

**Public Joint-Stock Company  
“Bank Otkritie Financial  
Corporation”**

**Condensed Interim Consolidated  
Financial Statements (Unaudited)**  
For the Nine and Three Months Ended  
30 September 2014

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# PUBLIC JOINT-STOCK COMPANY “Bank Otkritie Financial Corporation”

## STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2014

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Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Public Joint-Stock Company “Bank Otkritie Financial Corporation” (the “Bank”) and its subsidiaries (the “Group”) as at 30 September 2014 and the results of its operations, cash flows and changes in shareholders’ equity for the nine months then ended, in accordance with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*.

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation (“RF”) legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements of the Group for the nine and three months ended 30 September 2014 were authorized for issue by the Supervisory Board of the Bank on 10 December 2014.

### On behalf of the Supervisory Board

\_\_\_\_\_  
**President**  
10 December 2014  
Moscow



\_\_\_\_\_  
**Chief Accountant**  
10 December 2014  
Moscow

## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

We have reviewed the accompanying condensed interim consolidated financial statements of Public Joint-Stock Company "Bank Otkritie Financial Corporation" and its subsidiaries (the "Group"), which comprise the condensed interim consolidated statement of financial position as at 30 September 2014, the condensed interim consolidated income statement and the condensed interim consolidated statement of other comprehensive income for the nine and three months ended 30 September 2014, the condensed interim consolidated statements of changes in equity and cash flows for the nine months ended 30 September 2014, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### *Scope of review*

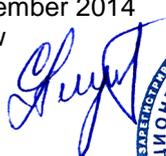
We conducted our review in accordance with the Federal Law "On Auditing", Federal Standard on Auditing № 33 "Review of Financial (Accounting) Statements" and International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Federal Standards on Auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared in all material respects, in accordance with IAS 34.

*Deloitte & Touche*

10 December 2014  
Moscow



Ploutalova Svetlana Evgenyevna, Partner  
(certificate no 01-00080 dated 19 March 2012)  
ZAO "Deloitte and Touche CIS"



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

Certificate of state registration № 2209 dated 15.12.1992.

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

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

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

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

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2014 (UNAUDITED)  
(in million of Russian Roubles)**

	Notes	30 September 2014	31 December 2013
<b>ASSETS</b>			
Cash and balances with the Central Bank of the Russian Federation		53,435	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation		9,981	8,869
Precious metals		8,599	5,746
Financial assets at fair value through profit or loss	5,25	189,706	181,986
Loans and advances to banks and other financial institutions	6,25	86,463	133,661
Loans to customers	7,25	1,005,567	879,274
Investments available-for-sale	8,25	60,457	39,532
Investments held to maturity	9	57,159	-
Investment property		9,689	8,571
Property, plant and equipment		14,886	16,205
Intangible assets		2,709	3,509
Goodwill		1,999	1,999
Other assets	25	16,320	11,867
<b>TOTAL ASSETS</b>		<b>1,516,970</b>	<b>1,379,051</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Financial liabilities at fair value through profit or loss	25	28,790	2,866
Due to banks and the Central Bank of the Russian Federation	10	279,950	257,187
Customer accounts	11,25	858,501	781,471
Bonds and Eurobonds issued	12,25	55,120	63,959
Promissory notes issued	25	72,051	61,652
Deferred income tax liabilities		2,054	3,378
Other liabilities	25	5,812	5,722
Subordinated debt	13,25	73,386	63,459
<b>TOTAL LIABILITIES</b>		<b>1,375,664</b>	<b>1,239,694</b>
<b>EQUITY:</b>			
<b>Equity attributable to equity holders of the parent:</b>			
Share capital	14	7,934	7,934
Treasury shares		(929)	(932)
Share premium	14	38,885	38,883
Available-for-sale revaluation deficit		(267)	(34)
Property, plant and equipment revaluation reserve		1,562	1,617
Retained earnings		65,355	58,806
<b>Total equity attributable to equity holders of the parent</b>		<b>112,539</b>	<b>106,274</b>
Non-controlling interest		28,766	33,083
<b>TOTAL EQUITY</b>		<b>141,306</b>	<b>139,357</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,516,970</b>	<b>1,379,051</b>

On behalf of the Supervisory Board



President  
10 December 2014

Moscow




Chief Accountant  
10 December 2014

Moscow

The selected notes on pages 10-62 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Notes	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
Interest income	15,25	106,995	36,981	70,683	26,500
Interest expense	15,25	(58,364)	(20,640)	(41,615)	(15,487)
<b>NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	<b>15</b>	<b>48,631</b>	<b>16,341</b>	<b>29,068</b>	<b>11,013</b>
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		6	4	366	142
Provision for impairment losses on interest bearing assets	6,7,25	(18,162)	(7,130)	(6,217)	(2,621)
<b>NET INTEREST INCOME</b>		<b>30,475</b>	<b>9,215</b>	<b>23,217</b>	<b>8,534</b>
Trading (loss)/income	16,25	(5,907)	(2,602)	747	1,600
Securities		(5,079)	(2,280)	(949)	842
Foreign currency		249	1,154	1,601	664
Precious metals		(1,627)	(1,567)	108	95
Other derivatives		550	91	(13)	(1)
Net fee and commission income	17	9,962	3,146	6,530	2,335
Fee and commission income	17,25	13,066	4,234	8,829	3,200
Fee and commission expense	17,25	(3,104)	(1,088)	(2,299)	(865)
Net (loss)/gain on investments available-for-sale	25	(619)	(217)	25	7
Net (loss)/gain on disposal of loans	7	(291)	(356)	1,415	1,239
(Provision)/recovery of provision for impairment losses on other transactions		(925)	(276)	(88)	(133)
Loss from revaluation of investment property		(86)	(17)	-	-
Other income	25	1,658	338	674	262
<b>NET NON-INTEREST INCOME</b>		<b>3,792</b>	<b>16</b>	<b>9,303</b>	<b>5,310</b>
<b>OPERATING INCOME</b>		<b>34,267</b>	<b>9,231</b>	<b>32,520</b>	<b>13,844</b>
OPERATING EXPENSES	18,25	(25,948)	(8,544)	(15,932)	(5,189)
<b>OPERATING PROFIT BEFORE INCOME TAX</b>		<b>8,319</b>	<b>687</b>	<b>16,588</b>	<b>8,655</b>
Income tax expense		(2,021)	(295)	(3,426)	(1,559)
Realised net gain on discontinued operations	4	283	-	-	-
<b>NET PROFIT</b>		<b>6,581</b>	<b>392</b>	<b>13,162</b>	<b>7,096</b>
Attributable to:					
Equity holders of the parent		7,030	1,150	10,972	5,955
Non-controlling interest		(449)	(758)	2,190	1,141
<b>EARNINGS PER SHARE</b> <b>attributable to equity holders of the parent, basic and diluted, in Roubles</b>	<b>19</b>	<b>61.40</b>	<b>10.04</b>	<b>118.63</b>	<b>64.28</b>

On behalf of the Supervisory Board

\_\_\_\_\_  
**President**  
 10 December 2014  
 Moscow



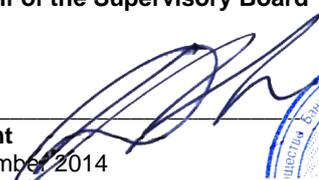
\_\_\_\_\_  
**Chief Accountant**  
 10 December 2014  
 Moscow

The selected notes on pages 10-62 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
<b>NET PROFIT</b>	<b>6,581</b>	<b>392</b>	<b>13,162</b>	<b>7,096</b>
OTHER COMPREHENSIVE INCOME				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Net change in fair value of investments available-for-sale reserve	(569)	(1,150)	78	8
Deferred income tax effect	114	230	(15)	(1)
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Net change resulting on revaluation of property, plant and equipment	-	-	(1)	-
<b>TOTAL OTHER COMPREHENSIVE (LOSS)/ INCOME, NET OF TAX</b>	<b>(455)</b>	<b>(920)</b>	<b>62</b>	<b>7</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,126</b>	<b>(528)</b>	<b>13,224</b>	<b>7,103</b>
Attributable to:				
Equity holders of the parent	6,772	546	11,027	5,961
Non-controlling interest	(646)	(1,074)	2,197	1,142

**On behalf of the Supervisory Board**

  
\_\_\_\_\_  
**President**  
10 December 2014

Moscow



  
\_\_\_\_\_  
**Chief Accountant**  
10 December 2014

Moscow

The selected notes on pages 10-62 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)  
(in million of Russian Roubles)**

	Note	Share capital	Treasury shares	Share premium	Investments available-for-sale revaluation reserve/(deficit)	Property, plant and equipment revaluation reserve	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
<b>31 December 2012</b>		<b>6,504</b>	<b>(605)</b>	<b>20,898</b>	<b>(230)</b>	<b>1,302</b>	<b>46,811</b>	<b>74,680</b>	<b>15,681</b>	<b>90,361</b>
Net profit for the period (unaudited)		-	-	-	-	-	10,972	10,972	2,190	13,162
Share capital increase due to the merge with subsidiary banks (unaudited)		340	(340)	-	-	-	-	-	-	-
Sale of treasury shares (unaudited)		-	16	-	-	-	235	251	-	251
Purchase of treasury shares (unaudited)		-	(3)	-	-	-	(53)	(56)	-	(56)
Effect of change in ownership interest in subsidiaries (unaudited)		-	-	-	1	83	56	140	123	263
Total other comprehensive income for the period, net of tax (unaudited)		-	-	-	(86)	55	86	55	7	62
<b>30 September 2013 (unaudited)</b>		<b>6,844</b>	<b>(932)</b>	<b>20,898</b>	<b>1,217</b>	<b>(92)</b>	<b>58,107</b>	<b>86,042</b>	<b>18,001</b>	<b>104,043</b>
<b>31 December 2013</b>		<b>7,934</b>	<b>(932)</b>	<b>38,883</b>	<b>(34)</b>	<b>1,617</b>	<b>58,806</b>	<b>106,274</b>	<b>33,083</b>	<b>139,357</b>
Net profit for the period (unaudited)		-	-	-	-	-	7,030	7,030	(449)	6,581
Total other comprehensive loss for the period, net of tax (unaudited)		-	-	-	(233)	(54)	29	(258)	(197)	(455)
Sale of treasury shares (unaudited)		-	3	2	-	-	53	58	-	58
Effect of change in ownership interests in subsidiaries	4	-	-	-	-	(1)	(563)	(564)	(3,671)	(4,235)
<b>30 September 2014 (unaudited)</b>		<b>7,934</b>	<b>(929)</b>	<b>38,885</b>	<b>(267)</b>	<b>1,562</b>	<b>65,355</b>	<b>112,540</b>	<b>28,766</b>	<b>141,306</b>

On behalf of the Supervisory Board

President

10 December 2014  
Moscow

Chief Accountant

10 December 2014  
Moscow

The selected notes on pages 10-62 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)  
(in million of Russian Roubles)**

	Note	Nine months ended 30 September 2014	Nine months ended 30 September 2013
<b>Cash flows from operating activities:</b>			
Interest received		101,158	66,024
Interest paid		(53,298)	(34,911)
Cash received from prepayment of loans acquired in business combination in excess of carrying value		6	49
Cash (paid)/received on dealing with securities		(311)	369
Cash received/(paid) on dealing with precious metals		565	(59)
Cash (paid)/received on dealing with foreign currencies		(2,166)	2,839
Cash (paid)/received on dealing with other derivatives		(54)	36
Fees and commissions received		13,104	8,756
Fees and commissions paid		(2,933)	(2,090)
Other operating income received		1,645	674
Operating expenses paid		(24,072)	(14,347)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>33,644</b>	<b>27,340</b>
<b>Cash increase/(decrease) from operating assets and liabilities:</b>			
Minimum reserve deposits with the Central Bank of the Russian Federation		(1,112)	(1,911)
Precious metals		(1,598)	(1,848)
Financial assets at fair value through profit or loss		(41,173)	(25,897)
Loans and advances to banks and other financial institutions		9,378	77,521
Loans to customers		(130,641)	(123,903)
Other assets		1,187	(1,014)
Due to banks and the Central Bank of the Russian Federation		33,198	(58,110)
Customer accounts		68,541	121,875
Bonds and Eurobonds, net		(8,534)	23,479
Promissory notes issued, net		12,841	15,889
Other liabilities		(121)	(507)
<b>Net cash used in operating activities before income tax</b>		<b>(24,389)</b>	<b>52,914</b>
Income taxes paid		(3,510)	(2,259)
<b>Net cash used in operating activities</b>		<b>(27,899)</b>	<b>50,655</b>
<b>Cash flows from investing activities:</b>			
Purchase of held to maturity investments		(16,830)	-
Proceeds from redemption of held to maturity investments		-	174
Purchase of investment property		(876)	(206)
Proceeds on sale of investment property		185	1,340
Purchase of property, plant and equipment		(1,005)	(672)
Proceeds from sale of property, plant and equipment		1,067	256
Purchase of intangible assets		(235)	(190)
Purchase of investment available-for-sale		(58,195)	(870)
Proceeds from sale of investment available-for-sale		36,494	4,070
Purchase of investments in associates		-	(5,549)
Dividend received		15	-
Disposal of subsidiaries		252	-
<b>Net cash (used in)/ from investing activities</b>		<b>(39,128)</b>	<b>(1,647)</b>
<b>Cash flows from financing activities:</b>			
Issuance of shares		-	251
Purchase of treasury shares		-	(56)
Proceeds on sale of treasury shares		58	-
Subordinated debt issued		-	7,667
Subordinated debt repaid		(1,174)	(3,198)
Redemption of bonds and Eurobonds		-	(4,263)
Effect of change in ownership interest in subsidiaries	4	(4,235)	264
<b>Net cash (used in)/from financing activities</b>		<b>(5,351)</b>	<b>665</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>278</b>	<b>318</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(72,100)</b>	<b>49,991</b>
Cash and cash equivalents, beginning of the period		197,124	70,861
<b>Cash and cash equivalents, ending of the period</b>		<b>125,024</b>	<b>120,852</b>

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**  
**(in million of Russian Roubles)**

For the purpose of condensed interim consolidated cash flow statement preparation cash and cash equivalents comprise of the following components:

	<b>Nine months ended 30 September 2014</b>	<b>Nine months ended 30 September 2013</b>
<b>Cash and cash equivalents:</b>		
Cash and balances with the Central Bank of the Russian Federation	53,435	27,482
Correspondent accounts with banks	23,149	31,581
Loans to banks with original maturity up to 90 days	37,646	57,002
Loans under reverse repurchase agreements with original maturity up to 90 days	10,745	4,787
Cash in trust operations and on broker accounts	49	-
<b>Total cash and cash equivalents</b>	<b>125,024</b>	<b>120,852</b>

During the nine months ended 30 September 2014 and 2013 the Group obtained non-cash settlements for uncollectible loans to customers, previously originated. These non-cash settlements were excluded from the consolidated statement of cash flows and presented separately below:

	<b>Nine months ended 30 September 2014</b>	<b>Nine months ended 30 September 2013</b>
<b>NON-CASH TRANSACTION:</b>		
Loans to customers settled by means of collateral repossession:	(174)	(198)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):		
Property received as a collateral repossession	174	198

On behalf of the Supervisory Board

  
\_\_\_\_\_  
**President**  
10 December 2014  
Moscow



  
\_\_\_\_\_  
**Chief Accountant**  
10 December 2014  
Moscow

The selected notes on pages 10-32 form an integral part of the condensed interim consolidated financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**  
(in million of Russian Roubles)

## 1. ORGANISATION

PJSC "Bank Otkritie Financial Corporation" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209.

In November 2014 OJSC "Bank Otkritie Financial Corporation" has changed legal form to Public Joint-Stock Company "Bank Otkritie Financial Corporation".

OJSC "Bank Otkritie Financial Corporation" was formerly named as OJSC "NOMOS-BANK", the name was changed in June 2014. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

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

As at 30 September 2014 the Bank had 21 branches operating in the Russian Federation and 1 representative office abroad.

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

Name	Country of incorporation	The Bank's ownership interest/control (*)		Type of activity
		30 September 2014, %	31 December 2013, %	
PJSC "Bank Otkritie Financial Corporation"	Russian Federation	Parent company	Parent company	Banking activity
"BANK OF KHANTY-MANSIYSK Joint Stock Company"	Russian Federation	51.29/51.29	51.29/51.29	Banking activity
"OTKRITIE Bank" Joint Stock Company	Russian Federation	55.48/100**	41.17/85.69**	Banking activity
"Public Corporation Municipal Bank of Novosibirsk"	Russian Federation	99.99/99.99 (contractual agreement)	99.99/99.99 (contractual agreement)	Banking activity
BKM Finance Limited	Ireland			Issue of securities
LLC "Group of Project Finance"	Russian Federation	51.29/100	51.29/100	Construction
LLC "NM-Expert"	Russian Federation	19.90/100	19.90/100	Consulting
LLC "Promgazkomplekt"	Russian Federation	100/100	100/100	Office building ownership
OJSC "PromEstate"	Russian Federation	100/100	100/100	Office building ownership
"SOVFINTRAST"	Russian Federation	100/100	100/100	Investment management
CJSC "UCA"	Russian Federation	100/100	99.9/99.9	Asset management
OFCB Capital Public Limited Company	Ireland	(contractual agreement)	(contractual agreement)	Issue of Eurobonds
CJSC "ERADA"	Russian Federation	100/100	100/100	Office building ownership
"NM-Garant" Ltd	Russian Federation	100/100	100/100	Investment management
"BFK-Invest" Ltd	Russian Federation	100/100	100/100	Office building ownership
LLC "Attenium"	Russian Federation	100/100	100/100	Investment management
"Rapida" Ltd	Russian Federation	100/100	100/100	Payment system
LLC "Processing centre "Rapida"	Russian Federation	100/100	100/100	Processing centre
LLC "Gikor"	Russian Federation	100/100	100/100	Asset management
"NOMOS BANK MC" Ltd	Russian Federation	100/100	100/100	Asset management
"KN-Estate" Ltd	Russian Federation	100/100	100/100	Office building ownership
LLC "Nedvizhimost Primorya"	Russian Federation	100/100	100/100	Real estate rent activity
"Invest-Trading" Ltd	Russian Federation	100/100	100/100	Investment management
"East-Capital" Ltd	Russian Federation	100/100	100/100	Investment management
LLC "NM-Activ"	Russian Federation	100/100	100/100	Investment management
LLC "NM-Kapital"	Russian Federation	100/100	100/100	Investment management
LLC "Business- Estate"	Russian Federation	100/100	-	Real estate rent activity
CJSC "Mortgage Agent KhMB-1"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed Bonds
CJSC "Mortgage Agent Nomos"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed Bonds
CJSC "Mortgage Agent Otkritie 1"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed Bonds

(\*) The Ownership and control represent the following:

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

(\*\*) Control is gained due to the terms of the agreement concluded as at 27 December 2013 stating that LLC "Otkritie N" transfers voting rights, belonging to LLC "Otkritie N" over JSC Bank "Otkritie" to the Group, which amounted to 44.52% interest share.

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

Name	30 September 2014, %	31 December 2013, %
ZPIF "KhMB-Capital"	100	100
ZPIF "Delovoy centr" (Centr (Olma))	100	100
ZPIFRE "Universal – Real estate fund"	100	100
ZPIF "Universal fund of mixed investments"	-	100

As at 30 September 2014 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group's financial statements.

As at 30 September 2014 and 31 December 2013 the Group had 16,804 employees and 17,890 employees respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 30 September 2014 and 31 December 2013 the Group had 736 and 809 points of sale respectively, including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the nine months ended 30 September 2014 and 2013 is presented in Note 4.

In September 2014 PJSC "Bank Otkritie Financial Corporation" has completed de-listing procedure of GDRs from the Official List of the Financial Conduct Authority and cancellation of trading on London Stock Exchange plc (the "London Stock Exchange").

As at 30 September 2014 and 31 December 2013 the following shareholders owned the issued shares of the Bank:

	30 September 2014, %	31 December 2013, %
<b>Shareholders of the Bank</b>		
JSC "Otkritie Holding" (formerly JSC "Financial corporation "OTKRITIE")	73.09	74.90(*)
Non-Government pension funds	16.88	16.88
Other	10.03	8.22(*)
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(\*)GDRs are not included in the calculation of stake in the total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as not-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

As at 30 September 2014 JSC "Otkritie Holding" (hereinafter – the "Parent Company") is a company that controls the Group.

As at 30 September 2014 and 31 December 2013 the following subsidiary companies owned treasury shares of the Bank (their share in ordinary shares are indicated in the table below):

	<b>30 September 2014, %</b>	<b>31 December 2013, %</b>
<b>Shareholders of treasury ordinary shares</b>		
CJSC "Erada" (subsidiary company)	2.67	2.67
LLC "Promgazkomplekt" (subsidiary company)	1.71	1.71
CJSC "Sovfintrast" (subsidiary company)	0.96	0.96
<b>Total</b>	<b>5.34</b>	<b>5.34</b>

As at 30 September 2014 and 31 December 2013 the following company owned the outstanding preference shares of the Bank:

	<b>30 September 2014, %</b>	<b>31 December 2013, %</b>
<b>Shareholder of treasury preference shares</b>		
<b>Shareholder of treasury preference shares of the Bank:</b>		
LLC "KN-Estate" (subsidiary company)	100.00	100.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 10 December 2014.

## 2. BASIS OF PRESENTATION

### Accounting basis

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Accordingly, it does not include all of the information required by International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2013 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for 2013 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group's annual consolidated financial statements for 2013 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment property, property, plant and equipment, which are accounted at revalued cost and available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

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

Exchange rates for the currencies in which the Group transacts were as follows:

	<u>30 September, 2014</u>	<u>December 31, 2013</u>
Closing exchange rates – rouble ("RUB")		
1 U.S. Dollar ("USD")	39.3866	32.7292
1 Euro	49.9540	44.9699

### 3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2013, except for the impact of the adoption of the Standards and Interpretations described below.

#### Taxation

Interim period income tax is accrued based on the estimated average annual effective income tax rate.

#### New standards, interpretations and amendments adopted by the Group

The Group adopted the following standards and interpretations effective as at 1 January 2014, which are relevant for interim financial reporting.

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

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

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

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

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

#### IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)

These amendments have no impact on the Group.

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

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

**IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)**

These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

**New and revised IFRSs in issue but not yet effective**

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

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

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

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

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

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

**Amendments to IAS 19 (2011) to clarify the accounting for contributions that are linked to service**

The amendments to IAS 19 (2011) permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Contributions linked to service are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis. The amendments are effective from 1 July 2014, with earlier application permitted.

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

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

### IFRS 9 Financial instruments

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

The key requirements of IFRS 9 are:

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

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

**Change in significant accounting estimates**

The Group performed certain refinements to the estimation of impairment allowance for loans to individuals which improved the data used to identify the losses incurred in the portfolio. If the new methodology would have been applied as at 31 December 2013, impairment allowance on loans to customers would decrease on RUB 479 million.

**Reclassifications**

The Group has made reclassification of certain financial assets at fair value through profit or loss into held-to-maturity portfolio. For details please see Note 9.

**4. ACQUISITIONS AND DISPOSALS**

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

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

In August 2014 the Group has founded a new company LLC “Business-Estate”, which is wholly-owned by the Group as at 30 September 2014. The amount of investments in this LLC is RUB 56 million. The core business of LLC “Business-Estate” is real estate rent.

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 September 2014 financial assets at fair value through profit or loss are presented as follows:

	<u>30 September 2014</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
<b>Financial assets at fair value through profit or loss:</b>			
<b>Debt securities:</b>			
Bonds and Eurobonds issued by banks	85,084	0-12.75%	November 2014-June 2035
Corporate bonds and Eurobonds	44,129	0-19.0%	October 2014 -January 2044
OFZ bonds	21,502	6.2-12.0%	June 2015-February 2036
Municipal bonds	9,592	7.49-11.5%	September 2015-July 2021
Russian Federation ("RF") Government Eurobonds	<u>256</u>	7.5-7.85%	March 2018-March 2030
<b>Total debt securities</b>	<b><u>160,563</u></b>		
<b>Equity securities</b>			
Corporate shares	<u>7</u>		
<b>Total equity securities</b>	<b><u>7</u></b>		
<b>Derivative financial instruments</b>	<b><u>29,136</u></b>		
<b>Total financial assets at fair value through profit or loss</b>	<b><u>189,706</u></b>		

	<u>30 September 2014</u>	<u>Pledged as collateral with CBR</u>	<u>Pledged under repurchase agreements with banks</u>	<u>Pledged under repurchase agreements with customers</u>	<u>Total collateral</u>
Bonds and Eurobonds issued by banks	85,084	4,398	28,159	-	33,557
Corporate bonds and Eurobonds	44,129	1,183	18,382	-	22,151
OFZ bonds	21,502	1,725	18,154	369	20,248
Municipal bonds	9,592	707	7,867	-	8,574
Russian Federation ("RF") Government Eurobonds	256	-	-	-	-
Corporate shares	<u>7</u>	-	-	-	-
<b>Total financial assets at fair value through profit or loss<sup>†</sup></b>	<b><u>160,570</u></b>	<b><u>8,013</u></b>	<b><u>72,562</u></b>	<b><u>369</u></b>	<b><u>83,530</u></b>

<sup>†</sup> Excluding derivative financial instruments

As at 31 December 2013 financial assets at fair value through profit or loss are presented as follows:

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

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

As at 30 September 2014 and 31 December 2013 financial assets at fair value through profit or loss are mainly represented by investments issued by the Government of Russian Federation, Ministry of Finance, local authorities, banks and companies of the Russian Federation.

<sup>‡</sup> Excluding derivative financial instruments

Details of the Group's information about the fair value hierarchy as at 30 September 2014 and 31 December 2013 are as follows:

<b>30 September 2014</b>				
	<b>Quoted prices in active market (Level 1)</b>	<b>Valuation techniques based on observable market data (Level 2)</b>	<b>Valuation techniques incorporating information other than observable market data (Level 3)</b>	<b>Total</b>
Bonds and Eurobonds issued by banks	85,084	-	-	85,084
Corporate bonds and Eurobonds	44,129	-	-	44,129
OFZ bonds	21,502	-	-	21,502
Municipal bonds	9,592	-	-	9,592
RF Government Eurobonds	256	-	-	256
Corporate shares	7	-	-	7
<b>Financial assets at fair value through profit or loss<sup>§</sup></b>	<b>160,570</b>	<b>-</b>	<b>-</b>	<b>160,570</b>

<b>31 December 2013</b>				
	<b>Quoted prices in active market (Level 1)</b>	<b>Valuation techniques based on observable market data (Level 2)</b>	<b>Valuation techniques incorporating information other than observable market data (Level 3)</b>	<b>Total</b>
Corporate bonds and Eurobonds	74,653	1,004	-	75,657
Bonds and Eurobonds issued by banks	61,715	-	-	61,715
OFZ bonds	29,778	-	-	29,778
Municipal bonds	10,664	-	-	10,664
RF Government Eurobonds	1,110	-	-	1,110
Shares	27	-	-	27
<b>Financial assets at fair value through profit or loss<sup>**</sup></b>	<b>177,947</b>	<b>1,004</b>	<b>-</b>	<b>178,951</b>

<sup>§</sup> Excluding derivative financial instruments

<sup>\*\*</sup> Excluding derivative financial instruments

**6. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

Loans and advances to banks and other financial institutions comprise:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Loans to banks	52,578	76,240
Correspondent accounts with banks	23,149	47,246
Loans under reverse repurchase agreements	10,745	10,177
Less: allowance for impairment losses	(9)	(2)
<b>Total loans and advances to banks and other financial institutions</b>	<b>86,463</b>	<b>133,661</b>

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 September 2014 and 31 December 2013 are presented as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
Bonds and Eurobonds issued by banks	5,322	6,079	537	663
Corporate bonds and Eurobonds	5,247	6,115	1,243	1,501
Shares	132	163	5,786	6,670
OFZ bonds	44	49	1,695	1,791
Municipal bonds	-	-	916	1,143
<b>Total</b>	<b>10,745</b>	<b>12,406</b>	<b>10,177</b>	<b>11,768</b>

As at 30 September 2014 and 31 December 2013 the loans under reverse repurchase agreements to banks have contractual maturities in October 2014 and from January 2014 to March 2014 respectively.

As at 30 September 2014 and 31 December 2013 guarantee deposits placed by the Group for its operations with plastic cards included in loans and advances to banks and other financial institutions are in the amount of RUB 1,392 million and RUB 1,156 million respectively.

**7. LOANS TO CUSTOMERS**

Loans to customers comprise:

	<b>30 September 2014</b>	<b>31 December 2013</b>
<b>Loans to corporate and small business clients</b>		
Corporate loans	687,404	563,599
Small business loans to corporates	46,353	51,040
Net investments in finance lease	69	8,558
<b>Total loans to corporate and small business clients</b>	<b>733,826</b>	<b>623,197</b>
<b>Loans under reverse repurchase agreements</b>		
Loans under reverse repurchase agreements to legal entities	105,153	106,637
Loans under reverse repurchase agreements to individuals	32	78
<b>Total loans under reverse repurchase agreements</b>	<b>105,185</b>	<b>106,715</b>
<b>Loans to retail business clients</b>		
Consumer loans	127,447	111,260
Mortgage loans	59,698	54,728
Credit cards	9,338	7,471
Car loans	6,523	8,742
<b>Total loans to retail business clients</b>	<b>203,006</b>	<b>182,201</b>
<b>Gross loans to customers</b>	<b>1,042,017</b>	<b>912,113</b>
Less – Allowance for impairment losses	(36,450)	(32,839)
<b>Total loans to customers</b>	<b>1,005,567</b>	<b>879,274</b>

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

Starting from 31 December 2013, the Group implemented certain refinements to the methodology for loan loss assessment for loans to individuals to improve its overall risk management capabilities. The Group has started to assess individually Private Banking loans for impairment based on individual cash flows because based on the analysis performed by the Group's management such approach better corresponds to the credit risk profile of such loans.

The following tables provide an analysis of the credit quality and distribution of loans granted to corporate and small business clients by the Group's internal credit quality categories as at 30 September 2014:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
<b>Corporate loans</b>				
Standard loans	724,513	5,826	718,687	0.80%
Watch list loans	13,381	170	13,211	1.27%
Substandard loans	27,851	2,623	25,228	9.42%
Doubtful loans, including	26,913	9,422	17,491	35.01%
- not overdue	4,920	2,091	2,829	42.50%
- overdue less than 90 days	7,821	2,171	5,650	27.76%
- overdue more than 90 days and less than 1 year	9,814	2,979	6,835	30.35%
- overdue more than 1 year	4,358	2,181	2,177	50.05%
<b>Total corporate loans</b>	<b>792,658</b>	<b>18,041</b>	<b>774,617</b>	<b>2.28%</b>
<b>Small business loans to corporates</b>				
Standard loans	38,864	290	38,574	0.75%
Watch list loans	134	1	133	0.75%
Substandard loans	1,143	391	752	34.21%
Doubtful loans, including	6,212	2,869	3,343	46.18%
- not overdue	234	137	97	58.55%
- overdue less than 90 days	1,515	499	1,016	32.94%
- overdue more than 90 days and less than 1 year	2,198	999	1,199	45.45%
- overdue more than 1 year	2,265	1,234	1,031	54.48%
<b>Total small business loans to corporates</b>	<b>46,353</b>	<b>3,551</b>	<b>42,802</b>	<b>7.66%</b>
<b>Total loans to corporate and small business clients</b>	<b>839,011</b>	<b>21,592</b>	<b>817,419</b>	<b>2.57%</b>

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

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

The following table provides information on loans to retail business clients as at 30 September 2014:

	<b>Gross Loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans, %</b>
<b>Consumer loans</b>				
- Not past due	103,284	713	102,571	0.69%
- Overdue less than 30 days	5,747	638	5,109	11.10%
- Overdue 30-90 days	4,482	2,015	2,467	44.96%
- Overdue 91-180 days	5,206	3,015	2,191	57.91%
- Overdue 181-365 days	6,913	3,991	2,922	57.73%
- Overdue more than 365 days	1,815	1,627	188	89.64%
<b>Total consumer loans</b>	<b>127,447</b>	<b>11,999</b>	<b>115,448</b>	<b>9.41%</b>
<b>Mortgage loans</b>				
- Not past due	54,518	24	54,494	0.04%
- Overdue less than 30 days	3,197	49	3,148	1.53%
- Overdue 30-90 days	283	53	230	18.73%
- Overdue 91-180 days	378	124	254	32.80%
- Overdue 181-365 days	318	93	225	29.25%
- Overdue more than 365 days	1,004	598	406	59.56%
<b>Total mortgage loans</b>	<b>59,698</b>	<b>941</b>	<b>58,757</b>	<b>1.58%</b>
<b>Credit cards</b>				
- Not past due	7,015	78	6,937	1.11%
- Overdue less than 30 days	878	70	808	7.97%
- Overdue 30-90 days	359	197	162	54.87%
- Overdue 91-180 days	413	290	123	70.22%
- Overdue 181-365 days	565	396	169	70.09%
- Overdue more than 365 days	108	107	1	99.07%
<b>Total credit cards</b>	<b>9,338</b>	<b>1,138</b>	<b>8,200</b>	<b>12.19%</b>
<b>Car loans</b>				
- Not past due	5,229	10	5,219	0.19%
- Overdue less than 30 days	158	11	147	6.96%
- Overdue 30-90 days	115	33	82	28.70%
- Overdue 91-180 days	96	44	52	45.83%
- Overdue 181-365 days	157	70	87	44.59%
- Overdue more than 365 days	768	612	156	79.69%
<b>Total car loans</b>	<b>6,523</b>	<b>780</b>	<b>5,743</b>	<b>11.96%</b>
<b>Total loans to retail business clients</b>	<b>203,006</b>	<b>14,858</b>	<b>188,148</b>	<b>7.32%</b>

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

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

As at 30 September 2014 and 31 December 2013 the Group has entered into a transaction to securitize mortgage loans originated by the Group, in the amount of RUB 11,639 million and RUB 13,547 million respectively. Securitisation is a process whereby finance can be raised from external investors by enabling them to invest in parcels of specified financial assets. The Group accounted for the transaction as a collateralised borrowing and recorded the cash received as a financial liability. Although the Group sold the rights to 100% of the cash flows arising on a portfolio of mortgage loans, it provided guarantees of the performance of the loans. In accordance with the terms of the securitization agreement, if the asset becomes overdue more than 90 days, the Group is obliged to replace it.

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

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

	<b>30 September 2014</b>	<b>31 December 2013</b>
Carrying value of transferred assets	11,639	13,547
Carrying value of associated liabilities	8,493	10,708
Net position	3,146	2,839

Movements in allowances for impairment losses for the nine months ended 30 September 2014 and 2013 were as follows:

	Corporate banking	Consumer loans	Mortgage loans	Credit card loans	Car loans	Total
<b>31 December 2012</b>	<b>20,321</b>	<b>964</b>	<b>501</b>	<b>76</b>	<b>40</b>	<b>21,902</b>
Provision charge	4,698	1,357	59	45	58	6,217
Recovery of bad debt written-off	27	28	121	4	3	183
Foreign currency revaluation effect	253	2	2	-	-	257
Bad debt written-off	(2,582)	(493)	(30)	(43)	(23)	(3,171)
Disposal of loans to customers	(2,297)	(7)	-	-	-	(2,304)
<b>30 September 2013</b>	<b>20,420</b>	<b>1,851</b>	<b>653</b>	<b>82</b>	<b>78</b>	<b>23,084</b>
Individually impaired	14,110	-	-	-	-	14,110
Collectively impaired	6,310	1,851	653	82	78	8,974
Gross loans to customers, individually assessed for impairment	45,345	-	-	-	-	45,345
<b>31 December 2013</b>	<b>23,694</b>	<b>6,927</b>	<b>784</b>	<b>848</b>	<b>586</b>	<b>32,839</b>
Provision charge	8,007	8,872	191	815	268	18,153
Recovery of bad debt written-off	514	81	161	5	6	767
Foreign currency revaluation effect	563	2	10	-	-	575
Disposal of loans to customers	(3,925)	(2,529)	(168)	(439)	(2)	(7,063)
Bad debt written-off	(6,647)	(1,354)	(37)	(91)	(78)	(8,207)
Disposal of subsidiaries	(614)	-	-	-	-	(614)
<b>30 September 2014</b>	<b>21,592</b>	<b>11,999</b>	<b>941</b>	<b>1,138</b>	<b>780</b>	<b>36,450</b>
Individually impaired	13,494	50	-	-	-	13,544
Collectively impaired	8,098	11,949	941	1,138	780	22,906
Gross loans to customers, individually assessed for impairment	57,604	446	-	-	-	58,050

Loans are made mostly within Russia in the following industry sectors:

	30 September 2014	31 December 2013
Individuals*	204,187	183,877
Brokerage and dealing in securities	122,323	106,715
Services	111,910	95,651
Mining	78,879	33,622
Industrial manufacturing	77,147	80,754
Wholesale trade	71,428	81,847
Operations with real estate	69,799	59,114
Construction of industrial real estate	50,938	51,570
Housing construction	46,988	38,439
Leasing	46,887	36,242
Retail trade	33,031	32,151
Transport and communication	25,511	27,853
Construction of commercial real estate	23,981	33,872
Energy	5,770	4,500
Agriculture	3,795	3,353
Precious metals extraction	2,953	1,455
Government finance	748	4,900
Other	65,742	36,198
<b>Gross loans to customers</b>	<b>1,042,017</b>	<b>912,113</b>
Less – Allowance for impairment losses	(36,450)	(32,839)
<b>Total loans to customers</b>	<b>1,005,567</b>	<b>879,274</b>

(\*) As at 30 September 2014 and 31 December 2013 loans to individuals include loans to retail business totalling RUB 203,006 million and RUB 182,201 million respectively, and small business loans to individuals totalling RUB 1,181 million and RUB 1,676 million respectively.

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

	30 September 2014	31 December 2013
Loans collateralized by pledge of securities	195,268	173,109
Loans collateralized by guarantees of enterprises and banks	193,521	205,426
Loans collateralized by pledge of real estate	146,879	118,454
Loans collateralized by pledge of property	87,988	45,090
Loans collateralized by pledge of contract proceeds	47,770	51,912
Loans collateralized by pledge of the Bank's own securities	2,016	105
Unsecured loans	165,569	135,816
<b>Gross loans to corporate customers</b>	<b>839,011</b>	<b>729,912</b>
Less – Allowance for impairment losses	(21,592)	(23,694)
<b>Total loans to corporate customers</b>	<b>817,419</b>	<b>706,218</b>

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

	30 September 2014	31 December 2013
Loans collateralized by pledge of real estate	48,094	41,565
Loans collateralized by pledge of vehicles and other property	7,280	5,924
Loans collateralized by guarantees of enterprises	7,049	8,311
Loans collateralized by pledge of contract proceeds	6,433	6,449
Loans collateralized by pledge of securities	612	684
Loans collateralized by pledge of the Bank's own securities	1	1
Unsecured loans	133,537	119,267
<b>Gross loans to individuals</b>	<b>203,006</b>	<b>182,201</b>
Less – Allowance for impairment losses	(14,858)	(9,145)
<b>Total loans to individuals</b>	<b>188,148</b>	<b>173,056</b>

As at 30 September 2014 and 31 December 2013 the Group granted loans to seven and five borrowers totalling RUB 165,676 million and RUB 47,348 million respectively, which individually exceeded 10% of the Group's equity. Borrowers exceeding 10% of the Group equity individually have good credit history and the loans provided to them are performing within standard loans.

As at 30 September 2014 and 31 December 2013 the Group has renegotiated loans amounted to RUB 7,563 million and RUB 5,590 million respectively, that would otherwise be overdue or impaired. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 30 September 2014 and 31 December 2013 the loans under reverse repurchase agreements to customers have contractual maturities from October 2014 to January 2015 and January 2014 to May 2014 respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets received as pledge as at 30 September 2014 and 31 December 2013 are presented as follows:

	30 September 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares	79,348	101,742	66,276	82,896
Corporate bonds and Eurobonds	16,149	18,948	11,731	13,226
Units of investment funds	9,394	12,523	9,144	10,710
Bonds and Eurobonds issued by banks	294	340	18,975	19,799
OFZ	-	-	589	620
<b>Total</b>	<b>105,185</b>	<b>133,553</b>	<b>106,715</b>	<b>127,251</b>

The components of net investment in finance lease as at 30 September 2014 and 31 December 2013 are as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Less than one year	41	3,890
From one year to five years	35	6,593
More than five years	-	1,526
Minimum lease payments	76	12,009
Less: unearned finance income	(7)	(3,451)
<b>Net investment in finance lease</b>	<b>69</b>	<b>8,558</b>
Current portion	35	2,713
Long-term portion	34	5,845
<b>Net investment in finance lease</b>	<b>69</b>	<b>8,558</b>

During the nine months ended 30 September 2014 and 2013 the Group sold certain loans to third parties at a premium / discount to nominal value with no recourse and without any service obligations associated with the loans.

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

	<b>Nine months ended 30 September 2014</b>	<b>Three months ended 30 September 2014</b>	<b>Nine months ended 30 September 2013</b>	<b>Three months ended 30 September 2013</b>
Fair value of the consideration received	31,783	12,729	8,442	7,579
Carrying amount net of provisions	(32,074)	(13,085)	(7,027)	(6,340)
<b>Net (loss) / gain on disposal of loans</b>	<b>(291)</b>	<b>(356)</b>	<b>1,415</b>	<b>1,239</b>

## 8. INVESTMENTS AVAILABLE-FOR-SALE

As at 30 September 2014 investments available-for-sale comprise:

	<b>30 September 2014</b>	<b>Interest rate to nominal</b>	<b>Maturity date</b>
<b>Debt securities:</b>			
Corporate bonds and Eurobonds	30,810	3.15-13.5%	February 2015-January 2044 December 2014-
Bonds and Eurobonds issued by banks	12,263	4.22-11.0%	November 2018
RF Government Eurobonds	10,900	5.0-12.75%	April 2020-March 2030
US Treasuries	4,000	1.50%	May 2019
Municipal bonds	1,240	7.95-9.50%	November 2014-August 2020
<b>Total debt securities</b>	<b>59,213</b>		
<b>Equity securities</b>			
Shares	911	-	-
Units of investment funds	333	-	-
<b>Total equity securities</b>	<b>1,244</b>		
<b>Total investments available-for-sale</b>	<b>60,457</b>		

As at 30 September 2014 the Group has certain investments available-for-sale provided as collateral under repurchase agreements:

	30 September 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	30,810	2,929	8,506	-	11,435
Bonds and Eurobonds issued by banks	12,263	1,734	1,633	149	3,516
RF Government Eurobonds	10,900	-	-	-	-
US Government Eurobonds	4,000	-	-	-	-
Municipal bonds	1,240	844	276	97	1,217
<b>Total debt securities</b>	<b>59,213</b>	<b>5,507</b>	<b>10,415</b>	<b>246</b>	<b>16,167</b>
<b>Equity securities</b>					
Shares	911	-	-	-	-
Units of investment funds	333	-	-	-	-
<b>Total equity securities</b>	<b>1,244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total investments available-for- sale</b>	<b>60,457</b>	<b>5,507</b>	<b>10,415</b>	<b>246</b>	<b>16,167</b>

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

	31 December 2013	Interest rate to nominal	Maturity date
<b>Debt securities:</b>			
Corporate bonds and Eurobonds	19,052	3.42-12.0%	January 2014-January 2044
Bonds and Eurobonds issued by banks	9,565	4.22-12.4%	February 2014 -April 2022
RF Government Eurobonds	8,262	5.0-12.75%	April 2020-March 2030
Municipal bonds	1,408	7.95-9.5%	November 2014- August 2020
OFZ bonds	1	7.35%	January 2016
<b>Total debt securities</b>	<b>38,288</b>		
<b>Equity securities</b>			
Shares	928	-	-
Units of investment funds	315	-	-
Share participation in limited liability companies	1	-	-
<b>Total equity securities</b>	<b>1,244</b>		
<b>Total investments available-for-sale</b>	<b>39,532</b>		

As at 31 December 2013 the Group has certain investments available-for-sale provided as collateral under repurchase agreements:

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

Units of investment funds included in financial assets available-for-sale as at 30 September 2014 and 31 December 2013 are presented below:

	30 September 2014	31 December 2013
OPIF "OTKRITIE – Obligatziy"	301	283
OPIF "OTKRITIE – Energetika"	11	12
OPIF "NOMOS – Fond obligatziy"	11	11
OPIF "NOMOS – Fond aktziy"	10	9
<b>Total units of investment funds</b>	<b>333</b>	<b>315</b>

As at 30 September 2014 and 31 December 2013 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

Details of the Group's information about the fair value hierarchy as at 30 September 2014 and 31 December 2013 are as follows:

	30 September 2014			Total
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	
Corporate bonds and Eurobonds	30,177	12	621	30,810
Bonds and Eurobonds issued by banks	10,122	1,032	1,109	12,263
RF Government Eurobonds	10,900	-	-	10,900
US Government Eurobonds	4,000	-	-	4,000
Municipal bonds	1,240	-	-	1,240
Corporate shares	485	-	10	495
Units of investment funds	-	333	-	333
<b>Investments available-for-sale</b>	<b>56,924</b>	<b>1,377</b>	<b>1,740</b>	<b>60,041</b>

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

Investments in equity securities of unlisted entities classified as available-for-sale securities were excluded from the table above. Such investments are carried at the acquisition cost as the fair value of such securities is not readily measurable. As at 30 September 2014 and 31 December 2013 the value of such investments amounted RUB 416 million and RUB 415 million respectively.

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

The Group invests in certain investment funds where as a result of general market conditions and illiquidity of the bond markets the valuation is based upon inputs other than those readily observable in the market place (Level 3). The following table provides details of the activity with respect to the fair value measurement during the period ending 30 September 2014 and 30 September 2013:

	Nine months ended 30 September 2014	Nine months ended 30 September 2013
<b>As at 1 January:</b>	<b>1,252</b>	-
Transfer from Level 2	947	-
Transfer to Level 1	(10)	-
Disposal	(171)	-
Gain recognized in income statement	161	-
Loss recognized in other comprehensive income	(439)	-
<b>As at 30 September:</b>	<b>1,740</b>	-

In June 2014 the Group has transferred particular bond issued by banks from Level 2 to Level 3 as the fair value of this investment was determined based on the issuer's net assets dynamic analysis, which is other than observable market inputs.

## 9. INVESTMENTS HELD TO MATURITY

The Management of the Group has made the decision to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from 1 March 2014. The Management has analyzed the current economic circumstances in Russia (for details please see operating environment in Note 20) and concluded that they can be considered as circumstances qualifying for reclassification under IAS 39. The reclassified securities amounted to RUB 37,890 million as of 30 September 2014. The fair value of the reclassified securities as at the date of reclassification equaled RUB 38,204 million. If the reclassification had not been made, the Group's income statement for the period ended 30 September 2014 would have included unrealized fair value losses on the reclassified debt securities in the amount of RUB 749 million.

Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method. The average effective interest rate as at the date of reclassification amounted to 6.60% with expected recoverable cash flows of RUB 45,540 million.

Investments held to maturity are presented as follows:

	<u>30 September 2014</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
<b>Debt securities:</b>			
Corporate bonds and Eurobonds	43,980	3.15-9.95%	October 2015- December 2018
Bonds and Eurobonds issued by banks	10,899	4.95-8.63%	March 2015-May 2018
Municipal bonds	<u>2,280</u>	8.15-8.75%	October 2017-August 2020
<b>Total investments held to maturity</b>	<b><u>57,159</u></b>		

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

As at 30 September 2014 the Group has certain investments held to maturity provided as collateral under repurchase agreements and loans from the CBR:

	<u>30 September 2014</u>	<u>Pledged as collateral with CBR</u>	<u>Pledged under repurchase agreements with banks</u>	<u>Pledged under repurchase agreements with customers</u>	<u>Total collateral</u>
Corporate bonds and Eurobonds	43,980	-	27,932	-	27,932
Bonds and Eurobonds issued by banks	10,899	-	2,322	-	2,322
Municipal bonds	<u>2,280</u>	-	<u>2,173</u>	-	<u>2,173</u>
<b>Total investments held to maturity</b>	<b><u>57,159</u></b>	<b>-</b>	<b><u>32,427</u></b>	<b>-</b>	<b><u>32,427</u></b>

Details of the Group's information about the fair value hierarchy as at 30 September 2014 are as follows:

	<u>30 September 2014</u>			
	<u>Quoted prices in active market (Level 1)</u>	<u>Valuation techniques based on observable market data (Level 2)</u>	<u>Valuation techniques incorporating information other than observable market data (Level 3)</u>	<u>Total</u>
Corporate bonds and Eurobonds	43,285	-	-	43,285
Bonds and Eurobonds issued by banks	10,541	-	-	10,541
Municipal bonds	<u>2,173</u>	-	-	<u>2,173</u>
<b>Investments held to maturity</b>	<b><u>55,999</u></b>	<b>-</b>	<b>-</b>	<b><u>55,999</u></b>

**10. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION**

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

	<b>30 September 2014</b>	<b>31 December 2013</b>
Loans under repurchase agreements from the CBR	116,716	81,603
Deposits from banks	72,664	88,403
Deposits from the CBR	41,679	24,890
Loans under repurchase agreements from banks	28,275	45,233
Syndicated loan	12,737	7,795
Correspondent accounts of other banks	7,879	9,263
<b>Total due to banks and the Central Bank of the Russian Federation</b>	<b>279,950</b>	<b>257,187</b>

As at 30 September 2014 and 31 December 2013 the Group had deposits from one and three banks amounting to RUB 158,395 million and RUB 142,181 million respectively, which individually and in aggregate exceeded 10% of the Group's equity.

As at 30 September 2014 and 31 December 2013 carrying value of syndicated loan received by the Group comprised RUB 12,737 million and RUB 7,795 million respectively, from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is November 2014, and the interest rate is tied to three-month LIBOR plus 1.75% margin.

As at 30 September 2014 and 31 December 2013 the Group had deposits from two and two banks amounting to RUB 19,404 million and RUB 4,361 million respectively, which were collateralized with the rights of claim with respect to loans to customers totalling RUB 20,840 million and RUB 7,022 million respectively.

As at 30 September 2014 and 31 December 2013 the loans under reverse repurchase agreements to banks have contractual maturities from October 2014 to January 2015 and from January 2014 to September 2014 respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 September 2014 and 31 December 2013 are presented as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
<b>Financial assets at fair value through profit or loss:</b>				
Bonds and Eurobonds issued by banks	25,125	28,159	24,704	29,931
OFZ bonds	17,891	18,154	21,781	22,405
Corporate bonds and Eurobonds	16,490	18,382	25,373	29,149
Municipal bonds	6,947	7,867	3,462	3,858
RF Government Eurobonds	-	-	1,053	1,110
<b>Investments available-for-sale:</b>				
Corporate bonds and Eurobonds	6,509	8,506	1,496	1,977
Bonds and Eurobonds issued by banks	1,378	1,633	-	-
Municipal bonds	243	276	-	-
<b>Investments held to maturity:</b>				
Corporate bonds and Eurobonds	26,167	27,932	-	-
Bonds and Eurobonds issued by banks	2,092	2,322	-	-
Municipal bonds	1,961	2,173	-	-
<b>Securities received under reverse repurchase agreements:</b>				
Shares	29,616	48,114	39,251	63,698
Bonds and Eurobonds issued by banks	5,551	6,347	3,773	4,422
Corporate bonds and Eurobonds	5,021	5,879	2,844	3,198
Municipal bonds	-	-	1,030	1,140
OFZ bonds	-	-	2,069	2,145
<b>Total</b>	<b>144,991</b>	<b>175,744</b>	<b>126,836</b>	<b>163,033</b>

**11. CUSTOMER ACCOUNTS**

Customer accounts comprise:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Term deposits	692,707	586,102
Current accounts	161,910	187,151
Term deposits from Deposit Insurance Agency	3,150	1,408
Loans under repurchase agreements	734	6,810
<b>Total customer accounts</b>	<b>858,501</b>	<b>781,471</b>

As at 30 September 2014 and 31 December 2013 the Group received funds from four and six customers amounting to RUB 267,431 million and RUB 200,329 million respectively, which individually exceeded 10% of the Group's equity.

As at 30 September 2014 and 31 December 2013 demand deposits denominated in units of precious metals which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Gold	2,686	4,438
Silver	959	1,026
Platinum	70	44
Palladium	71	47
<b>Total customer accounts denominated in precious metals</b>	<b>3,786</b>	<b>5,555</b>

As at 30 September 2014 and 31 December 2013 customer accounts amounting to RUB 4,106 million and RUB 2,902 million respectively, were held as security against contingent liabilities issued by the Group (see Note 20).

Analysis of customer accounts by economic sector is presented below:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Individuals	275,980	266,780
Investment and asset management companies	222,534	262,678
Mining and oil extraction	115,857	11,922
Wholesale trade	58,068	29,989
Services	41,506	33,349
Industrial manufacturing	27,665	27,109
Insurance	21,051	21,326
Transport and communication	14,068	18,770
Operations with real estate	13,722	13,007
Regional and local budgets funds	11,205	13,415
Construction of industrial real estate	12,871	17,510
Retail trade	6,972	5,097
Science	6,781	12,004
Precious metals extraction	4,173	4,482
Energy	3,595	4,241
Housing construction	2,426	4,342
Construction of commercial real estate	1,669	8,564
Leasing	1,612	1,439
Agriculture	979	618
Brokerage and dealing in securities	734	6,810
Other	15,212	18,019
<b>Total customer accounts</b>	<b>858,501</b>	<b>781,471</b>

As at 30 September 2014 and 31 December 2013 the loans under reverse repurchase agreements to customers have contractual maturities in October 2014 and January 2014 respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 September 2014 and 31 December 2013 are presented as follows:

	30 September 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
<b>Financial assets at fair value through profit or loss:</b>				
OFZ bonds	352	369	2,630	2,634
Bonds and Eurobonds issued by banks	-	-	1,026	1,141
<b>Investments available-for-sale:</b>				
Bonds and Eurobonds issued by banks	133	149	-	-
Municipal bonds	86	97	-	-
<b>Securities received under reverse repurchase agreements:</b>				
Shares	145	167	3,011	5,099
Bonds and Eurobonds issued by banks	18	20	143	154
OFZ bonds	-	-	-	-
<b>Total</b>	<b>734</b>	<b>802</b>	<b>6,810</b>	<b>9,028</b>

## 12. BONDS AND EUROBONDS ISSUED

Bonds and Eurobonds issued comprise:

	30 September 2014	31 December 2013
Bonds issued in local market	38,315	47,703
Eurobonds due in 2018	16,805	16,256
<b>Total Bonds and Eurobonds issued</b>	<b>55,120</b>	<b>63,959</b>

Bonds and Eurobonds as at 30 September 2014 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	30 September 2014
<b>Bonds issued</b>					
NOMOS, BO-05	Roubles	2013	2016	10.50%	8,042
NOMOS, BO-06	Roubles	2013	2016	8.60%	7,289
NOMOS, BO-04	Roubles	2014	2017	9.30%	4,589
NOMOS, 12th issue	Roubles	2010	2017	8.70%	4,198
KHMB, Mortgage-Backed bonds	Roubles	2013	2045	9.20%	3,998
NOMOS, BO-03	Roubles	2012	2015	10.90%	3,947
OTKRITIE, Mortgage-Backed bonds	Roubles	2013	2045	9.10%	2,384
NOMOS, Mortgage-Backed bonds	Roubles	2012	2045	8.75%	2,111
NOMOS, BO-02	Roubles	2011	2014	9.25%	1,005
OTKRITIE, 1	Roubles	2012	2017	9.50%	752
<b>Total bonds issued</b>					<b>38,315</b>
<b>Eurobonds</b>					
NOMOS Eurobonds due in 2018	US Dollars	2013	2018	7.25%	16,805
<b>Total Eurobonds issued</b>					<b>16,805</b>
<b>Total Bonds and Eurobonds issued</b>					<b>55,120</b>

Bonds and Eurobonds issued as at 31 December 2013 comprise:

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

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

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee’s paper entitled “International Convergence of Capital Measurement and Capital Standards” dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the CBR. The Group has not breached any of these covenants at the end of each quarter in the periods ended 30 September 2014 and 31 December 2013.

### 13. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 30 September 2014:

	<b>Currency</b>	<b>Start date (year)</b>	<b>Maturity date (year)</b>	<b>Nominal interest rate %</b>	<b>30 September 2014</b>
Subordinated bonds	US Dollars	2012	2019	10.00%	20,397
Subordinated bonds	US Dollars	2010	2015	8.75%	14,287
Subordinated bonds	US Dollars	2012	2019	10.00%	12,071
Subordinated bonds	US Dollars	2013	2023	9.15%	8,062
Subordinated loan	Roubles	2011	2024	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated loan	US Dollars	2013	2020	10.00%	4,009
Subordinated loan	Roubles	2009	2019	6.50%	1,703
Subordinated loan	Roubles	2009	2025	12.50%	1,202
Subordinated loan	Roubles	2007	2024	10.00%	200
Subordinated loan	Roubles	2008	2025	10.00%	190
Subordinated loan	Roubles	2008	2024	12.00%	171
Subordinated loan	Roubles	2007	2024	8.80%	94
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	40
<b>Total subordinated debt</b>					<b>73,386</b>

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

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

#### 14. SHARE CAPITAL AND SHARE PREMIUM

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

	<b>Ordinary shares (Number)</b>	<b>Nominal amount</b>	<b>Preference shares (Number)</b>	<b>Nominal amount</b>
<b>Issued and fully paid</b>				
<b>31 December 2012</b>	<b>92,422,370</b>	<b>4,621</b>	-	-
Reacquired	(67,080)	(3)	-	-
Issued	6,791,916	340	-	-
<b>30 September 2013</b>	<b>99,147,206</b>	<b>5,048</b>	-	-
<b>31 December 2013</b>	<b>114,468,290</b>	<b>5,724</b>	-	-
Reissued	67,080	3	-	-
<b>30 September 2014</b>	<b>114,535,370</b>	<b>5,727</b>	-	-

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

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

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

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

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

Authorized	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
<b>31 December 2012</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>
Issued	(6,791,916)	(340)	-	-
<b>30 September 2013</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>
<b>31 December 2013</b>	<b>138,785,714</b>	<b>6,939</b>	<b>48,100,000</b>	<b>2,405</b>
<b>30 September 2014</b>	<b>138,785,714</b>	<b>6,939</b>	<b>48,100,000</b>	<b>2,405</b>

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

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

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

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

**15. NET INTEREST INCOME**

Net interest income comprises:

	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
<b>Interest income comprises:</b>				
Interest income on assets recorded at amortized cost	95,970	33,292	64,069	24,050
Interest income on investments available-for-sale	2,131	810	89	23
Interest income on assets at fair value	8,894	2,879	6,525	2,427
<b>Total interest income</b>	<b>106,995</b>	<b>36,981</b>	<b>70,683</b>	<b>26,500</b>
Interest income on assets recorded at amortized cost:				
Interest income on loans to customers	82,156	28,474	58,502	21,711
Interest income on reverse repurchase transactions	10,016	3,321	3,848	1,754
Interest income on loans and advances to banks and other financial institutions	2,215	768	1,711	585
Interest on investments held to maturity	1,583	729	8	-
<b>Total interest income on assets recorded at amortized cost</b>	<b>95,970</b>	<b>33,292</b>	<b>64,069</b>	<b>24,050</b>
<b>Interest expense comprises:</b>				
Interest expense on liabilities recorded at amortized cost	58,288	20,630	41,543	15,452
Interest expense on liabilities at fair value	76	10	72	35
<b>Total interest expense</b>	<b>58,364</b>	<b>20,640</b>	<b>41,615</b>	<b>15,487</b>
Interest expense on liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	35,615	12,544	26,617	9,898
Interest expense on repurchase transactions	6,967	2,895	2,211	934
Interest expense on subordinated debt	4,910	1,691	3,827	1,411
Interest expense on due to banks and the Central Bank of the Russian Federation	4,173	1,334	3,982	1,281
Interest expense on Bonds and Eurobonds issued	3,748	1,109	3,276	1,340
Interest expense on promissory notes issued	2,875	1,057	1,630	588
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<b>58,288</b>	<b>20,630</b>	<b>41,543</b>	<b>15,452</b>
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>48,631</b>	<b>16,341</b>	<b>29,068</b>	<b>11,013</b>

**16. TRADING (LOSS) / INCOME**

Trading (loss)/income comprises:

	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
Financial assets at fair value through profit or loss	(5,079)	(2,280)	(949)	842
<b>Securities</b>	<b>(5,079)</b>	<b>(2,280)</b>	<b>(949)</b>	<b>842</b>
Derivatives on foreign currency contracts	(2,167)	(2,219)	454	861
Net gain/(loss) on foreign currency operations	2,416	3,373	1,147	(197)
<b>Foreign currency</b>	<b>249</b>	<b>1,154</b>	<b>1,601</b>	<b>664</b>
Derivatives on precious metals contracts	(255)	(756)	(271)	326
Net (loss)/gain on precious metals	(1,372)	(811)	379	(231)
<b>Precious metals</b>	<b>(1,627)</b>	<b>(1,567)</b>	<b>108</b>	<b>95</b>
Other derivatives contracts	550	91	(13)	(1)
<b>Other derivatives</b>	<b>550</b>	<b>91</b>	<b>(13)</b>	<b>(1)</b>
<b>Total trading (loss)/income</b>	<b>(5,907)</b>	<b>(2,602)</b>	<b>747</b>	<b>1,600</b>

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

The types of instruments include:

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

**17. NET FEE AND COMMISSION INCOME**

Net fee and commission income comprises:

	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
<b>Fee and commission income:</b>				
Settlements	6,759	2,371	4,585	1,609
Insurance broker commission	2,117	442	919	351
Documentary operations	2,274	742	2,039	737
Cash operations	961	330	817	293
Foreign currency conversion operations	310	101	143	57
Brokerage operations	286	124	120	66
Operations related to underwriting	109	29	29	12
Operations with precious metals	55	23	68	33
Depository services	6	2	4	2
Other	189	70	105	40
<b>Total fee and commission income</b>	<b>13,066</b>	<b>4,234</b>	<b>8,829</b>	<b>3,200</b>
<b>Fee and commission expense:</b>				
Settlements	2,391	834	1,900	700
Cash operations	185	63	167	62
Securities operations	117	74	28	9
Documentary operations	59	15	87	37
Depository services	35	12	22	10
Other	317	90	95	47
<b>Total fee and commission expense</b>	<b>3,104</b>	<b>1,088</b>	<b>2,299</b>	<b>865</b>
<b>Net fee and commission income</b>	<b>9,962</b>	<b>3,146</b>	<b>6,530</b>	<b>2,335</b>

**18. OPERATING EXPENSES**

Operating expenses comprise:

	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
Payroll and bonuses	12,780	3,819	8,728	2,874
Unified social tax	2,810	726	1,832	467
Rent expenses	1,598	561	662	236
Amortization of intangible assets	1,030	317	572	121
Taxes other than income tax	1,100	418	608	228
Depreciation of property, plant and equipment	969	320	630	233
Stationery and other office expenses	909	355	497	166
Property, plant and equipment maintenance	892	335	492	184
Payments to the Deposit Insurance Fund	798	272	486	183
Telecommunications	597	244	264	97
Advertising expenses	496	275	165	53
Professional services	460	151	376	85
Charity expenses	411	352	142	104
Security expenses	300	105	180	59
Representation expenses	131	42	95	32
Insurance expenses	58	3	35	6
Other expenses	609	249	168	61
<b>Total operating expenses</b>	<b>25,948</b>	<b>8,544</b>	<b>15,932</b>	<b>5,189</b>

**19. EARNINGS PER SHARE AND EARNINGS PER GDR**

Earnings per share are presented as follows:

	Nine months ended 30 September 2014	Three months ended 30 September 2014	Nine months ended 30 September 2013	Three months ended 30 September 2013
<b>Profit:</b>				
Net profit	6,581	392	13,162	7,096
<b>Less:</b>				
Non-controlling interest	449	758	(2,190)	(1,141)
Net earnings attributable to equity holders of the parent	<u>7,030</u>	<u>1,150</u>	<u>10,972</u>	<u>5,955</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	114,492,949	114,535,370	92,485,998	92,641,073
<b>Earnings per share – basic and diluted (RUB)</b>	<u><u>61.40</u></u>	<u><u>10.04</u></u>	<u><u>118.63</u></u>	<u><u>64.28</u></u>
<b>GDR equivalent of weighted average number of shares<sup>††</sup></b>	-	-	<u>184,971,996</u>	<u>185,282,146</u>
<b>Earnings per GDR from continuing operations – basic and diluted</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>59.32</u></u>	<u><u>32.14</u></u>

In September 2014 PJSC "Bank Otkritie Financial Corporation" has completed de-listing procedure of GDRs from the Official List of the Financial Conduct Authority and cancellation of trading on London Stock Exchange plc (the "London Stock Exchange")

**20. COMMITMENTS AND CONTINGENCIES**

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

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

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

As at 30 September 2014 and 31 December 2013 provision for guarantees and other off-balance sheet commitments were RUB 183 million and RUB 166 million respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

<sup>††</sup> Two GDRs represent an interest in one ordinary share.

As at 30 September 2014 and 31 December 2013 the nominal or contract amounts and risk-weighted amounts were:

	30 September 2014		31 December 2013	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
<b>Contingent liabilities and credit commitments</b>				
Guarantees issued and similar commitments	189,048	135,833	226,064	174,081
Commitments on loans and unused credit lines	157,553	5,862	166,024	4,291
Letters of credit and other contingent commitments related to settlement operations	9,685	4,277	11,296	5,167
Less: provisions	(183)		(166)	
<b>Total contingent liabilities and credit commitments</b> (before deducting collateral)				
Less: promissory notes held as security against contingent liabilities	(2,599)		(2,599)	
Less: deposits held as security against contingent liabilities (Note 11)	(4,106)		(2,902)	
<b>Total contingent liabilities and credit commitments</b>	<b>349,398</b>		<b>397,717</b>	

**Operating leases** – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 30 September 2014 and 31 December 2013 are presented in the table below.

	30 September 2014	31 December 2013
Not later than 1 year	1,777	1,729
Later than 1 year and not later than 5 years	3,548	3,239
Later than 5 years	439	617
<b>Total operating lease</b>	<b>5,764</b>	<b>5,585</b>

**Fiduciary activities** – The Group provides depository services to its customers. As at 30 September 2014 and 31 December 2013 the Group had customers' securities of 210,066,327,218.977409 items and 16,421,516,167.47480 items respectively in its nominal holder's accounts.

As at 30 September 2014 and 31 December 2013 the Group kept in its vault 5,053 kg of gold bullion, 4,413 kg of silver bullion, 83 kg of palladium bullion, 56 kg of platinum bullion, and 3,849 kg of gold bullion, 62 kg of silver bullion, 87 kg of palladium bullion, 40 kg of platinum bullion respectively, owned by the Group's customers.

**Legal proceedings** – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements. The Group has outstanding litigation risks on guarantees issued. The Management has assessed the possible risk of such claims and is of the opinion that contingent liabilities in respect of such claims amount to RUB 2,005 million.

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

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

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

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In April 2014, an international credit agency Standard & Poor’s downgraded long-term foreign currency sovereign rating of the Russian Federation from BBB to BBB- with a negative outlook. Fitch credit agency has also revised creditworthiness outlook of the Russian Federation from stable to negative. In October 2014 Moody’s downgraded long-term sovereign rating of the Russian Federation from Baa1 to Baa2 with a negative outlook. In July 2014 sectoral sanctions have been imposed by the U.S. and the E.U. on five state-owned Russian banks (Sberbank, VTB, Gazprombank, Vneshekonombank, Russian Agricultural Bank): these banks and their subsidiaries excluding those registered in the E.U. are not permitted to attract U.S. or E.U. long-term debt or equity capital. In addition, on 6 August the President of the Russian Federation approved counter-sanctions to prohibit or limit for one year import of certain types of agricultural products, raw materials and food to the Russian Federation from countries that joined the sanctions against the Russian Federation. These developments, particularly if sanctions are further extended, may result in reduced access of the Russian businesses to international capital and export markets, capital outflow, weakening of the Ruble and other negative economic consequences.

## 21. SEGMENT REPORTING

The reportable segments comprise of:

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

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

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

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Nine months ended 30 September 2014 Total
External interest income	52,739	4,716	24,138	25,382	18	2	106,995
External interest expense	(24,904)	(696)	(12,333)	(10,215)	(9,788)	(428)	(58,364)
Internal funding costs/revenues from Central treasury	(9,377)	(347)	4,363	(10,746)	16,201	(94)	-
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>18,458</b>	<b>3,673</b>	<b>16,168</b>	<b>4,421</b>	<b>6,431</b>	<b>(520)</b>	<b>48,631</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(6,345)	(1,600)	(10,207)	(3)	-	(1)	(18,156)
<b>Net interest income</b>	<b>12,113</b>	<b>2,073</b>	<b>5,961</b>	<b>4,418</b>	<b>6,431</b>	<b>(521)</b>	<b>30,475</b>
Fee and commission income	3,423	1,752	7,321	564	4	2	13,066
Fee and commission expense	(209)	(82)	(2,456)	(311)	(43)	(3)	(3,104)
Trading and foreign exchange results	550	26	398	(3,987)	(3,490)	(23)	(6,526)
Other operating income	1,218	87	(190)	135	300	100	1,650
Net result from other segments*	(388)	(20)	1,548	(672)	(598)	130	-
<b>Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions</b>	<b>16,707</b>	<b>3,836</b>	<b>12,582</b>	<b>147</b>	<b>2,604</b>	<b>(315)</b>	<b>35,561</b>
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	(534)	(79)	(138)	(6)	-	(254)	(1,011)
Operating expenses	(4,822)	(3,015)	(11,896)	(1,066)	(262)	(4,887)	(25,948)
<b>Operating profit before income tax</b>	<b>11,351</b>	<b>742</b>	<b>548</b>	<b>(925)</b>	<b>2,342</b>	<b>(5,456)</b>	<b>8,602</b>
Income tax expense	-	-	-	-	-	(2,021)	(2,021)
<b>Net profit</b>	<b>11,351</b>	<b>742</b>	<b>548</b>	<b>(925)</b>	<b>2,342</b>	<b>(7,477)</b>	<b>6,581</b>
Depreciation and amortization expense	(390)	(205)	(898)	(59)	(32)	(415)	(1,999)
Capital expenditures	322	131	505	46	27	209	1,240

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

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	30 September 2014 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	3,735	3,129	26,275	2,096	18,200	-	53,435
Minimum reserve deposits with CBR	1,170	321	1,990	403	6,097	-	9,981
Precious metals	8,489	-	12	98	-	-	8,599
Financial assets at fair value through profit or loss	152	-	-	189,554	-	-	189,706
Loans and advances to banks and other financial institutions	7	-	3,300	79,722	3,434	-	86,463
Loans to customers	668,934	42,802	188,148	105,613	-	70	1,005,567
Investments available-for-sale	-	-	98	60,334	25	-	60,457
Investments held to maturity	-	-	-	57,159	-	-	57,159
Investment property	2,717	-	-	4,708	-	2,264	9,689
Property, plant and equipment	2,507	1,723	8,117	404	623	1,512	14,886
Intangible assets	136	142	1,199	21	6	1,205	2,709
Goodwill	24	59	1,107	-	-	809	1,999
Other assets	9,666	31	1,020	822	58	4,723	16,320
<b>TOTAL ASSETS</b>	<b>697,537</b>	<b>48,207</b>	<b>231,266</b>	<b>500,934</b>	<b>28,443</b>	<b>10,583</b>	<b>1,516,970</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	46	-	-	25,900	2,844	-	28,790
Due to banks and the Central Bank of the Russian Federation	15,775	485	2,556	210,208	50,926	-	279,950
Customer accounts	516,920	39,248	279,329	22,651	18	335	858,501
Bonds and Eurobonds issued	-	-	8,493	753	45,874	-	55,120
Promissory notes issued	59,982	815	69	4,661	6,524	-	72,051
Deferred income tax liabilities	-	-	-	-	-	2,054	2,054
Other liabilities	662	157	884	667	57	3,385	5,812
Subordinated debt	-	-	-	-	67,520	5,866	73,386
<b>TOTAL LIABILITIES</b>	<b>593,385</b>	<b>40,705</b>	<b>291,331</b>	<b>264,840</b>	<b>173,763</b>	<b>11,640</b>	<b>1,375,664</b>

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Nine months ended 30 September 2013 Total
External interest income	42,429	4,889	11,338	10,955	1,072	-	70,683
External interest expense	(18,608)	(553)	(8,244)	(8,684)	(5,526)	-	(41,615)
Internal funding costs/revenues from Central treasury	(10,912)	(967)	4,203	1,398	6,278	-	-
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>12,909</b>	<b>3,369</b>	<b>7,297</b>	<b>3,669</b>	<b>1,824</b>	<b>-</b>	<b>29,068</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(3,540)	(754)	(1,537)	-	-	(20)	(5,851)
<b>Net interest income</b>	<b>9,369</b>	<b>2,615</b>	<b>5,760</b>	<b>3,669</b>	<b>1,824</b>	<b>(20)</b>	<b>23,217</b>
Fee and commission income	2,819	1,011	4,773	214	12	-	8,829
Fee and commission expense	(162)	(45)	(1,938)	(105)	(49)	-	(2,299)
Trading and foreign exchange results	273	27	212	618	(358)	-	772
Other operating income	1,589	95	206	190	(4)	13	2,089
Net result from other segments *	160	(35)	75	288	(488)	-	-
<b>Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions</b>	<b>14,048</b>	<b>3,668</b>	<b>9,088</b>	<b>4,874</b>	<b>937</b>	<b>(7)</b>	<b>32,608</b>
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	42	(44)	(56)	4	13	(47)	(88)
Operating expenses	(4,113)	(2,293)	(6,799)	(857)	(336)	(1,534)	(15,932)
<b>Operating profit before income tax</b>	<b>9,977</b>	<b>1,331</b>	<b>2,233</b>	<b>4,021</b>	<b>614</b>	<b>(1,588)</b>	<b>16,588</b>
Income tax expense	-	-	-	-	-	(3,426)	(3,426)
<b>Net profit</b>	<b>9,977</b>	<b>1,331</b>	<b>2,233</b>	<b>4,021</b>	<b>614</b>	<b>(5,014)</b>	<b>13,162</b>
Depreciation and amortization expense	(271)	(173)	(576)	(47)	(18)	(117)	(1,202)
Capital expenditures	204	126	398	36	14	84	862

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

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2013 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	4,501	3,379	32,905	24,263	22,784	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	1,321	336	1,513	419	5,280	-	8,869
Precious metals	5,671	-	10	65	-	-	5,746
Financial assets at fair value through profit or loss	11	-	-	170,133	11,842	-	181,986
Loans and advances to banks and other financial institutions	55	-	4,762	82,206	46,638	-	133,661
Loans to customers	551,169	48,309	173,055	104,174	2,492	75	879,274
Investments available-for-sale	512	-	85	38,911	20	4	39,532
Investment property	2,780	-	-	4,823	-	968	8,571
Property, plant and equipment	2,929	2,045	8,638	561	610	1,422	16,205
Intangible assets	190	164	1,543	28	8	1,576	3,509
Goodwill	24	59	1,107	-	-	809	1,999
Other assets	1,936	66	3,092	1,472	25	5,276	11,867
<b>TOTAL ASSETS</b>	<b>571,099</b>	<b>54,358</b>	<b>226,710</b>	<b>427,055</b>	<b>89,699</b>	<b>10,130</b>	<b>1,379,051</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	48	-	-	2,761	57	-	2,866
Due to banks and the Central Bank of the Russian Federation	12,506	3,607	5,365	219,644	16,065	-	257,187
Customer accounts	428,689	49,358	274,264	25,891	3,269	-	781,471
Bonds and Eurobonds issued	-	-	10,736	36,967	16,256	-	63,959
Promissory notes issued	46,026	1,287	330	13,719	290	-	61,652
Deferred income tax liabilities	-	-	-	-	-	3,378	3,378
Other liabilities	1,214	203	1,011	726	32	2,536	5,722
Subordinated debt	-	-	-	-	58,185	5,274	63,459
<b>TOTAL LIABILITIES</b>	<b>488,483</b>	<b>54,455</b>	<b>291,706</b>	<b>299,708</b>	<b>94,154</b>	<b>11,188</b>	<b>1,239,694</b>

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Valuation techniques

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

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

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

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

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

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

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

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

### Financial assets and liabilities

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

- Cash and balances with the CBR and minimum reserve deposits with the CBR, due to the short-term environment of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.
- The estimated fair value of loans to banks and to customers provided during the last quarter to the reporting date is assumed to be reasonable estimate of fair value amount for them. The fair value of loans originated earlier is estimated by application of market interest rates effective on the reporting date using discounted cash flows method with the deduction of the allowances for credit losses from the calculated fair value amounts.
- The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities whose market rates are quoted.
- The fair value of units of investment funds, which have quoted prices on the active market, is determined based on the quoted market prices. For shares in investment funds, which have no quoted prices on the active market, the Group uses an independent appraiser's valuation for determining the fair value of such shares in the investment funds. The fair value of the assets of the investment funds is determined by the use of different approaches (income approach, comparative approach and cost approach) and methods (income capitalization method, company-analogue method, discounted cash flows method, liquidation value method).

- The fair value of investments held to maturity is determined based on quoted active market prices at the reporting date.
- Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.
- The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated based on expected cash flows discounted using market interest rates for similar funds. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

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

The following table compares the carrying amount of financial assets and liabilities to their estimated fair values as at 30 September 2014 and 31 December 2013:

	30 September 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	53,435	53,435	87,832	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	9,981	9,981	8,869	8,869
Financial assets at fair value through profit or loss	189,706	189,706	181,986	181,986
Loans and advances to banks and other financial institutions	86,463	86,463	133,661	133,896
Loans to customers	1,005,567	1,010,758	879,274	890,420
Investments available-for-sale	60,457	60,041	39,532	39,117
Investments held to maturity	57,159	55,999	-	-
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	28,790	28,790	2,866	2,866
Due to banks and the Central Bank of the Russian Federation	279,950	279,950	257,187	257,671
Customer accounts	858,501	857,793	781,471	789,313
Bonds and Eurobonds issued	55,120	54,327	63,959	66,275
Promissory notes issued	72,051	71,891	61,652	61,528
Subordinated debt	73,386	74,226	63,459	65,982

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as at 30 September 2014 and 31 December 2013.

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

	Level 1	Level 2	Level 3	30 September 2014 Total
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	53,435	-	-	53,435
Minimum reserve deposits with the Central Bank of the Russian Federation	9,981	-	-	9,981
Financial assets at fair value through profit or loss	160,570	29,136	-	189,706
Loans and advances to banks and other financial institutions	-	-	86,463	86,463
Loans to customers	-	-	1,010,758	1,010,758
Investments available-for-sale	56,924	1,377	1,740	60,041
Investments held to maturity	55,999	-	-	55,999
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	28,790	-	28,790
Due to banks and the Central Bank of the Russian Federation	-	-	279,950	279,950
Customer accounts	-	-	857,793	857,793
Bonds and Eurobonds issued	54,327	-	-	54,327
Promissory notes issued	5,689	66,202	-	71,891
Subordinated debt	54,880	19,346	-	74,226
<b>31 December 2013</b>				
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	87,832	-	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	8,869
Financial assets at fair value through profit or loss	177,947	4,039	-	181,986
Loans and advances to banks and other financial institutions	-	133,896	-	133,896
Loans to customers	-	890,420	-	890,420
Investments available-for-sale	36,663	1,202	1,252	39,117
Investments held to maturity	-	-	-	-
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	2,866	-	2,866
Due to banks and the Central Bank of the Russian Federation	-	257,671	-	257,671
Customer accounts	-	789,313	-	789,313
Bonds and Eurobonds issued	66,275	-	-	66,275
Promissory notes issued	5,953	55,575	-	61,528
Subordinated debt	46,102	19,880	-	65,982

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

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

	<u>Carrying value</u>	<u>Impact of possible alternative assumptions</u>	<u>Level 3</u>
Bonds issued by banks	1,107	-	1,107
Corporate bonds	623	(13)	610
Shares	10	-	10
<b>Investments available-for-sale</b>	<b><u>1,740</u></b>	<b><u>(13)</u></b>	<b><u>1,727</u></b>

The following table provides quantitative information about significant unobservable inputs used to measure financial instruments Level 3 fair value hierarchy as at 30 September 2014 and 31 December 2013:

	<u>Carrying value</u>	<u>Assessment methodology</u>	<u>Unobservable inputs</u>	<u>Range (weighted average value)</u>
Bonds issued by banks	1,107	Net assets value	Value of underlying assets	Not applicable
Corporate bonds	623	Discounted cash flows	Credit risk rate	16.30-16.47%
Shares	10	Net assets value	Value of underlying assets	Not applicable
<b>Investments available-for-sale</b>	<b><u>1,740</u></b>			

	<u>Carrying value</u>	<u>Assessment methodology</u>	<u>Unobservable inputs</u>	<u>Range (weighted average value)</u>
Corporate bonds	1,232	Discounted cash flows	Credit risk rate	10.57-12.57%
Shares	20	Net assets value	Value of underlying assets	Not applicable
<b>Investments available-for-sale</b>	<b><u>1,252</u></b>			

## 23. CAPITAL MANAGEMENT

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

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

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

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio as at 30 September 2014 and 31 December 2013:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Tier 1 capital	138,012	135,775
Tier 2 capital	61,264	56,421
<b>Total regulatory capital</b>	<b>199,276</b>	<b>192,196</b>
Risk-weighted assets:		
Credit risks	1,165,429	1,129,120
Market risks	209,562	208,274
<b>Total risk-weighted assets</b>	<b>1,374,991</b>	<b>1,337,394</b>
Basel ratio	14.49%	14.37%
Tier 1	10.04%	10.15%

As at 30 September 2014 and 31 December 2013 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group's liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 30 September 2014 and 31 December 2013, the Group complied with Basel capital requirements.

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

## 24. RISK MANAGEMENT POLICY

### Foreign currency and precious metals risk

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

Market price of precious metals is denominated in USD on London Stock Exchange and therefore is exposed to currency risk.

The Group's exposure to foreign currency exchange rate risk as at 30 September 2014 is presented in the table below:

	RUB	USD 1 USD = RUB 39.3866	Euro 1 EUR = RUB 49.954	Gold 1 ounce = RUB 49.5781	Other	30 September 2014 Total
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	44,138	3,834	4,990	-	473	53,435
Minimum reserve deposits with the Central Bank of the Russian Federation	9,981	-	-	-	-	9,981
Financial assets at fair value through profit or loss	102,038	81,053	6,456	158	1	189,706
Loans and advances to banks and other financial institutions	39,712	36,201	7,915	1,778	857	86,463
Loans to customers	861,136	131,233	13,184	-	14	1,005,567
Investments available-for-sale	12,264	48,186	7	-	-	60,457
Investments held to maturity	27,120	30,039	-	-	-	57,159
Other financial assets	10,053	1,671	5	1	20	11,750
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,106,442</b>	<b>332,217</b>	<b>32,557</b>	<b>1,937</b>	<b>1,365</b>	<b>1,474,518</b>
Precious metals	-	-	-	7,986	613	8,599
Property, plant and equipment	14,886	-	-	-	-	14,886
Goodwill	1,999	-	-	-	-	1,999
Intangible assets	2,709	-	-	-	-	2,709
Investment property	9,689	-	-	-	-	9,689
Other non-financial assets	4,304	20	9	31	206	4,570
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>33,587</b>	<b>20</b>	<b>9</b>	<b>8,017</b>	<b>819</b>	<b>42,452</b>
<b>TOTAL ASSETS</b>	<b>1,140,029</b>	<b>332,237</b>	<b>32,566</b>	<b>9,954</b>	<b>2,184</b>	<b>1,516,970</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	115	27,986	651	30	8	28,790
Due to banks and the Central Bank of the Russian Federation	209,866	43,122	13,271	13,466	225	279,950
Customer accounts	630,818	195,355	27,395	2,686	2,247	858,501
Bonds and Eurobonds issued	38,315	16,805	-	-	-	55,120
Promissory notes issued	17,297	54,548	206	-	-	72,051
Other financial liabilities	3,740	634	6	6	2	4,388
Subordinated debt	14,560	58,826	-	-	-	73,386
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>914,711</b>	<b>397,276</b>	<b>41,529</b>	<b>16,188</b>	<b>2,482</b>	<b>1,372,186</b>
Deferred income tax liabilities	2,054	-	-	-	-	2,054
Other non-financial liabilities	1,406	5	13	-	-	1,424
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>3,460</b>	<b>5</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>3,478</b>
<b>TOTAL LIABILITIES</b>	<b>918,171</b>	<b>397,281</b>	<b>41,542</b>	<b>16,188</b>	<b>2,482</b>	<b>1,375,664</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>221,858</b>	<b>(65,044)</b>	<b>(8,976)</b>	<b>(6,234)</b>	<b>(298)</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(381,073)	(321,012)	(51,013)	(6,386)	(6,798)	(766,282)
Receivables under forward deals	308,618	372,179	59,056	16,453	9,976	766,282
Payables under spot deals	(70,672)	(74,701)	(10,968)	(3,676)	(3,488)	(163,505)
Receivables under spot deals	64,111	83,835	11,655	92	3,812	163,505
Payables under currency-interest swaps	(16,488)	(5,477)	-	-	-	(21,965)
Receivables under currency-interest swaps	5,477	16,488	-	-	-	21,965
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>(90,027)</b>	<b>71,312</b>	<b>8,730</b>	<b>6,483</b>	<b>3,502</b>	
<b>TOTAL OPEN POSITION</b>	<b>131,831</b>	<b>6,268</b>	<b>(246)</b>	<b>249</b>	<b>3,204</b>	
<b>CREDIT CONTINGENT LIABILITIES</b>	<b>326,838</b>	<b>22,406</b>	<b>6,916</b>	<b>-</b>	<b>126</b>	

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

	USD 1 USD = RUB 32.7292	Euro 1 EUR = RUB 44.9699	Gold 1 ounce = RUB 39.3241	Other	31 December 2013 Total	
	RUB					
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	81,232	2,914	3,398	261	27	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	-	-	8,869
Financial assets at fair value through profit or loss	140,445	41,376	62	4	99	181,986
Loans and advances to banks and other financial institutions	65,244	54,247	11,861	199	2,110	133,661
Loans to customers	758,102	107,817	13,293	-	62	879,274
Investments available-for-sale	9,522	30,004	6	-	-	39,532
Other financial assets	5,280	307	6	-	1,223	6,816
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,068,694</b>	<b>236,665</b>	<b>28,626</b>	<b>464</b>	<b>3,521</b>	<b>1,337,970</b>
Precious metals	-	-	-	4,939	807	5,746
Investment property	8,571	-	-	-	-	8,571
Property, plant and equipment	16,205	-	-	-	-	16,205
Intangible assets	3,509	-	-	-	-	3,509
Goodwill	1,999	-	-	-	-	1,999
Other non-financial assets	4,928	5	6	27	85	5,051
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>35,212</b>	<b>5</b>	<b>6</b>	<b>4,966</b>	<b>892</b>	<b>41,081</b>
<b>TOTAL ASSETS</b>	<b>1,103,906</b>	<b>236,670</b>	<b>28,632</b>	<b>5,430</b>	<b>4,413</b>	<b>1,379,051</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	886	1,777	135	41	27	2,866
Due to banks and the Central Bank of the Russian Federation	197,078	41,390	11,899	6,641	179	257,187
Customer accounts	683,180	72,104	19,824	4,438	1,925	781,471
Bonds and Eurobonds issued	47,703	16,256	-	-	-	63,959
Promissory notes issued	20,312	39,047	2,282	-	11	61,652
Other financial liabilities	3,998	247	1	-	4	4,250
Subordinated debt	14,518	48,941	-	-	-	63,459
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>967,675</b>	<b>219,762</b>	<b>34,141</b>	<b>11,120</b>	<b>2,146</b>	<b>1,234,844</b>
Deferred income tax liabilities	3,378	-	-	-	-	3,378
Other non-financial liabilities	1,465	5	2	-	-	1,472
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>4,843</b>	<b>5</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>4,850</b>
<b>TOTAL LIABILITIES</b>	<b>972,518</b>	<b>219,767</b>	<b>34,143</b>	<b>11,120</b>	<b>2,146</b>	<b>1,239,694</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>131,388</b>	<b>16,903</b>	<b>(5,511)</b>	<b>(5,690)</b>	<b>2,267</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(78,214)	(97,076)	(21,819)	(1,364)	(13,663)	(212,136)
Receivables under forward deals	98,552	82,542	16,418	7,850	6,774	212,136
Payables under spot deals	(577)	(1,929)	(7)	(1,486)	(1,213)	(5,212)
Receivables under spot deals	2,134	1,679	1,399	-	-	5,212
Payables under currency-interest swaps	(16,067)	(12,196)	-	-	-	(28,263)
Receivables under currency-interest swaps	12,196	16,067	-	-	-	28,263
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>18,024</b>	<b>(10,913)</b>	<b>(4,009)</b>	<b>5,000</b>	<b>(8,102)</b>	
<b>TOTAL OPEN POSITION</b>	<b>149,412</b>	<b>5,990</b>	<b>(9,520)</b>	<b>(690)</b>	<b>(5,835)</b>	
<b>CREDIT CONTINGENT LIABILITIES</b>	<b>345,353</b>	<b>49,518</b>	<b>8,445</b>	<b>-</b>	<b>68</b>	

## Liquidity risk

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

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

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

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

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

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

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

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

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

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 30 September 2014:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 September 2014 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	53,435	-	-	-	-	-	53,435
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	9,981	9,981
Precious metals	8,599	-	-	-	-	-	8,599
Financial assets at fair value through profit or loss	163,309	5,987	9,742	10,060	601	7	189,706
Loans and advances to banks and other financial institutions	80,069	2,969	736	1,969	720	-	86,463
Loans to customers	116,575	136,443	308,669	325,682	118,198	-	1,005,567
Investments available-for-sale	-	1,318	4,789	38,636	14,734	980	60,457
Investments held to maturity	-	-	1,765	53,930	1,464	-	57,159
Investment property	-	-	-	-	-	9,689	9,689
Property, plant and equipment	-	-	-	-	-	14,886	14,886
Intangible assets	-	-	-	2,709	-	-	2,709
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	10,370	3,522	2,324	84	20	-	16,320
<b>TOTAL ASSETS</b>	<b>432,357</b>	<b>150,239</b>	<b>328,025</b>	<b>433,070</b>	<b>135,737</b>	<b>37,542</b>	<b>1,516,970</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	5,703	7,193	4,676	10,767	451	-	28,790
Due to banks and the Central Bank of the Russian Federation	202,915	41,438	27,446	7,460	691	-	279,950
Customer accounts	297,166	104,314	313,249	143,664	108	-	858,501
Bonds and Eurobonds issued	1,841	36	4,341	40,445	8,457	-	55,120
Promissory notes issued	18,515	18,729	32,895	864	1,048	-	72,051
Deferred income tax liabilities	-	-	-	-	-	2,054	2,054
Other liabilities	4,144	876	663	77	47	5	5,812
Subordinated debt	1,532	204	353	33,251	38,046	-	73,386
<b>TOTAL LIABILITIES</b>	<b>531,816</b>	<b>172,790</b>	<b>383,623</b>	<b>236,528</b>	<b>48,848</b>	<b>2,059</b>	<b>1,375,664</b>
Liquidity gap	(99,459)	(22,551)	(55,598)	196,542	86,889	-	-
Stable sources of funding (1)	134,783	22,577	45,298	(202,659)	-	-	-
Adjusted liquidity gap (1)	35,324	26	(10,300)	(6,117)	86,889	-	-

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 December 2013:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	87,832	-	-	-	-	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	8,869	8,869
Precious metals	5,746	-	-	-	-	-	5,746
Financial assets at fair value through profit or loss	179,319	311	254	2,016	77	9	181,986
Loans and advances to banks and other financial institutions	104,228	16,860	12,305	-	268	-	133,661
Loans to customers	110,919	114,185	248,715	288,267	117,188	-	879,274
Investments available-for-sale	102	170	4,905	19,384	13,960	1,011	39,532
Investments held to maturity	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	8,571	8,571
Property, plant and equipment	-	-	-	-	-	16,205	16,205
Intangible assets	-	-	-	3,509	-	-	3,509
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	4,110	1,719	5,463	117	294	164	11,867
<b>TOTAL ASSETS</b>	<b>492,256</b>	<b>133,245</b>	<b>271,642</b>	<b>313,293</b>	<b>131,787</b>	<b>36,828</b>	<b>1,379,051</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	431	748	138	1,549	-	-	2,866
Due to banks and the Central Bank of the Russian Federation	156,108	38,539	49,849	11,894	797	-	257,187
Customer accounts	291,689	94,950	229,966	164,472	394	-	781,471
Bonds and Eurobonds issued	492	4,374	10,140	38,332	10,621	-	63,959
Promissory notes issued	2,761	14,427	42,127	2,337	-	-	61,652
Deferred income tax liabilities	-	-	-	-	-	3,378	3,378
Other liabilities	3,062	1,194	1,367	29	70	-	5,722
Subordinated debt	140	-	651	11,440	51,228	-	63,459
<b>TOTAL LIABILITIES</b>	<b>454,683</b>	<b>154,232</b>	<b>334,238</b>	<b>230,053</b>	<b>63,110</b>	<b>3,378</b>	<b>1,239,694</b>
Liquidity gap	37,573	(20,987)	(62,596)	83,240	68,677	-	-
Stable sources of funding (1)	131,196	21,284	47,890	(200,370)	-	-	-
Adjusted liquidity gap (1)	168,769	297	(14,706)	(117,130)	68,677	-	-

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

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

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

## 25. TRANSACTIONS WITH RELATED PARTIES

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

	30 September 2014			31 December 2013		
	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption
<b>Financial assets at fair value through profit or loss</b>	<b>1,531</b>		<b>189,706</b>	<b>24</b>		<b>181,986</b>
Debt securities						
- <i>shareholders of the Group</i>	19	8.5%		24	7.72%	
Equity securities and derivative financial instruments						
- <i>shareholders of the Group</i>	73			-		
- <i>companies controlled by shareholders</i>	1,439			-		
<b>Loans and advances to banks and other financial institutions, net</b>	<b>292</b>		<b>86,463</b>	<b>14</b>		<b>133,661</b>
Correspondent accounts with banks						
- <i>companies controlled by shareholders</i>	292			14		
<b>Loans to customers, gross</b>	<b>34,320</b>		<b>1,042,017</b>	<b>17,933</b>		<b>912,113</b>
- <i>shareholders of the Group</i>	17,050	11.93%		14,753	7.37%	
- <i>key management personnel</i>	333	11.77%		244	8.26%	
- <i>companies controlled by shareholders</i>	16,937	11.47%		2,936	7.30%	
<b>Allowance for impairment of loans to customers</b>	<b>(149)</b>		<b>(36,450)</b>	<b>(6)</b>		<b>(32,839)</b>
- <i>shareholders of the Group</i>	(50)			(6)		
- <i>companies controlled by shareholders</i>	(99)			-		
<b>Investments available-for-sale</b>	<b>338</b>		<b>60,457</b>	<b>297</b>		<b>39,532</b>
Debt securities						
- <i>shareholders of the Group</i>	2	10.11%		2	10.11%	
Equity securities						
- <i>companies controlled by shareholders</i>	336			295		
<b>Other assets</b>	<b>744</b>		<b>16,320</b>	<b>956</b>		<b>11,867</b>
- <i>shareholders of the Group</i>	-			2		
- <i>entities under common control</i>	5			-		
- <i>companies controlled by shareholders</i>	739			954		
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>		<b>28,790</b>	<b>162</b>		<b>2,866</b>
- <i>companies controlled by shareholders</i>	-			162		
<b>Customer accounts</b>	<b>14,520</b>		<b>858,501</b>	<b>15,659</b>		<b>781,471</b>
Term deposits						
- <i>shareholders of the Group</i>	56	6.67%		65	8.81%	
- <i>key management personnel</i>	620	5.76%		1,202	6.32%	
- <i>companies controlled by shareholders</i>	2,331	8.28%		6,487	5.53%	
Current accounts						
- <i>shareholders of the Group</i>	1,184			663		
- <i>key management personnel</i>	67			120		
- <i>entities under common control</i>	39			-		
- <i>companies controlled by shareholders</i>	10,223			7,122		
<b>Promissory notes issued</b>	<b>1,043</b>		<b>72,051</b>	<b>-</b>		<b>61,652</b>
- <i>shareholders of the Group</i>	1,043	13.5%		-	-	



	Nine months ended 30 September 2014		Nine months ended 30 September 2013	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>106,995</b>		<b>70,683</b>
- shareholders of the Group	859		1,688	
- companies controlled by shareholders	1,687		1,687	
- key management personnel	30		18	
- entities under common control	-		12	
<b>Interest expense</b>		<b>(58,364)</b>		<b>(41,615)</b>
- shareholders of the Group	(1,640)		(153)	
- companies controlled by shareholders	(553)		(503)	
- entities under common control	(6)		(5)	
- key management personnel	(40)		(42)	
<b>Provision for impairment losses on interest bearing assets</b>		<b>(18,162)</b>		<b>(6,217)</b>
- shareholders of the Group	(30)		(5)	
- companies controlled by shareholders	3		(423)	
- key management personnel	2		-	
<b>Trading (loss)/income</b>		<b>(5,907)</b>		<b>747</b>
- shareholders of the Group	(2,753)		30	
- companies controlled by shareholders	477		347	
- entities under common control	(2)		26	
- key management personnel	(17)		(11)	
<b>Fees and commission income</b>		<b>13,066</b>		<b>8,829</b>
- shareholders of the Group	5		1	
- companies controlled by shareholders	2,041		276	
- key management personnel	2		1	
<b>Fees and commission expense</b>		<b>(3,104)</b>		<b>(2,299)</b>
- shareholders of the Group	(5)		(2)	
- companies controlled by shareholders	(24)		(4)	
<b>Net (loss)/gain on investments available-for-sale</b>		<b>(619)</b>		<b>25</b>
- companies controlled by shareholders	-		14	
<b>Other income</b>		<b>1,658</b>		<b>674</b>
- shareholders of the Group	95		-	
- companies controlled by shareholders	465		8	
- entities under common control	-		-	
- key management personnel	2		-	
<b>Operating expenses</b>		<b>(25,948)</b>		<b>(15,932)</b>
- shareholders of the Group	(27)		-	
- key management personnel	(634)		(660)	
- entities under common control	(154)		-	
- companies controlled by shareholders	(146)		(30)	

	Three months ended 30 September 2014		Three months ended 30 September 2013	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
<b>Key management personnel compensation:</b>		<b>3,819</b>		<b>2,874</b>
- salary	93		70	
- bonuses	107		157	
- contribution to non-government pension fund	2		-	
	Three months ended 30 September 2014		Three months ended 30 September 2013	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>36,981</b>		<b>26,500</b>
- shareholders of the Group	454		938	
- key management personnel	13		1	
- entities under common control	765		12	
- companies controlled by shareholders	-		107	
<b>Interest expense</b>		<b>(20,640)</b>		<b>(15,487)</b>
- shareholders of the Group	(593)		(134)	
- key management personnel	(11)		(42)	
- entities under common control	(1)		(5)	
- companies controlled by shareholders	(133)		(52)	
<b>Provision for impairment losses on interest bearing assets</b>		<b>(7,130)</b>		<b>(2,621)</b>
- shareholders of the Group	(8)		(5)	
- key management personnel	1		-	
- companies controlled by shareholders	(5)		(298)	
<b>Trading (loss)/income</b>		<b>(2,602)</b>		<b>1,600</b>
- shareholders of the Group	(3,278)		31	
- entities under common control	-		26	
- key management personnel	(15)		(11)	
- companies controlled by shareholders	1,175		(190)	
<b>Fee and commission income</b>		<b>4,234</b>		<b>3,200</b>
- shareholders of the Group	1		-	
- key management personnel	1		1	
- companies controlled by shareholders	516		151	
<b>Fee and commission expense</b>		<b>(1,088)</b>		<b>(865)</b>
- companies controlled by shareholders	(12)		(4)	
<b>Net (loss)/gain on investments available-for-sale</b>		<b>(217)</b>		<b>7</b>
- companies controlled by shareholders	-		(5)	
<b>Other income</b>		<b>338</b>		<b>262</b>
- shareholders of the Group	5		-	
- companies controlled by shareholders	141		-	
<b>Operating expenses</b>		<b>(8,544)</b>		<b>(5,189)</b>
- shareholders of the Group	(1)		-	
- entities under common control	(101)		-	
- key management personnel	(203)		(239)	
- companies controlled by shareholders	(40)		(8)	

**26. SUBSEQUENT EVENTS**

In November 2014 Public Joint-Stock Company “Bank Otkritie Financial Corporation” has completed the subsequent public offering of its ordinary shares at the Moscow Exchange and raised RUB 21,400 million of equity. The Bank has placed 22,838,624 shares at RUB 935 per share.

In November 2014 Public Joint-Stock Company “Bank Otkritie Financial Corporation” received USD 120 million syndicated loan from a group of foreign banks. The contractual maturity of the loan is one year and the interest rate is tied to 3 month LIBOR+2.5%.

In November 2014 OJSC “Bank Otkritie Financial Corporation” has changed legal form to Public Joint-Stock Company “Bank Otkritie Financial Corporation”.

In November 2014 in terms of the reorganization of the retail banking business of the Otkritie Holding the merger of “OTKRITIE Bank” Joint Stock Company, “Public Corporation Municipal Bank of Novosibirsk” and “BANK OF KHANTY-MANSIYSK Joint Stock Company” was performed. On the 5<sup>th</sup> of November 2014 “OTKRITIE Bank” Joint Stock Company was terminated from the Unified State Register. “Public Corporation Municipal Bank of Novosibirsk” was transformed into subsidiary named “Municipal” of the Public Joint-Stock Company “Khanty-Mansiysk bank Otkritie”.

“OTKRITIE Bank” Joint Stock Company ordinary shares were converted into the ordinary shares of consolidating bank (“BANK OF KHANTY-MANSIYSK Joint Stock Company”) based on the conversion ratio approved by the shareholders. The new corporate name of the consolidating bank will be Public Joint-Stock Company “Khanty-Mansiysk bank Otkritie”.