and liabilities held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

3 Summary of Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or present value 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 25.

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.

The Bank analyses current rating of financial instruments. If major rating agencies assign different ratings to a counterparty, the Bank assigns the lowest rating to corresponding financial assets. The following table presents rating classification based on international long-term credit ratings:

Classification	Standard & Poor's	Moody's	Fitch
High level of reliability (from AA- to A-)	AA-	Aa3	AA-
High level of reliability (from AA- to A-)	A+	A1	A+
High level of reliability (from AA- to A-)	A	A2	A
High level of reliability (from AA- to A-)	A-	A3	A-
Higher than average level of reliability (from BBB- to BBB+)	BBB+	Baa1	BBB+
Higher than average level of reliability (from BBB- to BBB+)	BBB	Baa2	BBB
Higher than average level of reliability (from BBB- to BBB+)	BBB-	Baa3	BBB-
Average level of reliability (from BB- to BB+)	BB+	Ba1	BB+
Average level of reliability (from BB- to BB+)	BB	Ba2	BB
Average level of reliability (from BB- to BB+)	BB-	Ba3	BB-
Below the average level of reliability (from B+ and below)	B+	B1	B+
Below the average level of reliability (from B+ and below)	B	B2	B
Below the average level of reliability (from B+ and below)	B-	B3	B-

3 Summary of Significant Accounting Policies (Continued)

Initial recognition of financial instruments. 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 that 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.

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 interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

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 with 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.

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.

3 Summary of Significant Accounting Policies (Continued)

The primary factors that the Bank considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following principal criteria are used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the 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 value of collateral significantly decreases as a result of deteriorating market conditions.

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.

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 these 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. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

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. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Credit related commitments. The Bank issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially 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, except for commitments to originate loans 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; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, 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 less accumulated depreciation and provision for impairment where required.

Costs of minor repairs and day-to-day 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 by depreciation.

Management regularly 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.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Office and bank equipment	2 to 20
Vehicles	3

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 other than goodwill have definite useful life and primarily include capitalised computer software and acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. 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 1 to 25 years.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

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

3 Summary of Significant Accounting Policies (Continued)

Income taxes. Income taxes have been provided for in the financial statements in accordance with tax rates and 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.

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 for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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

Share capital. Share capital represents the contribution of the Bank's founder and is carried at cost.

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 ofthe contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

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.

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. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

3 Summary of Significant Accounting Policies (Continued)

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

Foreign currency translation. The functional currency of the Bank is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into 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 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.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As 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 (31 December 2013: USD 1 = RR 32.7292, EUR 1 = RR 44.9699). The principal average rate of exchange used for translating income and expenses for the period from 1 January 2014 to 31 December 2014 was USD 1 = RR 38.6025 and EUR 1 = RR 50.9928 (from 4 March 2013 to 31 December 2013: USD 1 = RR 32.2083 and EUR 1 = RR 42.7675).

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.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

Restatement of comparative data. In 2014, Management critically reassessed Bank's charter documents and requirements of Law No 14-FZ "On Limited Liability Companies" and came to the conclusion that the participant's contribution should be treated as Bank's Equity (Refer to Note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies").

As a result of the reassessment the financial statements for 2013 were restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

3 Summary of Significant Accounting Policies (Continued)

The effect of the restatements on the statement of financial position at 31 December 2013 was as follows:

In thousands of Russian Roubles	Note	As originally presented	Restatement	As restated
LIABILITIES				
Total liabilities excluding net assets attributable to the participant		2 211 361	(2 211 361)	-
Net assets attributable to the Bank's Participant	16	4 222 649	(4 222 649)	-
TOTAL LIABILITIES		**6 434 010**	**(4 222 649)**	**2 211 361**
EQUITY				
Share capital		-	4 200 000	4 200 000
Retained earnings		-	22 649	22 649
TOTAL EQUITY		**-**	**4 222 649**	**4 222 649**
TOTAL LIABILITIES AND EQUITY		**-**	**6 434 010**	**6 434 010**

The effect of restatement on the statement of profit and loss and other comprehensive income for the period from 4 March 2013 to 31 December 2013 is as follows

In thousands of Russian Roubles	Note	As originally presented	Restatement	As restated
Profit before tax and measurement of net assets attributable to the Participant		27 704	(27 704)	-
Profit before tax		-	27 704	27 704
Increase in net assets attributable to the Bank's Participant	16	22 649	(22 649)	-
Profit for the period from 4 March 2013 to 31 December 2013		-	22 649	22 649

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, analysis of assets and liabilities by their expected maturities is presented in Note 20.

At 31 December 2014, other non-financial assets amount to RR 58 915 thousand including deferred tax asset of RR 11 297 thousand, premises and equipment and intangible assets of RR 38 539 thousand and other non-financial assets of RR 9 709 thousand, out of which assets of RR 9 709 thousand are of short-term nature. At 31 December 2014, other non-financial liabilities amount to RR 14 137 thousand including current income tax liabilities of RR 5 959 thousand and other non-financial liabilities of RR 8 130 thousand, out of which liabilities of RR 8 130 thousand are of short-term nature.

3 Summary of Significant Accounting Policies (Continued)

At 31 December 2013, other non-financial assets amount to RR 62 981 thousand including deferred tax asset of RR 8 885 thousand, premises and equipment and intangible assets of RR 46 558 thousand and other non-financial assets of RR 7 538 thousand, out of which assets of RR 7 538 thousand are of short-term nature. At 31 December 20134, other non-financial liabilities amount to RR 11 076 thousand including current income tax liabilities of RR 2 792 thousand and other non-financial liabilities of RR 8 284 thousand, out of which liabilities of RR 8 284 thousand are of short-term nature.

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. Management considered the impact of economic conditions in the Russian Federation (Note 2) on assessment of impairment losses on loans and advances. At 31 December 2014, the entire Bank's portfolio was neither past due, nor impaired.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Key assumptions in the business plan are:

- Generating profit in 2015 financial year;
- Corporate lending to financially stable companies of oil, energy and financial sectors remains the priority line of business, in view of which the Bank does not expect losses from impairment of the loan portfolio.

Classification of the Bank's net assets as equity. The Bank's management considered the legal requirements and the Bank's charter documents and concluded that the Bank has no unconditional obligation to redeem participant interests. The charter documents grant participants with conditional redemption rights as prescribed by the Federal Law "On Limited Liability Companies" (the "Law"). In determining the procedure for accounting for the participant's interest as net assets or equity, management considered whether these redemption events are under the Bank's control.

Mandatory provisions of the Law grant conditional redemption rights in the following circumstances: (a) if any participant did not provide consent to the acquirer to become a participant of the company when it acquires an ownership interest through a public auction in the case of an original participant's bankruptcy (Articles 21.9 and 23.5 of the Law); (b) if the participant is expelled upon a court decision following the request of other participants holding at least 10% of charter capital (Articles 10 and 23.4 of the Law); this may occur when the participant regularly damages or impedes the Company's operations by its action or inaction; and (c) if a participant voted against a decision in general meeting of participants or did not vote on a significant transaction or increase in charter capital (Article 23.2 of the Law).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

In determining that these contingent redemption rights do not result in classification as net assets attributable to the Bank's Participant, management considered whether these redemption events are under the entity's control. In making this assessment, management considered that Article 32 of the Law states that the general meeting of participants is the highest governing body of the entity. Hence, these contingencies are under the entity's control. Where a participant may be expelled from the company only if the participant damages or impedes the Company's operations by its action or inaction, such an expulsion is in the interest of the Company and is made effectively on its behalf by other participants. Where the decision is required to be made by all the participants, management considered it equivalent to a unanimous decision of a general meeting of participants. While such a unanimous decision is not made by a formal meeting of participants, the decision-making process is similar to voting in absentia, as allowed by Article 38 of the Law.

Consequently, the Management arrived at a conclusion that the Bank's net assets are equity instruments as described in significant judgement about participant's role in governance of the entity.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective from 1 January 2014: They did not result in significant changes to the Bank's financial statements:

"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.

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.

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.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in 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.

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.

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 Bank 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.

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

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

6 New Accounting Pronouncements (Continued)

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. 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.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated). 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. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

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

6 New Accounting Pronouncements (Continued)

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.

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 statements”.

6 New Accounting Pronouncements (Continued)

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in August 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's consolidated 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	40 211	16 827
Cash balances with the CBRF (other than mandatory reserve)	3 013 250	9 649
Correspondent accounts and overnight placements with other banks	2 228 451	5 543
Placements with other banks with original maturities of less than three months	5 419 856	2 109 567
Settlement accounts with trading systems	99 212	102 184
Total cash and cash equivalents	**10 800 980**	**2 243 770**

At 31 December 2014, the Bank had balances with 10 counterparty banks (2013: with 7 counterparty banks) that represent the Bank of Russia, state owned banks and the Parent bank with its branches and subsidiaries. The aggregate of these balances amounted to RR 10 661 558 thousand and 99.1% of cash and cash equivalents (2013: RR 2 238 922 thousand or 95.6%).

7 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents excluding balances of cash on hand may be summarised based on definitions adopted by the international rating agency Standard & Poor's/Fitch (Moody's ratings being translated to the rating equivalent) as follows at 31 December 2014:

In thousands of Russian Roubles	**Cash balances with the CBRF**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Settlement accounts with trading systems**	**Total**
Neither past due nor impaired					
- Central Bank of the Russian Federation	3 013 250	-	-	-	3 013 250
International rating by Standard and Poor's:					
A	-	2 226 675	2 250 393	-	4 477 068
BBB	-	-	25 876	99 212	125 088
BBB-	-	-	3 143 587	-	3 143 587
BB-	-	1 776	-	-	1 776
Total neither past due nor impaired	**3 013 250**	**2 228 451**	**5 419 856**	**99 212**	**10 760 769**

The credit quality of cash and cash equivalents excluding balances of cash on hand may be summarised based on definitions adopted by the international rating agency Standard & Poor's/Fitch (Moody's ratings being translated to the rating equivalent) as follows at 31 December 2013:

In thousands of Russian Roubles	**Cash balances with the CBRF**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Settlement accounts with trading systems**	**Total**
Neither past due nor impaired					
- Central Bank of the Russian Federation	9 649	-	-	-	9 649
International rating by Standard and Poor's:					
A	-	5 543	-	-	5 543
BBB	-	-	900 635	102 184	1 002 819
BBB-	-	-	1 208 933	-	1 208 933
Total neither past due nor impaired	**9 649**	**5 543**	**2 109 568**	**102 184**	**2 226 944**

The Bank analyses current ratings of financial instruments based on international ratings assigned to counterparties by major rating agencies. The table presenting rating classification based on international long-term credit ratings is included in Note 3.

The maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 20. The fair value of cash and cash equivalents is disclosed in Note 24. Information on related party balances is disclosed in Note 26.

8 Due from Other Banks

In thousands of Russian Roubles	2014	2013
Long-term placements with other banks with original maturities of more than three months	1 311 246	651 989
Short-term placements with other banks with original maturities of more than one year	701 591	1 304 677
Total due from other banks	**2 012 837**	**1 956 666**

At 31 December 2014, the Bank had balances with 4 counterparty banks (2013: with 4 counterparty banks) that represent state owned banks. The aggregate of these placements amounted to RR 2 012 837 thousand (2013: RR 1 956 666 thousand).

Due from other banks are neither past due nor impaired. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2014 is as follows:

In thousands of Russian Roubles	Long-term placements with other banks with original maturities of more than three months	Short-term placements with other banks with original maturities of more than one year	Total
Neither past due nor impaired			
BBB	-	701 591	701 591
BBB-	1 311 246	-	1 311 246
Total neither past due nor impaired	**1 311 246**	**701 591**	**2 012 837**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2013, is as follows:

In thousands of Russian Roubles	Long-term placements with other banks with original maturities of more than three months	Short-term placements with other banks with original maturities of more than one year	Total
Neither past due nor impaired			
BBB	324 071	653 208	977 279
BBB-	327 919	651 469	979 388
Total neither past due nor impaired	**651 990**	**1 304 677**	**1 956 667**

Maturity and interest rate analyses of due from other banks are disclosed in Note 20. The estimated fair value of due from other banks is disclosed in Note 24.

9 Loans and Advances to Customers

In thousands of Russian Roubles	2014	2013
Corporate loans	6 593 854	2 032 424
Loans to individuals	32 732	8 293
Total loans and advances to customers	**6 626 586**	**2 040 717**

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

	2014		2013	
In thousands of Russian Roubles	Amount	%	Amount	%
Oil extraction and processing	2 035 369	30,7%	937 682	45,9%
Chemical industry	1 103 895	16,7%	-	-
Metal industry	1 050 664	15,9%	606 392	29,7%
Energy industry	953 548	14,4%	-	-
Finance sector	844 137	12,7%	488 350	23,9%
Trade	606 241	9,1%	-	-
Individuals	32 732	0,5%	8 293	0,4%
Total loans and advances to customers	**6 626 586**	**100%**	**2 040 717**	**100%**

Information about collateral at 31 December 2014 is as follows:

In thousands of Russian Roubles	Corporate loans	Loans to individuals	Total
Unsecured loans	5 143 476	118	5 143 594
Loans guaranteed by other parties	1 450 378	-	1 450 378
Loans collateralised by:			
- real estate	-	32 614	32 614
Total loans and advances to customers	**6 593 854**	**32 732**	**6 626 586**

Information about collateral at 31 December 2013 is as follows:

In thousands of Russian Roubles	Corporate loans	Loans to individuals	Total
Unsecured loans	1 544 074	-	1 544 074
Loans guaranteed by other parties	488 350	-	488 350
Loans collateralised by:			
- real estate	-	8 293	8 293
Total loans and advances to customers	**2 032 424**	**8 293**	**2 040 717**

9 Loans and Advances to Customers (Continued)

At 31 December 2014, loans and advances to customers are neither past due nor impaired. The most of the Bank's loans were issued within 2014. Neither of the loans have any indication of impairment. Therefore, no provision for loan impairment was made.

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

In thousands of Russian Roubles	**Corporate loans**	**Loans to individuals**	**Total**
Neither past due nor impaired			
International rating by Standard and Poor's			
BBB-	3 930 170	-	3 930 170
BB	1 103 895	-	1 103 895
Unrated	1 559 789	32 732	1 592 521
Total neither past due nor impaired	**6 593 854**	**32 732**	**6 626 586**

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

In thousands of Russian Roubles	**Corporate loans**	**Loans to individuals**	**Total**
Neither past due nor impaired			
International rating by Standard and Poor's			
BBB	1 426 032	-	1 426 032
BBB-	606 392	-	606 392
Unrated	-	8 293	8 293
Total neither past due nor impaired	**2 032 424**	**8 293**	**2 040 717**

At 31 December 2014, the Bank had balances with 12 counterparties in loan portfolio that are represented by companies from oil, metal, chemical and energy industry, trade, financial sector and individuals (2013: 5 counterparties).

The Bank's policy is to classify each loan as "neither past due nor impaired" until specific objective evidence of impairment of the loan is identified.The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

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 at 31 December 2014:

	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**
Corporate loans	-	-	6 593 854	-
Loans to individuals	32 614	64 184	118	-

9 Loans and Advances to Customers (Continued)

The effect of collateral at 31 December 2013:

	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**
Corporate loans	-	-	2 032 424	-
Loans to individuals	8 293	12 031	-	-

Maturity and interest rate analyses of loans and advances to customers are disclosed in Note 20. The estimated fair value of loans and advances to customers is disclosed in Note 24. Information on related party balances is disclosed in Note 26.

10 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	**Office and bank equipment**	**Vehicles**	**Total premises and equipment**	**Computer software licences**	**Total**
Cost at 4 March 2013	-	-	-	-	**-**
Carrying amount at 4 March 2013	**-**	**-**	**-**	**-**	**-**
Additions	30 480	1 383	31 863	16 586	**48 449**
Depreciation charge	(1 006)	(214)	(1 220)	(671)	**(1 891)**
Carrying amount at 31 December 2013	**29 474**	**1 169**	**30 643**	**15 915**	**46 558**
Cost at 1 January 2014	30 480	1 383	31 863	16 586	**48 449**
Accumulated depreciation	(1 006)	(214)	(1 220)	(671)	**(1 891)**
Carrying amount at 1 January 2014	**29 474**	**1 169**	**30 643**	**15 915**	**46 558**
Additions	2 001	-	2 001	3 176	**5 177**
Depreciation charge	(12 043)	(448)	(12 491)	(705)	**(13 196)**
Cost at 31 December 2014	32 481	1 383	33 864	19 762	**53 626**
Accumulated depreciation	(13 049)	(662)	(13 711)	(1 376)	**(15 087)**
Carrying amount at 31 December 2014	**19 432**	**721**	**20 153**	**18 386**	**38 539**

11 Other Assets

In thousands of Russian Roubles	2014	2013
Trade receivables	7 325	6 148
Other	2 384	1 390
Total other assets	**9 709**	**7 538**

All of the above assets are expected to be recovered less than twelve months after the year-end.

12 Other Financial Assets

In thousands of Russian Roubles	2014	2013
Rent security deposit	390	12 872
Derivative financial instruments	-	-
Receivables on commissions	102	2 841
Total other assets	**492**	**15 713**

Other financial assets represent a rent security deposit and receivables on commissions on banking transactions.

There were no past due, but not impaired other financial assets as at 31 December 2014 or 31 December 2013.

The maturity analysis of other financial assets is disclosed in Note 20. Refer to Note 24 for the estimated fair value of other financial assets.

13 Due to Other Banks

In thousands of Russian Roubles	2014	2013
Short-term placements of other banks	12 050 802	2 184 616
Correspondent accounts and overnight placements of other banks	19 555	1 968
Total due to other banks	**12 070 357**	**2 186 584**

Short-term placements of other banks include funds attracted from the non-resident parent bank (interest rates 0.14%-1.78% p.a.) and two Russian banks (interest rates 0.6%-12.4% p.a.) (2013: one non-resident bank (interest rate 1.2% p.a.) and one Russian bank (interest rate 0.9% p.a.)). The maturity and interest rate analyses of due to other banks are disclosed in Note 20. The estimated fair value of due to other banks is disclosed in Note 24. Information on related party balances is disclosed in Note 26.

14 Customer Accounts

In thousands of Russian Roubles	2014	2013
Corporate entities		
- Current/settlement accounts	2 029 319	5 222
- Term deposits	993 163	-
Individuals		
- Current/demand accounts	39 423	5 307
Term deposits	27 177	3 172
Total customer accounts	**3 089 082**	**13 701**

Economic sector concentrations within customer accounts are as follows:

	2014		2013	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Communication	1 912 485	62%	-	-
Oil and gas	524 083	17%	-	-
Energy	491 870	16%	-	-
Trade	74 753	2%	-	-
Real estate	-	-	4 792	35%
Other	19 292	1%	430	3%
Individuals	66 599	2%	8 479	62%
Total customer accounts	**3 089 082**	**100%**	**13 701**	**100%**

Customer accounts comprise funds of 32 legal entities (interest rates 0.0%-14% p.a.) and 107 individuals (interest rates 0.0%-15% p.a.) (2013: 7 legal entities and 45 individuals (interest rates 0%-3.5% p.a.)). The maturity and interest rate analyses of customer accounts are disclosed in Note 20. The information on the estimated fair value of customer accounts is disclosed in Note 24. Information on related party balances is disclosed in Note 26.

15 Other Financial and Non-financial Liabilities

In thousands of Russian Roubles	2014	2013
Liabilities for unused vacations	3 887	2 412
Accounts payable	1 504	-
Taxes payable other than on income	525	10
Derivative financial instruments	48	-
Accrued bonuses	-	5 451
Other	2 214	411
Total other liabilities	**8 178**	**8 284**

16 Equity

In thousands of Russian Roubles	Total
At 4 March 2013	**-**
Participant's contribution – China Construction Bank Corporation	4 200 000
Profit for the period	22 649
At 31 December 2013	**4 222 649**
Participant's contribution – China Construction Bank Corporation	**4 200 000**
Profit for the period	245 031
At 31 December 2014	**4 467 680**

At 31 December 2014, the nominal registered amount of the Bank's share capital is RR 4 200 000 thousand (31 December 2013: RR 4 200 000 thousand).

17 Interest Income and Expense

In thousands of Russian Roubles	2014	For the period from 4 March 2013 – 31 December 2013
Interest income		
Loans and advances to customers	122 873	22 942
Due from other banks	316 321	176 154
Loans to individuals	1 311	-
Total interest income	**440 505**	**199 096**
Interest expense		
Term deposits with other banks	(53 363)	(5 501)
Term deposits of legal entities	(10 463)	-
Term deposits of individuals	(102)	(20)
Total interest expense	**(63 928)**	**(5 521)**
Net interest income	**376 577**	**193 575**

18 Administrative and Other Operating Expenses

In thousands of Russian Roubles	**2014**	**For the period from 4 March 2013 – 31 December 2013**
Staff costs	150 917	83 939
Rent expenses	14 921	40 185
Taxes other than on income	17 175	11 016
Administrative expenses	13 918	4 079
Depreciation of premises and equipment	13 196	1 891
Utilities expenses	6 040	9 635
Expensed low value items	4 729	14 396
Audit fees	3 100	-
Security expenses	2 944	1 232
Other	17 140	18 327
Total administrative and other operating expenses	**244 080**	**184 700**

In staff costs are included budgetary and off-budgetary contributions of RR 15 930 thousand (for the period 4 March 2013 – 31 December 2013: RR 9 192 thousand).

Information on related parties transactions is disclosed in Note 26.

19 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Russian Roubles	**For the period 1 January 2014 – 31 December 2014**	**For the period from 4 March 2013 –31 December 2013**
Current income tax	79 435	13 940
Deferred income tax liability	(2 412)	(8 885)
Income tax expense for the year	**77 023**	**5 055**

19 Income Taxes (Continued)

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

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

In thousands of Russian Roubles	2014	For the period from 4 March 2013 – 31 December 2013
IFRS profit before tax	**322 054**	**27 704**
Theoretical tax charge at statutory rate (2014: 20%; 2013: 20%)	64 411	5 541
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Other non-deductible expenses	12 612	-
- Other non-taxable income	-	(486)
Income tax expense for the year	**77 023**	**5 055**

(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%.

In thousands of Russian Roubles	1 January 2014	Charged to profit or loss	31 December 2014
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(441)	123	(318)
Due from other banks	1 704	1 510	3 214
Loans and advances to customers	4 205	3 336	7 451
Other	3 417	(2 557)	(860)
Net deferred tax asset	**8 885**	**2 412**	**11 297**
Recognised deferred tax asset	**8 885**	**2 412**	**11 297**
Recognised deferred tax liability	-	**-**	**-**
Net deferred tax asset	**8 885**	**2 412**	**11 297**

19 Income Taxes (Continued)

In thousands of Russian Roubles	**4 March 2013**	**Charged to profit or loss**	**31 December 2013**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	-	(441)	(441)
Due from other banks	-	1 704	1 704
Loans and advances to customers	-	4 205	4 205
Other	-	3 417	3 417
Net deferred tax asset	**-**	**8 885**	**8 885**
Recognised deferred tax asset	-	8 885	8 885
Recognised deferred tax liability	-	-	-
Net deferred tax asset	**-**	**8 885**	**8 885**

20 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The primary objectives of the financial risk management function are to establish risk limits and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

The risk management function in the Bank is operated in accordance with requirements of the Bank of Russia.

Management of risks is fundamental to the Bank's business. The risk management of the Bank comprise:

- Structuring or risk identification and assessment;
- Risk monitoring and minimizing system;
- Internal control structure;
- Organizational structure of risk management – a structure of the Bank's bodies and units involved in Risk Management activities.

In the Bank, the Board of Directors, the Management Board, and the Risk Management Division are responsible for managing risks. The complete independence of risk assessment and management is based on the Bank's corporate structure where the Risk Management Division is completely separated from business units that initiate risk-taking.

The Bank's priority is to reduce exposure to risks by collegiate decision making. Strict segregation of duties between units and officials of the Bank, accurately specified instructions and procedures, and determination of limits and authorities of units and managers are also essential areas for risk limitation. Appropriate methodologies are used to access the risk level. Instructions, procedures and methodologies are designed and revised by the Bank on a regular basis.

20 Financial Risk Management (Continued)

Risk monitoring structure includes:

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

The key strategic objective of the Bank is to ensure sustainability of operations and maintain its profit at the level allowing development of the Bank, and to restrain from activities with high risk.

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 financial assets. The Bank's risks are mainly concentrated in transactions that make a major contribution to its financial result, namely lending to legal entities.

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 groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Loan applications originated by the relevant managers from the Corporate and Financial Institutions Division are passed on to the Risk Management Division for financial analysis and consideration. The Management Board approves new limits, loans and changes and amendments to loan agreements on the basis of credit analysis and recommendations of the Risk Management Division.

Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the Risk Management Division officers based on a structured analysis focusing on the customer's business and financial performance. The Risk Management Division performs current monitoring of the loan portfolio.

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 contingencies as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment, refer to Note 24. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 20.

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

20 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of reporting period:

	2014				2013			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instru-ments**	**Net posi-tion**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instru-ments**	**Net posi-tion**
Russian Roubles	5 835 766	(1 633 583)	20 000	4 222 183	2 892 143	(20 167)	1 246 551	4 118 527
US Dollars	11 826 954	(11 613 970)	(20 048)	192 936	3 478 014	(2 179 739)	(1 243 710)	54 565
Hong Kong Dollars	1 913 766	(1 909 577)	-	4 189	-	-	-	-
Euros	3 331	(827)	-	2 504	764	(271)	-	493
Other	1 894	(1 482)	-	412	108	(108)	-	-
Total	**19 581 711**	**(15 159 439)**	**(48)**	**4 422 224**	**6 371 029**	**(2 200 285)**	**2 841**	**4 173 585**

The above analysis includes only monetary assets and liabilities.

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

	2014		2013	
In thousands of Russian Roubles	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 30%	57 881	57 881	16 370	16 370
US Dollar weakening by 30%	(57 881)	(57 881)	(16 370)	(16 370)
Hong Kong Dollar strengthening by 30%	1 257	1 257	-	-
Hong Kong Dollar weakening by 30%	(1 257)	(1 257)	-	-

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. Management monitors on a daily basis and sets limits on the acceptable level of mismatch of interest rate repricing that may be undertaken. The Bank's exposure to interest rate risk solely relates to its assets and liabilities which are sensitive to interest rate change. To manage interest rate risk, the Bank mainly applies the following methods:

- Maturity-matching and interest rate repricing of assets and liabilities;
- Gap analysis, taking into consideration modified duration;
- Stress scenarios of parallel shift in all yield curves;

20 Financial Risk Management (Continued)

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:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
31 December 2014						
Total financial assets	8 643 417	6 414 637	957 006	605 418	24 013	16 644 491
Total financial liabilities	(4 888 842)	(1 029 644)	(2 817 390)	(4 335 267)	(201)	(13 071 344)
Net interest sensitivity gap at 31 December 2014	**3 754 575**	**5 384 993**	**(1 860 384)**	**(3 729 849)**	**23 812**	**3 573 147**
31 December 2013						
Total financial assets	2 360 774	2 045 296	1 632 596	324 070	8 293	6 371 029
Total financial liabilities	(1 376 912)	(819 889)	-	(3 484)	-	(2 200 285)
Net interest sensitivity gap at 31 December 2013	**983 862**	**1 225 407**	**1 632 596**	**320 586**	**8 293**	**4 170 744**

Average interest rates. The table below summarises average effective interest rates for interest assets and liabilities as at 31 December 2013 and 31 December 2014. This interest rates represents yields to maturity based on market quotations at the reporting date:

	2014			2013		
In % p.a.	RR	USD	Other	RR	USD	Other
Assets						
Cash and cash equivalents	13,19	0,31	0,00	6,35	0,00	0,00
Due from other banks	-	3,06	-	7,50	1,77	0,00
Loans and advances to customers	12,39	3,05	-	0,00	2,87	0,00
Liabilities						
Due to other banks	11,88	0,90	0,00	0,00	1,37	0,00
Customer accounts	10,37	2,98	0,20	3,25	2,52	0,00

Sensitivity analysis to changes in interest rates. Analysis of the sensitivity of profit or loss and equity (net of tax) to changes in interest rates (risk of interest rate change) based on a simplified scenarios of 200 and 400 bps shifts up or down of yield curves in accordance with the increase or decrease in interest rates and revised positions on interest-bearing assets and liabilities as at 31 December 2013 and 31 December 2014 can be summed up as follows.

20 Financial Risk Management (Continued)

	2014		2013	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
Parallel 200 bps shift in the direction of decreasing rates	(111 159)	(111 159)	(35 860)	(35 860)
Parallel 200 bps shift in the direction of increasing rates	111 159	111 159	35 860	35 860
Parallel 400 bps shift in the direction of decreasing rates	(222 317)	(222 317)	(71 720)	(71 720)
Parallel 400 bps shift in the direction of increasing rates	222 317	222 317	71 720	71 720

Other price risk. The Bank has no exposure to equity price risk. During the reporting period the Bank has not engaged in transactions with assets that are subject to equity risk.

The Bank is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Bank's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the amount of prepayment is at, or close to, the amortised cost of the loans and advances to customers.

Geographical risk concentrations. Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located.

20 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Russia	USA	Europe	China	Total
Financial assets					
Cash and cash equivalents	8 574 305	-	9	2 226 666	10 800 980
Mandatory cash balances with the Central Bank of the Russian Federation	140 816	-	-	-	140 816
Due from other banks:	2 012 837		-	-	2 012 837
Loans and advances to customers	5 775 152	-	846 456	4 978	6 626 586
Other financial assets	492		-	-	492
Total financial assets	**16 503 602**	**-**	**846 465**	**2 231 644**	**19 581 711**
Financial liabilities					
Due to other banks	1 775 070	-	-	10 295 287	12 070 357
Customer accounts	3 042 302	-	2	46 778	3 089 082
Total financial liabilities	**4 817 372**	**-**	**2**	**10 342 065**	**15 159 439**
Net position in on-balance sheet financial instruments	**11 686 230**	**-**	**846 463**	**(8 110 421)**	**4 422 272**

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

In thousands of Russian Roubles	Russia	USA	Europe	China	Total
Financial assets					
Cash and cash equivalents	2 238 227	5 004	431	108	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation	114 163	-	-	-	114 163
Due from other banks	1 956 666	-	-	-	1 956 666
Loans and advances to customers	1 552 367	-	488 350	-	2 040 717
Other financial assets	-	-	-	15 713	15 713
Total financial assets	**5 861 423**	**5 004**	**488 781**	**15 821**	**6 371 029**
Financial liabilities					
Due to other banks	499 063	-	-	1 687 521	2 186 584
Customer accounts	6 730	-	-	6 971	13 701
Total financial liabilities	**505 793**	**-**	**-**	**1 694 492**	**2 200 285**
Net position in on-balance sheet financial instruments	**5 355 630**	**5 004**	**488 781**	**(1 678 671)**	**4 170 744**

20 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources for settlements on from overnight deposits, customer accounts, deposits, repayment, loans granting, payments on guarantees and on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires analysis of level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. 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 236.4% as at 31 December 2014 (31 December 2013: 627%).
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 141.1% as at 31 December 2014 (31 December 2013: 162%).
- 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 71.1% as at 31 December 2014 (31 December 2013: 50%).

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The daily liquidity position is monitored by the Treasury Department and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by the Risk Management Department.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, gross loan commitments and financial guarantees. 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.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

20 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial instruments, shown as at 31 December 2014 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	9 817 863	1 020 499	-	-	-	10 838 362
Mandatory cash balances with the Central bank of the Russian Federation	140 816	-	-	-	-	140 816
Due from other banks	31 398	76 939	1 189 143	760 516	-	2 058 596
Loans and advances to customers	21 636	602 510	1 804 987	4 584 758	28 884	7 042 775
Other financial assets	102	-	-	390	-	492
Total financial assets	**10 011 815**	**1 699 948**	**2 994 730**	**5 345 664**	**28 884**	**20 081 040**
Liabilities						
Due to other banks	4 905 818	1 009 889	6 249 624	-	-	12 165 331
Customer accounts – individuals	39 729	26 276	416	1 883	-	68 304
Customer accounts – other	2 073 953	4 662	3 072	1 068 462		3 150155
Credit related commitments	351 615	57 781	99 049	953 594		1 462 039
Total potential future payments for financial obligations	**7 371 115**	**1 098 608**	**6 352 161**	**2 023 945**	**-**	**16 845 829**
Liquidity gap arising from financial instruments	**2 640 700**	**601 340**	**(3 357 431)**	**3 321 719**	**28 884**	**3 235 211**

20 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial instruments, shown as at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	2 243 770	-	-	-	-	2 243 770
Mandatory cash balances with the Central bank of the Russian Federation	114 163	-	-	-	-	114 163
Due from other banks	-	-	1 674 487	339 725	-	2 014 212
Loans and advances to customers	-	2 153 958	-	-	12 510	2 166 468
Other financial assets	2 841	12 872	-	-		15 713
Total financial assets	**2 360 774**	**2 166 830**	**1 674 487**	**339 725**	**12 510**	**6 554 326**
Liabilities						
Due to other banks	2 186 584	-	-	-	-	2 186 584
Customer accounts – individuals	5 307	1 659	-	1 513	-	8 479
Customer accounts – other	5 222	-	-		-	5 222
Credit related commitments	-	-	-	204 558	-	204 558
Credit related commitments	-	-	279 046	-	-	279 046
Total potential future payments for financial obligations	**2 197 113**	**1 659**	**279 046**	**206 071**	**-**	**2 683 889**
Liquidity gap arising from financial instruments	**163 661**	**2 165 171**	**1 395 441**	**133 654**	**12 510**	**3 870 437**

20 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, which may be summarised as follows at 31 December 2014:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	9 788 964	1 012 016	-	-	-	10 800 980
Mandatory cash balances with the Central bank of the Russian Federation	140 816	-	-	-	-	140 816
Due from other banks	29 356	62 171	1 171 198	750 112	-	2 012 837
Loans and advances to customers	116	521 117	1 707 192	4 374 149	24 012	6 626 586
Other financial assets	102			390		492
Total financial assets	**9 959 354**	**1 595 304**	**2 878 390**	**5 124 651**	**24 012**	**19 581 711**
Liabilities						
Due to other banks	4 867 518	1 002 005	6 200 834	-	-	12 070 357
Customer accounts – individuals	39 431	25 225	406	1 569	-	66 631
Customer accounts – other	2 056 813	4 475	2 997	958 196	-	3 022 481
Total potential future payments for financial obligations	**6 963 762**	**1 031 705**	**6 204 237**	**959 765**	**-**	**15 159 469**
Net liquidity gap at 31 December 2014	**2 995 592**	**563 599**	**(3 325 847)**	**4 164 886**	**24 012**	**4 422 242**
Cumulative liquidity gap as at 31 December 2014	**2 995 592**	**3 559 191**	**233 344**	**4 398 230**	**4 422 242**	**-**

20 Financial Risk Management (Continued)

The Bank monitors expected maturities and the resulting expected liquidity gap, which may be summarised as follows at 31 December 2013:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	2 243 770	-	-	-	-	2 243 770
Mandatory cash balances with the Central bank of the Russian Federation	114 163	-	-	-	-	114 163
Due from other banks	-	-	1 632 596	324 070	-	1 956 666
Loans and advances to customers	-	2 032 424	-		8 293	2 040 717
Other financial assets	2 841	12 872	-	-	-	15 713
Total financial assets	**2 360 774**	**2 045 296**	**1 632 596**	**324 070**	**8 293**	**6 371 029**
Liabilities						
Due to other banks	1 368 354	818 230	-	-	-	2 186 584
Customer accounts – individuals	5 304	1 662	-	1 513	-	8 479
Customer accounts – other	5 222	-	-	-	-	5 222
Total potential future payments for financial obligations	**1 378 880**	**819 892**	**-**	**1 513**	**-**	**2 200 285**
Net liquidity gap at 31 December 2013	**981 894**	**1 225 404**	**1 632 596**	**322 557**	**8 293**	**4 170 744**
Cumulative liquidity gap as at 31 December 2013	**981 894**	**2 207 298**	**3 839 894**	**4 162 451**	**4 170 744**	**-**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transactions is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest.

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

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

20 Financial Risk Management (Continued)

The Bank's operational risk management involves several stages: identification, assessment, monitoring, control and/or minimization of operational risk. To minimize operational risk, the Bank regularly reviews information security, improves internal normative documents regulating procedures of transactions, optimizes informational flows and internal document workflow.

The Bank identifies operational risk on a regular basis. To that effect, the Bank maintains an analytic database of operating losses incurred broken down by activities of the Bank to record types and amounts of losses, and also circumstances under which these losses have occurred. The Bank also maintains an external database of operational risks that presents realized facts of operational risk in the external environment of the Bank. In addition to collecting and analysing loss data the Bank implemented risk and controls assessment by the Bank's units as well as key operational risk indicators.

Legal risk. Legal risk is the risk that the Bank can incur losses due to its incompliance with laws and regulations, and non-performance of concluded contracts, legal errors committed in operating activity, imperfect legal system , violation by counterparties of laws and regulations and terms and conditions of concluded contracts.

The Bank maintains ongoing monitoring of changes in Russian and international legislation and timely amends internal instructions and regulations and thus reduces this risk.

21 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 12.5%.(In accordance to internal policy of Bank)(that is significantly exceeded the minimum capital adequacy requirements imposed by Basel Accord (8%) and Bank of Russia (10%). The Bank considers total capital under management to be the Participant's contribution as shown in the statement of financial position. The amount of capital that the Bank managed at 31 December 2014 was RR 4 200 000 thousand (at 31 December 2013: RR 4 200 000 thousand). Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of Board and Chief Accountant. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the Central Bank of Russian Federation, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and amounts RR 4 510 268 thousand (2013: RR 4 247 046 thousand).

In 2014 the Bank has complied with all externally imposed capital requirements throughout the period from its incorporation (4 March 2013) to 31 December 2013. At 31 December 2014 statutory capital ratio (N1.0) amounted to 32.4% (at 31 December 2013: 86.6%).

22 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank may be received. During 2014 and 2013 years there were no legal claims against the Bank.

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 challenged tax 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 payment for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

22 Contingencies and Commitments (Continued)

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better 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.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice.

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 Bank's 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.

Compliance with covenants. The Bank is not subject to any covenants related to its borrowings.

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**2014**	**2013**
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	351 615	279 046
Financial guarantees issued	1 110 424	204 558
Total credit related commitments	**1 462 039**	**483 604**

22 Contingencies and Commitments (Continued)

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of liabilities of credit related commitments was close to 0 at 31 December 2014 (2013: close to 0). Guarantees are denominated in US dollars, Russian roubles and Chinese yuans.

23 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 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:

	Note	2014		2013	
In thousands of Russian Roubles		**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange swap contracts: fair values, at the reporting date, of					
- USD payable on settlement (-)		-	(20 048)	(1 243 711)	-
- RR receivable on settlement (+)		-	20 000	1 246 550	-
Net fair value of foreign exchange swap contracts			**(48)**	**2 839**	**-**

At 31 December 2014 the Bank had one foreign exchange swap contract (at 31 December 2013: three foreign exchange swap contracts) with negative fair value of RR 48 thousand (at 31 December 2013 with positive fair value of RR 2 841 thousand).

24 Disclosure of 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.

24 Fair Value of Financial Instruments (Continued)

(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. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Russian Roubles	**2014** Valuation technique with inputs observable in markets (Level 2)	**2013** Valuation technique with inputs observable in markets (Level 2)
Assets		
- Fair value of currency rate based financial derivatives	-	-
Liabilities		
- Fair value of currency rate based financial derivatives	(48)	-
Total assets recurring fair value measurements	**-**	**2 841**
Total liabilities recurring fair value measurements	**(48)**	**-**

The Bank has short-term (less than one month) foreign exchange swap contract closed shortly after the year end. The Banks values instruments using spot and currency exchange rates, quoted at the Moscow Interbank Stock Exchange (MICEX) at the year end.

(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:

	2014				**2013**			
	Quoted price in an active market (Level 1)	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique not based on observable market data technique (Level 3)**	**Carrying amount**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique not based on observable market data technique (Level 3)**	**Carrying amount**
Financial assets carried at amortised cost								
Cash and cash equivalents	10 800 980	-	-	10 800 980	2 243 770	-	-	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	140 816	140 816	-	-	114 163	114 163
Due from other banks	-	2 012 837	-	2 012 837	-	1 956 666	-	1 956 666
Loans and advances to customers:								
- Loans to legal entities	-	-	6 593 854	6 593 854	-	-	2 032 424	2 032 424
- Loans to individuals	-	-	32 732	32 732	-	-	8 293	8 293
Other financial assets	-	-	492	492	-	-	15 713	15 713
Total	**10 800 980**	**2 012 837**	**6 767 894**	**19 581 711**	**2 243 770**	**1 956 666**	**2 170 593**	**6 371 029**

24 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:

	2014				2013			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
Financial liabilities carried at amortised cost								
Due to other banks	-	12 070 357	-	12 070 357	-	2 186 584	-	2 186 584
Customer accounts	-	3 089 082	-	3 089 082	-	13 701	-	13 701
Total	**-**	**15 159 439**	**-**	**15 159 439**	**-**	**2 200 285**	**-**	**2 200 285**

The fair values in Level 2 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.

For assessment of fair value of loans and advances to customer categorized at Level 3, the Bank uses Discounted cash flows model.

The Bank calculates fair value for loans with fixed interest rate with remaining maturity of more than one year. The Bank uses the following assumptions:

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement.
- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

For corporate loans with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for loans issued by the Bank during the last quarter before the reporting date.

For loans to private individuals with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on the loans issued at the end of the last quarter before the reporting date.

25 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) financial assets at fair value through profit or loss (“FVTPL”). All of the Bank's financial assets at 31 December 2014 are classified as “loans and receivables” (2013: derivative financial instruments within other financial assets are classified as “financial assets at fair value through profit or loss”, all other financial assets are classified as “loans and receivables”.

26 Related Party Transactions

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

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

In thousands of Russian Roubles	2014		2013	
	Parent Bank and its subsidiaries	**Key management personnel**	**Parent Bank and its subsidiaries**	**Key management personnel**
Due to other banks (interest rates from 0.14% to -1.78%, 0.9% – 1.2%)	10 327 387	-	1 687 521	-
Cash and cash equivalents (interest rate: 0.13%, 0.9% to 7.5%)	4 477 068	-	5 543	-
Other financial assets (2013: security deposit for lease)	-	-	12 872	-
Amounts due to customers, other than credit institutions	-	10 954	-	1 448
Other liabilities	48	-	-	-

The income and expense items with related parties for the period from 1 January 2014 to 31 December 2014 and from 3 March 2013 to 31 December 2013 were as follows:

In thousands of Russian Roubles	31 December 2014 **The Parent Bank and its subsidiaries**	31 December 2013 **The Parent Bank and its subsidiaries**
Interest income	6 013	5 040
Interest expense	16 219	-
Gains from trading in foreign currencies	13 571	-
Losses from trading in foreign currencies	14 490	-
Administrative and other operating expenses	14 921	40 185
Fee and commission income	3	-
Fee and commission expense	156	24

Administrative and other operating expenses represent lease payments to the Parent Bank for 2013 and the first quarter of 2014. In April 2014, the Bank signed an agreement on free lease of the building with the parent bank. According to the agreement, the Bank may transfer part of building space for sublease. In 2014, other operating income recognized sublease income in the amount of 31 895 thousand rubles.

26 Related Party Transactions (Continued)

Assets and liabilities movements with related parties for the 2014 were as follows:

In thousands of Russian Roubles	**The Parent Bank**	**Key management personnel**
Assets		
Amounts lent to related parties during the year	6 972 404	-
Amounts repaid by related parties during the year	4 722 068	-
Liabilities		
Amount of deposits received from related parties during the year	63 912 222	2 550
Amount of loans repaid to related parties during the year	55 302 489	-

Assets and liabilities movements with related parties for the period from 4 March 2013 to 31 December 2013 were as follows:

In thousands of Russian Roubles	**The Parent Bank**	**Key management personnel**
Assets		
Amounts lent to related parties during the year	12 317	-
Liabilities		
Amount of deposits received from related parties during the year	20 954 311	302
Amount of loans repaid to related parties during the year	19 568 757	**-**

Key management compensation in 2014 and 2013 is presented below:

In thousands of Russian Roubles	**2014**	**2013**
Compensation:		
- Salaries	36 667	15 865
- Bonuses	4 621	3 635
- Other payments	4 652	2 127
- Pension and social security costs	1 553	259
Total key management compensation	**47 493**	**21 886**

27 Events after the End of the Reporting Period

There are no material events.