

Sberbank of Russia and its subsidiaries

Interim Condensed Consolidated Financial Statements
and Report on Review

30 September 2014

Interim Condensed Consolidated Financial Statements and Report on Review

CONTENTS

Report on Review of Interim Condensed Consolidated Financial Statements.....	3
Interim Condensed Consolidated Financial Statements	
Interim Consolidated Statement of Financial Position	5
Interim Consolidated Statement of Profit or Loss	6
Interim Consolidated Statement of Comprehensive Income	7
Interim Consolidated Statement of Changes in Equity	8
Interim Consolidated Statement of Cash Flows	9
Selected Notes to the Interim Condensed Consolidated Financial Statements	
1 Introduction.....	6
2 Operating Environment of the Group.....	7
3 Basis of Preparation.....	9
4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications	9
5 Trading Securities	12
6 Securities Designated as at Fair Value through Profit or Loss	12
7 Loans and Advances to Customers	13
8 Securities Pledged under Repurchase Agreements.....	25
9 Investment Securities Available-for-Sale	25
10 Investment Securities Held-to-Maturity	26
11 Other Assets	27
12 Due to Individuals and Corporate Customers.....	28
13 Debt Securities in Issue.....	29
14 Other Liabilities.....	30
15 Subordinated Debt	31
16 Interest Income and Expense	32
17 Fee and Commission Income and Expense.....	33
18 Net Results Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation.....	33
19 Net Income of Non-banking Business Activities and Insurance.....	34
20 Operating Expenses	34
21 Earnings per Share and Dividends	35
22 Segment Analysis.....	36
23 Financial Risk Management.....	43
24 Credit Related Commitments	48
25 Fair Value Disclosure	48
26 Transfers of Financial Assets.....	60
27 Offsetting of Financial Instruments	61
28 Related Party Transactions.....	62
29 Operations with State-Controlled Entities and Government Bodies.....	64
30 Principal Subsidiaries	66
31 Capital Adequacy Ratio.....	67
32 Subsequent Events	68

Report on review of interim condensed consolidated financial statements

To the Shareholders and the Supervisory Board of Sberbank

We have reviewed the accompanying interim condensed consolidated financial statements of Sberbank (the "Bank") and its subsidiaries (together the "Group"), comprising the interim consolidated statement of financial position as at 30 September 2014 and the related interim consolidated statement of profit or loss and statement of comprehensive income for the three- and nine-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-month period then ended and selected explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim condensed consolidated financial statements 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 the 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 interim condensed consolidated financial statements as at 30 September 2014 and for the period from 1 January 2014 till 30 September 2014 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

CJSC Ernst & Young Vneshaudit

25 November 2014

Interim Consolidated Statement of Financial Position

<i>in billions of Russian Roubles</i>	Note	30 September 2014 (unaudited)	31 December 2013
ASSETS			
Cash and cash equivalents		1,535.3	1,327.0
Mandatory cash balances with central banks		295.3	251.5
Trading securities	5	32.1	101.2
Securities designated as at fair value through profit or loss	6	83.9	17.5
Due from banks		229.8	330.5
Loans and advances to customers	7	15,060.4	12,933.7
Securities pledged under repurchase agreements	8	793.6	1,343.8
Investment securities available-for-sale	9	1,129.0	476.2
Investment securities held-to-maturity	10	154.8	202.5
Deferred tax asset		12.2	12.3
Premises and equipment		517.2	477.3
Other financial assets	11	531.7	406.2
Other non-financial assets	11	303.6	330.6
TOTAL ASSETS		20,678.9	18,210.3
LIABILITIES			
Due to banks		2,472.2	2,111.3
Due to individuals	12	8,608.3	8,435.8
Due to corporate customers	12	4,601.8	3,628.4
Debt securities in issue	13	1,012.9	853.4
Other borrowed funds		543.8	499.1
Deferred tax liability		11.0	23.8
Other financial liabilities	14	542.7	291.7
Other non-financial liabilities	14	163.0	60.7
Subordinated debt	15	709.4	424.7
TOTAL LIABILITIES		18,665.1	16,328.9
EQUITY			
Share capital		87.7	87.7
Treasury shares		(7.5)	(7.2)
Share premium		232.6	232.6
Revaluation reserve for office premises		73.9	75.8
Fair value reserve for investment securities available-for-sale		(48.3)	1.3
Foreign currency translation reserve		2.7	(13.7)
Retained earnings		1,667.5	1,495.2
Total equity attributable to shareholders of the Bank		2,008.6	1,871.7
Non-controlling interest		5.2	9.7
TOTAL EQUITY		2,013.8	1,881.4
TOTAL LIABILITIES AND EQUITY		20,678.9	18,210.3

Approved for issue and signed on behalf of the Management Board on 25 November 2014.



Herman Gref,
Chairman of the Management
Board and CEO



Marina Lukianova,
Chief Accountant

Interim Consolidated Statement of Profit or Loss

<i>(unaudited)</i> in billions of Russian Roubles	Note	Nine months ended 30 September		Three months ended 30 September	
		2014	2013	2014	2013
Interest income	16	1,316.7	1,077.7	459.4	376.2
Interest expense	16	(547.1)	(433.4)	(195.9)	(151.5)
Deposit insurance expenses	16	(24.5)	(21.0)	(8.3)	(7.3)
Net interest income		745.1	623.3	255.2	217.4
Net provision charge for impairment of debt financial assets	7,10	(255.4)	(106.8)	(104.5)	(44.1)
Net interest income after provision charge for impairment of debt financial assets		489.7	516.5	150.7	173.3
Fee and commission income	17	214.5	170.9	76.7	62.7
Fee and commission expense	17	(22.2)	(16.9)	(7.1)	(6.2)
Net (losses) / gains arising from trading securities		(0.8)	(3.6)	(0.8)	0.6
Net losses arising from securities designated as at fair value through profit or loss		(0.1)	(3.8)	(0.9)	(3.3)
Net gains arising from investment securities available-for-sale		4.1	10.7	2.3	3.9
Impairment of investment securities available-for-sale		(0.8)	(4.0)	–	(0.6)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	18	17.6	10.7	9.1	10.9
Net (losses) / gains arising from operations with precious metals and precious metals derivatives		(3.7)	1.8	(4.6)	0.4
Net gains / (losses) arising from operations with other derivatives		5.3	6.4	3.1	(3.2)
Net charge for other provisions		(10.3)	(3.6)	(4.4)	(2.8)
Revenue of non-banking business activities and insurance	19	45.0	23.7	18.0	8.8
Cost of sales of non-banking business activities and insurance	19	(39.8)	(22.4)	(14.8)	(8.9)
Other operating income		6.7	15.4	1.0	8.0
Operating income		705.2	701.8	228.3	243.6
Operating expenses	20	(399.0)	(362.1)	(137.5)	(123.3)
Profit before tax		306.2	339.7	90.8	120.3
Income tax expense		(64.9)	(71.4)	(19.9)	(26.5)
Profit for the period		241.3	268.3	70.9	93.8
Attributable to:					
- shareholders of the Bank		242.3	269.7	71.3	94.6
- non-controlling interest		(1.0)	(1.4)	(0.4)	(0.8)
Earnings per ordinary share attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	21	11.13	12.40	3.32	4.40

Approved for issue and signed on behalf of the Management Board on 25 November 2014.



Herman Gref,
Chairman of the Management
Board and CEO



Marina Lukianova,
Chief Accountant

Interim Consolidated Statement of Comprehensive Income

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Profit for the period	241.3	268.3	70.9	93.8
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Investment securities available-for-sale:				
- Net (losses) / gains on revaluation of investment securities available-for-sale	(58.6)	(31.0)	(39.1)	10.4
- Impairment of investment securities available-for-sale transferred to statement of profit or loss	0.8	4.0	–	0.6
- Accumulated gains transferred to statement of profit or loss upon disposal of investment securities available-for-sale	(4.1)	(10.7)	(2.3)	(3.9)
Net foreign currency translation effect	16.4	(4.2)	21.1	(6.1)
Deferred income tax relating to other comprehensive income on:				
- Investment securities available-for-sale	12.3	7.6	8.1	(1.4)
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax	(33.2)	(34.3)	(12.2)	(0.4)
Total other comprehensive loss	(33.2)	(34.3)	(12.2)	(0.4)
Total comprehensive income for the period	208.1	234.0	58.7	93.4
Attributable to:				
- shareholders of the Bank	209.1	235.5	59.1	94.3
- non-controlling interest	(1.0)	(1.5)	(0.4)	(0.9)

Interim Consolidated Statement of Changes in Equity

<i>in billions of Russian Roubles</i>	Attributable to shareholders of the Bank									
	Share capital	Treasury shares	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available-for-sale	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 31 December 2012	87.7	(7.6)	232.6	79.0	37.3	(4.7)	1,186.7	1,611.0	12.8	1,623.8
Changes in equity for the nine months ended 30 September 2013 (unaudited)										
Net result from treasury shares transactions	–	1.5	–	–	–	–	0.3	1.8	–	1.8
Dividends declared	–	–	–	–	–	–	(58.5)	(58.5)	–	(58.5)
Transfer of revaluation reserve for office premises upon disposal or depreciation	–	–	–	(2.0)	–	–	2.0	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	(1.6)	(1.6)
<i>Profit for the period</i>	–	–	–	–	–	–	269.7	269.7	<i>(1.4)</i>	268.3
<i>Other comprehensive loss for the period</i>	–	–	–	–	(30.1)	(4.1)	–	(34.2)	<i>(0.1)</i>	(34.3)
Total comprehensive income for the period	–	–	–	–	(30.1)	(4.1)	269.7	235.5	(1.5)	234.0
Balance as at 30 September 2013 (unaudited)	87.7	(6.1)	232.6	77.0	7.2	(8.8)	1,400.2	1,789.8	9.7	1,799.5
Balance as at 31 December 2013	87.7	(7.2)	232.6	75.8	1.3	(13.7)	1,495.2	1,871.7	9.7	1,881.4
Changes in equity for the nine months ended 30 September 2014 (unaudited)										
Net result from treasury shares transactions	–	(0.3)	–	–	–	–	0.2	(0.1)	–	(0.1)
Dividends declared	–	–	–	–	–	–	(72.1)	(72.1)	–	(72.1)
Transfer of revaluation reserve for office premises upon disposal or depreciation	–	–	–	(1.9)	–	–	1.9	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	(3.5)	(3.5)
<i>Profit for the period</i>	–	–	–	–	–	–	242.3	242.3	<i>(1.0)</i>	241.3
<i>Other comprehensive loss for the period</i>	–	–	–	–	(49.6)	16.4	–	(33.2)	–	(33.2)
Total comprehensive income for the period	–	–	–	–	(49.6)	16.4	242.3	209.1	(1.0)	208.1
Balance as at 30 September 2014 (unaudited)	87.7	(7.5)	232.6	73.9	(48.3)	2.7	1,667.5	2,008.6	5.2	2,013.8

Interim Consolidated Statement of Cash Flows

<i>(unaudited)</i> in billions of Russian Roubles	Nine months ended 30 September	
	2014	2013
Cash flows from operating activities before changes in operating assets and liabilities		
Interest received	1,298.8	1,057.6
Interest paid	(490.1)	(366.1)
Expenses paid directly attributable to deposit insurance	(23.5)	(19.9)
Fees and commissions received	214.6	171.2
Fees and commissions paid	(22.4)	(17.9)
Net losses incurred on trading securities	(3.5)	(3.6)
Net gains received on securities designated as at fair value through profit or loss	0.7	0.7
Net gains received / (losses incurred) from trading in foreign currencies and from operations with foreign currency derivatives	10.3	(18.4)
Net losses incurred from operations with other derivatives	(7.7)	(0.7)
Net (losses incurred) / gains received from operations with precious metals and precious metals derivatives	(3.9)	0.2
Revenue received from non-banking business activities	20.1	19.5
Expenses paid on non-banking business activities	(19.1)	(32.5)
Insurance premiums received	23.2	4.9
Payments on insurance operations	(0.1)	-
Payments on pension insurance agreements received	2.3	-
Payments on pension fund operations	(0.1)	-
Other operating income received	9.1	18.1
Operating expenses paid	(300.1)	(275.0)
Income tax paid	(70.5)	(68.7)
Cash flows from operating activities before changes in operating assets and liabilities	638.1	469.4
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with central banks	(26.3)	(64.7)
Net decrease in trading securities	58.0	58.1
Net (increase) / decrease in securities designated as at fair value through profit or loss	(15.9)	1.1
Net decrease / (increase) in due from banks	99.1	(314.4)
Net increase in loans and advances to customers	(1,810.1)	(1,231.5)
Net decrease in other assets	47.4	11.5
Net increase / (decrease) in due to banks	273.4	(106.7)
Net (decrease) / increase in due to individuals	(40.7)	572.5
Net increase in due to corporate customers	778.8	370.3
Net (decrease) / increase in debt securities in issue	(7.9)	92.9
Net increase in other liabilities	37.3	35.1
Net cash from / (used in) operating activities	31.2	(106.4)
Cash flows from investing activities		
Purchase of investment securities available-for-sale	(630.0)	(508.0)
Proceeds from disposal and redemption of investment securities available-for-sale	550.8	340.9
Purchase of investment securities held-to-maturity	(17.1)	(29.9)
Proceeds from redemption of investment securities held-to-maturity	64.8	88.8
Acquisition of premises and equipment	(68.6)	(78.8)
Proceeds from disposal of premises and equipment including insurance payments	11.0	9.2
Acquisition of investment property	(0.3)	-
Proceeds from disposal of investment property	1.0	-
Proceeds from disposal of associates	-	4.5
Acquisition of subsidiaries net of cash acquired	9.6	(12.0)
Proceeds from disposal of subsidiaries net of cash disposed	0.6	0.2
Dividends received	1.5	1.4
Net cash used in investing activities	(76.7)	(183.7)
Cash flows from financing activities		
Other borrowed funds received	206.7	218.2
Redemption of other borrowed funds	(224.2)	(101.7)
Repayment of interest on other borrowed funds	(9.0)	(6.9)
Subordinated debt received	238.7	35.6
Repayment of interest on subordinated debt	(4.1)	(2.0)
Funds received from loan participation notes issued under the MTN programme of Sberbank	101.9	43.7
Redemption of loan participation notes issued under the MTN programme of Sberbank	(9.5)	(35.5)
Repayment of interest on loan participation notes issued under the MTN programme of Sberbank	(17.1)	(15.9)
Cash received from non-controlling shareholders	-	1.4
Acquisition of non-controlling interests in subsidiaries	-	(0.4)
Purchase of treasury shares	(29.8)	(47.4)
Proceeds from disposal of treasury shares	30.5	48.9
Dividends paid	(71.9)	(58.3)
Net cash from financing activities	212.2	79.7
Effect of exchange rate changes on cash and cash equivalents	40.8	37.2
Effect of hyperinflation on cash and cash equivalents	0.8	(0.2)
Net increase / (decrease) in cash and cash equivalents	208.3	(173.4)
Cash and cash equivalents as at the beginning of the period	1,327.0	1,290.8
Cash and cash equivalents as at the end of the period	1,535.3	1,117.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

1 Introduction

These interim condensed consolidated financial statements of Sberbank of Russia (“Sberbank”, “the Bank”) and its subsidiaries (together referred to as “the Group” or “Sberbank Group”) have been prepared in accordance with IAS 34 *Interim Financial Reporting* for the nine months ended 30 September 2014. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these interim condensed consolidated financial statements is disclosed in Note 30.

The Bank is an open joint stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (“Bank of Russia” or “CBR”), owns 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares as at 30 September 2014 (31 December 2013: 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares).

As at 30 September 2014 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank’s principal shareholder and other shareholders as well as independent directors.

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

The Group’s principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients’ export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. As at 30 September 2014 the Group conducts its business in Russia through Sberbank with its network of 16 (31 December 2013: 17) regional head offices, 78 (31 December 2013: 77) branches and 17,262 (31 December 2013: 17,893) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing, LLC Sberbank Capital, companies of ex-Troika Dialog Group Ltd. and Cetelem Bank LLC (former BNP Paribas Vostok LLC). In the second quarter of 2014 Severo-Vostochny Regional head office’s business was reallocated between Dalnevostochny Regional head office and Baikalsky Regional head office. The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and companies of ex-Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group’s employees as at 30 September 2014 was 321,134 (31 December 2013: 306,123).

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

1 Introduction (Continued)

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

At 30 September 2014 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.329	269.127	4.618	0.020	0.024	0.058
USD/	39.387	12.950	10,599.991	181.895	0.788	0.951	2.271
EUR/	49.954	16.424	13,443.962	230.697	1.000	1.206	2.880

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

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

2 Operating Environment of the Group

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

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

Operating environment in the Russian Federation during the nine months of 2014 continued to be influenced by several negative factors. In particular, recent events in Ukraine significantly impacted the dynamics of the Russian economy. Certain economic sanctions against Russia were imposed, including the access to global capital markets to sanctioned entities, which had the most significant impact for the Group. Decline of local currency and stock markets in Russia in the first quarter of 2014 significantly reversed during the second quarter of 2014. During the third quarter of 2014 the negative impact on the Russian economy accelerated due to the drop in crude oil prices and limitations in access to global capital markets for a number of Russian leading companies and banks. As a result, during the third quarter of 2014 the Russian Rouble continued to depreciate and lost 16.9% against US Dollar and 10.0% against Euro during the nine months of 2014. Financial markets downturn during nine months of 2014 amounted to: 22.1% decline of RTS index (calculated based on US dollar prices) and 6.2% decline of MICEX index (calculated based on Russian Rouble prices). As the result of the above negative trends during the nine months of 2014 one of the international rating agencies downgraded Russian sovereign rating to the lowest investment grade level.

In the third quarter 2014, several countries imposed certain sectoral sanctions on the Russian economy. In July and September 2014 European Union ("EU") applied sectoral sanctions on the Russian Federation, and certain financial institutions, including Sberbank Group (excluding their subsidiaries established in the EU countries) have been subject to these sanctions. According to these sanctions, it shall be prohibited for the EU residents to directly or indirectly purchase, sell, provide brokering or assistance in the issuance of, or otherwise provide financing, deal with bonds, equity or similar financial instruments issued by sanctioned entities with maturity exceeding 90 days, issued after 1 August 2014 to 12 September 2014, or with a maturity exceeding 30 days, issued after 12 September 2014. In September 2014 the United States ("US") included Sberbank Group into The Sectoral Sanctions Identifications List (the "SSI List") and hereby prohibited US citizens and companies from all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity of Sberbank Group, its property, or its interests in property. In October 2014 the United States exempted Sberbank's subsidiary Denizbank, Turkey, from broader US sanctions on the Russian financial industry, allowing the Turkish lender to continue accessing US debt markets.

The Management of the Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and results of operations.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

2 Operating Environment of the Group (Continued)

The second important consequence of geopolitical events was the deterioration of foreign and domestic investors' sentiment towards Russian financial markets resulting in the accelerated capital outflow, which totaled USD 85 billion in January - September 2014, and significant reduction both in direct foreign investments and internal investment activity. Internal demand weakened due to the deceleration in consumption growth (from +3.6% in the first quarter of 2014 to +1.4% in the third quarter of 2014, year-on-year), which was caused by the slowdown in growth in retail lending (+18.0% in September 2014 compared to +28.7% in December 2013, year-on-year) and household income (+0.7% in January-September 2014 vs +3.2% in 2013, year-on-year). The above mentioned factors led to further deceleration of Russian economy growth. As a result, GDP growth rate in January – September of 2014 amounted to 0.8%, year-on-year, compared to 1.3% growth in 2013, year-on-year. Foreign trade sector remains the driver of economic growth with significant trade balance improvement due to decline in imports.

Another consequence of geopolitical situation and the Russia's reprisal food embargo to the countries that imposed sanctions against Russian economy was inflation acceleration (from 6.1% in January 2014 to 8% in September 2014, year-on-year), despite heavy crop and limited increase in utilities tariffs. In order to reduce inflationary expectations the Bank of Russia raised in stages its key interest rate by 2.5 percentage points to 8% during the nine months of 2014, which caused material increase in cost of funding for banking institutions. But the reduced public's ability for savings and decrease in attractiveness of retail deposits, as a reaction by the public and business on imposed sanctions, and continued efforts of CBR for purging the Russian banking system of the banks involved in money laundering and tax evasion transactions, stipulated the CBR position as the major liquidity provider to the Russian banking system. The average volume of the Russian banking sector liabilities to the CBR significantly increased by +104% during the nine months 2014, year-on-year. The CBR share in Russian banking sector liabilities increased from 7.7% to 8.8% during the nine months of 2014.

Deterioration in economic growth perspectives and the slowdown in household income growth were the main contributors to the impairment of credit quality of retail loan portfolios. Growth of overdue retail loans portion accelerated in the nine months of 2014 to reach 5.7% for the Russian banking system as compared to 4.4% at the beginning of the year. Overdue corporate loans portion stays at 4.0%-4.3% due to the high growth in corporate lending. This loan portfolio quality impairment requires additional allowances, which reduce the profits of Russian banking sector (decrease by 8.8% of the result for the nine months of 2014, year-on-year).

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

In the nine months of 2014, the economic and political uncertainty in Ukraine increased significantly. International rating agencies have downgraded Ukraine's sovereign debt ratings. The combination of the above events has resulted in deterioration of liquidity and much tighter credit conditions where credit is available. At 30 September 2014, the Group's exposure to Ukrainian risk amounted to approximately 0.6% of total consolidated assets (31 December 2013: 0.8%). The exposure consists of net assets of and the Group funding to the Group's Ukrainian subsidiaries, as well as investments in equity and debt instruments issued by and loans to the Ukrainian government and corporate clients.

Management is monitoring these developments in the current environment and taking actions where appropriate. These and any further possible negative developments in Ukraine could adversely impact results and financial position of the Group in a manner not currently determinable.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

3 Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the annual consolidated financial statements of the Group as at 31 December 2013.

These interim condensed consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statements.

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2013, except for the changes introduced due to implementation of new and/or revised standards and interpretations as of 1 January 2014, noted below:

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

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

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

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

Recoverable amount disclosures for non-financial assets – Amendments to IAS 36 Impairment of Assets (issued in May 2013). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments are effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period.

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

Management’s estimates and judgements. Judgements and critical estimates made by Management in the process of applying the accounting policies were consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2013.

Income tax expense is recognized in these interim condensed consolidated financial statements based on management’s best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

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

The effect of changes on the interim consolidated statement of profit or loss for the nine months and the three months ended 30 September 2013 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Nine months ended 30 September 2013:			
Net provision charge for impairment of other assets	(3.8)	3.8	–
Net charge for other provisions	–	(3.6)	(3.6)
Revenue of non-banking business activities and insurance	19.9	3.8	23.7
Cost of sales of non-banking business activities and insurance	(18.6)	(3.8)	(22.4)
Other operating income	15.6	(0.2)	15.4
Three months ended 30 September 2013:			
Net provision charge for impairment of other assets	(2.6)	2.6	–
Net charge for other provisions	–	(2.8)	(2.8)
Revenue of non-banking business activities and insurance	6.7	2.1	8.8
Cost of sales of non-banking business activities and insurance	(6.7)	(2.2)	(8.9)
Other operating income	7.7	0.3	8.0

The effect of corresponding reclassifications on the disclosure of revenues and costs of sales of non-banking operations and insurance for the nine months and the three months ended 30 September 2013 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Nine months ended 30 September 2013:			
Total revenue of non-banking business activities and insurance	19.9	3.8	23.7
- Revenue from insurance	–	3.8	3.8
Total cost of sales of non-banking business activities and insurance	(18.6)	(3.8)	(22.4)
- Costs related to insurance activities	–	(3.8)	(3.8)
Net income of non-banking business activities and insurance	1.3	–	1.3
Three months ended 30 September 2013:			
Total revenue of non-banking business activities and insurance	6.7	2.1	8.8
- Revenue from insurance	–	2.1	2.1
Total cost of sales of non-banking business activities and insurance	(6.7)	(2.2)	(8.9)
- Costs related to insurance activities	–	(2.2)	(2.2)
Net income of non-banking business activities and insurance	–	(0.1)	(0.1)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

The corresponding effect on the segment reporting of the Group for the nine months and the three months ended 30 September 2013 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Nine months ended 30 September 2013:			
Moscow segment			
Revenue of non-banking business activities and insurance	6.0	3.8	9.8
Cost of sales of non-banking business activities and insurance	(5.4)	(3.8)	(9.2)
Net other operating gains / (losses)	(2.0)	–	(2.0)
Total			
Revenue of non-banking business activities and insurance	19.9	3.8	23.7
Cost of sales of non-banking business activities and insurance	(18.6)	(3.8)	(22.4)
Net other operating gains / (losses)	(1.8)	–	(1.8)
Three months ended 30 September 2013:			
Moscow segment			
Revenue of non-banking business activities and insurance	1.3	2.1	3.4
Cost of sales of non-banking business activities and insurance	(1.4)	(2.2)	(3.6)
Net other operating (losses) / gains	(3.0)	0.1	(2.9)
Total			
Revenue of non-banking business activities and insurance	6.7	2.1	8.8
Cost of sales of non-banking business activities and insurance	(6.7)	(2.2)	(8.9)
Net other operating (losses) / gains	(2.2)	0.1	(2.1)

The effect of corresponding reclassifications on disclosure of the interim consolidated statement of cash flows for the nine months ended 30 September 2013 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Insurance premiums received	–	4.9	4.9
Revenue received from non-banking business activities	24.4	(4.9)	19.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

5 Trading Securities

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Corporate bonds	13.1	57.9
Russian Federation Eurobonds	7.3	6.6
Federal loan bonds (OFZ bonds)	2.5	13.2
Foreign government bonds	2.4	2.3
Municipal and subfederal bonds	0.9	2.7
Total debt trading securities	26.2	82.7
Corporate shares	5.1	16.9
Investments in mutual funds	0.8	1.6
Total trading securities	32.1	101.2

6 Securities Designated as at Fair Value through Profit or Loss

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Corporate bonds	47.1	0.4
Federal loan bonds (OFZ bonds)	12.1	7.1
Municipal and subfederal bonds	7.8	–
Foreign government bonds	1.0	0.7
Russian Federation Eurobonds	0.3	–
Total debt securities designated as at fair value through profit or loss	68.3	8.2
Corporate shares	13.0	7.9
Investments in mutual funds	2.6	1.4
Total securities designated as at fair value through profit or loss	83.9	17.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 30 September 2014 and 31 December 2013.

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

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	30 September 2014		
	Not past due loans	Past due loans	Total
Commercial loans to legal entities	6,951.7	429.9	7,381.6
Specialized loans to legal entities	3,803.9	207.5	4,011.4
Mortgage loans to individuals	1,915.5	95.3	2,010.8
Consumer and other loans to individuals	1,649.4	177.3	1,826.7
Credit cards and overdrafts	399.7	73.6	473.3
Car loans to individuals	147.4	13.8	161.2
Total loans and advances to customers before provision for loan impairment	14,867.6	997.4	15,865.0
Less: Provision for loan impairment	(239.5)	(565.1)	(804.6)
Total loans and advances to customers net of provision for loan impairment	14,628.1	432.3	15,060.4

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

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

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

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

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 30 September 2014:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	6,706.6	(82.6)	6,624.0	1.2%
Loans up to 30 days overdue	50.6	(10.1)	40.5	20.0%
Loans 31 to 60 days overdue	19.1	(6.6)	12.5	34.6%
Loans 61 to 90 days overdue	16.5	(6.6)	9.9	40.0%
Loans 91 to 180 days overdue	26.5	(15.8)	10.7	59.6%
Loans over 180 days overdue	152.1	(141.3)	10.8	92.9%
Total collectively assessed loans	6,971.4	(263.0)	6,708.4	3.8%
Individually impaired				
Not past due	245.1	(41.5)	203.6	16.9%
Loans up to 30 days overdue	54.6	(24.6)	30.0	45.1%
Loans 31 to 60 days overdue	5.5	(2.0)	3.5	36.4%
Loans 61 to 90 days overdue	6.3	(1.1)	5.2	17.5%
Loans 91 to 180 days overdue	19.4	(16.3)	3.1	84.0%
Loans over 180 days overdue	79.3	(60.3)	19.0	76.0%
Total individually impaired loans	410.2	(145.8)	264.4	35.5%
Total commercial loans to legal entities	7,381.6	(408.8)	6,972.8	5.5%
Specialized loans to legal entities				
Collectively assessed				
Not past due	3,641.1	(61.7)	3,579.4	1.7%
Loans up to 30 days overdue	44.0	(6.6)	37.4	15.0%
Loans 31 to 60 days overdue	8.1	(2.1)	6.0	25.9%
Loans 61 to 90 days overdue	3.4	(0.9)	2.5	26.5%
Loans 91 to 180 days overdue	3.8	(2.5)	1.3	65.8%
Loans over 180 days overdue	51.8	(37.7)	14.1	72.8%
Total collectively assessed loans	3,752.2	(111.5)	3,640.7	3.0%
Individually impaired				
Not past due	162.8	(44.4)	118.4	27.3%
Loans up to 30 days overdue	34.1	(13.7)	20.4	40.2%
Loans 31 to 60 days overdue	3.7	(1.9)	1.8	51.4%
Loans 61 to 90 days overdue	5.3	(1.2)	4.1	22.6%
Loans 91 to 180 days overdue	7.8	(2.6)	5.2	33.3%
Loans over 180 days overdue	45.5	(45.5)	–	100.0%
Total individually impaired loans	259.2	(109.3)	149.9	42.2%
Total specialized loans to legal entities	4,011.4	(220.8)	3,790.6	5.5%
Total loans to legal entities	11,393.0	(629.6)	10,763.4	5.5%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Mortgage loans to individuals				
Collectively assessed				
Not past due	1,915.5	(1.1)	1,914.4	–
Loans up to 30 days overdue	44.2	(1.4)	42.8	3.2%
Loans 31 to 60 days overdue	7.9	(0.9)	7.0	11.4%
Loans 61 to 90 days overdue	5.0	(1.0)	4.0	20.0%
Loans 91 to 180 days overdue	6.8	(3.1)	3.7	45.6%
Loans over 180 days overdue	31.4	(27.3)	4.1	86.9%
Total mortgage loans to individuals	2,010.8	(34.8)	1,976.0	1.7%
Consumer and other loans to individuals				
Collectively assessed				
Not past due	1,649.4	(5.5)	1,643.9	0.3%
Loans up to 30 days overdue	63.5	(6.0)	57.5	9.4%
Loans 31 to 60 days overdue	14.4	(4.8)	9.6	33.3%
Loans 61 to 90 days overdue	11.3	(5.4)	5.9	47.8%
Loans 91 to 180 days overdue	23.0	(16.8)	6.2	73.0%
Loans over 180 days overdue	65.1	(59.6)	5.5	91.6%
Total consumer and other loans to individuals	1,826.7	(98.1)	1,728.6	5.4%
Credit cards and overdrafts				
Collectively assessed				
Not past due	399.7	(2.4)	397.3	0.6%
Loans up to 30 days overdue	33.4	(2.3)	31.1	6.9%
Loans 31 to 60 days overdue	6.2	(1.9)	4.3	30.6%
Loans 61 to 90 days overdue	3.9	(2.1)	1.8	53.8%
Loans 91 to 180 days overdue	7.2	(5.6)	1.6	77.8%
Loans over 180 days overdue	22.9	(20.7)	2.2	90.4%
Total credit cards and overdrafts	473.3	(35.0)	438.3	7.4%
Car loans to individuals				
Collectively assessed				
Not past due	147.4	(0.3)	147.1	0.2%
Loans up to 30 days overdue	4.9	(0.4)	4.5	8.2%
Loans 31 to 60 days overdue	1.3	(0.4)	0.9	30.8%
Loans 61 to 90 days overdue	0.9	(0.4)	0.5	44.4%
Loans 91 to 180 days overdue	1.9	(1.3)	0.6	68.4%
Loans over 180 days overdue	4.8	(4.3)	0.5	89.6%
Total car loans to individuals	161.2	(7.1)	154.1	4.4%
Total loans to individuals	4,472.0	(175.0)	4,297.0	3.9%
Total loans and advances to customers as at 30 September 2014	15,865.0	(804.6)	15,060.4	5.1%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

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

As at 30 September 2014 the outstanding non-performing loans were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	277.3	(233.7)	43.6	84.3%
Spezialized loans to legal entities	108.9	(88.3)	20.6	81.1%
Mortgage loans to individuals	38.2	(30.4)	7.8	79.6%
Consumer and other loans to individuals	88.1	(76.4)	11.7	86.7%
Credit cards and overdrafts	30.1	(26.3)	3.8	87.4%
Car loans to individuals	6.7	(5.6)	1.1	83.6%
Total non-performing loans and advances to customers as at 30 September 2014	549.3	(460.7)	88.6	83.9%

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

Provisions for loan impairment. The analysis of changes in provisions for loan impairment for the nine months ended 30 September 2014 is presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
Provision for loan impairment as at 31 December 2013 (audited)	293.4	206.1	26.2	60.1	20.6	3.9	610.3
Net provision charge for loan impairment during the period	142.6	30.7	10.6	49.5	16.6	3.6	253.6
Repayment of loans previously written off	0.5	0.5	0.1	0.5	–	0.1	1.7
Foreign currencies translation	1.4	1.0	0.4	0.8	0.8	(0.2)	4.2
Loans and advances written off during the period	(29.1)	(17.5)	(2.5)	(12.8)	(3.0)	(0.3)	(65.2)
Provision for loan impairment as at 30 September 2014	408.8	220.8	34.8	98.1	35.0	7.1	804.6

The analysis of changes in provisions for loan impairment for the three months ended 30 September 2014 is presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
Provision for loan impairment as at 30 June 2014	360.6	203.3	30.3	87.9	29.8	6.1	718.0
Net provision charge for loan impairment during the period	58.3	16.6	5.3	15.2	6.0	1.3	102.7
Repayment of loans previously written off	0.5	0.5	0.1	0.5	–	0.1	1.7
Foreign currencies translation	4.2	1.3	1.1	1.0	0.7	(0.2)	8.1
Loans and advances written off during the period	(14.8)	(0.9)	(2.0)	(6.5)	(1.5)	(0.2)	(25.9)
Provision for loan impairment as at 30 September 2014	408.8	220.8	34.8	98.1	35.0	7.1	804.6

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

The analysis of changes in provisions for loan impairment for the nine months ended 30 September 2013 is presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
Provision for loan impairment as at 31 December 2012 (audited)	309.9	180.6	26.5	37.3	8.2	2.5	565.0
Net provision charge for loan impairment during the period	41.6	18.8	4.8	29.1	10.4	2.1	106.8
Foreign currencies translation	0.6	0.6	0.5	(0.3)	(0.3)	–	1.1
Loans and advances written off during the period	(32.1)	(10.2)	(5.6)	(9.7)	–	(1.0)	(58.6)
Provision for loan impairment as at 30 September 2013	320.0	189.8	26.2	56.4	18.3	3.6	614.3

The analysis of changes in provisions for loan impairment for the three months ended 30 September 2013 is presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
Provision for loan impairment as at 30 June 2013	309.0	180.1	26.2	50.6	14.7	3.1	583.7
Net provision charge for loan impairment during the period	11.3	14.6	3.2	10.1	3.9	1.0	44.1
Foreign currencies translation	(0.2)	–	0.1	(0.5)	(0.3)	–	(0.9)
Loans and advances written off during the period	(0.1)	(4.9)	(3.3)	(3.8)	–	(0.5)	(12.6)
Provision for loan impairment as at 30 September 2013	320.0	189.8	26.2	56.4	18.3	3.6	614.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

Renegotiated loans. Information on loans whose terms have been renegotiated, as at 30 September 2014 and 31 December 2013 is presented in the table below. It shows the amount for renegotiated loans before provision for loan impairment by class.

<i>in billions of Russian Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Car loans to individuals	Total
30 September 2014 (unaudited):						
Not past due collectively assessed loans	508.0	898.3	29.8	11.2	1.8	1,449.1
Other renegotiated loans	263.1	142.4	19.5	13.9	3.1	442.0
Total renegotiated loans as at 30 September 2014	771.1	1,040.7	49.3	25.1	4.9	1,891.1
31 December 2013:						
Not past due collectively assessed loans	542.6	533.0	16.7	6.9	0.8	1,100.0
Other renegotiated loans	96.1	107.6	10.6	6.9	1.4	222.6
Total renegotiated loans as at 31 December 2013	638.7	640.6	27.3	13.8	2.2	1,322.6

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)	31 December 2013
Largest clients	4,758.4	4,291.2
Large clients	2,546.6	2,340.0
Medium business	2,499.5	2,150.9
Small business	1,588.5	1,013.9
Total loans and advances to legal entities before provision for loan impairment	11,393.0	9,796.0

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)	31 December 2013
Gross investment in finance leases	209.6	190.4
Unearned future finance income on finance leases	(54.4)	(53.9)
Net investment in finance leases before provision for impairment	155.2	136.5
Less provision for impairment	(7.4)	(5.4)
Net investment in finance leases after provision for impairment	147.8	131.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

The contractual maturity analysis of net investments in finance leases as at 30 September 2014 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Net investment in finance leases before provision for impairment	Provision for impairment	Net investment in finance leases after provision for impairment
Within 1 year and past due	40.8	(4.2)	36.6
From 1 to 5 years	85.0	(2.5)	82.5
More than 5 years	29.4	(0.7)	28.7
Total net investments in finance leases as at 30 September 2014	155.2	(7.4)	147.8

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

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

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

<i>in billions of Russian Roubles</i>	30 September 2014 <i>(unaudited)</i>	31 December 2013
Within 1 year	44.2	38.5
From 1 to 5 years	112.9	101.0
More than 5 years	52.5	50.9
Total minimum lease payments receivables	209.6	190.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

7 Loans and Advances to Customers (Continued)

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Amount	%	Amount	%
Individuals	4,472.0	28.2	3,748.0	27.7
Services	2,869.5	18.1	2,445.3	18.1
Trade	1,601.4	10.1	1,366.2	10.1
Food and agriculture	961.3	6.1	900.6	6.6
Energy	823.7	5.2	644.9	4.8
Machinery	787.2	5.0	658.7	4.9
Government and municipal bodies	619.3	3.9	672.9	5.0
Telecommunications	616.0	3.9	560.1	4.1
Construction	603.4	3.8	492.6	3.6
Metallurgy	578.2	3.6	459.6	3.4
Transport, aviation, space industry	518.9	3.3	448.3	3.3
Chemical industry	386.5	2.4	386.9	2.9
Oil and gas	346.9	2.2	208.3	1.5
Timber industry	75.3	0.5	76.1	0.6
Other	605.4	3.7	475.5	3.4
Total loans and advances to customers before provision for loan impairment	15,865.0	100.0	13,544.0	100.0

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

Refer to Note 26 for the information on amounts in loans and advances to customers which are collateralized by securities received under reverse sale and repurchase agreements and loans transferred without derecognition.

As at 30 September 2014 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 75.2 billion (31 December 2013: 20 largest borrowers with loan amounts due from each of these borrowers exceeding RR 64.5 billion). The total aggregate amount of these loans was RR 2,970.7 billion or 18.7% of the total gross loan portfolio of the Group (31 December 2013: RR 2,499.0 billion or 18.5%).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

8 Securities Pledged under Repurchase Agreements

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Trading securities pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	13.2	4.9
Corporate bonds	0.2	0.5
Municipal and subfederal bonds	0.1	2.2
Corporate shares	–	0.9
Russian Federation Eurobonds	–	2.8
Total trading securities pledged under repurchase agreements	13.5	11.3
Securities designated as at fair value through profit or loss pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	12.9	10.2
Municipal and subfederal bonds	–	0.1
Total securities designated as at fair value through profit or loss pledged under repurchase agreements	12.9	10.3
Investment securities available-for-sale pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	375.0	560.9
Russian Federation Eurobonds	40.8	100.0
Foreign government bonds	27.9	13.5
Corporate bonds	26.5	348.4
Municipal and subfederal bonds	10.2	49.1
Total investment securities available-for-sale pledged under repurchase agreements	480.4	1,071.9
Investment securities held-to-maturity pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	178.2	139.6
Corporate bonds	75.9	77.1
Municipal and subfederal bonds	26.0	30.1
Foreign government bonds	6.7	3.5
Total investment securities held-to-maturity pledged under repurchase agreements	286.8	250.3
Total securities pledged under repurchase agreements	793.6	1,343.8

Refer to Note 26 for more information on securities pledged under sale and repurchase agreements with banks and corporate customers.

9 Investment Securities Available-for-Sale

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Corporate bonds	481.6	155.9
Federal loan bonds (OFZ bonds)	309.8	142.6
Foreign government bonds	160.7	113.2
Russian Federation Eurobonds	109.9	30.2
Municipal and subfederal bonds	41.0	4.9
Promissory notes	0.4	–
Total debt investment securities available-for-sale	1,103.4	446.8
Corporate shares	25.6	29.4
Total investment securities available-for-sale	1,129.0	476.2

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

10 Investment Securities Held-to-Maturity

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Corporate bonds	61.7	69.1
Foreign government bonds	47.4	36.3
Federal loan bonds (OFZ bonds)	20.4	67.6
Russian Federation Eurobonds	18.3	–
Municipal and subfederal bonds	8.8	30.9
Total investment securities held-to-maturity before provision for impairment	156.6	203.9
Less provision for impairment	(1.8)	(1.4)
Total investment securities held-to-maturity after provision for impairment	154.8	202.5

The changes in provision for impairment of investment securities held-to-maturity for the nine months ended 30 September 2014 is presented below:

	30 September 2014
<i>(unaudited)</i>	
<i>in billions of Russian Roubles</i>	
Provision for impairment of investment securities held-to-maturity as at 31 December 2013 (audited)	1.4
Net provision charge for impairment during the reporting period	1.8
Securities held-to-maturity written off during the period	(1.4)
Provision for impairment of investment securities held-to-maturity as at 30 September 2014	1.8

The changes in provision for impairment of investment securities held-to-maturity for the three months ended 30 September 2014 is presented below:

	30 September 2014
<i>(unaudited)</i>	
<i>in billions of Russian Roubles</i>	
Provision for impairment of investment securities held-to-maturity as at 30 June 2014	–
Net provision charge for impairment during the reporting period	1.8
Provision for impairment of investment securities held-to-maturity as at 30 September 2014	1.8

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

11 Other Assets

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Other financial assets		
Derivative financial instruments	264.9	108.9
Receivables on bank cards settlements	100.1	162.3
Margin calls given	61.1	19.7
Settlements on operations with securities	35.9	12.8
Settlements on currency conversion operations	30.5	19.8
Funds in settlement	9.2	7.2
Receivables from Deposit Insurance Agency	6.4	54.0
Trade receivables	5.9	8.6
Accrued fees and commissions	5.5	5.4
Other	14.5	9.3
Provision for impairment of other financial assets	(2.3)	(1.8)
Total other financial assets	531.7	406.2
Other non-financial assets		
Inventory	98.0	71.2
Intangible assets	57.1	55.7
Prepayments for premises and other assets	40.7	93.6
Precious metals	37.9	42.4
Goodwill	21.2	20.2
Investment property	10.9	15.3
Prepaid expenses	7.4	10.2
Prepayment on income tax	6.3	2.0
Tax settlements (other than on income)	5.9	8.2
Non-current assets held for sale and assets of the disposal group	6.0	3.1
Investments in associates	4.6	4.4
Other	18.4	13.7
Provision for impairment of other non-financial assets	(10.8)	(9.4)
Total other non-financial assets	303.6	330.6
Total other assets	835.3	736.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

12 Due to Individuals and Corporate Customers

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Individuals:		
- Current/demand accounts	1,629.3	1,748.4
- Term deposits	6,978.9	6,687.4
- Direct repo deals	0.1	–
Total due to individuals	8,608.3	8,435.8
State and public organizations:		
- Current/settlement accounts	122.1	158.7
- Term deposits	626.5	88.6
Total due to state and public organizations	748.6	247.3
Other corporate customers:		
- Current/settlement accounts	1,613.2	1,504.8
- Term deposits	2,238.5	1,863.5
- Direct repo deals	1.5	12.8
Total due to other corporate customers	3,853.2	3,381.1
Total due to corporate customers	4,601.8	3,628.4
Total due to individuals and corporate customers	13,210.1	12,064.2

Economic sector concentrations within customer accounts are as follows:

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Amount	%	Amount	%
Individuals	8,608.3	65.2	8,435.8	69.9
Services	1,062.3	8.0	829.5	6.9
Oil and gas	708.6	5.4	534.2	4.4
Municipal bodies and state organizations	599.9	4.5	90.0	0.7
Trade	491.8	3.7	509.0	4.2
Construction	276.9	2.1	382.9	3.2
Machinery	265.7	2.0	213.4	1.8
Transport, aviation, space industry	172.4	1.3	114.0	0.9
Metallurgy	172.3	1.3	125.9	1.0
Energy	160.4	1.2	140.7	1.2
Food and agriculture	125.0	0.9	97.1	0.8
Chemical	93.6	0.7	92.4	0.8
Telecommunications	45.0	0.3	94.5	0.8
Timber industry	32.7	0.2	31.1	0.3
Other	395.2	3.2	373.7	3.1
Total due to individuals and corporate customers	13,210.1	100.0	12,064.2	100.0

As at 30 September 2014 Due to corporate customers included deposits of RR 103.3 billion (31 December 2013: RR 107.7 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 24.

As at 30 September 2014 the Group had 20 largest customers with balances above RR 18.8 billion each (31 December 2013: 20 customers with balances above RR 12.1 billion each). The aggregate balance of these customers was 1,743.0 billion (31 December 2013: RR 1,043.6 billion) or 13.2% (31 December 2013: 8.7%) of total due to individuals and corporate customers.

Refer to Note 26 for information on the amounts in due to corporate customers received under sale and repurchase agreements and fair value of securities pledged.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

13 Debt Securities in Issue

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Loan participation notes issued under the MTN programme of Sberbank	471.4	324.9
Savings certificates	364.8	344.5
Bonds issued:		
- on the local market	60.5	44.7
- on international capital markets	24.6	14.7
Promissory notes	59.1	74.7
Notes issued under the ECP programme of Sberbank	29.2	46.9
Deposit certificates	2.5	1.6
Structured notes	0.8	1.4
Total debt securities in issue	1,012.9	853.4

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

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	30 September 2014 (unaudited)		31 December 2013	
						Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.
Loan participation notes issued under the MTN programme of Sberbank									
Series 4	07 July 2010	07 July 2015	USD	1,500	5.5	59.7	5.4	50.0	5.4
Series 5	24 September 2010	24 March 2017	USD	1,250	5.4	48.9	5.4	41.2	5.4
Series 6	12 November 2010	12 November 2014	CHF	400	3.5	17.1	3.6	14.7	3.6
Series 7	16 June 2011	16 June 2021	USD	1,000	5.7	39.2	5.8	32.8	5.8
Series 8	07 February 2012	07 February 2017	USD	1,300	5.0	50.5	4.8	43.6	4.8
Series 9	07 February 2012	07 February 2022	USD	1,500	6.1	61.1	5.6	52.0	5.6
Series 10	14 March 2012	14 September 2015	CHF	410	3.1	17.0	3.2	15.2	3.2
Series 11	28 June 2012	28 June 2019	USD	1,000	5.2	39.6	5.3	32.7	5.3
Series 13	31 January 2013	31 January 2016	RUB	25,000	7.0	25.3	7.2	25.7	7.2
Series 14	28 February 2013	28 February 2017	CHF	250	2.1	10.5	2.1	9.3	2.1
Series 15	04 March 2013	04 March 2018	TRY	550	7.4	8.8	7.6	7.7	7.6
Series 18	06 March 2014	06 March 2019	USD	500	4.2	19.7	4.2	–	–
Series 19	07 March 2014	07 March 2019	EUR	500	3.1	25.0	3.1	–	–
Series 20	26 June 2014	15 November 2019	EUR	1,000	3.4	49.0	3.4	–	–
Total loan participation notes issued under the MTN programme of Sberbank						471.4		324.9	

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

13 Debt Securities in Issue (Continued)

In November 2012 the Bank launched Euro-Commercial Paper programme (ECP programme) for the total amount of issues limited by USD 3 billion. As at 30 September 2014 the outstanding amount of funds issued totalled USD 0.7 billion and EUR 0.04 billion. As at 30 September 2014 these notes were accounted for at amortized cost of RR 29.2 billion (31 December 2013: RR 46.9 billion). The issues include both zero-coupon and coupon issues. The notes have maturity dates from October 2014 to July 2015 (31 December 2013: from January 2014 to December 2014) with effective interest rates varying from 1.1% to 1.7% p.a. (31 December 2013: from 0.5% to 1.6% p.a.).

14 Other Liabilities

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)	31 December 2013
Other financial liabilities		
Derivative financial instruments	235.0	65.7
Payables on bank card settlements	90.6	87.6
Accrued employee benefit costs	57.0	29.2
Trade payables	37.7	29.4
Funds in settlement	34.2	18.8
Margin calls received	27.5	9.9
Obligation to deliver securities	11.8	21.4
Settlements on operations with securities	11.6	3.1
Deposit insurance system fees payable	8.3	7.4
Other	29.0	19.2
Total other financial liabilities	542.7	291.7
Other non-financial liabilities		
Pension and insurance provisions	112.9	8.9
Taxes payable other than on income	23.4	25.2
Provisions for credit related commitments and legal claims	11.2	1.6
Advances received	8.1	10.3
Deferred commissions received on guarantees issued	1.6	1.5
Income tax payable	0.7	2.3
Liabilities of the disposal group	0.2	0.2
Other	4.9	10.7
Total other non-financial liabilities	163.0	60.7
Total other liabilities	705.7	352.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

15 Subordinated Debt

	30 September 2014 (unaudited)	31 December 2013
<i>in billions of Russian Roubles</i>		
Subordinated debt received from the Bank of Russia	521.6	303.3
Subordinated debt received under the MTN programme of Sberbank	159.7	98.5
Other subordinated debt	28.1	22.9
Total subordinated debt	709.4	424.7

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

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	30 September 2014 (unaudited)		31 December 2013	
						Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.
Subordinated debt received from the Bank of Russia									
	16 December 2008	31 December 2019	RUB	300,000	6.5	318.0	6.5	303.3	6.5
	18 June 2014	31 December 2019	RUB	200,000	6.5	203.6	6.5	–	–
Total subordinated debt received from the Bank of Russia						521.6		303.3	
Subordinated debt received under the MTN programme of Sberbank									
Series 12	29 October 2012	29 October 2022	USD	2,000	5.1	80.3	5.2	65.7	5.2
Series 16	23 May 2013	23 May 2023	USD	1,000	5.3	40.0	5.4	32.8	5.4
Series 17	26 February 2014	26 February 2024	USD	1,000	5.6	39.4	5.7	–	–
Total subordinated debt received under the MTN programme of Sberbank						159.7		98.5	

In June 2014 the Group received subordinated loan of RR 200 billion from the Bank of Russia. This loan has the same contractual fixed interest rate of 6.5% p.a. and the same maturity date of 31 December 2019 as the previous subordinated loan received from the Bank of Russia. As at 30 September 2014 the total amount of subordinated loan received from the Bank of Russia was accounted for at amortized cost of RR 521.6 billion (31 December 2013: RR 303.3 billion); the effective interest rate on the loan was 6.5% p.a. (31 December 2013: 6.5% p.a.).

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

16 Interest Income and Expense

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Interest income				
Interest income on financial assets not at fair value through profit or loss				
Interest income on financial assets carried at amortized cost:				
- Loans and advances to customers	1,196.0	972.8	419.6	339.9
- Debt investment securities held-to-maturity	25.6	18.5	8.1	6.2
- Due from banks	12.0	7.1	3.8	2.8
- Correspondent accounts with banks	0.3	0.4	–	0.1
	1,233.9	998.8	431.5	349.0
Interest income on financial assets available-for-sale:				
- Debt investment securities available-for-sale	78.3	72.2	26.7	25.3
	78.3	72.2	26.7	25.3
Total interest income on financial assets not at fair value through profit or loss	1,312.2	1,071.0	458.2	374.3
Interest income on financial assets at fair value through profit or loss:				
- Debt trading securities	3.2	5.7	0.5	1.5
- Debt securities designated as at fair value through profit or loss	1.2	0.9	0.6	0.3
- Other interest income	0.1	0.1	0.1	0.1
	4.5	6.7	1.2	1.9
Total interest income	1,316.7	1,077.7	459.4	376.2
Interest expense				
Term deposits of individuals	(241.2)	(226.3)	(80.6)	(78.8)
Term placements of banks	(99.8)	(44.0)	(40.5)	(16.0)
Term deposits of legal entities	(96.9)	(77.5)	(35.1)	(26.5)
Debt securities in issue	(38.1)	(33.6)	(13.4)	(11.8)
Subordinated debt	(24.8)	(18.6)	(10.7)	(6.7)
Current/settlement accounts of legal entities	(24.2)	(16.5)	(7.7)	(5.9)
Current/demand accounts of individuals	(10.3)	(7.9)	(3.8)	(2.8)
Other borrowed funds	(9.1)	(6.6)	(3.0)	(2.1)
Correspondent accounts of banks	(1.6)	(1.6)	(0.6)	(0.5)
Other interest expense	(1.1)	(0.8)	(0.5)	(0.4)
Total interest expense	(547.1)	(433.4)	(195.9)	(151.5)
Deposit insurance expenses	(24.5)	(21.0)	(8.3)	(7.3)
Net interest income	745.1	623.3	255.2	217.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

17 Fee and Commission Income and Expense

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Fee and commission income				
Bank cards operations	71.9	53.4	26.1	19.7
Cash and settlements transactions with individuals	49.2	40.2	17.5	14.1
Cash and settlements transactions with legal entities	43.6	36.6	15.3	13.2
Agent commissions	23.0	17.6	8.5	7.3
Documentary commissions	11.6	7.1	4.5	2.4
Cash collection	4.4	3.8	1.7	1.4
Operations with foreign currencies	3.0	2.9	1.1	1.0
Transactions with securities	2.5	2.3	0.7	0.8
Other	5.3	7.0	1.3	2.8
Total fee and commission income	214.5	170.9	76.7	62.7
Fee and commission expense				
Settlement transactions	(19.3)	(14.0)	(6.8)	(5.2)
Operations with foreign currencies	(0.4)	(0.2)	(0.1)	(0.1)
Cash collection	(0.3)	(0.3)	(0.1)	(0.1)
Other	(2.2)	(2.4)	(0.1)	(0.8)
Total fee and commission expense	(22.2)	(16.9)	(7.1)	(6.2)
Net fee and commission income	192.3	154.0	69.6	56.5

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

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Net gains / (losses) arising from trading in foreign currencies	16.3	9.0	(5.5)	8.1
Net (losses) / gains on revaluation of foreign currency derivatives	(31.0)	(3.5)	(35.2)	10.5
Net foreign exchange translation gains / (losses)	32.3	5.2	49.8	(7.7)
Total gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	17.6	10.7	9.1	10.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

19 Net Income of Non-banking Business Activities and Insurance

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Revenue from insurance	23.4	3.8	9.4	2.1
Revenue from sale of goods	9.2	16.3	2.4	5.9
Revenue from completed construction contracts	4.2	0.6	1.0	0.4
Revenue from pension fund operations	4.1	–	4.1	–
Revenue from rendering of services	0.5	–	0.1	–
Revenue from operating lease	0.1	0.1	–	–
Revenue from other activities	3.5	2.9	1.0	0.4
Total revenue of non-banking business activities and insurance	45.0	23.7	18.0	8.8
Cost of sales:				
- costs related to insurance activities	(19.6)	(3.8)	(8.0)	(2.2)
- cost of goods sold	(6.8)	(13.3)	(1.5)	(4.8)
- cost of pension fund operations	(3.2)	–	(3.2)	–
- staff costs	(3.1)	(2.3)	(0.3)	(0.8)
- depreciation of fixed assets	(1.1)	(0.3)	(0.4)	(0.2)
- maintenance of premises and equipment	(0.3)	(0.2)	(0.1)	–
- transport costs	(0.1)	–	–	–
- other costs	(5.6)	(2.5)	(1.3)	(0.9)
Total cost of sales of non-banking business activities and insurance	(39.8)	(22.4)	(14.8)	(8.9)
Net income of non-banking business activities and insurance	5.2	1.3	3.2	(0.1)

20 Operating Expenses

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Staff costs	228.9	201.8	75.1	63.6
Depreciation of premises and equipment	42.8	40.6	15.0	13.0
Administrative expenses	27.6	19.1	11.4	7.3
Repairs and maintenance of premises and equipment	22.9	21.2	8.7	8.3
Operating lease expenses	16.1	12.2	5.8	4.6
Taxes other than on income	15.8	15.0	6.0	6.1
Amortization of intangible assets	11.5	11.6	4.2	4.2
Telecommunication expenses	10.9	11.3	5.5	4.7
Advertising and marketing services	9.4	8.6	2.0	3.3
Consulting and assurance services	5.1	3.5	2.2	1.7
Other	8.0	17.2	1.6	6.5
Total operating expenses	399.0	362.1	137.5	123.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

21 Earnings per Share and Dividends

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

<i>(unaudited)</i> in billions of Russian Roubles	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Profit for the period attributable to the shareholders of the Bank	242.3	269.7	71.3	94.6
Less preference dividends declared	(3.1)	(3.1)	–	–
Profit attributable to the ordinary shareholders of the Bank	239.2	266.6	71.3	94.6
Weighted average number of ordinary shares in issue (billions)	21.5	21.5	21.5	21.5
Earnings per ordinary share, basic and diluted (expressed in RR per share)	11.13	12.40	3.32	4.40

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

<i>(unaudited)</i> in billions of Russian Roubles	Nine months ended 30 September 2014		Nine months ended 30 September 2013	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January (audited)	0.4	0.1	0.2	0.1
Dividends declared during the period	69.0	3.1	55.4	3.1
Dividends paid during the period	(68.9)	(3.0)	(55.2)	(3.1)
Dividends payable as at 30 September	0.5	0.2	0.4	0.1
Dividends per share declared during the period (RR per share)	3.20	3.20	2.57	3.30

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis

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

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

Regional head offices:

 - Severny – Yaroslavl,
 - Severo-Zapadny – Saint-Petersburg,
 - Tsentralno-Chernozemny – Voronezh,
 - Srednerussky – Moscow;

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

Regional head offices:

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

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

Regional head offices:

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

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis (Continued)

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

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 30 September 2014 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	8,161.7	3,086.7	2,727.0	3,642.7	3,082.1	20,700.2
Total liabilities	7,754.4	3,177.7	2,366.6	2,889.9	2,498.2	18,686.8

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

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

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as of 30 September 2014 and 31 December 2013 is as follows:

<i>In billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Total assets	Total liabilities	Total assets	Total liabilities
Total amount per segment information	20,700.2	18,686.8	18,257.1	16,369.5
Adjustment of provisions	66.0	(33.3)	69.9	(33.7)
Interest accrued on loans	2.7	(0.8)	6.5	0.4
Deferred commission income on loans	(21.6)	0.1	(22.3)	0.3
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(38.9)	2.1	(44.2)	3.2
Differences arising on securities classification and valuation	–	(11.8)	–	(7.3)
Pledged securities received under reverse repo deals	(16.1)	(16.1)	(55.1)	(55.1)
Accounting for derivatives at fair value	(11.9)	(2.2)	(3.1)	(0.3)
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	0.5	28.6	0.2	21.4
Adjustment of income tax	3.4	2.6	–	27.9
Adjustment of amortized cost and partial repurchase of other borrowed funds and subordinated debts	(4.7)	(3.7)	(1.5)	0.5
Deferred commission income on guarantees	–	1.3	–	1.4
Other adjustments	(0.7)	11.5	2.8	0.7
The Group's total amount under IFRS	20,678.9	18,665.1	18,210.3	16,328.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the nine months ended 30 September 2014 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	422.7	231.0	204.2	298.3	148.3	1,304.5
Interest expense	(258.6)	(95.7)	(69.1)	(84.2)	(62.2)	(569.8)
Inter-segment income / (expense)	0.2	35.9	(8.2)	(27.9)	–	–
Fee and commission income	33.4	48.2	40.8	59.5	27.5	209.4
Fee and commission expense	(9.6)	(4.0)	(2.7)	(5.5)	(6.6)	(28.4)
Net (losses) / gains arising from securities	(4.8)	–	–	–	3.0	(1.8)
Net gains / (losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	39.3	3.9	1.6	3.1	(4.0)	43.9
Net (losses) / gains arising from operations with other derivatives	(14.8)	–	–	–	2.2	(12.6)
Net (losses) / gains arising from operations with precious metals	(3.3)	0.2	0.2	0.4	0.1	(2.4)
Revenue of non-banking business activities and insurance	33.5	0.7	9.0	0.4	1.5	45.1
Cost of sales of non-banking business activities and insurance	(28.5)	(0.8)	(8.0)	(0.7)	(1.8)	(39.8)
Net other operating gains / (losses)	8.1	2.3	1.0	(2.0)	0.5	9.9
Operating income before provision charge for loan impairment	217.6	221.7	168.8	241.4	108.5	958.0
Net provision charge for loan impairment	(58.2)	(43.0)	(31.5)	(76.9)	(34.3)	(243.9)
Operating income after provision charge for loan impairment	159.4	178.7	137.3	164.5	74.2	714.1
Operating expenses	(117.9)	(63.7)	(63.0)	(83.3)	(60.7)	(388.6)
Profit before tax (Segment result)	41.5	115.0	74.3	81.2	13.5	325.5
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	16.1	12.6	44.1	17.5	5.2	95.5
Depreciation of premises and equipment	(15.0)	(6.0)	(6.8)	(8.5)	(3.0)	(39.3)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 30 September 2014 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	145.2	81.8	71.7	103.8	51.0	453.5
Interest expense	(93.4)	(33.7)	(24.4)	(30.1)	(21.3)	(202.9)
Inter-segment (expense) / income	(1.4)	14.3	(2.8)	(10.1)	–	–
Fee and commission income	11.7	16.9	14.6	20.8	9.7	73.7
Fee and commission expense	(5.9)	(1.7)	(1.2)	(2.3)	(2.2)	(13.3)
Net (losses) / gains arising from securities	(4.9)	–	–	–	1.8	(3.1)
Net gains / (losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	36.6	1.2	(0.2)	1.0	(13.9)	24.7
Net (losses) / gains arising from operations with other derivatives	(12.5)	–	–	–	0.6	(11.9)
Net (losses) / gains arising from operations with precious metals	(2.6)	–	–	0.1	1.0	(1.5)
Revenue of non-banking business activities and insurance	14.3	0.4	2.6	0.4	0.4	18.1
Cost of sales of non-banking business activities and insurance	(11.2)	(0.6)	(1.6)	(0.7)	(0.7)	(14.8)
Net other operating (losses) / gains	(7.7)	0.2	1.0	2.1	(0.3)	(4.7)
Operating income before provision charge for loan impairment	68.2	78.8	59.7	85.0	26.1	317.8
Net provision charge for loan impairment	(22.3)	(16.8)	(11.6)	(17.4)	(14.5)	(82.6)
Operating income after provision charge for loan impairment	45.9	62.0	48.1	67.6	11.6	235.2
Operating expenses	(40.8)	(23.0)	(22.6)	(30.0)	(20.3)	(136.7)
Profit before tax (Segment result)	5.1	39.0	25.5	37.6	(8.7)	98.5
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	6.6	4.9	8.9	6.8	1.4	28.6
Depreciation of premises and equipment	(4.8)	(2.0)	(2.3)	(2.8)	(0.9)	(12.8)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the nine months ended 30 September 2013 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	354.3	186.1	164.1	238.3	125.5	1,068.3
Interest expense	(193.4)	(82.0)	(57.1)	(71.7)	(48.8)	(453.0)
Inter-segment (expense) / income	(27.6)	36.4	1.6	(10.4)	–	–
Fee and commission income	34.3	36.2	31.0	46.0	20.9	168.4
Fee and commission expense	(10.5)	(0.3)	(0.4)	(0.6)	(5.1)	(16.9)
Net gains arising from securities	1.4	–	–	–	3.1	4.5
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	9.0	2.7	1.6	2.4	0.8	16.5
Net gains arising from operations with other derivatives	1.1	–	–	–	2.0	3.1
Net gains arising from operations with precious metals	4.0	0.2	0.2	0.3	0.2	4.9
Revenue of non-banking business activities and insurance	9.8	0.1	11.7	0.9	1.2	23.7
Cost of sales of non-banking business activities and insurance	(9.2)	–	(11.5)	(0.6)	(1.1)	(22.4)
Net other operating (losses) / gains	(2.0)	0.7	(0.8)	(0.6)	0.9	(1.8)
Operating income before provision charge for loan impairment	171.2	180.1	140.4	204.0	99.6	795.3
Net provision charge for loan impairment	(11.3)	(24.4)	(18.2)	(15.9)	(20.1)	(89.9)
Operating income after provision charge for loan impairment	159.9	155.7	122.2	188.1	79.5	705.4
Operating expenses	(92.7)	(61.7)	(55.0)	(79.2)	(57.6)	(346.2)
Profit before tax (Segment result)	67.2	94.0	67.2	108.9	21.9	359.2
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	16.0	12.4	15.3	17.4	4.1	65.2
Depreciation of premises and equipment	(14.0)	(5.8)	(4.8)	(7.8)	(2.5)	(34.9)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 30 September 2013 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	122.3	66.2	57.7	85.5	42.0	373.7
Interest expense	(67.4)	(28.0)	(19.9)	(25.0)	(17.8)	(158.1)
Inter-segment (expense) / income	(7.9)	12.3	0.7	(5.1)	–	–
Fee and commission income	10.6	12.9	11.4	17.0	7.4	59.3
Fee and commission expense	(1.3)	(0.1)	(0.2)	(0.3)	(1.8)	(3.7)
Net gains arising from securities	–	–	–	–	0.5	0.5
Net gains / (losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	9.6	1.1	0.7	0.9	(5.0)	7.3
Net gains arising from operations with other derivatives	0.4	–	–	–	0.6	1.0
Net gains / (losses) arising from operations with precious metals	2.8	0.1	0.1	0.1	(0.3)	2.8
Revenue of non-banking business activities and insurance	3.4	0.1	4.9	–	0.4	8.8
Cost of sales of non-banking business activities and insurance	(3.6)	–	(4.9)	–	(0.4)	(8.9)
Net other operating (losses) / gains	(2.9)	–	–	(0.9)	1.7	(2.1)
Operating income before provision charge for loan impairment	66.0	64.6	50.5	72.2	27.3	280.6
Net provision charge for loan impairment	(5.8)	(10.2)	(4.5)	(7.2)	(6.0)	(33.7)
Operating income after provision charge for loan impairment	60.2	54.4	46.0	65.0	21.3	246.9
Operating expenses	(33.3)	(22.5)	(20.5)	(28.4)	(18.7)	(123.4)
Profit before tax (Segment result)	26.9	31.9	25.5	36.6	2.6	123.5
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	6.1	4.9	7.0	6.5	1.5	26.0
Depreciation of premises and equipment	(4.8)	(1.9)	(1.8)	(2.7)	(0.9)	(12.1)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

22 Segment Analysis (Continued)

Reconciliation of profit before tax for the reportable segments with the Group's profit before tax under IFRS for the nine months and for the three months ended 30 September 2014 and 30 September 2013 is as follows:

<i>(unaudited)</i> in billions of Russian Roubles	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Total amount per segment information	325.5	359.2	98.5	123.5
Adjustment of provisions	(10.3)	(8.0)	(18.5)	(4.8)
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	(7.6)	(6.3)	4.2	1.9
Differences arising on securities classification and valuation	5.0	(0.9)	3.1	1.1
Accounting for derivatives at fair value	(6.7)	(5.3)	(1.3)	(3.4)
Interest and deferred commission income accrued on loans	(3.8)	4.9	(1.0)	1.2
Adjustment of depreciation and cost or revalued amount of premises and equipment	5.4	(3.2)	1.1	(0.2)
Other adjustments	(1.3)	(0.7)	4.7	1.0
The Group's total amount under IFRS	306.2	339.7	90.8	120.3

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

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

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

The sum of the line Accounting for derivatives at fair value includes adjustments to reflect: the recognition of derivatives accounted for in statutory books as off-balance sheet items, non-recognition of Day 1 gain from the complex structured transactions with embedded derivatives, the creation of CVA/DVA and the bid/offer provisions, as the necessary components of fair value.

For the nine months ended 30 September 2014 the Group's revenues from customers in the Russian Federation amounted to RR 1,437.2 billion (for the nine months ended 30 September 2013: RR 1,164.4 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 168.1 billion (for the nine months ended 30 September 2013: RR 145.5 billion).

For the three months ended 30 September 2014 the Group's revenues from customers in the Russian Federation amounted to RR 506.2 billion (for the three months ended 30 September 2013: RR 411.1 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 57.1 billion (for the three months ended 30 September 2013: RR 53.9 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the nine months and the three months ended 30 September 2014 and 30 September 2013.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

23 Financial Risk Management

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

The Group's risk management policies and procedures are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2013.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions (mainly US dollar/Russian Rouble and Euro/Russian Rouble exchange rate fluctuations).

Foreign exchange risk on forward and future contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 30 September 2014.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Russian Roubles	US Dollars	Euro	Turkish Lira	Other	Total
Assets						
Cash and cash equivalents	1,057.3	257.5	108.7	35.5	76.3	1,535.3
Mandatory cash balances with central banks	122.8	96.9	28.7	9.6	37.3	295.3
Trading securities	14.0	14.9	0.7	2.0	0.5	32.1
Securities designated as at fair value through profit or loss	70.2	8.0	5.4	–	0.3	83.9
Due from banks	69.7	72.5	52.0	0.1	35.5	229.8
Loans and advances to customers	10,560.9	2,868.5	653.5	591.7	385.8	15,060.4
Securities pledged under repurchase agreements	700.5	42.6	15.8	27.9	6.8	793.6
Investment securities available-for-sale	685.0	243.4	85.9	82.2	32.5	1,129.0
Investment securities held-to-maturity	59.6	52.3	2.9	39.6	0.4	154.8
Other financial assets (less fair value of derivatives)	139.3	81.7	25.8	10.7	9.3	266.8
Total financial assets	13,479.3	3,738.3	979.4	799.3	584.7	19,581.0
Liabilities						
Due to banks	2,157.5	75.5	151.6	29.7	57.9	2,472.2
Due to individuals	6,607.3	799.0	749.8	255.3	196.9	8,608.3
Due to corporate customers	2,492.8	1,428.7	338.5	131.8	210.0	4,601.8
Debt securities in issue	438.8	360.6	107.7	42.1	63.7	1,012.9
Other borrowed funds	0.3	401.2	114.2	28.0	0.1	543.8
Other financial liabilities (less fair value of derivatives)	185.4	70.0	12.5	34.3	5.5	307.7
Subordinated debt	523.4	174.0	5.4	–	6.6	709.4
Total financial liabilities	12,405.5	3,309.0	1,479.7	521.2	540.7	18,256.1
Net financial assets/(liabilities)	1,073.8	429.3	(500.3)	278.1	44.0	1,324.9
Net derivatives	195.0	(494.5)	461.3	(192.5)	60.6	29.9
Credit related commitments before provision for impairment (Note 24)	2,926.3	872.0	276.1	499.8	84.5	4,658.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

23 Financial Risk Management (Continued)

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

<i>in billions of Russian Roubles</i>	Russian Roubles	US Dollars	Euro	Turkish Lira	Other	Total
Assets						
Cash and cash equivalents	1,023.0	120.6	77.2	27.3	78.9	1,327.0
Mandatory cash balances with central banks	112.2	52.0	45.3	12.1	29.9	251.5
Trading securities	66.3	29.5	3.4	1.5	0.5	101.2
Securities designated as at fair value through profit or loss	14.2	3.2	–	–	0.1	17.5
Due from banks	210.5	35.1	44.8	3.2	36.9	330.5
Loans and advances to customers	9,371.1	2,270.3	508.7	457.3	326.3	12,933.7
Securities pledged under repurchase agreements	1,153.0	140.8	32.9	10.7	6.4	1,343.8
Investment securities available-for-sale	244.9	101.1	49.5	48.3	32.4	476.2
Investment securities held-to-maturity	136.9	32.8	2.8	29.5	0.5	202.5
Other financial assets (less fair value of derivatives)	250.5	28.4	5.5	6.4	6.5	297.3
Total financial assets	12,582.6	2,813.8	770.1	596.3	518.4	17,281.2
Liabilities						
Due to banks	1,834.0	151.2	80.3	10.1	35.7	2,111.3
Due to individuals	6,785.5	676.2	582.8	210.6	180.7	8,435.8
Due to corporate customers	2,039.7	1,046.0	222.4	125.7	194.6	3,628.4
Debt securities in issue	425.9	321.0	20.7	32.4	53.4	853.4
Other borrowed funds	0.1	376.8	94.2	28.0	–	499.1
Other financial liabilities (less fair value of derivatives)	143.7	42.7	11.9	23.7	4.0	226.0
Subordinated debt	303.2	110.3	4.7	–	6.5	424.7
Total financial liabilities	11,532.1	2,724.2	1,017.0	430.5	474.9	16,178.7
Net financial assets/ (liabilities)	1,050.5	89.6	(246.9)	165.8	43.5	1,102.5
Net derivatives	271.7	(341.3)	218.3	(101.5)	(4.0)	43.2
Credit related commitments before provision for impairment (Note 24)	2,524.2	847.0	258.5	320.4	62.2	4,012.3

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

23 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk of mismatch between the maturities of assets and liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments.

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

23 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 30 September 2014 is set out below.

<i>(unaudited)</i> in billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	1,535.3	–	–	–	–	–	1,535.3
Mandatory cash balances with central banks	83.6	45.2	28.4	102.2	35.9	–	295.3
Trading securities	32.1	–	–	–	–	–	32.1
Securities designated as at fair value through profit or loss	83.9	–	–	–	–	–	83.9
Due from banks	131.1	47.3	15.3	31.2	4.9	–	229.8
Loans and advances to customers	751.9	1,669.2	1,869.3	4,551.3	6,041.8	176.9	15,060.4
Securities pledged under repurchase agreements	509.5	24.8	30.9	130.3	98.1	–	793.6
Investment securities available-for- sale	1,089.4	2.3	1.3	10.4	25.1	0.5	1,129.0
Investment securities held-to- maturity	0.1	10.0	13.9	32.1	98.7	–	154.8
Deferred income tax asset	–	–	–	–	–	12.2	12.2
Premises and equipment	–	–	–	–	–	517.2	517.2
Other assets	376.1	71.3	48.0	83.6	46.4	209.9	835.3
Total assets	4,593.0	1,870.1	2,007.1	4,941.1	6,350.9	916.7	20,678.9
Liabilities							
Due to banks	1,246.5	735.4	413.6	52.6	24.1	–	2,472.2
Due to individuals	2,268.0	1,316.7	953.9	3,637.5	432.2	–	8,608.3
Due to corporate customers	1,679.4	655.9	196.6	1,065.2	1,004.7	–	4,601.8
Debt securities in issue	77.8	203.7	219.1	221.9	290.4	–	1,012.9
Other borrowed funds	44.7	195.5	110.2	147.8	45.6	–	543.8
Deferred income tax liability	–	–	–	–	–	11.0	11.0
Other liabilities	302.0	133.8	62.9	71.0	120.2	15.8	705.7
Subordinated debt	–	0.1	0.5	12.8	696.0	–	709.4
Total liabilities	5,618.4	3,241.1	1,956.8	5,208.8	2,613.2	26.8	18,665.1
Net liquidity gap	(1,025.4)	(1,371.0)	50.3	(267.7)	3,737.7	889.9	2,013.8
Cumulative liquidity gap as at 30 September 2014	(1,025.4)	(2,396.4)	(2,346.1)	(2,613.8)	1,123.9	2,013.8	–

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

23 Financial Risk Management (Continued)

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

<i>in billions of Russian Roubles</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	1,327.0	–	–	–	–	–	1,327.0
Mandatory cash balances with central banks	72.2	37.1	26.2	101.0	15.0	–	251.5
Trading securities	101.2	–	–	–	–	–	101.2
Securities designated as at fair value through profit or loss	17.5	–	–	–	–	–	17.5
Due from banks	185.2	112.6	18.8	9.2	4.7	–	330.5
Loans and advances to customers	616.9	1,337.6	1,941.4	4,200.0	4,743.9	93.9	12,933.7
Securities pledged under repurchase agreements	1,094.0	9.9	25.5	39.1	175.3	–	1,343.8
Investment securities available-for- sale	444.6	4.5	2.0	6.0	18.8	0.3	476.2
Investment securities held-to- maturity	0.5	20.6	28.4	55.0	98.0	–	202.5
Deferred income tax asset	–	–	–	–	–	12.3	12.3
Premises and equipment	–	–	–	–	–	477.3	477.3
Other assets	314.3	89.9	32.4	115.7	82.2	102.3	736.8
Total assets	4,173.4	1,612.2	2,074.7	4,526.0	5,137.9	686.1	18,210.3
Liabilities							
Due to banks	1,669.1	176.8	169.9	50.1	45.4	–	2,111.3
Due to individuals	2,337.2	1,301.5	1,019.7	3,349.5	427.8	0.1	8,435.8
Due to corporate customers	1,298.8	414.8	162.2	1,659.5	93.1	–	3,628.4
Debt securities in issue	72.3	186.7	165.9	178.7	249.8	–	853.4
Other borrowed funds	48.5	125.5	150.3	137.2	37.6	–	499.1
Deferred income tax liability	–	–	–	–	–	23.8	23.8
Other liabilities	180.7	67.7	23.3	36.6	22.6	21.5	352.4
Subordinated debt	–	–	–	4.5	420.2	–	424.7
Total liabilities	5,606.6	2,273.0	1,691.3	5,416.1	1,296.5	45.4	16,328.9
Net liquidity gap	(1,433.2)	(660.8)	383.4	(890.1)	3,841.4	640.7	1,881.4
Cumulative liquidity gap as at 31 December 2013	(1,433.2)	(2,094.0)	(1,710.6)	(2,600.7)	1,240.7	1,881.4	–

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

24 Credit Related Commitments

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

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

Outstanding credit related commitments are as follows:

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)	31 December 2013
Guarantees issued	1,727.9	1,362.4
Commitments to extend credit	1,630.9	1,477.8
Undrawn credit lines	674.7	545.7
Export letters of credit	408.5	399.5
Import letters of credit and letters of credit for domestic settlements	216.7	226.9
Total credit related commitments before provision	4,658.7	4,012.3
Less provision	(8.2)	(2.1)
Total credit related commitments after provision	4,650.5	4,010.2

As at 30 September 2014 Due to corporate customers included deposits of RR 103.3 billion (31 December 2013: RR 107.7 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 12.

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

25 Fair Value Disclosure

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

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

The following table shows an analysis of classes of assets carried at fair value by level of the fair value hierarchy as at 30 September 2014:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Trading securities	29.5	0.9	1.7	32.1
Corporate bonds	12.4	0.7	–	13.1
Russian Federation Eurobonds	7.3	–	–	7.3
Corporate shares	4.0	0.2	0.9	5.1
Federal loan bonds (OFZ bonds)	2.5	–	–	2.5
Foreign government bonds	2.4	–	–	2.4
Municipal and subfederal bonds	0.9	–	–	0.9
Investments in mutual funds	–	–	0.8	0.8
Securities designated as at fair value through profit or loss	67.8	4.8	11.3	83.9
Corporate bonds	45.8	1.3	–	47.1
Corporate shares	1.8	–	11.2	13.0
Federal loan bonds (OFZ bonds)	12.1	–	–	12.1
Municipal and subfederal bonds	7.8	–	–	7.8
Investments in mutual funds	–	2.5	0.1	2.6
Foreign government bonds	–	1.0	–	1.0
Russian Federation Eurobonds	0.3	–	–	0.3
Securities pledged under repurchase agreements	503.6	3.2	–	506.8
Federal loan bonds (OFZ bonds)	401.1	–	–	401.1
Russian Federation Eurobonds	40.8	–	–	40.8
Foreign government bonds	26.7	1.2	–	27.9
Corporate bonds	24.7	2.0	–	26.7
Municipal and subfederal bonds	10.3	–	–	10.3
Investment securities available-for-sale	1,081.2	47.8	–	1,129.0
Corporate bonds	445.8	35.8	–	481.6
Federal loan bonds (OFZ bonds)	309.8	–	–	309.8
Foreign government bonds	149.5	11.2	–	160.7
Russian Federation Eurobonds	109.9	–	–	109.9
Municipal and subfederal bonds	41.0	–	–	41.0
Corporate shares	25.2	0.4	–	25.6
Promissory notes	–	0.4	–	0.4
Derivative financial instruments	0.5	247.4	17.0	264.9
OTC swaps	–	156.1	16.7	172.8
OTC options	–	67.9	0.3	68.2
Forwards	–	22.2	–	22.2
Market options	–	0.9	–	0.9
Futures	0.5	–	–	0.5
Market swaps	–	0.3	–	0.3
Total assets carried at fair value	1,682.6	304.1	30.0	2,016.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

The following table shows an analysis of classes of assets for which fair values are disclosed, by level of the fair value hierarchy as at 30 September 2014:

(unaudited)
in billions of Russian Roubles

	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Due from banks	–	229.8	–	229.8
Loans and advances to customers	–	138.6	15,070.8	15,209.4
Investment securities held-to-maturity	154.5	0.8	–	155.3
Investment securities held-to-maturity pledged under repurchase agreement	276.1	–	–	276.1
Total assets for which fair values are disclosed	430.6	369.2	15,070.8	15,870.6

The following tables show an analysis of classes of liabilities carried at fair value and of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 30 September 2014:

(unaudited)
in billions of Russian Roubles

	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	1.3	233.7	–	235.0
OTC swaps	–	158.2	–	158.2
OTC options	–	53.7	–	53.7
Forwards	–	21.1	–	21.1
Futures	1.3	–	–	1.3
Market options	–	0.5	–	0.5
Market swaps	–	0.2	–	0.2
Obligation to deliver securities	9.9	1.9	–	11.8
Russian Federation Eurobonds	4.0	–	–	4.0
Corporate bonds	2.1	1.4	–	3.5
Federal loan bonds (OFZ bonds)	2.0	–	–	2.0
Corporate shares	1.3	–	–	1.3
Foreign government bonds	0.5	0.5	–	1.0
Structured notes	–	0.8	–	0.8
Total liabilities carried at fair value	11.2	236.4	–	247.6
Liabilities for which fair values are disclosed				
Due to banks	–	2,472.3	–	2,472.3
Due to individuals	–	143.4	8,458.5	8,601.9
Due to corporate customers	–	194.9	4,385.2	4,580.1
Debt securities in issue	470.8	529.7	–	1,000.5
Other borrowed funds	–	546.1	–	546.1
Subordinated debt	150.0	542.6	–	692.6
Total liabilities for which fair values are disclosed	620.8	4,429.0	12,843.7	17,893.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

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

Derivatives

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

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

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

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities measured as at fair value during the nine months ended 30 September 2014:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Trading securities	0.4	0.2
Securities designated as at fair value through profit or loss	0.2	0.6
Investment securities available-for-sale	1.1	3.3
Total transfers of financial assets	1.7	4.1
Financial liabilities		
Obligation to deliver securities	1.1	–
Total transfers of financial liabilities	1.1	–

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

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded as at fair value as at 30 September 2014:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	At 31 December 2013 <i>(audited)</i>	Total gains/(losses) reported in statement of profit or loss	Foreign currency revaluation	Purchases	Sales	At 30 September 2014
Financial assets						
Trading securities	1.8	–	–	–	(0.1)	1.7
Securities designated as at fair value through profit or loss	9.1	1.2	–	2.0	(1.0)	11.3
Derivative financial instruments	17.6	0.4	1.3	–	(2.3)	17.0
Total level 3 financial assets	28.5	1.6	1.3	2.0	(3.4)	30.0
Financial liabilities						
Derivative financial instruments	0.1	(0.1)	–	–	–	–
Structured notes	1.0	–	–	–	(1.0)	–
Total level 3 financial liabilities	1.1	(0.1)	–	–	(1.0)	–

For the nine months ended 30 September 2014 the gains in the amount of RR 2.2 billion reported in the consolidated statement of profit or loss on Level 3 financial assets / liabilities were unrealized.

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

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

Valuation of share in a real estate company of RR 5.4 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated capitalization rate which depend on forecasts on property prices. WACC as at 30 September 2014 is 13.2%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.6 billion lower / RR 0.6 billion higher. Should the capitalization rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.7 billion lower / RR 0.8 billion higher.

Valuation of non-voting share in a special investment fund (SIF) with investments in oil companies of RR 2.5 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. WACC as at 30 September 2014 is 10.0%.

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

The Group determined fair value of investments based on discounted cash flow model using the following key assumption type of WACC. WACC as at 30 September 2014 is 24.0%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.02 billion lower / RR 0.02 billion higher.

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

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

Valuation of share in an airline company of RR 0.9 billion using valuation techniques based on non-observable inputs

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

The following significant assumptions were used in the model: ratio (50% / 50%) applied to the results derived from trading and transaction multiples valuation models, discount (41.6%) related to current market risks applied to trading and transaction multiples. As of 30 September 2014 the most significant assumption used in the model was the discount.

The potential effect of measuring the fair value based on the trading and deals multiple without applying the discount, which is considered a reasonably possible alternative assumption, would result in an increase of the fair value by RR 0.6 billion.

Valuation of investment in a mining company of RR 2.0 billion using valuation techniques based on non-observable inputs

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

WACC of operational companies as at 30 September 2014 is 11.1%, 13.7% and 15.6%. Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.2 billion lower / RR 0.2 billion higher.

Valuation of foreign currency and precious metals derivatives contracts of RR 16.7 billion using non-observable inputs

The input used for estimation of fair values of foreign currency derivatives for 30 September 2014 was the yield to maturity of the Belarusian Eurobonds in USD 5.6%. The input used for estimation of fair values of precious metals derivatives for 30 September 2014 was the interest rate of attracting deposits in precious metals from individuals which is 6.0%.

The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles which is 19.1%. Should the input rate for Belarusian roubles decrease for 500 base points the carrying value of the foreign currency derivatives would be 1.0% lower, the carrying value of the precious metals derivatives would be 2.5% lower.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Trading securities	98.2	1.2	1.8	101.2
Corporate bonds	57.3	0.6	–	57.9
Corporate shares	15.5	0.3	1.1	16.9
Federal loan bonds (OFZ bonds)	13.2	–	–	13.2
Russian Federation Eurobonds	6.6	–	–	6.6
Municipal and subfederal bonds	2.7	–	–	2.7
Foreign government bonds	2.0	0.3	–	2.3
Investments in mutual funds	0.9	–	0.7	1.6
Securities designated as at fair value through profit or loss	7.5	0.9	9.1	17.5
Corporate shares	–	–	7.9	7.9
Federal loan bonds (OFZ bonds)	7.1	–	–	7.1
Investments in mutual funds	–	0.3	1.1	1.4
Foreign government bonds	–	0.6	0.1	0.7
Corporate bonds	0.4	–	–	0.4
Securities pledged under repurchase agreements	1,093.5	–	–	1,093.5
Federal loan bonds (OFZ bonds)	576.0	–	–	576.0
Corporate bonds	348.9	–	–	348.9
Russian Federation Eurobonds	102.8	–	–	102.8
Municipal and subfederal bonds	51.4	–	–	51.4
Foreign government bonds	13.5	–	–	13.5
Corporate shares	0.9	–	–	0.9
Investment securities available-for-sale	425.2	51.0	–	476.2
Corporate bonds	117.0	38.9	–	155.9
Federal loan bonds (OFZ bonds)	142.6	–	–	142.6
Foreign government bonds	101.4	11.8	–	113.2
Russian Federation Eurobonds	30.2	–	–	30.2
Corporate shares	29.1	0.3	–	29.4
Municipal and subfederal bonds	4.9	–	–	4.9
Derivative financial instruments	1.5	89.8	17.6	108.9
OTC swaps	–	55.1	16.8	71.9
OTC options	–	30.3	0.8	31.1
Forwards	–	3.8	–	3.8
Futures	1.5	–	–	1.5
Market options	–	0.5	–	0.5
Market swaps	–	0.1	–	0.1
Total assets carried at fair value	1,625.9	142.9	28.5	1,797.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

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

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

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

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

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

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

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

<i>in billions of Russian Roubles</i>	At 31 December 2012	Total (losses)/gains reported in statement of profit or loss	Foreign currency revaluation	Purchases	Sales	Transfers from Level 3	Transfers to Level 3	At 31 December 2013
Financial assets								
Trading securities	0.9	0.8	–	0.1	(1.0)	–	1.0	1.8
Securities designated as at fair value through profit or loss	7.1	(4.0)	–	7.6	(1.6)	–	–	9.1
Investment securities available-for-sale	18.1	–	–	–	(5.2)	(12.9)	–	–
Derivative financial instruments	22.2	1.2	(0.6)	0.2	(5.1)	(0.3)	–	17.6
Total level 3 financial assets	48.3	(2.0)	(0.6)	7.9	(12.9)	(13.2)	1.0	28.5
Financial liabilities								
Derivative financial instruments	0.3	0.1	–	–	(0.3)	–	–	0.1
Structured notes	1.0	–	–	–	–	–	–	1.0
Total level 3 financial liabilities	1.3	0.1	–	–	(0.3)	–	–	1.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

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

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

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

Valuation of a share in a real estate company of RR 4.5 billion using valuation techniques based on non-observable inputs

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

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

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

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

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

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

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

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

- cash and cash equivalents;
- mandatory cash balances with central banks;
- other financial assets less derivative financial instruments;
- other financial liabilities less derivative financial instruments.

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets carried at amortized cost				
Due from banks	229.8	229.8	330.5	330.5
Loans and advances to customers:				
- Commercial loans to legal entities	6,972.8	6,948.1	5,930.5	6,103.6
- Specialized loans to legal entities	3,790.6	3,994.1	3,366.0	3,531.0
- Consumer and other loans to individuals	1,728.6	1,738.4	1,612.7	1,691.4
- Mortgage loans to individuals	1,976.0	1,937.6	1,542.8	1,553.2
- Credit cards and overdrafts	438.3	438.2	328.4	328.5
- Car loans to individuals	154.1	153.0	153.3	153.8
Securities pledged under repurchase agreements:				
- Investment securities held-to-maturity pledged under repurchase agreements	286.8	276.1	250.3	250.3
Investment securities held-to-maturity	154.8	155.3	202.5	200.2
Total financial assets carried at amortized cost	15,731.8	15,870.6	13,717.0	14,142.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

25 Fair Value Disclosure (Continued)

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities carried at amortized cost				
Due to banks	2,472.2	2,472.3	2,111.3	2,111.3
Due to Individuals:				
- Current/demand accounts	1,629.3	1,629.3	1,748.4	1,748.4
- Term Deposits	6,978.9	6,972.6	6,687.4	6,681.9
- Direct repo deals	0.1	0.1	–	–
Due to corporate customers:				
- Current/settlement accounts of state and public organizations	122.1	122.1	158.7	158.7
- Term deposits of state and public organizations	626.5	621.0	88.6	90.3
- Current/settlement accounts of other corporate customers	1,613.2	1,613.2	1,504.8	1,504.8
- Term deposits of other corporate customers	2,238.5	2,222.3	1,863.5	1,930.7
- Direct repo deals	1.5	1.5	12.8	12.8
Debt securities in issue:				
- Loan participation notes issued under the MTN programme of Sberbank	471.4	461.7	324.9	334.8
- Savings certificates	364.8	363.5	344.5	343.1
- Bonds issued:				
- on the local market	60.5	60.2	44.7	44.5
- on international capital markets	24.6	24.6	14.7	14.8
- Promissory notes	59.1	58.8	74.7	74.2
- Notes issued under the ECP programme of Sberbank	29.2	29.2	46.9	46.8
- Deposit certificates	2.5	2.5	1.6	1.6
Other borrowed funds	543.8	546.1	499.1	501.0
Subordinated debt:				
- Subordinated debt received by the Group from the Bank of Russia	521.6	521.6	303.3	303.3
- Subordinated debt received under the MTN programme of Sberbank	159.7	143.9	98.5	92.6
- Other subordinated debt	28.1	27.1	22.9	22.1
Total financial liabilities carried at amortized cost	17,947.6	17,893.6	15,951.3	16,017.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

26 Transfers of Financial Assets

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

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)				31 December 2013			
	Due to banks		Due to customers		Due to banks		Due to customers	
	Current value of assets	Carrying value of related liability	Current value of assets	Carrying value of related liability	Current value of assets	Carrying value of related liability	Current value of assets	Carrying value of related liability
Securities pledged under repurchase agreements	792.4	764.8	1.2	1.2	1,337.5	1,267.8	6.3	6.0
Securities issued by the Bank pledged under repurchase agreements	2.6	2.4	0.1	0.1	6.3	5.3	–	–
Securities of clients pledged under repurchase agreements	11.8	10.8	1.7	0.3	30.3	20.8	8.9	6.8
Total before margin calls	806.8	778.0	3.0	1.6	1,374.1	1,293.9	15.2	12.8
Other financial assets (margin calls under repurchase agreements)	0.1	–	0.3	–	0.7	–	0.6	–
Total	806.9	778.0	3.3	1.6	1,374.8	1,293.9	15.8	12.8

Refer to Note 8 for information on details of the Group's securities portfolio pledged under repurchase agreements.

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

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

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability
Cash and cash equivalents	–	–	0.1	0.1
Loans to corporate customers	1,271.3	1,188.7	125.3	110.8
Securities	28.2	25.7	28.5	28.5
Other assets	34.6	99.9	18.3	39.7
Total	1,334.1	1,314.3	172.2	179.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

26 Transfers of Financial Assets (Continued)

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

	30 September 2014 (unaudited)		31 December 2013	
	Amount of loans granted under repo agreements	Fair value of securities received as collateral	Amount of loans granted under repo agreements	Fair value of securities received as collateral
<i>in billions of Russian Roubles</i>				
Cash and cash equivalents	70.0	79.3	27.2	28.6
Due from banks	86.5	107.2	131.3	154.8
Loans and advances to customers	72.1	124.3	137.0	202.8
Total	228.6	310.8	295.5	386.2

27 Offsetting of Financial Instruments

The table below shows financial assets offset against financial liabilities in the statement of financial position, as well as the effect of enforceable master netting agreements (ISDA, RISDA, etc.) and similar arrangements that do not result in an offset in the statement of financial position as at 30 September 2014:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross amount of recognized financial assets/ liabilities	Gross amount of recognized financial assets/ liabilities set off in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative financial assets	214.6	(0.5)	214.1	(129.3)	(12.3)	72.5
Reverse repurchase agreements	228.6	–	228.6	(228.6)	–	–
Total financial assets	443.2	(0.5)	442.7	(357.9)	(12.3)	72.5
Financial liabilities						
Derivative financial liabilities	231.3	(0.5)	230.8	(129.3)	(29.5)	72.0
Direct repurchase agreements	779.6	–	779.6	(779.6)	–	–
Total financial liabilities	1,010.9	(0.5)	1,010.4	(908.9)	(29.5)	72.0

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

28 Related Party Transactions

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

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 29 for significant transactions with state-controlled entities and government bodies.

As at 30 September 2014 and 31 December 2013, the outstanding balances with the Bank of Russia and other related parties were as follows:

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Assets				
Cash and cash equivalents	522.4	–	348.8	–
Mandatory cash balances with the Bank of Russia	122.8	–	112.3	–
Due from banks	0.7	–	–	–
Gross amount of loans and advances to customers	–	22.7	–	14.0
Other assets	–	7.0	–	51.5
Liabilities				
Due to banks	1,971.4	–	1,669.4	–
Due to individuals	–	4.5	–	6.6
Due to corporate customers	–	0.7	–	0.6
Subordinated debt	521.6	–	303.3	–
Other liabilities	–	1.6	–	3.4

The income and expense items with the Bank of Russia and other related parties for the nine months ended 30 September 2014 and 30 September 2013 were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Nine months ended 30 September			
	2014		2013	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	0.2	2.0	–	1.2
Interest expense on subordinated debt	(18.3)	–	(14.6)	–
Interest expense other than on subordinated debt	(88.2)	(0.3)	(25.9)	(0.3)
Revenue of non-banking business activities and insurance	–	3.8	–	–
Commission expense	(1.2)	(0.2)	(1.0)	(0.8)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

28 Related Party Transactions (Continued)

The income and expense items with the Bank of Russia and other related parties for the three months ended 30 September 2014 and 30 September 2013 were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 30 September			
	2014		2013	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	0.1	1.3	–	0.7
Interest expense on subordinated debt	(8.3)	–	(5.0)	–
Interest expense other than on subordinated debt	(35.7)	(0.1)	(5.9)	(0.1)
Revenue of non-banking business activities and insurance	–	0.9	–	–
Commission expense	(0.5)	(0.1)	(0.4)	(0.7)

For the nine months ended 30 September 2014, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 0.9 billion (for the nine months ended 30 September 2013: RR 0.7 billion).

For the three months ended 30 September 2014, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 0.3 billion (for the three months ended 30 September 2013: RR 0.2 billion).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

29 Operations with State-Controlled Entities and Government Bodies

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

Balances with government-related entities which are significant in terms of the carrying amount as at 30 September 2014 are disclosed below:

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>		Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued
Client	Sector			
Client 1	Government and municipal bodies	–	386.5	–
Client 2	Machinery	146.3	56.0	49.6
Client 3	Oil and gas	106.2	112.9	26.5
Client 4	Machinery	151.0	43.0	13.7
Client 5	Energy	172.8	29.2	–
Client 6	Energy	169.5	26.6	–
Client 7	Machinery	34.4	–	107.7
Client 8	Machinery	70.7	36.2	23.3
Client 9	Machinery	104.4	–	11.8
Client 10	Telecommunications	108.0	–	6.3
Client 11	Energy	55.4	50.7	0.1
Client 12	Banking	–	–	90.0
Client 13	Government and municipal bodies	–	74.6	–
Client 14	Other	66.5	–	–
Client 15	Banking	4.0	58.0	–
Client 16	Machinery	28.7	–	8.6
Client 17	Transport, aviation, space industry	5.3	–	25.4
Client 18	Machinery	13.3	–	14.4
Client 19	Transport, aviation, space industry	10.3	–	14.4
Client 20	Transport, aviation, space industry	–	–	23.4

Additionally as at 30 September 2014 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 6.4 billion (31 December 2013: RR 54.0 billion) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other financial assets in the consolidated statement of financial position. Refer to Note 11.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

29 Operations with State-Controlled Entities and Government Bodies (Continued)

Balances with government-related entities as at 31 December 2013 disclosed below contain balances which are significant in terms of the carrying amount as at 30 September 2014 (Clients 1-20), and additional list of Clients with the balances which were significant as at 31 December 2013 (Clients 21-26):

<i>(unaudited)</i> <i>in billions of Russian</i> <i>Roubles</i>		Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued
Client	Sector			
Client 1	Government and municipal bodies	–	–	–
Client 2	Machinery	134.9	45.0	23.5
Client 3	Oil and gas	117.5	76.8	20.6
Client 4	Machinery	115.7	36.2	16.0
Client 5	Energy	163.3	38.6	–
Client 6	Energy	147.7	19.0	–
Client 7	Machinery	22.0	–	98.2
Client 8	Machinery	46.8	15.8	3.5
Client 9	Machinery	98.9	–	8.4
Client 10	Telecommunications	116.0	–	5.9
Client 11	Energy	–	61.9	0.1
Client 12	Banking	71.9	0.2	90.0
Client 13	Government and municipal bodies	–	–	–
Client 14	Other	58.9	–	–
Client 15	Banking	8.3	54.3	–
Client 16	Machinery	21.6	4.4	5.6
Client 17	Transport, aviation, space industry	5.7	–	25.2
Client 18	Machinery	9.5	–	13.1
Client 19	Transport, aviation, space industry	7.9	–	11.6
Client 20	Transport, aviation, space industry	–	–	6.2
Client 21	Oil and gas	–	34.2	–
Client 22	Transport, aviation, space industry	5.0	–	21.2
Client 23	Transport, aviation, space industry	–	–	22.7
Client 24	Transport, aviation, space industry	6.5	2.6	8.9
Client 25	Services	–	22.7	–
Client 26	Other	–	33.7	–

As at 30 September 2014 and 31 December 2013 the Group's investments in securities issued by government-related corporate entities were as follows:

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)		31 December 2013	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Trading securities	5.5	1.2	25.9	5.1
Securities designated as at fair value through profit or loss	40.0	1.0	–	–
Securities pledged under repurchase agreements	59.6	–	131.0	0.6
Investment securities available-for-sale	293.5	24.6	105.9	13.6
Investment securities held-to-maturity	19.1	–	19.7	–

For disclosures on investments in government debt securities please refer to Notes 5, 6, 8, 9 and 10.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

30 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 30 September 2014:

Name	Nature of business	Percentage of ownership	Country of registration
DenizBank (DenizBank AS)	banking	99.85%	Turkey
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	98.43%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
JSC Sberbank of Russia	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.15%	Switzerland
Cetelem Bank LLC	banking	74.00%	Russia
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
Troika Dialog Group Ltd.	finance	100.00%	Cayman islands
LLC Insurance company "Sberbank insurance life"	finance	100.00%	Russia
CJSC Rublevo-Archangelskoe	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
LLC Aukcion	services	100.00%	Russia
OJSC Krasnaya Polyana	construction	96.91%	Russia
PS Yandex.Money LLC	telecommunications	75.00% minus one Russian Rouble	Russia
CJSC Non-state Pension Fund of Sberbank	finance	100.00%	Russia

In June 2014 due the change in legal form of the company "Non-state Pension Fund of Sberbank" (Pension fund) to closed joint stock company the Group received 100% share in Pension fund free of charge. Starting from financial statements for the six months ended 30 June 2014 the Group is consolidating the Pension fund using business combinations method under IFRS 3.

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

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

30 Principal Subsidiaries (Continued)

The Group's consolidated net profit for the nine months ended 30 September 2014 would not change materially if the acquisition occurred on 1 January 2014.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 30 September 2014 was 17.7% (31 December 2013: 15.4%).

31 Capital Adequacy Ratio

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

According to requirements set by the Bank of Russia statutory capital ratio has to be maintained by the Bank above the minimum level of 10.0%. As at 30 September 2014 this regulatory capital adequacy ratio N1.0 was 12.2% (31 December 2013: 12.9%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation.

The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8.0%. As at 30 September 2014 and 31 December 2013, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

<i>in billions of Russian Roubles</i>	30 September 2014 (unaudited)	31 December 2013
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	1,667.5	1,495.2
Treasury shares	(7.5)	(7.2)
less Goodwill	(21.2)	(20.2)
Total Tier 1 capital	1,959.1	1,788.1
Tier 2 capital		
Revaluation reserve for premises	73.9	75.8
Fair value reserve for investment securities available-for-sale	(21.7)	0.6
Foreign currency translation reserve	2.7	(13.7)
Eligible subordinated debt	699.3	420.1
less Investments in associates	(4.6)	(4.4)
Total Tier 2 capital	749.6	478.4
Total capital	2,708.7	2,266.5
Risk weighted assets (RWA)		
Credit risk	18,933.8	16,397.1
Market risk	380.4	550.0
Total risk weighted assets (RWA)	19,314.2	16,947.1
Core capital adequacy ratio (Total Tier 1 capital / Total RWA), %	10.1	10.6
Total capital adequacy ratio (Total capital / Total RWA), %	14.0	13.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014

32 Subsequent Events

In order to reduce inflationary expectations the Bank of Russia raised its key interest rate by 1.5 percentage points to 9.5% on 5 November 2014.

During October and November 2014 the Russian Rouble foreign exchange rate continued to depreciate reaching the minimum levels of RR/USD rate at 47.877 and RR/EUR rate at 59.315. Rouble exchange rate fluctuations lead to the relevant changes in values of Group assets and liabilities, denominated in foreign currencies.