

BANK OF RUSSIA

REGULATION

№ 254-P OF MARCH 26, 2004

**ON THE PROCEDURE FOR MAKING PROVISIONS BY CREDIT
INSTITUTIONS
FOR POSSIBLE LOSSES ON LOANS
AND SIMILAR DEBTS**

List of Amending Documents

(as amended by Bank of Russia Ordinance № 1671-U, dated 20 March 2006,
№ 1759-U dated 12 December 2006, № 1909-U dated 14 November 2007,
№ 1960-U dated 28 December 2007, № 2006-U dated 6 May 2008,
№ 2010-U dated 14 May 2008, № 2028-U dated 16 June 2008,
№ 2155-U dated 19 December 2008, № 2175-U dated 2 February 2009,
№ 2323-U dated 3 November 2009, № 2355-U dated 4 December 2009,
№ 2860-U, dated 10 August 2012; № 2920-U, dated 3 December 2012;
№ 2947-U dated 24 December 2012, № 2993-U dated 15 April 2013,
№ 3058-U, dated 6 September 2013; № 3098-U, dated 25 October 2013;
№ 3267-U, dated 30 May 2014; № 3422-U, dated 21 October 2014,
№ 3452-U, dated 25 November 2014; № 3496-U, dated 18 December 2014;
with modifications in accordance with Bank of Russia Ordinance
№ 2459-U dated 3 June 2010)

This Regulation on the basis of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ (Collection of Legislation of the Russian Federation, 2002, № 28, art. 2790; 2003, № 2, art. 157, № 52 (part I), art. 5032), of

the Federal Law ‘On banks and banking activities’ (Gazette of the Congress of People’s Deputies of the RSFSR and the Supreme Soviet of the RSFSR, 1990, № 27, art. 357; Collection of Legislation of the Russian Federation, 1996, № 6, art. 492; 1998, № 31, art. 3829; 1999, № 28, art. 3459, 3469, 3470; 2001, № 26, art. 2586; № 33 (part I), art. 3424; 2002, № 12, art. 1093; 2003, № 27 (part I), art. 2700, № 50, art. 4855, № 52, art. 5033), of art. 292 of the Tax Code of the Russian Federation (Collection of Legislation of the Russian Federation, 2000, № 32, art. 3340; 2002, № 22, art. 2026) and in accordance with the decision of the Bank of Russia Board of Directors (minutes of the meeting of the Bank of Russia Board of Directors dated 19 March 2004, № 5) establishes the order of formation of loan and similar debt loss provisions (hereinafter – the ‘loans’) by credit institutions that include money claims and claims resulting from transactions with financial instruments listed in Appendix 1 to this Regulation, as well as specific features of the Bank of Russia supervision of the credit institutions’ compliance with the order of formation of loan loss provisions.

Chapter 1. General Provisions

1.1. Credit institutions are obliged to form loan loss provisions (hereinafter – the ‘provisions’) in accordance with the procedure stipulated by this Regulation.

1.2. Classification (reclassification) of loans and formation (specification of size) of provisions is based on the following principles:

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

compliance of the practical steps for loan classification and creation of provisions hereof and the internal documents of the credit institution with respect to classification of loans and formation of provisions undertaken by an authorised entity (authorised entities) of the credit institution (hereinafter – the ‘internal documents’);

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

impartial comprehensive analysis of all information related to loan

classification and the creation of provisions;

timely classification (reclassification) of loans and/or formation (specifications of size) of provisions and reliable reflection of changes in the amount of provisions in financial accounting and reporting.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

1.3. A credit institution is to create provisions in the case of loan devaluation, i.e. a loss in value due to the borrower's non-performance or improper performance of its loan obligations to the credit institution, or the existence of a real risk of such non-performance (improper performance) of obligations (hereinafter – the 'loan repayment risk').

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

1.4. The rate of a loan's loss in value is defined as the difference between the loan balance value, i.e., the outstanding amount reflected in accounting as of the time of its assessment and its fair value as of the time of assessment made according the procedure established herein (hereinafter – the 'current loan value'). An assessment of a loan's fair value (hereinafter – the 'loan assessment') shall be made regularly starting from the moment the loan is granted.

1.5. Provisions are to be created for a specific loan or for a portfolio of similar loans, i.e., a group of loans with similar characteristics of repayment risk which satisfy the requirements hereof and have been isolated for the purpose of creating provisions (hereinafter – the 'portfolio of similar loans') in connection with repayment risk due to the activities of a specific borrower or a group of borrowers who were granted loans included in the portfolio of similar loans.

1.6. When creating loan provisions in accordance with the procedure established under clause 1.7 and chapter 3 hereof, credit institutions are to determine the amount of calculated provisions, i.e. provisions reflecting the amount of the credit institution's loan losses which must be acknowledged in accordance with the procedure stipulated herein for assessment of credit risk factors with respect to the loan, regardless of the loan security.

If the loan security stipulated under chapter 6 hereof is available, the amount of provisions to be created is determined according to the procedure established in that chapter.

If the loan security stipulated under chapter 6 hereof is not available, the amount of provisions to be created is determined on the basis of the calculated provisions.

Creation of similar loan portfolios and the amount of provisions for portfolios of similar loans are determined by the procedure stipulated in chapter 5 hereof. (clause 1.6 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

1.7. For the purpose of determining the amount of calculated provisions in connection with credit risk factors, loans are classified on the basis of professional judgment (except for loans grouped in a portfolio of similar loans) into one of five quality categories:

Quality category I (highest) (standard loans) – no credit risk (the probability of financial losses due to non-performance or improper performance of obligations by the borrower equals zero);

Quality category II (non-standard loans) – moderate credit risk (the probability of financial losses due to non-performance or improper performance of obligations by the borrower dictates its depreciation by 1 to 20 per cent);

Quality category III (doubtful loans) – considerable credit risk (probability of financial losses due to non-performance or improper performance of obligations by the borrower dictates its depreciation by 21 to 50 per cent);

Quality category IV (non-performing loans) – high credit risk (probability of financial losses due to non-performance or improper performance of obligations by the borrower dictates its depreciation by 51 to 100 per cent);

Quality category V (bad loans) – no possibility of loan repayment due to the borrower's inability or refusal to meet loan commitments, which dictates complete (100 per cent) depreciation of the loan.

Loans classified as quality category II–V are depreciated.

A credit institution creates provisions for portfolios of similar loans in accordance with their risk assessment methods for the respective portfolios of similar loans. The credit institution divides the created portfolios of similar loans in the following quality categories:

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2006-U dated 6 May 2008)

Quality category I – portfolios of similar loans with created provisions in the amount of 0 per cent (no losses related to the portfolio of similar loans);

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2006-U dated 6 May 2008)

Quality category II – portfolios of similar loans with created provisions in the amount of no more than 3 per cent of the total book value of loans combined in the portfolio;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2006-U dated 6 May 2008)

Quality category III – portfolios of similar loans with created provisions in the amount of more than 3 and up to 20 per cent of the total book value of loans combined in the portfolio;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2006-U dated 6 May 2008)

Quality category IV – portfolios of similar loans with created provisions in the amount of more than 20 and up to 50 per cent of the total book value of loans combined in the portfolio;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2006-U dated 6 May 2008)

portfolios of similar loans with created provisions in the amount of no more than 50 per cent of the total book value of loans combined in the portfolio;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2006-U dated 6 May 2008)

1.8. Provisions are to be created within the limits of the principal debt amount

(balance loan value). The principal debt amount does not include: interest payments for loan use, commissions or penalties stipulated by law, business practices or the loan agreement, or any other payments in favour of the credit institution arising from the loan agreement (hereinafter – the ‘loan interest’).

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

1.9. Provisions are to be created in the currency of the Russian Federation, irrespective of the currency of the loan.

1.10. The requirements set forth in this Regulation do not apply to:

financial assets reflected in accounting at market value which are subject to revaluation pursuant to the regulations of the Bank of Russia;

financial assets being elements of the calculation base in accordance with Bank of Russia Regulation № 283-P, dated 20 March 2006, ‘On the Procedure for Making Loan Loss Provisions by Credit Institutions’ registered by the Ministry of Justice of the Russian Federation on 25 April 2006 № 7741, 2 July 2007 № 9739, 6 December 2007 № 10639, 10 September 2008 № 12260 (Bank of Russia Bulletin dated 4 May 2006 № 26, 11 July 2007 № 39, 17 December 2007 № 69, 17 September 2008 № 49);

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

claims to the Bank of Russia.

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

Chapter 2. General Requirements for Credit Risk Assessment

2.1. Credit risk related to a loan and portfolios of similar loans is assessed on a regular basis. The regularity of classification and assessment of a loan (similar loan portfolios), determination of the amount (specification of amount) of provisions for loans and portfolios of similar loans is stipulated under chapters 3 and 5 hereof.

(clause 2.1 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

2.2. Loan assessment and determination of calculated provisions and the provisions are to be conducted by credit institutions at their own discretion based on professional judgment, unless the loan assessment and/or calculation of provisions are made based on the Bank of Russia's assessment pursuant to article 72 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and chapter 7 hereof.

2.3. Internal documents shall comply with the requirements of this Regulation and of other regulations related to the credit policy of credit institutions and/or methods of its implementation, as well as contain the full list of material factors that are used by the credit institution when classifying loans hereunder. Composition of internal documents is determined by a credit institution independently subject to the requirements established hereby.

The credit institution shall reflect the following in its internal documents:

a system for assessing credit risk on loans which makes it possible to classify loans (portfolios of similar loans) according to the quality categories stipulated herein, including more detailed procedures for assessment of loan quality and creation of provisions than are provided for herein;

a procedure for loan assessment, including assessment criteria and procedures for documenting and confirming loan assessments;

a procedure for making and implementing decisions on the creation of provisions;

a procedure for making decisions on recognising debts as uncollectible. Debts are recognised as uncollectible and are written off by credit institutions following the procedure established in chapter 8 hereof.

a description of rules (methods, procedures) for determination of plausibility of activities of a borrower, which a legal entity engaged in product manufacture, execution of work and provision of services (hereinafter – the 'plausibility of activities'), including the list of circumstances indicating that the institutional borrower may not perform practical activities or its amount is insignificant in money terms and cannot be compared with the loan amount (total loans issued to

the borrower), the list of major sources of information that is required to identify such borrowers, powers of the credit institution employees participating in the performance of the mentioned activities, the procedure for making decisions on the plausibility of the borrower's activities (on recognizing the borrower's activity plausible). When assessing the plausibility of an institutional borrower's activities, credit institutions must proceed from the assumption that the results of the activities can be sold on the market, given that consumers' (buyers') payments are not due to systematic and material use of funds and/or other property provided to them by the credit institution (lender) directly or indirectly (through third parties) with acceptance of the credit risk by the credit institution (lender). The minimum list of circumstances, each of which indicates that the institutional borrower may not perform practical activities or its amount is insignificant in money terms and cannot be compared with the loan amount (total loans issued to the borrower) and which is included in the internal documents of the credit institution, is provided in appendix 5 hereto. Credit institution is entitled to provide other additional circumstances in the internal documents, indicating that the institutional borrower may not perform practical activities or its amount is insignificant in money terms and cannot be compared with the loan amount (total loans issued to the borrower);

a description of rules (methods, procedures) used for assessment of the borrower's financial position, a list of the main sources of information used, the scope of data necessary for assessment of the borrower's financial position, the powers of the credit institution employees engaged in making the assessment, as well as a procedure for making decisions on assessment of the borrower's financial position;

criteria of materiality of the turnover of cash assets on the borrower's accounts with the credit institution;

the criteria of materiality of amounts and due dates of active records of outstanding payment documents to the bank accounts of the borrower, indebtedness to the federal budget, the budgets of constituent entities of the Russian Federation, local budgets and non-budgetary funds, overdue financial

liabilities to the Bank of Russia with respect to borrowed funds, the procedure for analysis of reasons for the existence of active records of outstanding payment documents for the borrower's bank accounts, indebtedness to the mentioned budgets, non-budgetary funds and the Bank of Russia in order to assess the institutional borrower's financial position in accordance with subclause 3.4.1, clause 3.4 of this Regulation;

criteria for the assessment of information provided by the borrower (including its completeness, relevance and reliability), as well as measures for obtaining information about the borrower, including the borrower's financial position, production and business operations; purposes for which the loan is provided to and used by the borrower, estimated sources for performance of the borrower's obligations related to the loan and the loan security;

a procedure for control of correct assessment and determination of provisions for loans mentioned in clause 3.6 hereof;

criteria of materiality for the borrower of its overdue receivables in order to apply paragraph eight of clause 3.6 hereof.

the method for compiling and maintaining the borrower's credit history;

the method for forming and documenting the professional judgment;

the methods and frequency of determining the fair value of a pledge, i.e. such cost of the pledge at which the pledger, if it were the seller of the pledged property possessing full information on the property's value and not bound to sell it, would agree to sell it and a buyer possessing full information on the value of the said property and not bound to buy it would agree to buy it in a reasonably short time, not to exceed 180 calendar days (hereinafter – the 'fair value of a pledge');

the procedure and frequency of assessment of pledge liquidity and the procedure for defining (specifying) the amount of provisions taking the loan security into account;

the procedure for assessment of credit risk for a portfolio of similar loans;

the procedure and frequency of creation (specification) of provisions;

the procedure for use by the credit institution of other material factors when

determining the quality category of the loans and/or the procedure for making a decision on their use;

other provisions that may affect classification of loans in accordance with clause 3.9 hereof and are not in conflict herewith;

other provisions.

(clause 2.3 as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

2.4. The credit institution shall disclose information on the credit policy (rules, procedures, methods) applied for classifying loans and creating provisions for the respective types and kinds of loans, including industry-specific, regional and other aspects, as well as for portfolios of similar loans, as part of reporting documents submitted in compliance with the requirements of the Bank of Russia regulations.

Chapter 3. Assessment of the Credit Risk for a Granted Loan

3.1. Credit risk assessment for each granted loan (professional judgment) shall be made by the credit institution on a regular basis.

3.1.1. Professional judgment shall be made based on the results of impartial, comprehensive analysis of the borrower's activity, taking into account its financial position, debt service quality and all information available to the credit institution on the borrower, as well as information on any risks of the borrower, including data on the borrower's external obligations and the functioning of the market(s) where the borrower is operating. The professional judgment of the credit institution shall contain:

information about the level of credit risk for the loan;

information about the analysis on which the professional judgment is based;

a statement of the results of the assessment of the borrower's financial position including substantiation of plausibility of the institutional borrower's activities;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

a statement of the results of the assessment of debt servicing quality;

information about any other material factors taken into account during the loan classification or unaccounted with specification of reasons for not taking them into account by the credit institution;

calculation of provisions;

other material information.

If a credit institution decides not to increase the actually created provisions for loans issued to consumers and sole traders, as well for loans issued to legal entities, whose financial position and/or quality of debt servicing and/or quality of loan security has deteriorated due to a regional, inter-regional or federal emergency situation as defined by Federal Law № 68-FZ ‘On Protection of People and Territories from Natural and Man-made Emergencies’ dated 21 December 1994 (Collection of Legislation of the Russian Federation, 1994, № 35, art. 3548; 2002, № 44, art. 4294; 2004, № 35, art. 3607; 2006, № 50, art. 5284; № 52, art. 5498; 2007, № 45, art. 5418; 2009, № 1, art. 17; № 19, art. 2274; № 48, art. 5717; 2010, № 21, art. 2529; № 31, art. 4192; 2011, № 1, art. 24, 54; 2012, № 14, art. 1549) and legal regulation adopted under it (hereinafter – the ‘emergency situation’), professional judgment of the credit institution must contain information about the date the emergency situation occurred and a basis for its definition, as well as a conclusion about the reasons why the credit institution decided that financial position and/or quality of debt servicing and/or quality of loan security with respect to loans issued to consumers, sole traders or legal entities deteriorated due to the occurrence of the emergency situation.

(this paragraph was introduced by Bank of Russia Ordinance № 2860-U, dated 10 August 2012, as amended by Bank of Russia Ordinance № 2920-U, dated 3 December 2012, № 3058-U dated 6 September 2013)

With respect to loans issued to legal entities, this decision is made by the credit institution in the event of a positive assessment of the forecasted recovery of normal financial and business activities by borrowers in the foreseeable future,

taking account the envisaged government support measures (provided budget allocations, subsidies, benefits and budget credits, as well as other government support provided on the basis of legal regulation of the Russian Government and/or government bodies of the Russian Federation's constituent entities and/or municipal bodies).

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

(subclause 3.1.1 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.1.2. The sources of information on the borrower's risks are the borrower's documents of title; accounting, tax, statistical and other reporting; additional information provided by the borrower; the media; and other sources to be determined independently by the credit institution. The credit institution shall ensure that it receives information necessary and sufficient for making a professional judgment about the amount of calculated provisions.

3.1.3. All information on the borrower, including information on the borrower's risks, shall be recorded in the borrower's credit history. Information used by the credit institution for assessment of loan quality, including the assessment of the borrower's financial position, shall be available to governing bodies, internal audit divisions of the credit institution, auditors and banking supervisors.

3.1.4. The provisions amount for the loan shall be updated as of the first day of the month following the financial month due to a change in the credit risk level, a change in the principal debt amount, including a change due to a fluctuation in the official exchange rate of the loan currency against the ruble, as set by the Bank of Russia and a change of the loan security quality. If the end of a financial period falls on a non-business day or a public holiday, the amount of the previously created provision for a currency-denominated loan shall be updated based on the official rate of the currency against the ruble as set by the Bank of Russia for the date of the last daily balance in the financial month (including a non-business day

or a public holiday if the credit institution's daily balance was also drawn up for this day). A credit institution is entitled to provide for the need to update the loan provision amount due to the said circumstances as of an intramonth date(s) in its internal documents. The loan provision amount is also updated as of a date (dates) within a month when, in accordance with clause 9.3 of the Bank of Russia Instruction № 139-I 'On Banks' Required Ratios', registered by the Ministry of Justice of the Russian Federation on 13 December 2012 № 26104, 29 November 2013 № 30498 (Bank of Russia Bulletin № 74, dated 21 December 2012, № 69, dated 30 November 2013) (hereinafter – the 'Bank of Russia Instruction № 139-I'), the Bank of Russia and/or a regional branch of the Bank of Russia supervising the activities of the credit institution, require the provision of information about calculation of statutory ratios and their values as of a date (dates) during the month. (as amended by Bank of Russia Ordinances № 2155-U, dated 19 December 2008, and № 3267-U, dated 30 May 2014)

3.1.5. In accordance with the procedure established by an authorised entity of the credit institution, the credit institution shall document and include the professional judgment, prepared in accordance with subclause 3.1.1 hereof, in the borrower's credit history. The professional judgment is created and documented at the moment of loan issuance and is later compiled:

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

for loans granted to individuals – not less than once per quarter as of the reporting date;

for legal entities that are not credit institutions – within a month after the end of the period established for submission of reports (annual accounting (financial) and tax declaration for corporate profit tax) to tax authorities as of the quarterly (annual) reporting date;

(as amended by Bank of Russia Ordinances № 2155-U, dated 19 December 2008, and № 2993-U, dated 15 April 2013)

for loans granted to credit institutions – not less than once a month as of the reporting date.

Paragraphs five – six are invalid from 1 July 2009. Bank of Russia Ordinance № 2155-U dated 19 December 2008.

If the legislation of the country of residence of a non-resident borrower does not provide for quarterly (monthly) submission of financial statements, then, in order to assess such borrower's financial position with the regularity stipulated by this subclause (at least once in a quarter (month), the financial statements shall be used that are submitted with a frequency prescribed by the legislation of the borrower's country of residence and all other information available about the borrower.

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.2. The financial position of the borrower is to be assessed in accordance with the method(s) established by internal documents of the credit institution which meet the requirements hereof.

3.2.1. A tentative list of information which the credit institution may use for analysis of the borrower's financial position at the moment of granting the loan and while it remains on the balance sheet is given in appendix 2 hereto.

3.2.2. The list of indications used for analysis of the borrower's financial position and the method for calculating them are to be determined by the credit institution independently, depending on the industry and the sphere of activity of the borrower and the objectives of the analysis, taking into account all available information both as of reporting and intermediate dates (within a month/within a quarter).

The values of indications for which, if not complied with, the borrower's financial position would be assessed no higher than average pursuant to clause 3.3 hereof, shall be determined with regard to particular loans (the aggregate of loans granted to a borrower) which amount to five per cent or more of the equity (capital) of the credit institution. The value of equity (capital) is determined in accordance with the Bank of Russia Regulation dated 28 December 2012 № 395-P 'On the method for determining the value of equity funds (capital) of credit

institutions ('Basel III'), registered by the Ministry of Justice of the Russian Federation under № 27259 on 22 February 2013, under № 30499 on November 29, 2013, under № 34227 on October 2, 2014 (Bank of Russia Bulletin № 11, dated 27 February 2013, № 69, dated 30 November 2013, № 93, dated 8 October 2014). The credit institution is entitled to determine indicator values with regard to other loans.

(as amended by Bank of Russia Ordinance № 3422-U, dated 21 October 2014)

3.3. The financial position of the borrower:

may be assessed as good if a comprehensive analysis of the borrower's production and business operations and other information about the borrower, including data on external conditions, provide evidence of stable production, positive value of net assets, efficiency and repayment capacity and there are no negative developments (trends) which may influence the financial stability of the borrower in the long term. Negative developments (trends) may include a substantial decrease in the production growth rate and profitability indices unrelated to seasonal factors, substantial growth of accounts payable and/or receivable and other developments;

shall be assessed no higher than average if a comprehensive analysis of the borrower's production and business operations and/or other information about the borrower indicate that there are no direct threats to the current financial position, but there are negative developments (trends) in the borrower's operations which may cause financial problems in the foreseeable future if the borrower does not take measures for improvement;

shall be assessed as bad if the borrower is deemed insolvent (bankrupt) in accordance with the law or is continuously unable to pay, or if an analysis of the production and/or business operations of the borrower and other information about it indicate threatening negative developments (trends) which are likely to cause the borrower's insolvency (bankruptcy) or continuous inability to pay. Threatening negative developments (trends) in the borrower's activity may include: unprofitable activity, negative value or considerable reduction of net assets, a

substantial decrease in production output, substantial growth of payables and/or receivables, or other developments.

3.4. The financial position of the borrower may not be assessed as good in the following cases.

3.4.1. If at least one of the following circumstances is detected with regard to a borrower who is a legal entity:

active records of considerable outstanding payment documents as to amounts and/or terms and bank accounts of the borrower, considerable indebtedness as to amounts and/or terms to the federal budget, budgets of constituent entities of the Russian Federation, local budgets and non-budgetary funds, taking into account the reasons for their occurrence; overdue indebtedness to the Bank of Russia with respect to raised loans; arrears in employees salaries;

availability of information about non-compliance of the borrowing credit institution with the capital adequacy ratio (N1) and/or application to the borrowing credit institution of enforcement measures in accordance with clause 10.4 of Bank of Russia Instruction № 139-I for non-compliance with the capital adequacy ratio (N1);

(as amended by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

concealed losses of the borrower (for example, surplus stock of finished products and/or non-recoverable claims) which equal or exceed 25 per cent of its net assets (equity (capital));

non-performance(s) or two or more events of performance by the borrower of obligations under other contracts (except for contracts on the basis of which the loans are provided) with the credit institution (lender) in violation of deadlines set out in contracts for more than 5 and up to 30 calendar days, or a single event of performance in violation of deadlines for more than 30 calendar days during the past 180 calendar days, or termination of obligations by the borrower under other contracts with the lending credit institution by the borrower by means of compensation for release from obligation in the form of property which is not disposed of by the credit institution within 180 days or more, as well as provided

that the total amount of the mentioned obligations is more than 100,000 rubles;

unprofitable activity not provided for by the borrower's development plan (business plan), agreed upon with the credit institution, which caused a significant (25 per cent or more) reduction in its net assets (for credit institutions – its equity (capital)) compared to their maximum level during the last twelve months; for institutional borrowers that were registered less than a year ago, compared to their maximum achieved level for the period of the legal entity's activities. For borrowers with cyclic activities (seasonal fluctuations), the amount of net assets is compared to their level during a period that corresponds to the period being analysed with respect to financial and economic indicators as fully as possible.

availability of information about provision by the borrower to the tax authorities of Form № 1 'Balance Sheet' approved by Ministry of Finance of the Russian Federation order № 67n, dated 22 July 2003, 'On the forms of companies' accounting statements' (Finansovaya Gazeta № 33, 2003; № 6, 2005, № 46, 2006)<*>, with zero values in the Turnover Assets and Short-term Liabilities balance sheet sections, provided that there is considerable turnover of funds on its bank accounts opened with the credit institution over the last 180 calendar days.

(subclause 3.4.1 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

<*> Order of the Ministry of Finance of the Russian Federation № 67n 'On the forms of companies' accounting statements', dated 22 July 2003 with amendments made by Orders of the Ministry of Finance of the Russian Federation № 135n dated 31 December 2004 and № 115n dated 18 December 2006, does not require registration pursuant to letters of the Ministry of Justice of the Russian Federation № 07/8121-AK, dated 5 August 2003, № 01/677-VYa dated 31 January 2005 and № 01/9423-SV dated 27 October 2006.

3.4.2. If with regard to an individual borrower information has come to light on the loss or substantial reduction of income or property with which the individual

was supposed to repay the debt (for example, termination of employment of an individual with no substantial savings, a final court judgment to imprison the individual for a criminal offence, or documented information on revocation of the licence of the credit institution where the individual has a deposit if the failure to pay back the deposit influences the individual borrower's capacity to fulfil his/her loan commitments).

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.5. At all stages of assessment of the borrower's financial position, the credit institution is to take into account the probability that the information on the borrower is incomplete and/or irrelevant and/or unreliable (about the borrower's financial position, production and business operations, purposes for which the loan is provided to and used by the borrower, estimated sources for fulfilment of the borrower's obligations related to the loan), as well as information on the loan security and the probability that there is a reporting and/or information that is unreliable and/or different from the reporting and/or from information provided by the borrower to the government authorities, Bank of Russia and/or published by the borrower and/or available at credit ratings agencies.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.6. As part of the internal audit system, the credit institution is to monitor the accuracy of loan assessment and provisions calculation primarily if:

the loans are granted to persons connected with the credit institution and their amount equals or exceeds one per cent of the amount of the equity (capital) of the credit institution (persons who are considered connected with a credit institution are specified in Bank of Russia Instruction № 139-I);

(as amended by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

the loan amount equals or exceeds five per cent of the amount of the equity (capital) of the credit institution;

the amount of the borrower's loan commitments or the total amount of commitment for loans issued to the borrower (or to a group of related borrowers as defined by clause 4.6 of Bank of Russia Instruction № 139-I) by the credit

institution is more than 50 per cent of net assets (equity (capital) of the borrower (group of related borrowers));

(as amended by Bank of Russia Ordinances № 2155-U, dated 19 December 2008, and № 3267-U, dated 30 May 2014)

the loans appeared as a result of termination of the borrower's previous obligations by means of novation or compensation, including when the object of compensation consists of the borrower's receivables from a third party debtor assigned to the credit institution;

the loan is granted for more than half a year with repayment of the principal debt and/or interest no earlier than six months after granting the loan.

the borrower's activity is unprofitable at the moment of the loan issuance and/or as of the last reporting date (for an institutional borrower which is not a credit institution – on the last date of a quarter (year); for a borrower which is a credit institution – on the last date of a month);

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

the borrower's overdue accounts receivable amount is considerable as of the last reporting date (for an institutional borrower which is not a credit institution – for the last date of a quarter (year); for a borrower which is a credit institution – for the last date of a month) and/or the borrower has overdue accounts payable;

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

the loan is issued to and/or used by the borrower for purchase of the credit institution's (lender's) own promissory notes;

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

less than a year has passed from the date of the institutional borrower's state registration, except for reorganisation of the borrower.

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.7. Loans are assigned to one of three categories, depending on the quality of debt service: good, average, or bad debt service.

3.7.1. Loan debt service may be considered good if:

3.7.1.1. principal debt and interest payments are made in a timely fashion and in full;

3.7.1.2. there is an event (events) of overdue principal debt and/or interest payment during the last 180 calendar days with a delay in payment (total delay) including:

for loans granted to legal entities – up to 5 calendar days inclusive,

for loans granted to individuals – up to 30 calendar days inclusive.

(subclause 3.7.1.2 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.7.2. Loan debt service may not be considered good if:

3.7.2.1. principal debt and/or interest payments are made using funds and/or other property provided to the borrower by the lending credit institution directly or indirectly (through third parties), or the lending credit institution has directly or indirectly (through third parties) assumed the risks (danger) of losses connected with providing the borrower monetary funds and/or other property, except for cases when the loan is granted by the credit institution for the purpose of repayment of a loan previously granted to a borrower whose financial position over the previous year and the current year may be assessed as good in accordance with clause 3.3 and with due regard for subclause 3.4.1 hereof;

3.7.2.2. the loan has been restructured, i.e. based on an agreement with the borrower, significant terms of the initial contract, under which the loan was issued, were modified and upon occurrence of which the borrower is entitled to perform its loan obligations in a more favourable manner (for example, change of the loan repayment term (principal debt and/or interest), interest rate, method of its calculation), except for cases when payments for the restructured loan are made in a timely manner and in full, or there is a single overdue payment during the last 180 calendar days within the time periods stipulated in subclause 3.7.1.2 hereof,

while the borrower's financial position during the last full year and the current year can be assessed as no worse than average pursuant to clause 3.3 hereof.

A loan cannot be recognised as restructured, if:

the contract under which the loan is issued contains conditions upon occurrence of which the borrower becomes entitled to perform its loan obligations in a more favourable manner, while parameters of such changes and specified terms actually take place later,

parameters of modification of terms of loan obligation performance are observed as prescribed by the contract under which the loan is issued;

If within 360 calendar days from the moment of the last restructuring of the loan principal debt and/or interest payments thereunder are made by the borrower in a timely manner and in full pursuant to the contract under which the loan is issued, allowing for the restructuring agreement, the debt servicing quality may be assessed without consideration of the requirements of this subclause. If a deterioration of the debt servicing quality is identified later for the restructured loan (except for the case mentioned in subclause 3.7.3.2 of clause 3.7 hereof), its respective calculated provisions shall be defined based on the maximum amount provided for the quality category into which the loan falls, allowing for the requirements hereof;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

(subclause 3.7.2.2 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.7.2.3. there is an occurrence (occurrences) of overdue principal debt and/or interest payments over the last 180 calendar days, except for cases provided for by subclause 3.7.1 hereof, with the duration (total duration) as follows:

for loans granted to legal entities – up to 30 calendar days inclusive,

for loans granted to individuals – up to 60 calendar days inclusive.

(subclause 3.7.2.3 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.7.2.4. the loan is granted to the borrower directly or indirectly (through third parties) by the credit institution for the purpose of repayment of a loan previously granted to the borrower, or the credit institution has directly or indirectly (through third parties) assumed the risks (danger) of losses connected with providing the borrower with monetary funds for the said purpose, given that there are no overdue payments in connection with the new loan or in the event of a single overdue payment of principal debt and/or interest during the last 180 calendar days within the time periods stipulated by subclause 3.7.1.2 hereof and that service of the previous loan debt was considered good, but the financial position of the borrower cannot be considered good in accordance with clause 3.3 hereof.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.7.3. Debt service is considered bad if:

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.7.3.1. payments of the principal debt and/or interest have been overdue over the last 180 calendar days:

for loans granted to legal entities – for more than 30 calendar days,

for loans granted to individuals – for more than 60 calendar days;

3.7.3.2. the loan is restructured and there are overdue payments of principle debt and/or interest, while the financial position of the borrower is assessed as bad in accordance with clause 3.3 hereof;

3.7.3.3. the loan is granted to the borrower directly or indirectly (through third parties) by the credit institution for the purpose of repayment of a loan previously granted to the borrower, or the credit institution has directly or indirectly (through third parties) assumed the risks (danger) of losses connected with providing funds to the borrower whose financial position cannot be assessed better than average pursuant to clause 3.3 hereof, given that the previously granted loan falls in the category of loans serviced on an average level for mentioned loans or if there are overdue payments with respect to the new loan;

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

the quality of debt service may not be considered good or average in

accordance with subclauses 3.7.1 and 3.7.2 hereof, or the quality of debt service is not assessed in accordance with subclause 3.8 hereof.

3.8. If the loan is assessed before the agreed term of interest and/or principal debt payment, the debt service may be assessed as:

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

good, if the financial position is assessed as good;

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

no higher than average, if the financial position of the borrower is assessed as average;

only bad, if the financial position of the borrower is assessed as bad.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.9. In the absence of other factors significant for loan classification, the category of the loan quality is to be determined (estimation of the level of the loan's depreciation without taking consideration of the loan security) using professional judgment based on the combination of two classification criteria (the financial position of the borrower and the quality of its debt service) in accordance with table 1.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.9.1. A loan can be classified as falling under another category as compared to table 1 of this clause, if information about other material factors is available. In this case, the credit institution decides on classification of a loan to a lower or higher quality category as compared to table 1 of this clause.

(subclause 3.9.1 was inserted pursuant to Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.9.2. The following factors may be material factors that may affect the credit institution's decision on classification of loans to a lower category as compared to table 1 of this clause:

provision of loan to a borrower on preferable terms (in contrast to loans with comparable parameters (terms, amounts and purposes) issued to other borrowers);

economic relations between borrowers as a result of which deterioration of

one borrower's financial position may result in non-performance (improper performance) by another borrower (other borrowers) of obligations to a credit institution related to a loan (loans) issued by it;

information about bad material position of the borrower's founders that may have a material influence on the decisions of the borrower's governing bodies. If such information is available, the financial position of the borrower's founders is assessed taking account of the requirements of clauses 3.3–3.5 hereof;

the borrower's failure to use the loan for the purpose stipulated in the contract under which the loan is issued;

information about non-performance (improper performance) by the borrower of obligations related to loans (comparable by amount and term with the classified loan) provided by other credit institutions (lenders). The mentioned information for the purpose of evaluation of loans issued to consumers or sole traders are considered by the credit institution for the period no less than 180 calendar days; with respect to loans issued to legal entities – for the period no less than 360 calendar days;

deterioration of the economic situation in the country of the borrower's residence and/or where the credit institution's borrower performs its activities.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 3098-U, dated 25 October 2013)

(subclause 3.9.2 was inserted pursuant to Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.9.3. The following factors may be material factors that may affect the credit institution's decision on classification of loans to a higher category as compared to table 1 of this clause:

information about proper performance by the borrower of obligations under other loan contracts (comparable by amount and term with the classified loan) made by the borrower both with a given credit institution and other credit institutions (lenders). The mentioned information for the purpose of evaluation of loans issued to consumers or sole traders are considered by the credit institution for

the period no less than 180 calendar days; with respect to loans issued to legal entities – for the period no less than 360 calendar days;

real prospects of making principal date and interest payments in full and in a timely manner (when crediting investment projects taking account of the demand for the object being created, as well as when crediting institutional borrowers registered less than one year before, allowing for the competitiveness of the product being manufactured (to be manufactured), availability of resources for the producer to perform its activities and its positive performance).

A credit institution, when assessing a loan taking other significant factors into account, may improve the loan quality category not more than by one quality category as compared to the category prescribed for it in table 1 of this clause.

(subclause 3.9.3 was inserted pursuant to Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.9.4. Availability of the loan security is not considered as a factor affecting the loan quality category.

(subclause 3.9.4 was inserted pursuant to Bank of Russia Ordinance № 2155-U dated 19 December 2008)

Table 1

Determination of the loan quality category
by taking into account the borrower's financial position
and debt service quality

Debt service / Financial position	Good	Average	Inadequate
Good	Standard (quality category I)	Non-standard (quality category II)	Doubtful (quality category III)
Average	Non-standard (quality category II)	Doubtful (quality category III)	Non-performing (quality category IV)
Bad	Doubtful (quality category III)	Non-performing (quality category IV)	Bad (quality category V)

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.10. The authorised governing body of the credit institution makes a decision on recognising a debt servicing good for restructured loans, if the respective payments are made in a timely manner and in full and the borrower's financial position during the last full year and the current year is no worse than average in accordance with clause 3.3 hereof, as well as for loans issued by the credit institution to the borrower for repayment of a loan issued earlier, if the borrower's financial position assessed as no worse than average.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

When the amount of loans (all loans issued to a borrower or a group of related borrowers) equals one per cent or less of the amount of the equity (capital), the decision on recognising the debt servicing as good for restructured loans, for loans provided by the credit institution to the borrower for repayment of a loan issued earlier, may be made by the authorised governing body of the credit institution.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

The credit institution includes in the borrower's credit history the documented decision of the authorised governing body (body) of the credit institution on recognising the debt servicing as good for restructured loans, for loans provided by the credit institution to the borrower for repayment of a loan issued earlier.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

Information about such a decision with respect to loans (all loans issued to a borrower or a group of related borrowers) exceeding one per cent of the credit institution's equity (capital) and on the loan quality category is submitted by the credit institution to the regional branch of the Bank of Russia together with the reporting form 0409115 'Information about the quality of credit institutions' assets' prescribed by Bank of Russia Ordinance № 2332-U dated 12 November 2009 'On the List, Forms and Procedure for the Preparation and Submission of Reports by Credit Institutions to the Central Bank of Russian Federation' registered by the Ministry of Justice of the Russian Federation under № 15615, on

16 December 2009, under № 17590 on 18 June 2010, under № 19313 on 22 December 2010, under № 21060 on 20 June 2011, under № 22650 on 16 December 2011, under № 24863 on 10 July 2012, under № 25499 on 20 September 2012 (Bank of Russia Bulletin № 75–76, dated 25 December 2009; № 35, dated 25 June 2010; № 72, dated 28 December 2010; № 34, dated 28 June 2011; № 73, dated 23 December 2011; № 41, dated 19 July 2012; № 58, dated 26 September 2012) (hereinafter – the ‘Bank of Russia Ordinance № 2332-U’).

(as amended by Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

(clause 3.10 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.11. The amount of calculated provisions is to be determined on the basis of loan classification results pursuant to clauses 3.1–3.10 hereof in accordance with table 2.

Table 2

Amount of calculated provisions for classified loans

Quality category	Name	Amount of calculated provisions as a percentage of the principal debt
Quality category I (highest)	Standard	0 %
Quality Category II	Non-standard	1–20 %
Quality Category III	Doubtful	21–50 %
Quality Category IV	Problem	51–100 %
Quality category V (lowest)	Bad	100 %

3.12 If for a period longer than a quarter there is no information (financial or other) on the borrower specified in appendix 2 hereof, the loan shall be classified not higher than quality category II and the provisions shall be not less than 20 %. If no such information is available for a period longer than six months, the loan shall be classified not higher than quality category III and the provisions shall be not less than 50 %.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

If, for the purpose of assessment of the borrower's financial position and determination of the quality category of the issued loan and the amount of provisions, the borrower provides reports and/or information that is revealed by the credit institution to be false and/or different from the reports and/or information provided by the borrower to the government bodies, Bank of Russia and/or published by the borrower and/or available at credit ratings agencies, the credit institution shall classify the loan issued to such borrower not higher than quality category III and the provisions shall be not less than 50 % from the day the credit institution reveals the fact mentioned above.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2028-U, dated 16 June 2008)

If the absence of accounting (financial) reporting of the borrower results from peculiarities of law of the country of the borrower's residence, the requirements of this clause shall not be applied.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

ConsultantPlus: note.

Provisions of subclause 3.12.1, clause 3.12, as amended by Bank of Russia Ordinance № 2993-U dated 15 April 2013 are applied to loans issued (restructured) since 1 January 2014. Details of application of subclause 3.12.1,

clause 3.12, as amended by Bank of Russia Ordinance № 2993-U dated 15 April 2013 can be found in clauses 2.1–2.2 of Bank of Russia Ordinance № 2993-U dated 15 April 2013.

3.12.1. Loans provided to institutional borrowers that do not perform practical activities or its amount is insignificant in money terms and cannot be compared with the loan amount (total loans issued to the borrower) shall be classified not higher than quality category III and the calculated provisions shall be not less than 50 %. Provisions formed for such loans after reduction by the security amount in accordance herewith shall not be less than 10 per cent, except for cases specified in paragraph two of this subclause.

The amount of provisions prescribed by this subclause may not be formed if the loan security is of quality category I or II (except for the security described in paragraphs eight–ten of subclause 6.3.1, clause 6.3, hereof) the value of which, in view of ratios (indices) of security specified in clause 6.7 hereof, is no less than the loan amount.

The credit institution shall maintain the provisions prescribed by this subclause throughout the term of the loan and may not form the provisions only if there is documented evidence that the borrower has eliminated the grounds for application of the requirements of this clause.

(subclause 3.12.1 was inserted pursuant to Bank of Russia Ordinance № 2993-U dated 15 April 2013)

3.12.2. The requirements of subclause 3.12.1 of this clause do not apply:

3.12.2.1. to loans provided to credit institutions;

3.12.2.2. to loans secured by surety (guarantee) of a credit institution which is a resident of countries rated '1' by Export Credit Agencies who are signatories to the Organisation of Economic Cooperation and Development (OECD) Arrangements 'On the General Principles of Granting and Using Officially Supported Export Credits' (hereinafter – the 'country rating'), as well as of high-

income countries that are members of OECD and/or European Union and use the single currency of the European Union as their domestic currency The country risk assessments are published on the official Internet website of the Bank of Russia, section ‘Bank of Russia today / International cooperation / Banking supervisions/ Country risk assessments’;

3.12.2.3. for loans issued to institutional borrowers included in the list of strategic enterprises and strategic joint-stock companies approved by Decree of the President of the Russian Federation № 1009, dated 4 August 2004, ‘On Approving the List of Strategic Enterprises and Strategic Joint-Stock Companies’ (Collection of Legislation of the Russian Federation, 2004, № 32, art. 3313; № 48, art. 4768; № 49, art. 4888; № 50, art. 5019; 2005, № 4, art. 256; № 35, art. 3590; № 37, art. 3739; № 51, art. 5515; 2006, № 6, art. 672; № 9, art. 986; № 11, art. 1164; № 14, art. 1510; № 18, art. 1978; № 19, art. 2071; № 24, art. 2586; № 26, art. 2819; № 42, art. 4351; № 48, art. 5013; № 49, art. 5191; 2007, № 1, art. 208; № 5, art. 634; № 7, art. 859, art. 860, art. 861, art. 863; № 8, art. 976; № 9, art. 1062; № 13, art. 1532, art. 1533, art. 1534, art. 1535, art. 1536, art. 1537, art. 1538; № 18, art. 2185, art. 2188, art. 2189, art. 2190; № 19, art. 2341; № 23, art. 2747; № 26, art. 3165; № 27, art. 3254; № 31, art. 4018; № 32, art. 4125; № 33, art. 4186, art. 4187, art. 4188; № 34, art. 4209; № 36, art. 4364; № 38, art. 4510; № 43, art. 5173, art. 5175; № 45, art. 5463; № 48, art. 5950, art. 5953, art. 5954, art. 5955; № 49, art. 6131; № 50, art. 6254; № 52, art. 6428; № 53, art. 6551, art. 6552; 2008, № 8, art. 701; № 9, art. 821, art. 822, art. 826; № 10, art. 908; № 15, art. 1525, art. 1526, art. 1528; № 16, art. 1674; № 17, art. 1819; № 18, art. 2004; № 22, art. 2540, art. 2543; № 24, art. 2835, art. 2836, art. 2837; № 28, art. 3362; № 29, art. 3475; № 40, art. 4518, art. 4521; № 51, art. 6137; № 52, art. 6365; 2009, № 10, art. 1200; № 11, art. 1276; № 12, art. 1406, art. 1408, art. 1409; № 19, art. 2299; № 24, art. 2921; № 35, art. 4223; № 38, art. 4457; № 45, art. 5321, art. 5322; № 52, art. 6537; 2010, № 14, art. 1630; № 15, art. 1776; № 17, art. 2056, art. 2057; № 20, art. 2431; № 24, art. 3018; № 25, art. 3126; № 26, art. 3330; № 40, art. 5044, art. 5045, art. 5047; № 43, art. 5483; № 45, art. 5770; 2011,

№ 18, art. 2598; № 21, art. 2929; № 23, art. 3299; № 29, art. 4423; № 36, art. 5126; № 37, art. 5201; № 43, art. 6023, art. 6030; № 46, art. 6476; 2012, № 1, art. 32, art. 33; № 8, art. 991; № 13, art. 1491; № 17, art. 1916; № 21, art. 2628, art. 2629; № 22, art. 2755; № 23, art. 2993; № 24, art. 3139; № 28, art. 3883; № 33, art. 4630; № 43, art. 5812; № 45, art. 6206; № 48, art. 6663, art. 6666; № 53, art. 7856; 2013, № 6, art. 491) (hereinafter – the ‘List of strategic enterprises’);

3.12.2.4. to loans issued to institutional borrowers included in the list of strategic enterprises, as well as federal executive authorities, ensuring implementation of a unified state policy in sectors of the economy where these organisations conduct their business, approved by Resolution of the Government of Russia № 1226-r, dated 20 August 2009 (Collection of Legislation of the Russian Federation, 2009, № 35, art. 4288; № 45, art. 5392; № 47, art. 5682; № 52, art. 6632; 2010, № 4, art. 431; № 11, art. 1232; № 12, art. 1396; № 17, art. 2128; № 18, art. 2271; № 25, art. 3201, art. 3202, art. 3203; № 30, art. 4126; № 37, art. 4675; № 42, art. 5440, art. 5441; № 49, art. 6549; № 50, art. 6765; 2011, № 14, art. 1975, art. 1976, art. 1977; № 15, art. 2167; № 28, art. 4242; № 40, art. 5580; № 41, art. 5782; № 50, art. 7414; 2012, № 1, art. 225; № 4, art. 509; № 6, art. 754, art. 776; № 11, art. 1339; № 17, art. 2107; № 19, art. 2490; № 25, art. 3426; № 30, art. 4295; № 31, art. 4410; № 38, art. 5198; № 44, art. 6069; № 51, art. 7278; 2013, № 7, art. 667; № 9, art. 972, art. 998) (hereinafter – the ‘List of strategic enterprises’);

3.12.2.5. to loans secured with government guarantees or sureties of constituent entities of the Russian Federation and municipalities, as well as with sureties of funds specified in subclause 6.3.4, clause 6.3 hereof;

3.12.2.6. to loans issued to organisations in the defence industry for the purpose of fulfilling (implementing) state defence orders in accordance with the regulations of the Russian Government;

3.12.2.7. to loans issued to legal entity borrowers directly or indirectly controlled by federal and municipal government authorities, state corporations, state or municipal unitary enterprises. Control is implemented by means of direct

or indirect (through third parties) participation in the authorised capital of legal entities;

3.12.2.8. to loans issued to an institutional borrower, when the amount of taxes, levies and other mandatory payments stipulated by the Law of the Russian Federation and paid by the borrower for four quarters before the date of loan risk assessment is no less than 10 per cent of the total debt of the borrower for loans issued by the credit institution, including the loan issued by the credit institution, or no less than 100,000,000 rubles and provided that such payment of taxes, levies and other mandatory payments are confirmed with copies of payment orders for their transfer marked as executed, and/or tax declarations (accounting statements) submitted by the borrower marked as accepted by the tax authority (as well as accepted electronically).

Tax declaration (accounting statements) may be submitted without a mark of its acceptance by the tax authority, upon submission of either of the following documents to the credit institution: If a tax declaration (accounting statement) is sent by post – a copy of a registered mail sending receipt with the description of enclosures; if transferred in electronic form via telecommunication channels – a copy of the tax declaration (accounting statement) acceptance receipt, a copy of the incoming control statement for the tax declaration (accounting statements) and a copy of the confirmation of sending (confirmation of a specialised communication operator) in hard copies

3.12.2.9 to loans secured by surety (guarantee) of legal entities from the List of strategic enterprises and/or from the List of strategic organisations, defence industry organisations, executed inter alia in the form of aval (surety for a bill), for the purpose of fulfilling (implementing) state defence orders in accordance with the regulations of the Russian Government and of the organisations with the long-term credit rating assigned by at least one of the rating agencies at a minimum level of 'B' according to Standard & Poor's or Fitch Ratings, or 'B2' according to Moody's Investors Service and national rating agencies (hereinafter – the 'national rating agencies'). Information about national rating agencies and information about

minimum levels of long-term credit ratings awarded by the national rating agencies established by the Bank of Russia shall be published on the official website of the Bank of Russia and in the Bank of Russia Bulletin.

3.12.2.10. to loans granted to an institutional borrower (group of related borrowers), when the amount of the loan (total amount of loans) does not exceed 0.1 per cent of the credit institution's equity (capital), but no more than 10,000,000 rubles;

3.12.2.11. to loans issued to sole traders;

3.12.2.12. to loans issued to institutional borrowers being real estate developers or participants in shared-equity construction in accordance with Federal Law № 214-FZ of 30 December 2004, 'On Participation in the Shared-Equity Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation' (Collection of Legislation of the Russian Federation, 2005, № 1, art. 40; 2006, № 30, art. 3287; № 43, art. 4412; 2008, № 30, art. 3616; 2009, № 29, art. 3584; 2010, № 25, art. 3070; 2011, № 49, art. 7015, art. 7040; 2012, № 29, art. 3998; № 53, art. 7643);

3.12.2.13. to loans issued to institutional borrowers in connection with investment activity conducted in the form of capital investments in accordance with Federal Law № 39-FZ, dated 25 February 1999, 'On Investment Activity in the Russian Federation Conducted in the Form of Capital Investments' (Collection of Legislation of the Russian Federation, 1999, № 9, art. 1096; 2000, № 2, art. 143; 2004, № 35, art. 3607; 2006, № 6, art. 636; № 52, art. 5498; 2007, № 31, art. 4012; 2010, № 25, art. 3070; № 30, art. 4015; 2011, № 30, art. 4563, art. 4596; № 50, art. 7351; № 51, art. 7448) and if this purpose for the loan is provided for by the credit agreement, or for purchasing aircraft and vessels, inland vessels, or space objects that are subject to state registration;

3.12.2.14. to loans issued on the basis of Federal Law № 115-FZ, dated 21 July 2005, 'On Concession Agreements' (Collection of Legislation of the Russian Federation, 2005, № 30, art. 3126; 2007, № 46, art. 5557; № 50, art. 6245; 2008, № 27, art. 3126; 2009, № 29, art. 3582, art. 3601; 2010, № 27, art. 3436; 2011,

№ 30, art. 4594; № 49, art. 7015; № 50, art. 7359; 2012, № 18, art. 2130);

3.12.2.15. to loans issued to institutional borrowers having long-term credit rating awarded by at least one of rating agencies at the minimum level of 'B' according to Standard & Poor's or Fitch Ratings, or 'B2' according to Moody's Investors Service and national rating agencies;

3.12.2.16. to loans issued to institutional borrowers that in accordance with International Financial Reporting Standards accepted in the Russian Federation control legal entities with respect to which circumstances described in Appendix 5 hereto are not applied or these entities are specified in subclause 3.12.2 of this clause, given that the controlled legal entities provide a security envisaged by chapter 6 hereof, the amount of which is no less than the amount of the borrower's indebtedness (including cases when legal entities do not prepare reporting in accordance with the International Financial Reporting Standards);

3.12.2.17. to loans issued to institutional borrowers that provided as a security to the credit institution shares (depository receipts for shares, shares in capital) of other legal entities with respect to which circumstances described in appendix 5 hereto are not applied or these entities are specified in subclause 3.12.2 of this clause, given that their fair value is no less than the amount of the borrower's indebtedness.

(subclause 3.12.2 was inserted pursuant to Bank of Russia Ordinance № 2993-U dated 15 April 2013)

3.12.3. When the authorised governing body (body) of the credit institution, if at least one of the circumstances mentioned in Appendix 5 hereto takes place, except for loans specified in subclause 3.12.2 of this clause, makes the decision that an institutional borrower performs practical activities, information about such a decision with respect to loans (total loans issued to a single borrower or a group of related borrowers) exceeding the least of two values – one per cent of the credit institution's equity (capital) or 300,000,000 rubles and the loan quality category are reported to the regional branch of the Bank of Russia as prescribed by clause 3.10 hereof.

(subclause 3.12.3 was inserted pursuant to Bank of Russia Ordinance № 2993-U dated 15 April 2013)

3.13. The following loans are to be classified no higher than quality category III (doubtful loans).

3.13.1. On-demand loans issued to borrowers (except for credit institutions, exchanges performing operations with securities, foreign currency, fixed-term operations and clearing organisations) including promissory notes (except for loans (promissory notes) issued to entities (issued by entities) specified in subclauses 6.2.1 and 6.3.1 hereof, provided that the financial position of the entities specified in subclause 6.3.1 hereof is assessed as good), that remain on the balance of the credit institution for more than 20 calendar days.

3.13.2. Loans granted under contracts which provide for release from interest payments or lowering of the interest rate below the rate specified in the second and third paragraphs of subclause 3.13.3 hereof if certain circumstances related to debt service arise (for example, in case of early loan repayment);

3.13.3. Loans granted to legal entities (except for credit institutions and legal entities that issue securities and provide sureties (guarantees) which belong to security quality category I and II pursuant to clauses 6.2 and 6.3 hereof), at an interest rate as of the loan contract date amounting to:

for Russian ruble loans – less than two-fifths of the Bank of Russia refinancing rate;

for foreign currency loans – less than the LIBOR rate fixed by the British Bankers' Association with respect to interbank deposits (credits) in foreign currency for a comparable period of time; for foreign currency loans, with respect to which LIBOR rate is not applied – less than the discount rate set by the US Federal Reserve System or the European Central Bank.

This subclause is not applied:

to loans issued to legal entities in the currency of the Russian Federation for up to 30 days if the respective decision of the credit institution's authorised body is available and provided that the loan is not used by the borrower to repay an earlier

loan issued to the borrower and provided that the loan is not directly or indirectly (through third parties) used by the borrower to fulfil obligations of other borrowers of this or another credit institution;

to loans issued under contracts which provide for interest payment at a rate specified in this subclause, but the difference between the rate provided for by the loan agreement and a rate exceeding the level provided for by this subclause is compensated by a third party;

to loans issued to the borrower for the purchase of the credit institution's own promissory note before the date of payment under the promissory note;

to loans issued to the borrower to form a letter of credit cover for the period the money cover remains on the credit institution's accounts;

for loans issued to the borrower at the expense of special-purpose budgetary resources or other special-purpose sources;

for loans in the form of securities.

3.13.4. Discounted promissory notes, if the total amount of obligations of the promissory note issuer (jointly liable under the promissory note) is more than 25 per cent of net assets (equity (capital) of the promissory note issuer and/or jointly liable entity under the promissory note, except for cases, when discounted promissory notes are issued, avalised and/or accepted by entities specified in subclauses 6.2.1 and 6.3.1 hereof, provided that the financial position of entities specified in subclause 6.3.1 hereof is assessed as good. The total amount of obligations of a promissory note issuer (jointly liable under the promissory note) is the debt of the promissory note issuer (jointly liable under the promissory note) with respect to promissory notes discounted by the credit institution, as well as with respect to other loans provided by the credit institution to the promissory note issuer (jointly liable under the promissory note).

3.13.5. Loans granted to persons related to the credit institution, if there is no information on the borrower's financial position for a period longer than three months.

3.13.6. Invalid. Bank of Russia Ordinance № 2993-U, dated 15 April 2013.

3.13.7. Loans granted to borrowers by the credit institution for acquiring property from this credit institution which it received as a result of termination of borrowers' prior commitments by means of compensation.

3.13.8. Loans issued to borrowers (except for credit institutions) and used by the borrowers for acquiring and/or repaying promissory notes, except for:

the credit institution's own promissory notes;

promissory notes issued by entities specified in subclause 6.2.1, clause 6.2 and subclause 6.3.1, clause 6.3 hereof, provided that the mentioned entities issue equity securities that are allowed by the trade organiser to circulate in the securities market of the Russian Federation or countries with rating '1', as well as high-income countries that are members of OECD and/or European Union use the single currency of the European Union as their domestic currency and the financial position of the entities mentioned in subclause 6.3.1 of clause 6.3 hereof is assessed as good.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

3.14. The following loans are to be classified no higher than quality category III (doubtful loans) unless otherwise determined by an authorised governing body (body) of the credit institution with due regard for the procedure established by subclause 3.14.3 hereof:

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.14.1 loans issued to borrowers (except for credit institutions) and directly or indirectly (through third parties) used by the borrowers for:

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

issuance of loans to third parties and performance of obligations related to returning money raised by borrowers from third parties, except for loans issued to pawn shops, consumer cooperatives, small business support funds and other organisations and used by the borrowers for issuance of loans to small businesses and individuals,

(as amended by Bank of Russia Ordinances № 1759-U, dated 12 December 2006 and № 2155-U, dated 19 December 2008)

acquisition and/or repayment of issue-grade securities except for securities issued by entities specified in subclauses 6.2.1 and 6.3.1 hereof, provided that the mentioned entities issue equity securities that are allowed by the trade organiser to circulate in the securities market of the Russian Federation or countries with rating '1', as well as high-income countries that are members of OECD and/or European Union use the single currency of the European Union as their domestic currency and the financial position of the entities mentioned in subclause 6.3.1 hereof is assessed as good and except for cases when the borrower is a professional participant of the securities market,

(as amended by Bank of Russia Ordinances № 2155-U dated 19 December 2008, № 2323-U dated 3 November 2009, and № 2993-U dated 15 April 2013)

investing in equities of other legal entities;

3.14.1.1. loans directly or indirectly granted to borrowers by the credit institution and directly or indirectly (through third parties) used by these borrowers for repayment of other borrowers' commitments to this credit institution or other credit institutions;

(subclause 3.14.1.1 was inserted pursuant to Bank of Russia Ordinance № 2993-U dated 15 April 2013)

3.14.2. loans resulting from termination of prior commitments of the borrower by means of novation or compensation (if the object of compensation is promissory notes of other parties or rights (claims) for loans granted by the borrower to third-party debtors), unless the quality of service of the loan arising as the result of novation or termination of prior commitment by compensation and the financial position of the borrower for the specified loan over the previous year and the current year are justifiably assessed as good;

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

3.14.3. If the credit institution classifies the loans specified in subclauses 3.14.1, 3.14.1.1 and 3.14.2 hereof higher than quality category III, it is obliged to send a justification for such classification with due regard for the requirements of clauses 1.7, 3.3–3.5 and 3.7–3.10 hereof to the regional branch of the Bank of

Russia. Classification of loans specified in subclauses 3.14.1, 3.14.1.1 and 3.14.2 of this clause to a higher quality category than III is possible if the borrower's financial position during the last full year and the current year is assessed at least as average. Failure to submit such a justification or submission of insufficient justification is grounds for classifying the loan no higher than quality category III.

Justification of a higher than III category classification for loans specified in subclause 3.14.1.1 hereof shall contain a documented confirmation of economic relations between the borrowers in production operations and/or provision of services or common control by persons (a group of persons) that are not part of the credit institution's group of persons.

(Subclause 3.14.3 as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

3.15. The procedure for assessment of credit risk for a granted loan set forth in this chapter does not apply to loans grouped in a portfolio of similar loans.

3.16. If a loan satisfies both the requirements of clauses 3.12 and 3.13 or clauses 3.12 and 3.14 hereof during classification, the loan shall not be classified by the credit institution higher than category III and the provisions shall be not less than 50 per cent.

The requirements of subclauses 3.13.1 and 3.13.8, as well as paragraph two of subclause 3.14.1 and subclause 3.14.1.1 hereof shall not be applied to loans the amount of which is not more than 0.01 per cent of the credit institution's equity (capital) and issued to individuals.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

(clause 3.16 was introduced by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

3.17. For the period of two years after an emergency situation, credit institution is entitled not to increase the actual provisions for loans issued to individuals and sole traders, as well as for loans issued to institutional borrowers specified in paragraph ten of subclause 3.1.1, clause 3.1 hereof, if the financial position and/or quality of debt servicing and/or quality of security for such loans

deteriorated as a result of the emergency situation

(as amended by Bank of Russia Ordinances № 2920-U dated 3 December 2012, № 3058-U dated 6 September 2013, and № 3496-U dated 18 December 2014)

With respect to loans restructured after an emergency and issued to individuals or sole traders, as well as to legal entities specified in paragraph ten of subclause 3.1.1, clause 3 hereof, the financial position and/or quality of debt servicing and/or security quality of which deteriorated as a result of the emergency situation, credit institutions are entitled not to apply the requirements of subclauses 3.7.2.2 and 3.7.3.2 of clause 3.7, subclause 3.9.2 of clause 3.9 and subclause 3.13.2 of clause 3.13 hereof throughout the effective period of the restructured loan contract, provided that there are no other factors indicating deterioration of the financial position and/or debt servicing quality which are not related to the emergency situation.

(as amended by Bank of Russia Ordinances № 2920-U dated 3 December 2012 and № 3058-U dated 6 September 2013)

(clause 3.17 was inserted by Bank of Russia Ordinance № 2860-U, dated 10 August 2012)

ConsultantPlus: note.

Provisions of clause 3.18, as amended by Bank of Russia Ordinance № 2993-U dated 15 April 2013 are applied to loans issued (restructured) since 1 January 2014. The details of the application of clause 3.18, as amended by Bank of Russia Ordinance № 2993-U dated 15 April 2013 can be found in clauses 2.1–2.2 of Bank of Russia Ordinance № 2993-U dated 15 April 2013.

3.18. The amount of the provisions, created after reduction by the amount of the security hereunder, for loans for which during the course of the calendar year until the date of the provisions calculation (for loans issued to legal entities or sole traders for implementation of investment project for which during two years until

the date of the provisions calculations) no principal debt and/or interest payments are made or made in the amounts not exceeding the amount stipulated by subclause 3.13.3, clause 3.13 hereof, unless otherwise provided for hereby, is determined with allowance for the following:

(as amended by Bank of Russia Ordinance № 3496-U, dated 18 December 2014)

after the first year – at least 5 per cent of debt

after the second year – at least 10 per cent of debt

after the third year – at least 25 per cent of debt

after the fourth year – at least 50 per cent of debt

after the fifth year – at least 75 per cent of debt

The requirements of this clause are no applied to loans specified in subclause 3.12.2, clause 3.12 hereof.

(clause 3.18 was inserted pursuant to Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

ConsultantPlus: note.

Provisions of clause 3.18, as amended by Bank of Russia Ordinance № 2993-U dated 15 April 2013 are applied to loans issued (restructured) since 1 January 2014. The details of application of clause 3.18, as amended by Bank of Russia Ordinance № 2993-U dated 15 April 2013 can be found in clauses 2.1–2.2 of Bank of Russia Ordinance № 2993-U dated 15 April 2013.

3.19. Loans issued to entities related to the credit institution (except for credit institutions) and exceeding 0.1 per cent of the credit institution's equity (capital) and issued not under market terms (without allowance for the procedure for determining the average level of interest in accordance with article 269 of the Tax Code of the Russian Federation), as well as loans issued on the terms that differ from some other terms of crediting stipulated by the credit institution's internal documents, shall not be classified higher than quality category II (non-standard)

with the amount of calculated provisions no less than 10 per cent.

(clause 3.19 was inserted pursuant to Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

Chapter 4. Special Aspects of Provisions Creation

4.1. When specifying the amount of the formed provisions and/or when determining the amount of provisions for a new loan and several loans were issued to a borrower, all loans issued to the borrower shall be classified as the lowest quality category of all of these loans with application of the maximum calculated provisions prescribed by the credit institution for these loans.

If the credit institution issues several loans to the borrower and only one of them complies with the requirements of clauses 3.13 and/or 3.14 hereof and, therefore, is classified by the credit institution as a loan of quality category III or lower, the quality of this loan shall not be taken into account when classifying other loans issued to the borrower. The provisions formed for the borrower's loans after reduction by the security amount, if the requirements of clauses 3.12 and/or 3.18 and/or 3.19 hereof are applied to at least one of the loans, are determined based on the maximum value determined by application of clauses 3.12 and/or 3.18 and/or 3.19 hereof.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

After the borrower performed its obligations with respect to a loan of the lowest quality category, the remaining outstanding loans issued to this borrower are to be assigned to the lowest quality category assigned to the remaining outstanding loans with application of the maximum calculated provisions prescribed by the credit institution for these loans.

If the credit institution forms provisions for transactions related to alienation of financial assets by the credit institution with simultaneous granting of the right of deferred payment to the counterparty – no less than the amount of the provisions for the alienated asset, calculated as of the moment of the asset's write-off from the

credit institution balance sheet, the provisions for this loan are not taken into account when forming provisions for other loans issued to the borrower.

(clause 4.1 as amended by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

4.2. When assessing credit risk for amounts paid by the credit institution to a beneficiary under Bank warranties but not collected from the principal, the credit institution is to determine the quality of debt service by the principal in accordance with requirements of clause 3.7 hereof based on the term of the principal's non-performance of obligations to the beneficiary for whom the credit institution is acting as a guarantor. The financial position of the principal is to be assessed in accordance with the requirements of clauses 3.3 and 3.4 hereof.

4.3. When assessing credit risk for mortgage notes acquired on the secondary market, trends in the cost of mortgage property shall be analysed in addition to assessing the borrower's financial position.

4.4. When creating provisions for transactions related to alienation of financial assets by the credit institution with simultaneous granting of the right of deferred payment to the counterparty, as well as transactions related to the acquisition of financial assets by the credit institution with simultaneous granting of the right of deferred delivery of financial assets to the counterparty, the credit institution is to create the following provisions:

for transactions related to alienation of financial assets by the credit institution with simultaneous granting of the right of deferred payment to the counterparty – no less than the amount of the provisions for the alienated asset, calculated as of the moment of the asset's write-off from the credit institution balance sheet;

for transactions related to the acquisition of financial assets by the credit institution with simultaneous granting of the right of deferred delivery of financial assets to the counterparty – no less than the amount of the provisions for the acquired asset.

4.5. Provisions are to be created for repayment claims against the counterparty with regard to the second part of the transaction for acquisition of securities and

other financial assets with the obligation of their reverse alienation In this case the acquired securities or other financial assets may be considered as security for the purpose hereof pursuant to chapter 6 hereof.

(clause 4.5 as amended by Bank of Russia Ordinance № 1671-U, dated 20 March 2006)

4.6. Provisions for syndicated loans are to be created with respect to requirements for the syndicate participants with allowance for the approaches to risk distribution among syndicate participants in accordance with appendix 4 to Bank of Russia Instruction № 139-I.

(clause 4.6 as amended by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

4.7. If, under a financing contract for a cash claim assignment in accordance with chapter 43 of the Civil Code of the Russian Federation (Collection of Legislation of the Russian Federation, 1996, № 5, article 410), a financial agent (credit institution) finances a customer before the cash claim assignment, assessment of the credit risk before the cash claim assignment is performed with respect to this customer. Credit risk assessment is performed with respect to the debtor after the cash claim assignment.

For the purposes hereof, the customer's liability for non-performance or improper performance by the debtor of the cash claim which is the subject of assignment under the financing contract for cash claim assignment, concluded in accordance with chapter 43 of the Civil Code of the Russian Federation, is considered to be a security for determination of the provisions amount, with allowance for chapter 6 hereof. This security is used to determine the amount of provisions following the same procedure when sureties, a guarantee (bank guarantee), avals and/or promissory note acceptance are used as the security. This security cannot be classified as quality category I.

(clause 4.7 was introduced by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

4.8. Availability of a life insurance and/or health insurance contract

(disability, accident, sickness insurance of an individual borrower) can be taken into account as another material factor when determining the amount of the calculated provisions prescribed for the loan's quality category. When making the decision on whether it makes sense to take into account the individual borrower's insurance when determining the calculated provisions amount, credit institution shall take into account the ratio of potential insurance indemnities and the individual borrower's expenses that are required to service the debt (principal debt and loan interest) within the time period stipulated by the contract under which the loan is issued.

(clause 4.8 was introduced by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

4.9. If the credit institution cannot provide documents confirming the deal made with a borrower, the loan issued to such a borrower shall not be classified higher than quality category V and the provisions shall be no less than 100 per cent.

(clause 4.9 was inserted by Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

4.10. If a credit institution's (lender's) banking licence is revoked, the credit institution shall classify all loans issued to the lender as quality category V loans and the provisions shall be no less than 100 per cent.

(clause 4.10 was inserted by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

Chapter 5. The assessment of credit risks for the purpose of creating provisions for a portfolio of similar loans

5.1. Credit institutions may create provisions for a portfolio of similar loans, each of which is of a small amount. The possibility of creating provisions for a portfolio of similar loans does not apply to loans issued to a single borrower and the respective indicators of similarity if the amount of each of them and/or total the

total amount of such loans exceeds 0.5 per cent of the amount of equity (capital) of the credit institution as of the date of risk assessment.

Loan similarity characteristics (for example, loans to individuals and small enterprises) and the insignificance of the loan amounts up to 0.1 per cent of the amount of the equity (capital) of the credit institution are to be determined by the credit institution independently. Relation to a credit institution cannot be an individual indication of similarity of loans.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

Credit institution is not entitled to include a loan to the portfolio of similar loans (must exclude from the portfolio of similar loans) if it has individual indications of impairment (financial position of the borrower and debt service quality are assessed worse than good), except for cases provided for by paragraphs six, sixteen and twenty-five of this clause. The specified loans are assessed (classified) individually.

If individual indications of impairment are identified with respect to a loan previously included in the portfolio of similar loans, the credit institution is entitled not to exclude such loan from the portfolio of similar loans when the loan amount does not exceed 0.01 per cent of the credit institution's equity (capital) (but no more than 1,000,000 rubles) and there is overdue indebtedness with respect to such loan for more than 90 calendar days. If the loans issued to a borrower are classified on an individual basis and there are indications of their impairment, other loans provided to the borrower shall not be included in the portfolio of similar loans and/or must be excluded from the portfolio of similar loans, except for loans individually not exceeding 0.01 per cent of the credit institution's equity (capital) (but no more than 1,000,000 rubles), while the total amount of loans issued to the same borrower is not more than 0.5 per cent of the credit institution's equity (capital).

Credit institutions are not entitled to include in the portfolio(s) of similar loans such loans that are totally or partially used for the purposes listed in clauses 3.13 and 3.14 hereof (except for loans specified in clause 3.14 hereof with respect to

which the authorised governing body of the credit institution decided that there are no indications of their impairment).

Loans issued to individuals, depending on the duration of overdue loan payments, may be grouped into one of the following portfolios of secured loans (mortgage loans (hereinafter – the ‘mortgage’), mortgage credits (loans) complying with the requirements of subclause 2.3.23, clause 2.3 of Bank of Russia Instruction № 139-I (hereinafter – the ‘military mortgage’) (military mortgage can be classified as quality category I in accordance with clause 1.7 hereof), loans complying with the requirements of code 8806 of the List of definitions of codes that are used for calculation of required ratios (Appendix 1 to Bank of Russia Instruction № 139-I) (hereinafter – the ‘low-risk mortgage’), credits for purchase of vehicles (hereinafter – the ‘car loans’), other loans and loans issued to individuals who receive their salaries and other job-related payments on their bank (deposit) accounts with the credit institution (hereinafter – the ‘loans of borrowers having accounts with the lending bank’), minimal provisions for which (except for military mortgage classified as quality category I and the mortgage specified in table 3.2 of this clause), with respect to loans issued from 1 January 2013, are determined by variant 1 in table 3 of this clause; for loans issued since 1 January 2014, are determined by Variant 1 in table 3.1 of this clause:

(as amended by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

portfolio of loans without overdue payments;

portfolio of loans with overdue payments, the duration of which is 1–30 calendar days;

portfolio of loans with overdue payments, the duration of which is 31–90 calendar days;

portfolio of loans with overdue payments, the duration of which is 91–180 calendar days;

portfolio of loans with overdue payments, the duration of which is 181–360 calendar days;

portfolio of loans with overdue payments, the duration of which is more than

360 calendar days;

Credit institutions are entitled to combine loans without overdue payments and loans with overdue payments, the duration of which is 1-30 calendar days in a single portfolio (minimal provisions for loans (except for military mortgage, classified as quality category I and mortgage specified in table 3.2 of this clause), issued from 1 January 2013, is determined by variant 2 in table 3 of this clause; for loans issued from 1 January 2013, is determined by variant 2 in table 3 of this clause; for loans issued from 1 January 2014, is determined by variant 2 in table 3.1 of this clause; the minimum provisions for low-risk mortgage, if the credit institution uses the right to include it in a separate portfolio of similar loans, as well as for other mortgage portfolio, is determined by variant 2 in table 3.2 of this clause; the minimum provisions for mortgage loan portfolio (except for military mortgage, classified as quality category I), if the credit institution does not use the right to include low-risk mortgage in a separate portfolio, is determined in tables 3 and 3.1 of this clause).

(as amended by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

The following minimum provisions are formed with respect to portfolios listed below:

Table 3

	Portfolios of similar loans issued to individuals	Minimum provisions, as a percentage							
		Variant 1				Variant 2			
		for portfolios of secured loans		for portfolios of loans issued to borrowers having accounts in the lending bank	for portfolios of other loans	for portfolios of secured loans		for portfolios of loans issued to borrowers having accounts in the lending bank	for portfolios of other loans
		mortgage	car loans			mortgage	car loans		
1.	Portfolio of loans without overdue payments;	0.35	0.5	1	2	0.75	1.5	3	

2.	Portfolio of loans with overdue payments, the duration of which is 1–30 calendar days;	1.5	3	6			
3.	Portfolio of loans with overdue payments, the duration of which is 31–90 calendar days;	10	20		10	20	
4.	Portfolio of loans with overdue payments, the duration of which is 91–180 calendar days;	35	50		35	50	

5.	Portfolio of loans with overdue payments, the duration of which is 181–360 calendar days;	75
6.	Portfolio of loans with overdue payments, the duration of which is more than 360 calendar days;	100

Table 3.1

	Portfolios of similar loans issued to	Minimum provisions, as a percentage	
		Variant 1	Variant 2

	individuals	for portfolios of secured loans		for portfolios of loans issued to borrowers having accounts in the lending bank	for portfolios of other loans	for portfolios of secured loans		for portfolios of loans issued to borrowers having accounts in the lending bank	for portfolios of other loans
		mortgage	car loans			mortgage	car loans		
1.	Portfolio of loans without overdue payments;	0.35	0.5	1	3				
2.	Portfolio of loans with overdue payments, the duration of which is 1–30 calendar days;	1.5		3	8	0.75		1.5	5

3.	Portfolio of loans with overdue payments, the duration of which is 31–90 calendar days;	10	20	10	20
4.	Portfolio of loans with overdue payments, the duration of which is 91–180 calendar days;	35	50	35	50
5.	Portfolio of loans with overdue payments, the duration of which is 181–360 calendar days;	75			

6.	Portfolio of loans with overdue payments, the duration of which is more than 360 calendar days;	100
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Table 3.2

	Portfolios of similar loans	Minimum provisions, as a percentage			
		low-risk mortgage		other mortgage	
		Variant 1	Variant 2	Variant 1	Variant 2
1.	Portfolio of loans without overdue payments;	0.2	0.6	0.5	1
2.	Portfolio of loans with overdue payments, the duration of	1		2	

	which is 1–30 days;				
3.	Portfolio of loans with overdue payments, the duration of which is 31–90 days;	7		15	
4.	Portfolio of loans with overdue payments, the duration of which is 91–180 days;	20		45	
5.	Portfolio of loans with overdue payments, the duration of which is 181–360 days;	60		75	
6.	Portfolio of loans with overdue payments, the duration of which is 360–720 days;	80		100	
7.	Portfolio of loans with overdue payments, the duration of which is more than 720		100		

	calendar days;	
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(as amended by Bank of Russia Ordinance № 3267-U, dated 30 May 2014)

Credit institution is entitled to stipulate in its internal documents the creation of the respective subportfolios of impaired overdue loans issued to individuals in the specified portfolios following the procedure of forming the provisions, resulting from the requirements of this clause with respect to minimum provisions.

Loans issued to small and medium businesses (including those the financial position of which is assessed as average for loans not exceeding 5,000,000 rubles), depending on the duration of overdue payments, are grouped into one of the following portfolios of secured loans (loans with the security as follows: sureties specified in subclause 6.3.4 of clause 6.3 hereof, mortgage, pledge of vehicles on condition of state registration and insurance of the vehicle) and other loans:

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

portfolio of loans without overdue payments;

portfolio of loans with overdue payments, the duration of which is 1–30 calendar days;

portfolio of loans with overdue payments, the duration of which is 31–90 calendar days;

portfolio of loans with overdue payments, the duration of which is 91–180 calendar days;

portfolio of loans with overdue payments, the duration of which is 181–360 calendar days;

portfolio of loans with overdue payments, the duration of which is more than 360 calendar days;

The following minimum provisions are formed with respect to portfolios listed below:

Table 4

	Portfolios of similar loans issued to small and medium businesses	Minimum provisions, as a percentage	
		for portfolios of secured loans	for portfolios of other loans
1.	Portfolio of loans without overdue payments;	0.5	1
2.	Portfolio of loans with overdue payments, the duration of which is 1–30 calendar days;	1.5	3
3.	Portfolio of loans with overdue payments, the duration of which is 31–90 calendar days;	10	20
4.	Portfolio of loans with overdue payments, the duration of which is 91–180 calendar days;	35	50

5.	Portfolio of loans with overdue payments, the duration of which is 181–360 calendar days;	75
6.	Portfolio of loans with overdue payments, the duration of which is more than 360 calendar days;	100

Table 4.1

	Portfolios of similar loans issued to small and medium businesses	Minimum provisions, as a percentage	
		for portfolios of secured loans	for portfolios of other loans
1.	Portfolio of loans without overdue payments;	0.5	1
2.	Portfolio of loans with overdue payments, the duration of which is 1–	1.5	3

	30 calendar days;		
3.	Portfolio of loans with overdue payments, the duration of which is 31–90 calendar days;	10	20
4.	Portfolio of loans with overdue payments, the duration of which is 91–180 calendar days;	35	50
5.	Portfolio of loans with overdue payments, the duration of which is more than 180 calendar days;	75	

(table 4.1 is inserted by Bank of Russia Ordinance № 2947-U, dated 24 December 2012)

Credit institutions is entitled to stipulate in its internal documents the creation of the respective subportfolios of impaired overdue loans issued to small and medium businesses in the specified portfolios following the procedure of forming the provisions resulting from the requirements of this clause with respect to minimum provisions.

If the financial position of an individual borrower is assessed at least as average, the credit institution is entitled to include a loan up to 1,000,000 rubles (except for a home mortgage loan) in the portfolio of similar loans, as well as a home mortgage loan up to 6,000,000 rubles. If the financial position of the borrower is assessed as bad inclusive, the credit institution is entitled not to exclude from the respective portfolio a loan up to 1,000,000 rubles issued to an individual borrower (except for a home mortgage loan) or a loan up to 5,000,000 rubles issued to a small or medium business, as well as a home mortgage loan up to 6,000,000 rubles issued to an individual borrower.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

If the portfolio of similar loans includes loans issued to natural persons and sole traders, as well as loans issued to legal entities specified in paragraph ten of subclause 3.1.1, clause 3.1 hereof and financial position and/or debt servicing quality and/or quality of security with respect to such loans deteriorates due to an emergency situation, the credit institution is entitled not to exclude such loans from previously formed portfolios for one year from the date of the emergency situation.

(as amended by Bank of Russia Ordinance № 3058-U, dated 6 September 2013)

(clause 5.1 as amended by Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

5.2. The amount of provisions for a portfolio of similar loans is to be determined by the credit institution depending on the applied methods of assessment of similar loan portfolio risks. The procedure for credit risk assessment

with respect to a portfolio (portfolios) of similar loans is described in Appendix 4 to this Regulation.

5.3. Credit risk related to a portfolio of similar loans is assessed by the credit institution on a regular basis. The composition of a portfolio of similar loans (as well as exclusion of loans amounting to more than 0.01 per cent of the credit institution's equity (capital) and/or amounting to more than 1,000,000 rubles), as well as the provisions amount for a portfolio of similar loans due to credit risk change, change in the composition of a portfolio of similar loans, as well as due to rate changes of the foreign currency in which the portfolio's loans are denominated with respect to the ruble, are specified at least monthly as of the reporting date. The credit institution reserves the right to provide for the need to update the provisions amount due to the said circumstances as of intramonth dates in its internal documents. The amount of provisions for the portfolio of similar loans is updated as of an intramonth date (dates) when the Bank of Russia and/or a regional branch of the Bank of Russia requires the submission of ratio calculation as of the intramonth date (dates) in accordance with clause 9.3 of Bank of Russia Instruction № 139-I.

(as amended by Bank of Russia Ordinances № 1759-U, dated 12 December 2006, № 2155-U, dated 19 December 2008, № 2920-U, dated 3 December 2012, and № 3267-U, dated 30 May 2014)

5.4. At least once per quarter the credit institution is to execute the necessary documentation and include information in the similar loan portfolio profile on the general analysis of the borrowers' position and its results, including the professional judgment of the credit institution about the size of the credit risk with regard to the portfolio of similar loans, as well as information on calculations of provisions.

Chapter 6. Creation of provisions accounting for loan security

6.1. For loans belonging to quality categories II-V, provisions are to be created with due regard for security from quality categories I and II listed in clauses 6.2 and 6.3 hereof.

(as amended by Bank of Russia Ordinance № 2355-U, dated 4 December 2009)

Invalid. Bank of Russia Ordinance № 2355-U, dated 4 December 2009.

6.2. The following kinds of security may be classified as belonging to quality category I:

6.2.1. a pledge, if the items of pledge are:

tradeable securities issued by countries which are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies, as well as securities of the countries' central banks,

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

Bank of Russia bonds,

securities issued by the Ministry of Finance of the Russian Federation,

promissory notes of the Ministry of Finance of the Russian Federation,

tradeable securities of legal entities which are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies,

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

the credit institution's own debt securities with a period of presentation for payment which is longer than the period of discharge of the borrower's loan-related obligations and/or the credit institution's own debt securities, irrespective of their period of presentation for payment, if the specified securities are pledged to the credit institution,

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

promissory notes which are avalised and/or accepted by the parties specified in subclause 6.2.3. hereof, with regard to the amount secured by aval (acceptance),

refined precious ingot metals (gold, silver, platinum and palladium);

guarantees (warranties) of constituent entities of the Russian Federation which

are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies,
(this paragraph was inserted pursuant to Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

real estate being the security for performance of the borrower's obligations under a home mortgage contract provided that the home loan is issued subject to the requirements established by the open joint-stock company Agency for Housing Mortgage Lending and complies with the requirement prescribing the ratio of no more than 70 per cent between the principal loan debt and the fair value of the real estate pledge;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2355-U, dated 4 December 2009)

6.2.2. a security deposit with the lending credit institution that belongs to a legal entity having unperformed monetary obligations with respect to the credit institution or obligations that arise (may arise) from performance by the credit institution of accepted credit contingency (hereinafter – the 'principal liabilities), as well as a deposit with the lending credit institution that belongs to the legal entity having obligations to the credit institution under a surety agreement or obligations due to a bank guarantee to ensure proper performance of principal liabilities, provided that all the following conditions are met at the same time:

there are no obstacles for termination of obligations by netting of security deposit claims, including the absence of the condition in the deposit agreement providing for early repayment (demand) of the deposit;

the return date of the deposit of the institutional borrower (a counterparty with respect to a credit contingency, as well as a legal entity having obligations to the credit institution under a surety agreement or obligations due to a bank guarantee to ensure proper performance of principal obligations) is not earlier than the date of fulfilment of its obligations to the credit institution and not later than 30 days after the date;

(subclause 6.2.2 as amended by Bank of Russia Ordinance № 1671-U, dated 20

March 2006)

6.2.3 guarantee of the Russian Federation, Bank of Russia guarantee, sureties (guarantees) of governments and bank guarantees of central banks of countries with rating '1', as well as high-income countries that are members of OECD and/or the European Union and use the single currency of the European Union as their domestic currency;

(as amended by Bank of Russia Ordinances № 2155-U dated 19 December 2008, № 2323-U dated 3 November 2009, and № 2993-U dated 15 April 2013)

6.2.4 sureties (guarantees) of legal entities which are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies;

(subclause 6.2.4 as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

6.2.5. sureties (guarantees) of constituent entities of the Russian Federation which are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies,

(subclause 6.2.5 was inserted pursuant to Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

6.2.6. compensation deposit of the Bank of Russia – money provided by the Bank of Russia in accordance with the provisions of article 3 of the Federal Law 'On Additional Measures to Support the Financial System of the Russian Federation' (Collection of Legislation of the Russian Federation, 2008, № 42, art. 4698) and used to partially compensate losses (expenses) of credit institutions related to deals made between 14 October 2008 and 31 December 2009 inclusive with other credit institutions, the banking licence of which was (later) revoked after the deals were made;

(subclause 6.2.6 was inserted pursuant to Bank of Russia Ordinance № 2155-U dated 19 December 2008)

6.2.7 liabilities of the State Corporation Deposit Insurance Agency related to repurchase of loans from the credit institutions that purchased them within the

scope of implementation of Federal Law № 175-FZ, dated 27 October 2008, ‘On Amending the Federal Law ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011’ (Collection of Legislation of the Russian Federation, 2008, № 44, art. 4981; 2009, № 29, art. 3630);

(subclause 6.2.7 was inserted pursuant to Bank of Russia Ordinance № 2355-U, dated 4 December 2009)

6.2.8. Export credit and investment insurance agreements secured with government guarantees and/or Vnesheconombank guarantees in accordance with the budget legislation of the Russian Federation and Resolution of the Government of the Russian Federation № 964, dated 22 November 2011, ‘On the Procedure for Insuring Export Loans and Investments against Business and Political Risks’ (Collection of Legislation of the Russian Federation, 2011, № 48, art. 6936) (hereinafter – the ‘Resolution of the Russian Government № 964’);

(subclause 6.2.8 was inserted pursuant to Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

6.2.9. bank guarantees of the ‘Non-bank deposit and credit institution ‘Agency of credit agencies’, established pursuant to the Directive of the Government of the Russian Federation № 740-r dated 5 May 2014 (Collection of Legislation of the Russian Federation, 2014, № 20, art. 2550) to secure the obligations of regional guarantee institutions resulting from surety contracts with credit institutions, obligations of small and medium businesses resulting from credit, loan and other debt obligations.

(subclause 6.2.9 was inserted pursuant to Bank of Russia Ordinance № 3422-U, dated 21 October 2014)

6.3. The following kinds of security may be classified as belonging to quality category II:

6.3.1. a marketable pledge not considered security of quality category I, which may include:

pledge of securities of the issuers listed and allowed by the trade organiser to

circulate in the securities market of the Russian Federation or countries with rating '1', as well as high-income countries that are members of the OECD and/or the European Union and use the single currency of the European Union as their domestic currency;

(as amended by Bank of Russia Ordinances № 2323-U, dated 3 November 2009, and № 2993-U, dated 15 April 2013)

pledge of units of unit investment funds listed and allowed by the trade organiser to circulate in the securities market of the Russian Federation or countries with rating '1', as well as high-income countries that are members of the OECD and/or the European Union and use the single currency of the European Union as their domestic currency;

(as amended by Bank of Russia Ordinances № 2323-U, dated 3 November 2009, and № 2993-U, dated 15 April 2013)

pledge of securities issued by constituent entities of the Russian Federation which are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies;

pledge of securities issued by legal entities which are rated not lower than BBB by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies;

pledge of securities issued by credit institutions of the Russian Federation and banks of countries with rating '1', as well as high-income countries that are members of OECD and/or European Union use the single currency of the European Union as their domestic currency;

(as amended by Bank of Russia Ordinances № 2323-U, dated 3 November 2009, and № 2993-U, dated 15 April 2013)

a pledge of promissory notes which are avalised and/or accepted by the parties specified in subclause 6.2.4. hereof, with regard to the amount secured by aval (acceptance),

pledge of securities issued by legal entities, if their return on equity for the last year was at least 5 per cent – up to 50 per cent of the capital value (net assets) of

these legal entities, confirmed by audit;

pledge of objects provided that there is a stable market of such pledge objects and/or sufficient grounds to consider that the respective pledge object can be sold within a period not exceeding 180 days from the date of occurrence of the reasons for foreclosure on the subject of pledge, provided that the legal documents in respect of the pledge rights of the credit institution are executed in a way that ensures it does not contain conditions hindering the implementation of pledge rights and/or the pledge object; Availability (absence) of the contract of pledge object insurance, accepted as the loan security, may be considered as an additional factor during the assessment of loan security quality;

the pledge of property rights (claims) to real estate property if there are reasonable grounds to believe that the relevant rights may be exercised within a period not exceeding 180 days from the date of occurrence of the reasons for foreclosure on the subject of pledge, provided that the legal documents in respect of the pledge rights of the credit institution are executed in a way to ensure that it does not contain conditions hindering the implementation of pledge rights;

(subclause 6.3.1 as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

6.3.2. guarantees (bank guarantees) and guarantees (with regard to promissory notes – avals and/or acceptances) of the parties listed in subclause 6.3.1 hereof, up to 50 per cent of the net assets (equity (capital)) of the warrantor (guarantor) over the last year as confirmed by audit, given that the financial position of the warrantor (guarantor) is assessed as good pursuant to the second paragraph of clause 3.3 and with due regard for subclause 3.4.1 hereof;

6.3.3. sureties (guarantees) of constituent entities of the Russian Federation which are rated not lower than CCC by Standard & Poor's rating agency and/or not lower than analogous ratings by Fitch Ratings and Moody's rating agencies;

(subclause 6.3.3 was inserted pursuant to Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

6.3.4. sureties of business support funds and funds of small and medium

business credit assistance established by constituent entities of the Russian Federation;

(subclause 6.3.4 was inserted pursuant to the Bank of Russia Ordinance № 1960-U, dated 28 December 2007)

6.3.5. sureties of the Agency for Housing Mortgage Lending, accepted as security for issued loans.

(subclause 6.3.5 was inserted pursuant to Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

6.4. The security amount (value) means:

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

for a pledge (except for securities quoted by a market operator on the securities market) – the fair value of the pledge. The fair value of a pledge belonging to quality categories I and II is to be determined regularly by the credit institution, but not less than once every three months. A change in the pledge's fair value shall be taken into account when determining the amount of provisions calculated in accordance with clause 6.7 hereof;

for securities quoted by a market operator on the securities market – average weighted price of a security disclosed by the organiser of trade in the securities market in accordance with clause 7.7 of the Regulation on organising trade in the securities market approved by Order of the Federal Financial Markets Service № 07-102/pz-n, dated 9 October 2007, registered with the Ministry of Justice of the Russian Federation on 14 November 2007, № 10489. If the information on the average weighted price of one security is disclosed by several trade organisers on the securities market, the average weighted price of the security shall be determined using the average weighted price of the security disclosed by the trade organiser on the securities market with the biggest trade volume on this security.

(as amended by Bank of Russia Ordinance № 1909-U, dated 14 November 2007)

for the credit institution's own debt securities and margin deposits (holdings) – the value of commitments provided for by the securities (the deposit (holding) contract) and reflected in the respective bookkeeping accounts;

for sureties, guarantees (bank guarantees), or promissory note avals and/or acceptances – the value of commitments for the guarantee, warranty (bank warranty) or the promissory note (in case of avals and/or acceptances of a bill of exchange – part of the bill principal amount).

for liabilities of the State Corporation Deposit Insurance Agency related to the repurchase of loans from the credit institutions that purchased them within the scope of implementation of Federal Law № 175-FZ, dated 27 October 2008, ‘On Amending the Federal Law ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011’ – current price of repurchased loans but no more than the value of repurchased loans established by an agreement between the State Corporation Deposit Insurance Agency and the credit institution;

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2355-U, dated 4 December 2009)

for contracts of export credit and investment insurance – the insured amount (limit of liability) received by the credit institution in accordance with the terms of these contacts, determined taking into account Russian Government Resolution № 964 within the outstanding amount of the loan.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

6.5. Security shall not be taken into account for the purposes of this Regulation if:

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

at the moment when it becomes necessary to realise the rights resulting from availability of the loan security, the credit institution is not legally able to enforce it and/or the credit institution does not take practical steps to enforce it;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

there are grounds to recognise that it is impossible to enforce the rights resulting from availability of the loan security without significant losses of the security amount (value);

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

procedures prescribed by bankruptcy laws are being applied to the pledger;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

the financial position of a person/entity having no long-term credit rating assigned by at least one rating agency no less than B level as per the classification of Standard & Poor's or Fitch Rating's, or B2 as per classification of the Moody's Investors Service agency, as well as national rating agencies, which issued the pledged securities, cannot be assessed as good or average in accordance with clauses 3.3 and 3.4 hereof;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

pledged securities (promissory note) are issued by the borrower or by a person that may directly or indirectly (through third parties) affect the decisions made by the borrower's governing bodies to a material extent, or a person whose governing body's decisions can be directly or indirectly (through third parties) affected by the borrower to a material extent or a person whose governing body's decisions can be affected by a third party if such third party is able to affect the decisions of the borrower's governing body, except for the case when persons that may have a material influence are persons specified in subclause 6.2.1 of clause 6.2 and subclause 6.3.1 of clause 6.3 hereof. The term 'material influence' applies in this Regulation in the meaning defined in article 4 of the Federal Law 'On Banks and Banking Activity';

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

the pledged object is encumbered by liabilities related to other contracts of the pledger, including pledge contracts made with third parties, except for situations when the encumbrance of the pledged object is not an obstacle for observing the term that is required to exercise the pledge holder's rights resulting from the availability of the loan security and does not affect the value of the pledged object;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

the financial position of the third party that provided the security and being at the same time a borrower under other credit contracts made with the credit

institution deteriorates so much that if the creditor exercises the rights, resulting from the availability of the loan security, there will be grounds for application of bankruptcy procedures prescribed by law to the party;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

there is no information, specified in appendix 2 hereto, about the borrower for more than a quarter, except for a situation when the borrower provides the security in the form of a pawn or guarantee deposit;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

there is no confirmation (evidence of falsification) that the pledged object is real and/or belongs to the third party being the pledger (as well as due to the absence of the respective assets on the balance of the third party being the pledger, absence of properly executed documents that confirm the third party's (pledger's) ownership rights to the pledged object);

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

there are other considerable documented circumstances that may materially impede exercising of the credit institution's rights resulting from the availability of the loan security.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

6.5.1. Share of the lending credit institution cannot be categorised as a security which is taken into account when forming the provisions.

6.5.2. Provisions are determined taking account of the amount (value) of the security provided by a third party provided that:

there are no circumstances that may result in the credit institution's refusal to implement the rights resulting from the provided loan security including subjective circumstances (conflict of interest of the parties participating in a loan agreement and/or loan security agreement, relation (direct or indirect) between the third party and the credit institution);

there are sufficient grounds to presume that the third party that provided the loan security (pledger, guarantor, avalist, surety) will perform the obligations resulting from the provided security and will not impede exercising of rights by the

credit institution;

there are no circumstances specified in clause 6.5 hereof that may be delegated to the third party providing the security.

(clause 6.5 as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

6.6. Upon the expiry of 180 days from the moment when the grounds for pledge enforcement arise, including for reasons beyond the control of the credit institution (for example, the credit institution's claim for recovery of the pledged property is set aside or left undecided, pledge enforcement is delayed as a result of legal proceedings (pursuant to clause 2 of article 350 of the Civil Code of the Russian Federation (Collection of Legislation of the Russian Federation, 1994, № 32, art. 3301))), for the purposes hereof security shall be counted as follows:

for a period from 180 to 270 calendar days after the grounds for pledge enforcement arise, the security is accepted for an amount not exceeding 70 per cent of its current estimated value (minus the credit institution's supposed expenses related to the security enforcement);

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

for a period from 180 to 270 calendar days after the grounds for pledge enforcement arise, the security is accepted for an amount not exceeding 70 per cent of its current estimated value (minus the credit institution's supposed expenses related to the security enforcement);

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

Upon the expiry of 365 calendar days after the grounds for pledge enforcement arise, the security cannot be counted for the purposes hereof.

6.7. If security of quality categories I or II is available, the minimum amount of provisions is calculated by the following formula:

$$\text{SUM } k \times A_c$$

i i

$$P = PP \times (1 - \text{-----}), \text{ where}$$

Pd

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

P is the minimum provisions amount. Provisions created by the credit institution cannot be less than the minimum provisions amount;

Pd is the calculated provisions amount;

ki is the coefficient (index) of the security quality category. For security of quality category I, ki (k1) is taken to be equal to one (1.0). For security of quality category II, ki (k2) is taken to be equal to 0.5.

Aci is the value of the security of the given quality category (minus the supposed expenses of the credit institution connected with pledge enforcement) in thousands of rubles;

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

Pd is the principal debt amount for the loan.

If $\sum ki * Aci \geq Pd$, then P is taken to be equal to zero (0).

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

The paragraph is invalid from 1 July 2012 – Bank of Russia Ordinance № 2155-U dated 19 December 2009.

Chapter 7. The Procedure for Determining the Amount of Provisions and Creating Provisions

7.1. The amount of calculated provisions and the amount of provisions are to be determined regularly, at the same time as the assessment of loan credit risks made by the credit institution in accordance with chapters 2–6 hereof.

7.2. The amounts of calculated provisions and provisions are to be calculated in accordance with clauses 2.1 and 3.1 hereof.

If the amount of calculated provisions is less than the amount of created loan provisions due to a change in the loan principal debt and/or the raising of the loan's quality category, the difference between the created provisions and

provisions which should be created is restored to the income of the credit institution.

During reclassification of a loan from one quality category to another, the credit institution, depending on the procedure, prescribed by the credit institution's internal documents, may increase (decrease) provisions to the required amount or restore the provisions for proceeds and create it in the amount prescribed herein.

(this paragraph was inserted by Bank of Russia Ordinance № 2155-U dated 19 December 2008)

7.3. The amount of calculated provisions and provisions is calculated for the entire credit institution, regardless of whether the provisions are reflected on the balance sheets of branches. The credit institution is to determine independently the procedures for creating, specifying and reflecting provisions on the branches' balance sheets.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

7.4. Loan loss provisions are to be accounted in accordance with Bank of Russia Regulation № 385-P 'On the rules for maintaining accounting records in credit institutions within the Russian Federation' registered by the Ministry of Justice of the Russian Federation under № 25350 on 3 September 2012, under № 25670 on 15 October 2012 (Bank of Russia Bulletin № 56–57 dated 25 September 2012, № 62 dated 24 October 2012) (hereinafter – the 'Bank of Russia Regulation № 385-P').

(as amended by Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

Chapter 8. The procedure for removing bad loans from the balance sheet of the credit institution

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

8.1. Debts are recognised as uncollectible if the credit organisation has undertaken necessary and adequate legal and actual measures to realise the rights

arising from the availability of security, given that there are documents and/or acts of authorised government bodies that are required and sufficient for making the decision on writing off the bad debt by means of provisions created for it, as well as when estimated expenses of the credit organisation related to further steps to collect the bad debt and/or exercise the rights resulting from the availability of the security shall be higher than the result of them. The credit institution, in accordance with its internal documents, may stipulate additional criteria for recognising debts as uncollectible if they account for no more than 0.5 per cent of the credit institution's equity (capital), as well as the procedure for decision-making by the credit institution's governing bodies.

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

8.2. Bad debts shall be written off by the credit institution by means of the provisions created for the respective loan.

At the same time, the credit institution shall write off the interest accrued for the bad loans.

The procedure for writing off bad debts is determined by other regulations of the Bank of Russia.

8.3. When removing bad loans and accrued interest from the balance sheet, the credit institution shall take all necessary and sufficient legal and actual steps which are possible to take by law, business practice or contract for the recovery of the said loan.

Removal of bad loans and accrued interest from the balance sheet is considered legitimate if the documents specified in clause 8.4 hereof are available and in the cases provided for by clause 8.7 hereof if the acts issued by authorised governmental bodies specified in clause 8.5 hereof are available.

Bad debts related to loans, the amount of which is less than 0.5 per cent of the credit institution's equity (capital) and with respect to which certain steps were taken in order to recover it, but there are sufficient grounds to estimate that supposed expenses of the credit institution related to recovery of the debt shall exceed the amount that may be recovered, can be written off by means of the

created provisions if no documents, specified in clause 8.4 hereof, are available and if a documented professional judgment of the credit institution is available as prescribed by its internal documents.

8.4. The documents specified in clause 8.3 hereof may include documents confirming the fact of the non-performance of the borrower's obligations to the lenders over a period of at least one year before the date the decision was made to write off the bad debt.

8.5. Acts issued by authorised governmental bodies may include acts of court, acts of bailiffs, acts of state registration authorities and other acts proving the impossibility of recovering the bad loan.

8.6. Bad loans are to be removed from the balance sheet of the credit institution by means of provisions created for it, following the decision of an authorised body (bodies) of the credit institution, or in a manner established by it.

The procedure for recognising a debt as uncollectible shall provide for conditions preventing a conflict of interests of the credit institution's employees who make decisions on issuing loans and decisions on writing-off bad debts.

8.7. Bad debts whose amounts exceed one per cent of the equity (capital) of the credit institution are to be removed from the balance sheet of the credit institution with due regard for the following:

8.7.1. The credit institution's decision on writing off a bad debt related to the loan exceeding one per cent of the credit institution's equity (capital), except for bad debts related to loans issued to borrowers specified in subclause 8.7.2 hereof, shall be confirmed by acts specified in clause 8.5 hereof, unless there is a special decision of the authorised governing body of the credit institution that such confirmation with the mentioned acts is not required.

8.7.2. A decision made by the credit institution to write off bad loans granted to a shareholder(s) or participant(s) of the credit institution and/or their affiliates must be confirmed by acts specified in clause 8.5 hereof if the amount of the bad loan (aggregate loans granted to a shareholder (participant)) exceeds one per cent of the equity (capital) of the credit institution.

Chapter 9. Special aspects of supervising the creation of provisions

9.1. The Bank of Russia, its regional branches and authorised representatives acting in accordance with article 73 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ are to assess the assets and liabilities of the credit institution pursuant to part four of article 72 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ and estimate, in particular, the propriety of loan classification and the amount of created provisions, guided by the requirements and methods set forth herein (hereinafter – the ‘assessment method’).

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

9.2. The regional branch of the Bank of Russia is entitled to request from the credit institution copies of its approved internal documents concerning credit policy issues and amendments thereto.

9.3. When exercising oversight, including auditing by authorised representatives of the Bank of Russia, regional branches are to assess the availability, quality (in particular, compliance with requirements and assessment methods set forth herein) and degree of execution of internal documents of the credit institution concerning the classification of loans and the creation of provisions defined hereby. A loan can be classified by the Bank of Russia or its regional branch as belonging to another quality category as compared to the quality category to which the loan was assigned by the credit institution in accordance with table 1 hereof, if information about other special factors specified in subclauses 3.9.2 and 3.9.3 hereof is available that were used or were not used by the credit institution during the classification of the loan by the credit institution and/or there is disagreement with the credit institution’s decision to use (not to use) them, as well as disagreement with the credit institution’s decision to use other material factors prescribed by the credit institution’s internal documents during the

loan classification that are not specified in subclauses 3.9.2 and 3.9.3 of clause 3.9 hereof. A loan is classified by the Bank of Russia or its regional branch to another quality category when the credit institution has classified the loan based on the provisions of its internal documents which are in conflict with the requirements hereof.

The Bank of Russia or its regional branches shall take substantiated and comprehensible steps in order to assess the quality of information about the borrower and loan security that is used by the credit institution for loan assessment and determining provisions for it, as well as send the respective requests to the credit institution.

The Bank of Russia and its regional branches are entitled to require that the credit institution should reclassify a loan and/or specify the amount of provisions, eliminate inconsistencies in the credit institution's internal documents as compared to this Regulation, as well as specify the amount of provisions prescribed for the loan quality category hereby, including situations when the credit institution refuses to provide information about the borrower and/or loan security or provides unreliable information.

(clause 9.3 as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

9.4. The regional branch of the Bank of Russia is to check the propriety of the decision made by the governing body (body) of the credit institution pursuant to clause 3.10, subclause 3.12.3 of clause 3.12 and clause 3.14 hereof. At the same time, the regional branch is entitled to require from the credit institution and the credit institution shall provide the necessary and sufficient information related to loan classification. Failure to submit the required information, or submission of insufficient information, is grounds for assigning the loans to a lower quality category than provided for by the decision of the governing body (body) of the credit institution. If necessary, the Bank of Russia shall perform specific examinations of the decisions related to classification of loans specified in clause 3.10, subclause 3.12.3 of clause 3.12 and clause 3.14 hereof. In the event of

disagreement with the decision made by the governing body (body) of the credit institution, the regional branch of the Bank of Russia is to require that the credit institution reclassify the loan and/or specify the provisions; this requirement is to be documented as an order.

(as amended by Bank of Russia Ordinances № 2155-U, dated 19 December 2008, and № 2993-U, dated 15 April 2013)

9.5. If, pursuant hereto, the Bank of Russia (its regional branch) assesses certain loans (portfolios of similar loans) differently than the credit institution

or reveals that the created provisions for loans (portfolios of similar loans) is insufficient (excessive), then, based on articles 72 and 74 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, the Bank of Russia (its regional branch) shall demand that the credit institution should reclassify the loan and/or specify the amount of provisions pursuant to the assessment of the Bank of Russia (its regional branch), as well as within the amount of provisions prescribed for the loan quality category by clause 3.11 hereof. The above-mentioned requirement shall be documented in the form of an order.

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

If the Bank of Russia (its regional branch) reveals that the credit institution, for the purposes of assessment of the borrower’s financial position and determination of the quality category of the loan issued to it and the amount of provisions, uses the reports and/or information that is unreliable and/or different from the reports and/or information provided by the borrower to government bodies, to the Bank of Russia and/or published by the borrower and/or available in credit rating agencies, the Bank of Russia (its regional branch) shall demand that the credit institution should classify such loan as belonging not higher than to quality category III with provisions of at least 50 per cent. The above-mentioned requirement shall be documented in the form of an order.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2028-U, dated 16 June 2008)

If the Bank of Russia (its regional branch) reveals that a loan is reflected in

the accounting balance sheet or report without the documents confirming the deal with the borrower, the Bank of Russia (its regional branch) shall demand that the credit institution should classify such loan as belonging not higher than quality category V with provisions to the extent of 100 per cent. The said request shall be documented as an order and the credit institution shall comply with it no later than the next day after receiving the order.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

9.6. If the credit institution fails to fulfil the order of the Bank of Russia directed pursuant to clause 9.5 hereof within the prescribed time limit, the regional branch of the Bank of Russia is to take enforcement actions against the credit institution as stipulated under the federal law.

Chapter 10. Final Provisions

This Regulation shall be published in the Bank of Russia Bulletin and shall, as per the resolution of the Bank of Russia Board of Directors (Minutes of the Bank of Russia Board of Directors meeting № 5, dated 19 March 2004), take effect on 1 August 2004.

Specific aspects of using the credit ratings for the purposes of application hereof may be set forth by other Bank of Russia regulations.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 3452-U, dated 25 November 2014)

Governor
of the Central Bank
of the Russian Federation
S. M. IGNATIEV

Appendix 1
to Bank of Russia Regulation
№ 254-P, dated 26 March 2004,
'On the procedure for
creation of provisions
by credit institutions
for losses related
to loans
and similar debts'

LIST
OF MONETARY CLAIMS AND CLAIMS RESULTING FROM
TRANSACTIONS RELATED
TO FINANCIAL INSTRUMENTS THAT ARE RECOGNISED AS LOANS

List of Amending Documents

(as amended by Bank of Russia Ordinance № 1671-U, dated 20 March 2006,
№ 2155-U dated 19 December 2008)

For the purpose hereof, cash claims and claims resulting from transactions with financial instruments acknowledged as loans include:

granted loans (credits); invested deposits, including bank-to-bank loans (deposits, credits); and other invested assets, including claims for recovery of debt securities, shares and promissory notes, precious metals granted under a credit agreement;

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

discounted bills;

amounts paid by the credit institution to a beneficiary under the warranty, but not recovered from the principal;

cash claims of the credit institution for financing transactions with cash claims

assignment (factoring);

claims of the credit institution for acquired rights (claims) (claim assignment);

claims of the credit institution for mortgage notes acquired on the secondary market;

requirements of the credit institution for deals related to disposal (acquisition) of financial assets by the credit institution with simultaneous granting of the right of deferred payment to the counterparty (supply of financial assets;

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

claims of the credit institution against payers on paid letters of credit (with regard to unsecured export and import letters of credit);

The paragraph is invalid from 1 July 2012 – Bank of Russia Ordinance № 2155-U dated 19 December 2009.

claims of the credit institution (the lessor) against a lessee in financial lease operations.

Appendix 2
to Bank of Russia Regulation
№ 254-P, dated 26 March 2004,
‘On the procedure for
creation of provisions
by credit institutions
for losses related
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and similar debts’

APPROXIMATE LIST
OF INFORMATION FOR ANALYSIS OF A BORROWER’S FINANCIAL
POSITION

List of Amending Documents

(as amended by Bank of Russia Ordinances № 2155-U, dated 19 December 2008,
 № 2920-U dated 3 December 2012, № 2993-U dated 15 April 2013,
 № 3098-U dated 25 October 2013)

1. Official reporting data (official documents).

1.1. For a borrower which is a legal entity (except for credit institutions):

full annual accounting reports prepared on the basis of samples approved by Order of the Ministry of Finance of the Russian Federation № 66n dated 2 July 2010, 'On the forms of companies' accounting statements', registered by the Ministry of Justice of the Russian Federation on 2 August 2010 № 8023, 13 December 2011 № 22599, 4 October 2012 № 25592, 29 December 2012 № 26501 (Bulletin of Normative Acts of Federal Executive Bodies № 35, dated 30 August 2010; Rossiyskaya Gazeta dated 26 December 2011, 17 October 2012, 18 January 2013);

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

<*> Deleted. Bank of Russia Ordinance № 2993-U, dated 15 April 2013.

disclosed statements for the last three completed accounting years;

Accounting balance sheet

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

profit and loss statement as of the last reporting date;

(as amended by Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

information provided as part of the forms of the federal statistic survey to the Federal Service of State Statistics (Rosstat);

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

data related to tax reporting forms submitted to tax authorities.

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2993-U, dated 15 April 2013)

1.2. For a borrower which is a legal entity and a small business enterprise using a simplified system of taxation, accounting and reporting:

ConsultantPlus: note.

Order of the Russian Federation Ministry of Taxes and Duties № BG-3-22/606 dated 12 October 2002 is no longer valid by Order of the Ministry of Finance of the Russian Federation № 167n dated 30 December 2005.

New form of the Ledger of Income and Expenditures of Companies and Sole Traders Using the Simplified System of Taxation and Procedure for its completion are approved by Order of the Ministry of Finance of the Russian Federation № 135n dated 22 October 2012

details of income and expenditure confirmed by the Ledger of Income and Expenditures of Companies and Sole Traders Using the Simplified System of Taxation, approved by Order of the Russian Federation Ministry of Taxes and Duties № BG-3-22/606 dated 28 October 2002 (as amended) registered by the Ministry of Justice of the Russian Federation on 28 November 2002 № 3969, 17 March 2003 № 4430 (Bulletin of Normative Acts of Federal Executive Bodies dated 23 December 2002, № 51, dated 11 August 2003 № 32), a copy of which may be submitted to the credit institution;

proof of payment of the unified tax on imputed income.

1.3. For a borrower which is a credit institution:

a complete annual accounting statement drawn up in accordance with the Bank of Russia regulation on the annual report of a credit institution;

ConsultantPlus: note.

The procedure for disclosure of information about credit institution's activities is approved by Bank of Russia Ordinance № 3081-U dated 25 October 2013.

published reporting for the last three full years (for the last reporting year and the current year – annual and quarterly reporting), prepared in accordance with Bank of Russia Instruction № 1270-U dated 14 April 2003, ‘On Disclosed Statements of Credit Institutions and Banking/Consolidated Groups’, registered by the Ministry of Justice of the Russian Federation on 5 May 2003 under № 4488 (Bank of Russia Bulletin № 25 dated 15 May 2003), as well as reporting form 0409101 ‘Trial Balance Sheet on the Bookkeeping Accounts of a Credit Institution’ as of the closing date, drawn up in accordance with Bank of Russia Ordinance № 2332-U and the reporting form 040910 ‘Profit and Loss Statement of a Credit Institution’ for the last reporting date, prepared in accordance with Bank of Russia Ordinance № 385-P.

(as amended by Bank of Russia Ordinance № 2920-U, dated 3 December 2012)

1.4. For a borrower who is an individual: a statement of employment and a statement of individual earnings certified by the employer;

other documents confirming the income of the individual.

2. Information which should reasonably be taken into account, if available:

2.1. reporting drawn up in accordance with International Financial Reporting Standards;

2.2. management statements and other management information;

2.3. a budget or business plan for the current accounting year;

ConsultantPlus: note.

Composition, procedure and deadlines for the disclosure of information by issuers of security are approved by Bank of Russia Regulation № 454-P dated 30 December 2014.

2.4 a quarterly report of the securities issuer on material facts (events and operations) affecting the issuer’s financial and economic activity, drawn up in

accordance with article 30 of the Federal Law ‘On the Securities Market’ (as amended) (Collection of Legislation of the Russian Federation, 1996, № 17, art. 1918; 2002, № 52 (part II), art. 5141) and Federal Securities Market Commission regulation № 03-32/ps, dated 2 July 2003, ‘On Information Disclosure by Issuers of Issue-Grade Securities’ (as amended), registered by the Ministry of Justice of the Russian Federation on 18 September 2003 under № 5084, 2 March 2004 under № 5593 (Rossiyskaya Gazeta № 197, dated 2 October 2003), if the borrower is an issuer of securities;

2.5. cash flow data;

2.6. information on overdue receivables and payables, loans and credits not repaid in due time and the borrower’s own overdue promissory notes;

2.7. a document certifying the presence of indebtedness and investments in the shares of legal entities which are under liquidation or under bankruptcy proceedings as of the closing date, as a part of receivables, long-term and short-term financial investments;

2.8. certificates of open operating (current) accounts in credit institutions issued or confirmed by a tax authority, or bank statements of the cash balance of accounts in other credit institutions issued and confirmed by the credit institutions;

2.9. documents certifying that the borrower does not have a card register of unpaid settlement documents for all open operating (current) accounts issued by the credit institutions maintaining these accounts, as well as certificates of no indebtedness to budgets of different levels and non-budget funds issued by tax authorities;

2.10 information about important events related to the production and financial activities of the borrower that took place between the last reporting date and the date of the financial analysis of the borrower’s financial position (about facts that have resulted in a higher or lower value of assets; about facts that have resulted in a single significant increase or decrease in asset value; on facts which have caused a single material increase in net losses; on single transactions, the amount of which or the cost of property in which make up a significant part of the

borrower's assets as of the date of the transaction) (the degree of importance of events is determined in the internal documents of the credit institution);

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

2.11. other available information, including:

positive (negative) credit history, if such information was not used by the credit institution in accordance with subclauses 3.9.2 and 3.9.3 hereof. Positive credit history is taken into account, if the borrower's financial position based on other information is reasonably assessed by the credit institution as not worse than average,

(as amended by Bank of Russia Ordinance № 2155-U, dated 19 December 2008)

the paragraph is no longer valid. Bank of Russia Ordinance № 3098-U, dated 25 October 2013,

the overall condition of the business sector to which the borrower belongs,

the competitive position of the borrower in the business sector,

the business standing of the borrower and administration of a corporate borrower (the one-person executive body, members of the collective executive body and members of the board of directors),

the quality of management of the corporate borrower,

the short-term and long-term plans and development prospects of the borrower,

the degree of dependency on affiliates and independence in decision-making,

the borrower's membership in financial groups and holdings,

serious dependency on one or several suppliers and/or customers,

measures taken by the borrower for improvement of its financial position,

the borrower's engagement in legal proceedings,

information on various aspects of the borrower's activity (business area, sectoral specifics, product or service specialisation and other aspects),

the degree of dependency on governmental subsidies,

the borrower's weight on the regional level,

dependency of the borrower's operation on rising prices when purchasing

goods and services and on falling prices when selling goods and services,

the consensus of the positions of shareholders (participants) of a borrower which is a legal entity who possess five or more per cent of voting shares of the company concerning major issues of the borrower's activities, including financial and operational issues,

the probability of bankruptcy proceedings starting in the near future or the actual beginning of the bankruptcy proceedings, and/or the liquidation of the borrower,

information on the borrower's performance of obligations under other contracts and to other lenders, including loan (credit, deposit) indebtedness to residents and non-residents and obligations related to granted guarantees and/or warranties for the benefit of residents and non-residents and payments to budgets of different levels.

3. Comparative (dynamic) data on enterprises operating in a similar business environment (the same business profile, the same size), including information:

on financial stability (solvency);

on liquidity (payment capacity), including cash flow data;

on profitability (efficiency);

on business activity and development prospects of the respective market segment.

Appendix 3
to Bank of Russia Regulation
№ 254-P, dated 26 March 2004,
'On the procedure for
creation of provisions
by credit institutions
for losses related
to loans
and similar debts'

PROCEDURE
FOR ASSESSMENT OF CREDIT RISK FOR SYNDICATED LOANS

Invalid. Bank of Russia Ordinance № 3267-U, dated 30 May 2014.

Appendix 4
to Bank of Russia Regulation
№ 254-P, dated 26 March 2004,
‘On the procedure for
creation of provisions
by credit institutions
for losses related
to loans
and similar debts’

PROCEDURE
FOR ASSESSMENT OF CREDIT RISK FOR A PORTFOLIO (PORTFOLIOS)
OF SIMILAR LOANS

List of Amending Documents

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006,
№ 2155-U dated 19 December 2008)

Loans grouped in portfolios of similar loans include loans which are granted to all borrowers on standard terms determined by internal regulations of the credit institution, given that the value of each loan matches the criteria set forth in subclause 5.1 hereof.

At the discretion of the credit institution, such loans may include:

The paragraph is invalid from 1 July 2012 – Bank of Russia Ordinance № 1759-U dated 12 December 2006;

loans to individuals;

loans to small enterprises and sole traders;

other categories of loans which meet the above definition.

2. Provisions for a portfolio of similar loans are created for the whole portfolio.

3. Procedures for credit risk assessment with regard to a portfolio of similar loans are established by internal regulations of the credit institution defining its credit policy.

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

4. The amount of provisions for a portfolio of similar loans is calculated by the credit institution on the basis of professional judgment and reflects the amount of losses caused by overall devaluation of the aggregate similar loans united (grouped) in a portfolio.

5. Credit risk for and the amount of provisions for a portfolio of similar loans can be assessed using the following methods:

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

The paragraph is invalid from 1 July 2012 – Bank of Russia Ordinance № 1759-U dated 12 December 2006;

assessment of probable losses related to the portfolio of similar loans based on information about the amount of losses related to a group of similar loans for a past period ensuring comparability of all significant factors related to the type and volume of loans, borrower's activity environment and other circumstances;

(as amended by Bank of Russia Ordinance № 1759-U, dated 12 December 2006)

consideration of various factors related to the borrowers' qualifications (for example, the period of time for which the loans are granted and the quality of credit history) and current economic environment of their operation.

The given list of methods is not exhaustive.

6. Based on the results of a past period analysis of information about the ratio of loans that are overdue or written off and/or subject to be written off within a group of similar loans or actual losses for the group of similar loans, the credit

institution may form a scale for assessment of the credit risk and/or the degree of impairment of the portfolio of similar loans depending on the share of overdue or bad loans in the group of similar loans or actual losses for the group of similar loans. Should the scale be formed, it is used for assessment of the credit risk for the respective portfolio of similar loans and/or degree of impairment of the portfolio. Reference information for creating a credit risk assessment scale may include data on current, restructured (extended), duly paid and overdue loans and loans regarded by the credit institution as bad.

(as amended by Bank of Russia Ordinances № 1759-U, dated 12 December 2006 and № 2155-U, dated 19 December 2008)

Appendix 5
to Bank of Russia Regulation
№ 254-P, dated 26 March 2004,
‘On the procedure for
creation of provisions
by credit institutions
for losses related
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and similar debts’

MINIMAL LIST
OF FACTORS INDICATING
THAT AN INSTITUTIONAL BORROWER MAY NOT PERFORM ACTUAL
ACTIVITIES
OR ITS AMOUNT IS INSIGNIFICANT

List of Amending Documents

(this paragraph was inserted pursuant to Bank of Russia Ordinance № 2993-U,
dated 15 April 2013)

1. Minimal list of factors indicating that the institutional borrower may not perform practical activities or its amount is insignificant.

1.1. More than 10 times in excess of the amount of an unsecured loan or a loan, the security of which is not the security of quality category I, issued to an institutional borrower, as well as security of quality category II in the form of guarantees (sureties), pledge of securities, real estate pledge specified in chapter 6 hereof, over the amount of average quarterly proceeds of the borrower obtained for the last 12 calendar months until the date of the loan assessment (or a shorter period for legal entities registered during the last 12 calendar months). When determining the institutional borrower's proceeds indicator, it is permitted to use consolidated reports of the borrower's group prepared on the basis of Russian or international standards and disclosed to an unlimited number of persons.

1.2. The borrower, as of the last reporting date, does not have fixed assets either belonging to the borrower or being used on the basis of a contract or other property that is required for activities (production capacity, warehouses, vehicles, points of sale, office premises and so on), as well as pledged assets.

1.3. When a loan is issued by a credit institution to an institutional borrower which is not a financial institution holding a licence to perform the respective activities in its own name and at its own expense, more than 70 per cent of whose assets, as of the last reporting date, are receivables (except for receivables arising from goods purchase contracts, leasing contracts and/or financing contracts for a cash claim assignment), loans, securities, contributions to the authorised capital of other legal entities and other financial investments.

1.4. The borrower's failure to provide statements to the credit institution for bank accounts opened with other credit institutions or other documented data about the size of activities and main contractors of the borrower when turnover on accounts opened with the credit institution is incomparable with the amount of issued loans.

1.5. The borrower's operations at the lending bank that lack evident economic

sense (confused or unusual).

1.6. Change of the borrower's one-person executive body three or more times in the last calendar year.

1.7. The borrower's unavailability at the location specified in the constitutional documents or at the declared actual location.

1.8. Repeated loss by the borrower of documents of title, primary accounting documents, original copies of contracts or delays in recovering the lost documents over the last three years during the period of lending to the borrower's.

1.9. Registration of the borrower, which is not the owner or tenant of premises for more than 1 year, at the address specified during the state registration as the location of several legal entities in accordance with the data posted on the official website of the Federal Tax Service.

1.10. Change of the place of registration for tax purposes more than 2 times during a calendar year (except for cases when such change results from the reorganisation of tax authorities).

1.11. Execution by one person of the duties of the one-person executive body in several organisations (without taking into account the legal entities that are part of a single group pursuant to Federal Law № 135-FZ 'On protection of competition' dated 26 July 2006 (Collection of Legislation of the Russian Federation, 2006, № 31, art. 3434; 2007, № 49, art. 6079; 2008, № 18, art. 1941; № 27, art. 3126; № 45, art. 5141; 2009, № 29, art. 3601, art. 3610; № 52, art. 6450, art. 6455; 2010, № 15, art. 1736; № 19, art. 2291; № 49, art. 6409; 2011, № 10, art. 1281; № 27, art. 3873, art. 3880; № 29, art. 4291; № 30, art. 4590; № 48, art. 6728; № 50, art. 7343; 2012, № 31, art. 4334; № 53, art. 7643), as well as in the borrower's organisation.

1.12. No chief accountant position or accounting service in the borrower's organisation, except for cases when accounting is performed by contracted, specialised organisation (audit firm) or an accounting specialist (individual auditor) or the organisation's director performs the accounting procedures in person.

1.13. There are no other employees in the borrower's organisation, except for

the director and chief accountant.

1.14. No actual payments to employees for more than three months or the amount of payments is less than the official living wage prescribed in the constituent entity of the Russian Federation at the location of the borrower's registration, calculated for one employee.

2. Circumstances specified in subclauses 1.11–1.14, clause 1 hereof may not be recognised as circumstances indicating the possible absence of actual activities or its insignificant volume by the internal documents of the credit institution with respect to small businesses under Federal Law № 209-FZ dated 24 July 2007 'On Development of Small and Medium-Sized Enterprises in the Russian Federation' (Collection of Legislation of the Russian Federation, 2007, № 31, art. 4006; № 43, art. 5084; 2008, № 30, art. 3615, art. 3616; 2009, № 31, art. 3923; № 52, art. 6441; 2010, № 28, art. 3553; 2011, № 27, art. 3880; № 50, art. 7343).
